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# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



*Correspondence Scan Errors and  
Image System Limitations Can  
Delay Resolution of Taxpayer Cases*

**September 6, 2013**

**Reference Number: 2013-40-105**

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

**Redaction Legend:**

1 = Tax Return/Return Information

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## HIGHLIGHTS

### **CORRESPONDENCE SCAN ERRORS AND IMAGE SYSTEM LIMITATIONS CAN DELAY RESOLUTION OF TAXPAYER CASES**

## Highlights

**Final Report issued on September 6, 2013**

Highlights of Reference Number: 2013-40-105 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

### **IMPACT ON TAXPAYERS**

The Correspondence Imaging System (CIS) was designed to automate taxpayer-generated correspondence by scanning paper documents into electronic images. Problems with the correspondence scanning processes can result in errors that can lead to delays and inequitable treatment of taxpayers. Enhancements to the CIS are needed to improve case processing.

### **WHY TIGTA DID THE AUDIT**

This audit was initiated to determine whether the CIS effectively and efficiently processes and manages correspondence that taxpayers submit to the IRS to comply with their tax responsibilities.

### **WHAT TIGTA FOUND**

The IRS's Image Control Team (ICT) units scanned more than 8.1 million pieces of paper correspondence into the CIS during Fiscal Year 2012. While the IRS has taken steps to measure the timeliness of correspondence scanning, its processes to convert paper correspondence into electronic images result in errors. These errors can affect the timely resolution of cases and can delay the IRS's ability to provide efficient case resolution to taxpayers. In addition, identity theft correspondence is not always linked to existing cases in the CIS, which creates multiple cases and can result in different employees working with the same taxpayer and taking conflicting actions to resolve the taxpayer's case.

TIGTA also found that case process limitations with the CIS's ability to identify and reassign over-age inventory can result in inequitable treatment of taxpayers. Finally, the Accounts Management function's process for tracking CIS enhancement suggestions is inadequate.

### **WHAT TIGTA RECOMMENDED**

TIGTA recommended that the IRS ensure that employees perform required cursory reviews of their scans and that managerial reviews of the scanning process include verification of the quality of the scanned documents. In addition, the Embedded Quality Review System should be used to monitor the quality of work performed by the ICT units, and the IRS should establish procedures to ensure that all scanner maintenance contract service appointments are routinely conducted.

To address CIS case process limitations and over-age case inventories, the IRS should ensure that managers monitor team inventories and reassign inventory when time standards are exceeded, and ensure that Planning and Analysis staff and managers at submission processing sites review weekly case inventory reports and reassign cases to ensure that the oldest cases are worked first. Lastly, the IRS should refine the process to solicit and track CIS system enhancement suggestions.

The IRS agreed to take corrective actions to address our recommendations. It plans to forward reminders to all sites stressing the importance of following scan-review procedures and implement supplemental procedures at each campus to ensure that managerial reviews are performed on a regular and timely basis. As part of the IRS's reorganization of the ICT units in Fiscal Year 2014, the IRS plans to evaluate the quality review and monitoring needs of the program and take necessary actions. The IRS also plans to issue an alert to the sites advising them of scheduled maintenance visits; ensure that site review procedures reflect the expectation that inventory levels will be regularly reported to the campus director; develop a consistent process for monitoring the site Automated Age Listings; and issue reminders to CIS users to outline the processes for submitting CIS enhancement suggestions.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

September 6, 2013

**MEMORANDUM FOR** COMMISSIONER, WAGE AND INVESTMENT DIVISION

**FROM:**

Michael E. McKenney  
Acting Deputy Inspector General for Audit

**SUBJECT:**

Final Audit Report – Correspondence Scan Errors and Image System  
Limitations Can Delay Resolution of Taxpayer Cases  
(Audit # 201340003)

This report presents the results of our review to determine whether the Correspondence Imaging System is effectively and efficiently processing and managing taxpayer correspondence. This audit is included in the Treasury Inspector General for Tax Administration's Fiscal Year 2013 Annual Audit Plan and addresses the major management challenge of Providing Quality Taxpayer Service Operations.

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

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. Please contact me if you have questions or Russell P. Martin, Acting Assistant Inspector General for Audit (Returns Processing and Account Services).



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*Correspondence Scan Errors and Image System  
Limitations Can Delay Resolution of Taxpayer Cases*

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*Correspondence Scan Errors and Image System  
Limitations Can Delay Resolution of Taxpayer Cases*

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*Abbreviations*

CIS	Correspondence Imaging System
CSR	Customer Service Representative
FY	Fiscal Year
ICT	Image Control Team
IRS	Internal Revenue Service
SSN	Social Security Number
TIGTA	Treasury Inspector General for Tax Administration



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## *Correspondence Scan Errors and Image System Limitations Can Delay Resolution of Taxpayer Cases*

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### *Background*

The Internal Revenue Service (IRS) processes individual and business taxpayer correspondence and tax forms at 10 submission processing sites<sup>1</sup> located nationwide,<sup>2</sup> including taxpayer-generated letters, responses to tax notices, amended tax returns, and claims documents.<sup>3</sup> IRS customer service representatives (CSRs) and tax examiners located at these sites handle millions of cases associated with the correspondence received and processed.

Correspondence is processed by CSRs from the Accounts Management function within the Wage and Investment Division using the Correspondence Imaging System (CIS). This system is designed to automate the handling of incoming correspondence and reduce the time needed to resolve taxpayer requests. Once received, correspondence is routed to the Image Control Team (ICT) unit, where the documents are stamped with a received date and tracking information such as the tax period, Social Security Number (SSN), document type, and category code<sup>4</sup> is researched for inclusion with the correspondence. Finally, separation sheets are inserted between each taxpayer's correspondence before the documents are scanned into electronic images for inclusion in CIS case folders. These case folders can then be accessed by CSRs and other IRS employees who work the cases.

During Fiscal Year<sup>5</sup> (FY) 2012, ICT units scanned correspondence relating to more than 8.1 million documents received into the CIS (each scan can be one or more pages depending on what the taxpayer sends to the IRS). Figure 1 provides the correspondence volumes scanned into the CIS for FYs 2010 through 2012.

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<sup>1</sup> Submission Processing sites are the data processing arm of the IRS that process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.

<sup>2</sup> Fresno, California; Atlanta, Georgia; Andover, Massachusetts; Kansas City, Missouri; Brookhaven, New York; Cincinnati, Ohio; Philadelphia, Pennsylvania; Memphis, Tennessee; Austin, Texas; Ogden, Utah.

<sup>3</sup> A claims document received from a taxpayer is one that supports a claim for relief such as a loss carryback claim, a disaster claim, or an injured spouse claim.

<sup>4</sup> The category code is a four-digit number that denotes the type or source of an adjustment and affects which Adjustments function unit works the case.

<sup>5</sup> A 12-consecutive-month period ending on the last day of any month. The Federal Government's fiscal year begins on October 1 and ends on September 30.



## Correspondence Scan Errors and Image System Limitations Can Delay Resolution of Taxpayer Cases

**Figure 1: Correspondence Volumes Scanned Into the CIS**

	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Volume of Scans	8,468,417	7,482,013	8,129,721

Source: IRS management information reports.

As of September 30, 2012, there were a total of 914,331 open cases in the CIS inventory for individuals. An open case is one that has not been resolved. Figure 2 lists the categories of the open cases in the CIS.

**Figure 2: Categories of Open Cases in the CIS as of September 30, 2012**

Correspondence Type	Volume	Description of Correspondence
Identity Theft	510,192 (55.8 percent)	This category involves correspondence received from taxpayers to resolve instances in which another person used their SSN for fraudulent tax-related purposes or taxpayers who may be at a heightened risk of having their SSN misused.
Other	157,439 (17.2 percent)	This category involves correspondence received related to other issues, such as claims for loss carrybacks, injured spouse, or health care tax credits, or cases being worked by the Taxpayer Advocate Service.
Responses to IRS Requests	107,448 (11.8 percent)	This category involves general correspondence written in response to IRS-issued correspondence or sent to initiate contact with the IRS.
Duplicate Filings	80,308 (8.8 percent)	This category involves multiple use of the same SSN and a determination is underway as to whether the case should be categorized as identity theft or a mistake.
Amended Returns	58,944 (6.4 percent)	This category involves taxpayers who submit a revised tax return.

Source: CIS Inventory Reports for FY 2012. These cases are for individuals only, not businesses.

In addition to automating the handling of incoming correspondence and reducing the time needed to resolve taxpayer requests, the IRS indicates that the CIS provides additional benefits that assist in the effective and efficient processing of taxpayer correspondence that include:

- Generating letters to taxpayers to acknowledge receipt of their correspondence and inputting actions to the taxpayers' accounts (e.g., stopping unwarranted balance due



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notices from being issued while the taxpayer's case is being worked). The system also provides for automatic generation and recordation of interim letters when cases are not resolved within 30 calendar days of receipt.

- Enabling CSRs at different locations to access information needed to resolve a taxpayer's case.
- Reducing the time it takes correspondence to reach the CSRs for resolution.
- Providing an inventory management system that allows for more immediate analysis and control of workload that tracks and monitors inventory and receipts in real time and making available up-to-the-minute reports for any level of the organization by document type and age.
- Allowing CSRs to access closed case images to assist with subsequent taxpayer contacts.

### **A prior Treasury Inspector General for Tax Administration (TIGTA) review identified concerns with the timeliness of scanning correspondence and inaccurate data in the CIS**

In March 2007, we reported<sup>6</sup> delays in the IRS's scanning of some correspondence into the CIS. Only 62 percent of all CIS cases had been controlled in the system within the IRS's 14-calendar-day requirement. We also found that the CIS included inaccurate and incomplete data. To improve management's ability to track and analyze the timeliness of CIS processing, we recommended that the IRS add an ICT Received Date (date correspondence was received for scanning in the unit) field in the CIS database and require that a date stamp be used at all sites to record the date. The IRS agreed with our recommendations to track timeliness and to address inaccurate CIS data management, and indicated that they would initiate a formal quality review process that includes a review of cases to help ensure the accuracy of CIS information and completeness of cases.

Our current review was performed at the submission processing sites in Fresno, California; Atlanta, Georgia; Andover, Massachusetts; and Austin, Texas, and at the offices of the CIS administrators in Austin, Texas, during the period October 2012 through May 2013. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.





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### *Results of Review*

The IRS has taken corrective actions to address concerns about the timeliness of scanning correspondence that we raised in our prior report. The IRS added an ICT Received Date field to the CIS and requires all sites to stamp the date received on correspondence to track and analyze the timeliness of CIS processing. However, there is still inaccurate and incomplete data in the CIS. A significant number of cases still contain errors, and documents scanned into the CIS are often incomplete, illegible, or inaccurate. Once scanned, correspondence is not always linked to existing taxpayer cases in the CIS, which results in some taxpayers with multiple CIS case folders. In addition, system limitations result in the inability of the IRS to efficiently work taxpayer cases and effectively monitor the processing of case inventory. Finally, the process to maintain and track CIS enhancement requests is not adequate.

The problems we identified increase taxpayer dissatisfaction with how their correspondence is processed by the IRS. For example, the IRS's Customer Satisfaction Survey results for taxpayers who sent correspondence to the IRS in FYs 2011 and 2012 indicate that 21 percent of the taxpayers were dissatisfied with their experience when corresponding with the IRS by mail. Of those who reported being dissatisfied, 52 percent reported being very dissatisfied in FY 2011 and 50 percent were very dissatisfied in FY 2012. Taxpayers commented that the IRS made numerous requests for the same information, correspondence they had sent to the IRS was lost or sent to the wrong function, and correspondence was passed off to numerous CSRs, which results in confusion and long delays.

### ***Correspondence Scanning Processes Result in Errors***

Our comparison of a judgmental sample<sup>7</sup> of 118 paper documents received from taxpayers during the week of October 15, 2012, and the week of November 12, 2012, to the images scanned into the CIS identified that 28 (24 percent) had one or more scan errors. These errors can affect the timely resolution of cases and delay the CSR's ability to provide efficient case resolution to taxpayers. For example, errors can result in the need for the CSR to request the same information previously provided, delay the issuance of refunds, change the order in which cases are worked, or result in the incorrect calculation of interest owed to taxpayers. Figure 3 provides the types of errors we identified.

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<sup>6</sup> TIGTA, Ref. No 2007-40-047, *The Correspondence Imaging System Helps Manage Taxpayer Correspondence, but There Are Delays in the Scanning Process* (Mar. 2007).

<sup>7</sup> A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.



## Correspondence Scan Errors and Image System Limitations Can Delay Resolution of Taxpayer Cases

**Figure 3: Scan Errors Identified in a Sample of CIS Cases Reviewed by TIGTA**

Number of	Type of Error Identified
20	Scanned documentation had missing ICT Received Date stamps and incorrect or incomplete case tracking information, including incorrect tax periods, SSNs, document types, and category codes.
5	Scanned documentation was illegible in the CIS but legible on the paper copy provided by the taxpayer. See Appendix IV for an example of an illegible scanned document.
2	Scanned documentation had an incorrect IRS Received Date.
1	Scanned documentation included documents not related to the taxpayer's current case.
1	Correspondence was not scanned into the CIS.

*Source: TIGTA analysis of sampled paper documents scanned into the CIS.*

### **CSRs also report errors with scanned correspondence**

CSRs rely on the scanned correspondence in the CIS to resolve taxpayer cases. The scanned correspondence is used to make adjustments to taxpayers' accounts, answer taxpayer inquiries, and resolve other tax matters. We randomly selected 127 CSRs from four IRS submission processing sites to participate in a survey to assess the efficiency and effectiveness of the CIS. Figure 4 summarizes the responses provided by the CSRs.

<sup>8</sup> Total errors exceed the number of cases due to one case having more than one error.



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**Figure 4: CSR Survey Results on the Effectiveness and Efficiency of the CIS**

Question	Customer Service Representative Response
How often would you say that your CIS case contains scanned images that are not legible?	41 (32 percent) CSRs indicated that often their case files contain documents that are illegible. This results in the need to contact the taxpayer for another copy. Identity documentation, including copies of driver's licenses (critical to resolving identity theft cases), are most often illegible.
Are there ever any pages missing? For example, page two of a three page document is blank or missing?	14 (11 percent) CSRs indicated that often pages are missing in the cases they work.
How often is the IRS Received Date for your cases not correct?	22 (17 percent) CSRs indicated that they often determine that the IRS Received Date for the case is incorrect.
How often do you find that another correspondence unrelated to the case is incorrectly included?	12 (9 percent) CSRs indicated that often the cases contain information from more than one unrelated case. One CSR provided an example of 15 different taxpayer cases that were combined into one case.
How often is the category code not correct when you receive the case?	19 (15 percent) CSRs indicated that often the correspondence is miscoded, which causes it to be forwarded to an incorrect unit in the Adjustments function to be worked.

*Source: TIGTA survey of 127 CSRs from four IRS submission processing sites.*

Many of the errors we identified and CSRs cited in survey responses result from ICT unit employees not performing required cursory reviews. IRS guidance requires ICT unit employees to view the scanned images of each document in each batch in order to verify that the documents were scanned properly. In addition, we found that ICT unit employees override CIS quality control alerts. The CIS scanners provide a quality control alert to ICT unit employees when cases are created with correspondence from more than one taxpayer. However, the system allows employees who receive these alerts to override them without resolving the errors before the cases are released into the CIS database.

In addition, managerial reviews were not always being performed to ensure that scanned correspondence was legible. Managers are generally required to review three activities per employee per month and can select from the following categories: document preparation, scanning, validation, or error resolution. However, some managers do not select the quality of scanning for their reviews. We also found that the Wage and Investment Division does not use the IRS's Embedded Quality Review System to evaluate and monitor the performance of the



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ICT units. This system is designed to capture performance data and generate management reports for planning and training purposes as well as for evaluative purposes. Accounts Management officials agreed that using this review system to monitor the ICT units would be an important improvement.

### **CIS maintenance visits were not always routinely conducted**

The scanners are not always being properly maintained to ensure that scanning produces legible images in the CIS and system interruptions are minimized. For FY 2012, the IRS spent more than \$320,000 for scanner preventive maintenance visits. However, the Accounts Management function has not implemented a control to ensure that every ICT unit takes advantage of routine maintenance services. For example, maintenance visits were not always conducted in FY 2012 for three of 10 ICT unit sites because management did not ensure that the visits were routinely conducted. In these three sites, six (14 percent) of the 44 scheduled visits were missed. These maintenance visits are essential to the proper performance of the CIS because they include:

- Removal of dust and debris that can cause circuit boards to overheat and power supplies to fail.
- Roller cleaning for smoother, steadier document flow.
- Optics calibration to fine-tune image quality and performance.

### **Identity theft correspondence is not always linked to existing cases in the CIS**

In May 2012, we reported<sup>9</sup> that procedures did not require employees in the ICT unit to research the CIS when scanning documents in an attempt to associate the documentation with an existing case for the same taxpayer. We found that ICT unit employees do not always screen documents appropriately to determine if they belong to an open case or if a new case should be opened. As a result, multiple cases are opened for one taxpayer or one taxpayer's case or cases being assigned to more than one assistor. Our concerns were based on limited observations made during a review of IRS assistance to victims of identity theft. We recommended that the IRS revise its procedures to require that this research and association be performed. The IRS agreed and stated that it would take corrective action by October 2012.

As shown in Figure 2, the largest category of cases open in the CIS relate to identity theft. To better assess the extent to which identity theft correspondence is not being associated with existing taxpayer cases in the CIS, we reviewed a statistical sample of 100 taxpayer identity theft cases closed by the Accounts Management function between August 1, 2011, and July 31, 2012.

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<sup>9</sup> Treasury Inspector General for Tax Administration, Ref. No. 2012-40-050, *Most Taxpayers Whose Identities Have Been Stolen to Commit Refund Fraud Do Not Receive Quality Customer Service* (May 2012).



## Correspondence Scan Errors and Image System Limitations Can Delay Resolution of Taxpayer Cases

We identified that 59 (65 percent)<sup>10</sup> of the taxpayers involved had multiple cases that should have been linked. Figure 5 provides a breakdown of the number of separate identity theft cases in the CIS for each of these 59 taxpayers.

**Figure 5: Analysis of Cases  
Associated With 59 Taxpayers**

Number of Taxpayers	Number of Cases per Taxpayers in CIS
4	2
12	3
22	4
12	5
5	6
3	7
1	8

*Source: TIGTA analysis of 59 taxpayers with multiple identity theft cases that were not linked in the CIS.*

Based on the sample results, we project<sup>11</sup> that 46,301 taxpayers could have multiple cases that are not linked in the CIS. As previously stated, there are multiple cases because processes and procedures do not require ICT unit employees to research the CIS for existing cases to associate scanned correspondence. It should be noted that the cases we reviewed as part of this audit were scanned into the CIS prior to the corrective action implementation date of October 2012. However, as we have shown in this review, the extent to which taxpayers have multiple cases that are not linked in the CIS is significant. Finally, the IRS's response to our May 2012 report does not clearly state the actions it was going to take to address this problem. In response to our prior recommendation, IRS management stated:

*The IRS agrees with the need to decrease multiple open cases. Accounts Management is piloting processes associated with research products requiring an upload to CIS. Specifically targeted are the additional requests for returns and*

<sup>10</sup> For nine of 100 identity theft cases sampled, the CIS contained only one case folder and therefore would not be required to be linked. The percentage is calculated using 91 cases with multiple CIS cases that were not linked as the base.

<sup>11</sup> Projection calculation is based on 91 of 100 taxpayers sampled.



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*transcripts that are often associated with multiple controls. We anticipate that the processes tested during the pilot will reduce the number of multiple controls. Additionally, as the identity theft process continues to evolve, case resolution timeframes will decrease, leading to a natural reduction in the number of multiple cases.*

To clarify this issue, management stated that they have assigned more experienced employees to the ICT unit who screen identity theft documents to ensure that correspondence when received is associated with existing taxpayer CIS cases.

### ***Recommendations***

The Commissioner, Wage and Investment Division, should:

**Recommendation 1:** Ensure that ICT unit employees perform required cursory reviews of their scans and are not permitted to override CIS quality control alerts without effective resolution of the error identified.

**Management's Response:** The IRS agreed to take corrective actions. Random reviews of the scanning process are conducted by visually monitoring the scanning of documents to ensure the quality of the process and that any system bypasses are solved or are appropriate under the circumstances. The CIS also creates a report of randomly selected images for review that is used in the quality assurance process. Reminders will be forwarded to all sites stressing the importance of following review procedures while scanning, as well as the importance of conducting the required quality reviews. Procedures will be implemented to provide for the secondary review at each campus location to ensure that managerial reviews are being performed on a regular and timely basis. Adherence to these procedures will also be addressed during Headquarters reviews of campus operations.

**Recommendation 2:** Ensure that managerial reviews in the ICT units are performed to include a verification of the quality of the scanned documents. This verification should include a comparison of the original document to the scanned image to ensure legibility.

**Management's Response:** The IRS agreed to take corrective actions. A reminder will be issued to all sites to stress the importance of adhering to existing review requirements during the scanning process. Supplemental procedures will be implemented to provide for the secondary review at each campus location to ensure that managerial reviews are being performed on a regular and timely basis. Adherence to these procedures will also be addressed during Headquarters reviews of campus operations.

**Recommendation 3:** Implement the Embedded Quality Review System process to track and monitor the quality of work performed by the ICT units.





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**Management's Response:** The IRS agreed to take corrective actions. The ICT units will be reorganized in FY 2014 to the Submission Processing function, which does not use the Embedded Quality Review System. As a part of the transition, the IRS will evaluate the quality review and monitoring needs of the program, determine if an effective tracking mechanism exists, and take necessary actions based on the outcome of the evaluation.

**Recommendation 4:** Establish procedures to ensure that all scanner maintenance contract service appointments are routinely conducted.

**Management's Response:** The IRS agreed with this recommendation and will maintain a log of scheduled visits along with any upcoming visits. Points of contact will be established with each of the campuses and reminder notifications will be issued to the contacts and the appropriate department managers. Additionally, the IRS will issue an alert to the sites advising them of the importance of the scheduled maintenance visits and the need for proper documentation of each visit.

### **Enhancements to the Correspondence Imaging System Are Needed to Improve Case Processing**

Limitations with the CIS's ability to identify and reassign over-age inventory can result in the inequitable treatment of taxpayers. In addition, although employees suggest enhancements to the CIS, the Accounts Management function's process to maintain and track the enhancement suggestions is not adequate.

#### **The CIS does not systemically identify and reassign over-age case inventory**

Of the 123 CSRs we surveyed, 103 (84 percent) reported that the case inventory they were assigned was larger than levels established by IRS guidelines. For example, 14 (11 percent) CSRs reported that they typically have at or above 400 cases in their inventory despite IRS guidelines that state a CSR's case inventory should generally be limited to a maximum of 50 cases. IRS management agreed that there are times when cases assigned to CSRs may exceed 50. These excessive case inventories are caused by the high volume of cases to be worked and managers' inappropriate assignment of cases to CSRs whose inventory is already above the maximum limit established by the IRS.

IRS guidelines require CSRs to work their oldest cases first after priority cases are resolved. A priority case is correspondence that is expedited such as Operations Assistance Requests (Form 12412) or disaster claims. Generally, the IRS defines an over-age case as a case that is not resolved within 45 days of the IRS receipt of the correspondence. This requirement is intended to ensure that taxpayers are provided with timely service in an equitable manner.

The CIS systemically distributes most cases based on the type of case and the skills of the CSRs. The National Inventory Control Manager assigns the remaining cases such as identity theft,



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based on volume percentages, to the submission processing sites. The inventory control managers at the sites then assign the cases to CSR group queues or to a specific CSR. However, once the cases are assigned to a CSR at a submission processing site, the CIS does not have the systemic capability to identify over-age inventory imbalances and reassign the cases to other submission processing sites and/or CSRs in bulk. This inability results from the Accounts Management function's lack of enhancement to the CIS with needed case management capabilities. As a result, taxpayer cases could be inequitably resolved. As a hypothetical example:

*Taxpayer A's case is received on April 30 and is assigned to a CSR in the Philadelphia, Pennsylvania, Submission Processing site. Taxpayer B's case is also received on April 30 but is assigned to a CSR located at the Andover, Massachusetts, Submission Processing site. Taxpayer B's case is resolved within the required 30 days. However, Taxpayer A's case remains in the CSR's inventory at the Philadelphia site, case processing is delayed, and the case is not resolved within 30 days. Taxpayer C's case is received May 30 and is assigned to a CSR at the Andover site. This case is immediately worked and resolved while Taxpayer A's case is still in inventory at the Philadelphia site.*

*The CIS does not have the systemic capability to allow IRS officials to identify that Taxpayer A's case is not being timely worked and reassign the case to another site for processing before the other site works a new case (Taxpayer C's case). As such, taxpayers receive inequitable service with respect to the time frames in having their cases resolved.*

Our analysis of cases in CIS inventory at each of the 10 submission processing sites between January 5 and March 30, 2013, identified three submission processing sites (Austin, Fresno, and Philadelphia) that had consistently high levels of over-age case inventory, while the other submission processing sites had little over-age inventory. For example, over-age case inventory in the Philadelphia Submission Processing site exceeded 35 percent for all 13 weeks, while the Andover Submission Processing site's over-age inventory did not exceed 35 percent for any of the 13 weeks. Figure 6 provides our analysis of the over-age inventories exceeding 35 percent for the 13-week period.





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**Figure 6: Number of Weeks the Over-Age  
Case Inventory Exceeded 35 Percent**

Submission Processing Site	Number of Weeks
Fresno, California	11
Atlanta, Georgia	0
Andover, Massachusetts	0
Kansas City, Missouri	0
Brookhaven, New York	1
Cincinnati, Ohio	0
Philadelphia, Pennsylvania	13
Memphis, Tennessee	0
Austin, Texas	11
Ogden, Utah	0

*Source: TIGTA analysis of inventory for the 13-week period starting January 5, 2013, through March 30, 2013. Data were obtained from the Accounts Management Inventory Reports on the Joint Operations Center website.*

Because the CIS system does not provide the systemic capability to identify and reassign over-age case inventory, IRS management is required to obtain CIS case inventory and over-age case inventory data from the Integrated Data Retrieval System.<sup>12</sup> These data are generated weekly and not daily as needed by CSR managers. Furthermore, although IRS officials informed us that front-line managers and Planning and Analysis function staff at the submission processing sites should be reviewing these weekly reports and rebalancing inventories as needed, it does not appear this is occurring because there are imbalances in over-age inventory among the various submission processing sites.

**CIS enhancement suggestions were not maintained and tracked**

The IRS has established a process by which managers and employees can submit CIS enhancement suggestions to the Accounts Management function to improve system functionality. However, the Accounts Management function's process to maintain and track these enhancement suggestions is inadequate.

The Accounts Management function previously maintained a database that tracked enhancement suggestions, but this database was corrupted more than two years ago. Many of the suggestions maintained at that time were lost. The IRS was able to recover some of the enhancement

<sup>12</sup> IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.



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suggestion information. However, other suggestions could not be restored, and a replacement database was not created. In addition, the information that was reconstructed did not provide key information needed by management, such as who submitted the request and when or what actions were taken.

In January 2013, the IRS implemented a new process using a suggestion form that employees complete and forward to management. The new process requires management to transcribe the information from the suggestion forms into a spreadsheet which is used to track the suggestions and their dispositions. However, management could not provide documentation of any CIS enhancement suggestions initiated or tracked under this new process.

### ***Recommendations***

The Commissioner, Wage and Investment Division, should:

**Recommendation 5:** Develop operational review requirements to ensure that managers are monitoring team inventories and reassign inventory when CSR inventory standards are exceeded.

**Management's Response:** The IRS agreed to take corrective actions. The Accounts Management Program Letter provides standard guidance regarding CSR inventory queues by stating that such queues will be no greater than 50 cases. However, for specialized programs, site management will consider the number of technicians per program and the volume of suspended cases when determining the optimum CSR queue level. Site review procedures will reflect the expectation that inventory levels are regularly reported to the campus director. Further, the program letter will be updated to ensure that site inventory reconciliations are reported to Headquarters on a quarterly basis.

**Recommendation 6:** Ensure that Planning and Analysis function staff and inventory control managers at submission processing sites review weekly Integrated Data Retrieval System case inventory and over-age inventory reports and reassign cases in an effort to ensure that inventories are balanced and the oldest cases are worked first.

**Management's Response:** The IRS agreed with this recommendation and is developing a consistent process for monitoring the site Automated Age Listings. Headquarters staff will meet with campus staffs on a quarterly basis to ensure that the necessary Automated Age Listing reviews are completed and help to identify any reassignment opportunities among the sites.

**Recommendation 7:** Refine the process to solicit and track CIS system enhancements. This process should include ensuring that users are aware of the process to submit enhancement suggestions as well as ensuring that key information needed by management, such as who submitted the request and when or what actions were taken, is tracked.



*Correspondence Scan Errors and Image System  
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**Management's Response:** The IRS agreed with this recommendation and will ensure that the necessary information is captured. Reminders will be issued to all users to outline the processes for submitting CIS enhancement suggestions.



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## **Appendix I**

### *Detailed Objective, Scope, and Methodology*

Our overall objective was to determine whether the CIS is effectively and efficiently processing and managing taxpayer correspondence. To accomplish our objective, we:

- I. Determined the effectiveness of the process to convert paper correspondence to electronic images in the CIS and ensure that the resulting information is complete and accurate for use by CSRs in resolving correspondence matters in a manner that is the least costly to the IRS and the least burdensome to taxpayers.
  - A. Obtained and reviewed documentation of guidance followed by ICT unit employees.
  - B. Evaluated whether ICT unit employees and CIS users receive sufficient training.
  - C. Conducted a walk-through of the ICT units in three submission processing sites located in Fresno, California; Andover, Massachusetts; and Austin, Texas.
  - D. Determined the number of category codes used and their purposes. In addition, we determined whether the codes are used for reporting and whether the resulting reports provide management with accurate and relevant information; for example, for case assignment and inventory tracking. We also determined whether CIS cases are correctly linked.
    1. Based on discussions with the TIGTA contract statistician, we selected a statistically valid sample of 100 accounts from a population of 78,477 identity theft accounts for the period August 1, 2011, through July 31, 2012. The population of identity theft accounts was identified from a Master File<sup>1</sup> extract where accounts showed a Transaction Code 971, Action Code 501, input by the Accounts Management function. We used an expected error rate of 7 percent, a precision rate of  $\pm 5$  percent, and a confidence interval of 95 percent to select the statistical sample. The extract includes revisions to IRS procedures effective July 22, 2011, to have Transaction Code 971, Action code 522, input to the taxpayer account when information reporting identity theft is submitted by the taxpayer. We used a statistical sample so that we could project our results to the population of identity theft cases. We validated a judgmental sample of cases and verified that the data elements extracted matched the taxpayer account information on the IRS's Integrated Data Retrieval System.

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<sup>1</sup> The IRS database that maintains transactions or records of individual tax accounts.



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2. Reviewed the sampled cases to determine the extent to which identity theft correspondence is not being associated with existing taxpayer cases in the CIS.
- E. Identified and evaluated the management information reports generated to ensure that they are accurate and complete and provide sufficient information for oversight.
- F. Interviewed program officials to determine processes for CIS program oversight, future plans, and equipment maintenance.
- G. Determined if correspondence is being entered to the CIS accurately, completely, and legibly. We selected judgmental samples of 65 documents from the Austin ICT unit during the week of October 15, 2012, and 65 documents from the Fresno ICT unit during the week of November 12, 2012. Due to history items not being retained, only 53 of the 65 documents selected from the Fresno ICT unit are included in our results. A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population. We used judgmental sampling because we did not plan to project our results to the population of all correspondence scanned by the CIS.
- H. Surveyed randomly selected CSRs at the Fresno, California (30); Atlanta, Georgia (37); Andover, Massachusetts (30); and Austin, Texas (30), Submission Processing sites to assess satisfaction with CIS information when resolving cases and obtain ideas on ways of improving the system.
- I. Determined whether there are any customer satisfaction surveys related to the taxpayer experience with the IRS correspondence process and assessed how results are used to drive program direction and improve taxpayer experiences.
- II. Determined whether the IRS process for converting paper correspondence to electronic images stored on the CIS is efficient and the least burdensome to taxpayers.
  - A. Determined which functions have and do not have CIS access and which functions rely on printed documents from the CIS or could use the CIS and do not have it. For any functions that do not have the CIS but rely on paper transshipment of CIS documents, we determined why the IRS has not expanded the CIS to these functional areas. We reviewed business cases as applicable.
  - B. Evaluated the types of documents that are processed by the ICT units to determine whether there are aspects of operations that may be improved to reduce cost and burden to taxpayers.



## *Correspondence Scan Errors and Image System Limitations Can Delay Resolution of Taxpayer Cases*

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### **Internal controls methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: 1) the case processing controls to ensure that incoming correspondence is linked to existing cases in the CIS and accurately scanned into the system and 2) the controls in the CIS that enable management to monitor and evaluate the efficiency and effectiveness of work performed on cases. We evaluated these controls by interviewing management and employees, reviewing policies and procedures, conducting tests of CIS cases at submission processing sites, and analyzing over-age inventory and management oversight data.



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## **Appendix II**

### *Major Contributors to This Report*

Russell P. Martin, Acting Assistant Inspector General for Audit (Returns Processing and Account Services)  
W. Allen Gray, Director  
Jean Bell, Acting Audit Manager  
Lena Dietles, Audit Manager  
Paula W. Johnson, Audit Manager  
Robert Howes, Lead Auditor  
Lynn Faulkner, Senior Auditor  
Jackie E. Forbus, Senior Auditor  
Patricia Jackson, Senior Auditor  
Jeremy M. Berry, Auditor  
Kathy Coote, Auditor  
Nelva Usher, Auditor



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**Appendix III**

*Report Distribution List*

Acting Commissioner  
Office of the Commissioner – Attn: Chief of Staff C  
Deputy Commissioner for Operations Support OS  
Office of the Deputy Commissioner for Services and Enforcement SE  
Chief Technology Officer OS:CTO  
Deputy Commissioner, Operations, Wage and Investment Division SE:W  
Deputy Commissioner, Support, Wage and Investment Division SE:W  
Director, Customer Account Services, Wage and Investment Division SE:W:CAS  
Director, Strategy and Finance, Wage and Investment Division SE:W:S  
Director, Customer Account Services, Accounts Management, Wage and Investment Division  
SE:W:CAS:AM  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:CPIC:IC  
Audit Liaison: Chief, Program Evaluation and Improvement, Wage and Investment Division  
SE:W:S:PEI





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*Correspondence Scan Errors and Image System  
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## **Appendix IV**

### *Example of an Illegible Scanned Correspondence*

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**Appendix V**

*Management's Response to the Draft Report*

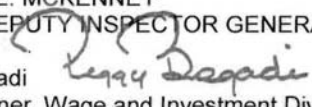


COMMISSIONER  
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

AUG 14 2013

MEMORANDUM FOR MICHAEL E. MCKENNEY  
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Peggy Bogadi   
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Correspondence Scan Errors and Image  
System Limitations Can Delay Resolution of Taxpayer Cases  
(Audit # 201340003)

Thank you for the opportunity to review the subject draft report. We appreciate the acknowledgement of some of the positive aspects of the Correspondence Imaging System (CIS), such as the automatic acknowledgement of taxpayer correspondence, the enhancement of customer service through instant access to scanned information while assisting taxpayers, regardless of the assistors' geographic locations, and immediate inventory analysis capabilities. The CIS also provides the ability to expedite document delivery to field locations when taxpayers are being served by other IRS operating divisions. Prior to the CIS, the transfer or delivery of documents among locations required the mailing or bulk shipment of paper documents.

Although much of the report is focused on identity theft inventory, these cases represent only a small portion of the overall CIS inventory. The IRS closed over 6.8 million cases in CIS during Fiscal Year 2012, with only 460,000 cases, or 6.7 percent, representing identity theft cases. We also believe the inventory counts shown in Figure 2 may be misleading as they indicate that identity theft cases constitute 55.8 percent of all Accounts Management (AM) inventory work. It should be emphasized that Figure 2 reports only open individual taxpayer cases in CIS and not the total population, which also includes business cases. Additionally, the count of 510,192 identity theft cases includes monitoring controls that are not considered part of the overall identity theft inventory. Eliminating the monitoring controls reduces the number of identity theft cases to 382,329, as of September 30, 2012. Efforts since that time have further decreased the identity theft inventory to only 159,318 cases as of July 6, 2013.



## *Correspondence Scan Errors and Image System Limitations Can Delay Resolution of Taxpayer Cases*

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While the scanning technology is not a seamless process, and errors may occur, it is important to note that none of the errors identified in the report adversely impacted our ability to serve taxpayers. Specifically, illegible images do not preclude our employees from using other information, either submitted by taxpayers or already on file with the IRS, to resolve taxpayer issues. Similarly, the Image Control Team date stamps are used for internal tracking purposes only, and, likewise, do not adversely affect our ability to assist taxpayers. Customer Service Representatives (CSR) are instructed to review all information in CIS to identify and correct any case control errors. Review processes are in place to identify error trends and to provide guidance to employees as needed. Legibility issues appear primarily to be attributable to identification documentation, such as copies of driver's licenses, which often have built-in security safeguards intended to thwart reproduction of the documents. As previously mentioned, identity theft cases, for which identification documents are generally provided, represent a small percentage of the overall CIS inventory.

The report notes 21 percent of taxpayers surveyed being dissatisfied with their experience corresponding with the IRS by mail, based on Customer Satisfaction Survey results. While we recognize the need for more efficient processing of correspondence, the dissatisfaction rate is not directly attributable to the CIS, but to the overall correspondence process and, specifically, to the time needed to resolve an issue through correspondence. The report also provides the results of a survey administered to the CSRs to measure their satisfaction with the CIS. Although the results emphasize the least favorable outcome, we note that, for example, while nine percent of respondents report they often find unrelated correspondence included in their cases, inversely, 91 percent would have responded that they never or seldom find that to be true.

The report describes some of the case reassignment capabilities of CIS and compares the different aged inventory percentages among the sites. The CIS provides immediate reassignment opportunities between the sites, which we use on a weekly basis. To distribute inventory equitably, we establish allocation percentages of each work type among the sites where the work is performed. This allocation is based on each site's trained staff and efficiency rate for that work type. Differences in the attributes of the various programs contribute to variances in the percentages of aged inventory among the campuses. While all sites work the oldest cases first, certain work types have priority. Employees sort their cases by type, working the oldest cases within a group first, then move on to the next group.

As imbalances occur, we make adjustments to align the site inventories within their allocated percentages, or in the case of variance in overage percentage, we specifically move the assignment of older cases from one site to another. Since these transfers involve individual programs, the impact on overall inventory may differ from site to site.



## *Correspondence Scan Errors and Image System Limitations Can Delay Resolution of Taxpayer Cases*

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Finally, the report outlines issues identified with the proper linking of related cases for the same taxpayer. The nature of identity theft cases leads to the necessary creation of multiple cases, such as when the good taxpayer files a paper return creating a duplicate filing condition (which automatically creates a CIS case) and also submits separate documentation related to the case (which is scanned into CIS creating another case). Current procedures require complete research and linking of any related cases prior to taking any action on a taxpayer's case and we will continue to emphasize the importance of these procedures.

Attached are our comments on your recommendations. If you have any questions, please contact me, or a member of your staff may contact Pete Stipek, Director, Customer Account Services, Wage and Investment Division, at (404) 338-8910.

Attachment





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## *Correspondence Scan Errors and Image System Limitations Can Delay Resolution of Taxpayer Cases*

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Attachment

### **Recommendations**

The Commissioner, Wage and Investment Division, should:

#### **Recommendation 1**

Ensure that ICT unit employees perform required cursory reviews of their scans and are not permitted to override CIS quality control alerts without effective resolution of the error identified.

#### **CORRECTIVE ACTION**

Random reviews of the scanning process are conducted by visually monitoring the scanning of documents to ensure the quality of the process and that any system bypasses are resolved or are appropriate under the circumstances. The Correspondence Imaging System (CIS) also creates a report of randomly selected images for review that is used in the quality assurance process. Reminders will be forwarded to all sites stressing the importance of following review procedures while scanning, as well as the importance of conducting the required quality reviews. Procedures will be implemented to provide for the secondary review at each campus location to ensure managerial reviews are being performed on a regular and timely basis. Adherence to these procedures will also be addressed during Headquarters reviews of the campus operations.

#### **IMPLEMENTATION DATE**

January 15, 2014

#### **RESPONSIBLE OFFICIAL**

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

#### **CORRECTIVE ACTION MONITORING PLAN**

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

#### **Recommendation 2**

Ensure that managerial reviews in the ICT units are performed to include a verification of the quality of the scanned documents. This verification should include a comparison of the original document to the scanned image to ensure legibility.

#### **CORRECTIVE ACTION**

A reminder will be issued to all sites to stress the importance of adhering to existing review requirements during the scanning process. Supplemental procedures will be implemented to provide for the secondary review at each campus location to ensure managerial reviews are being performed on a regular and timely basis. Adherence to



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these procedures will also be addressed during Headquarters reviews of the campus operations.

### **IMPLEMENTATION DATE**

January 15, 2014

### **RESPONSIBLE OFFICIAL**

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

### **CORRECTIVE ACTION MONITORING PLAN**

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

### **Recommendation 3**

Implement the Embedded Quality Review System process to track and monitor the quality of work performed by the ICT units.

### **CORRECTIVE ACTION**

The Image Control Team units will be reorganized in Fiscal Year 2014 to the Submission Processing function, which does not use the Embedded Quality Review System. As part of the transition, we will evaluate the quality review and monitoring needs of the program, determine if an effecting tracking mechanism exists, and will take necessary actions based on the outcome of the evaluation.

### **IMPLEMENTATION DATE**

June 15, 2014

### **RESPONSIBLE OFFICIAL**

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

### **CORRECTIVE ACTION MONITORING PLAN**

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

### **Recommendation 4**

Establish procedures to ensure that all scanner maintenance contract service appointments are routinely conducted.

### **CORRECTIVE ACTION**

We agree with this recommendation and will maintain a log of scheduled visits along with any upcoming visits. Point of contacts will be established with each of the campuses and reminder notifications will be issued to the contacts and the appropriate



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## *Correspondence Scan Errors and Image System Limitations Can Delay Resolution of Taxpayer Cases*

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department managers. Additionally, we will issue an alert to the sites advising them of the importance of the scheduled maintenance visits and the need for proper documentation of each visit.

### **IMPLEMENTATION DATE**

January 15, 2014

### **RESPONSIBLE OFFICIAL**

Director, Business Performance Solutions, Business Modernization Office, Wage and Investment Division

### **CORRECTIVE ACTION MONITORING PLAN**

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

### **Recommendation 5**

Develop operational review requirements to ensure that managers are monitoring team inventories and reassign inventory when CSR inventory standards are exceeded.

### **CORRECTIVE ACTION**

The Accounts Management Program Letter provides standard guidance regarding Customer Service Representative (CSR) inventory queues by stating that such queues will be no greater than 50 cases. However, for specialized programs, site management will consider the number of technicians per program and volume of suspended cases when determining the optimum CSR queue level. Site review procedures will reflect the expectation that inventory levels are regularly reported to the campus director. Further, the program letter will be updated to ensure that site inventory reconciliations are reported to Headquarters on a quarterly basis.

### **IMPLEMENTATION DATE**

January 15, 2014

### **RESPONSIBLE OFFICIAL**

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

### **CORRECTIVE ACTION MONITORING PLAN**

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

### **Recommendation 6**

Ensure that Planning and Analysis function staff and inventory control managers at submission processing sites review weekly Integrated Data Retrieval System case



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## *Correspondence Scan Errors and Image System Limitations Can Delay Resolution of Taxpayer Cases*

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inventory and over-age inventory reports and reassign cases in an effort to ensure inventories are balanced and the oldest cases are worked first.

### **CORRECTIVE ACTION**

We agree with this recommendation and are developing a consistent process for monitoring the Site Automated Age Listings (AALs). Headquarters staff will meet with the campus staffs on a quarterly basis to ensure the necessary AAL reviews are completed and help to identify any reassignment opportunities among the sites.

### **IMPLEMENTATION DATE**

January 15, 2014

### **RESPONSIBLE OFFICIAL**

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

### **CORRECTIVE ACTION MONITORING PLAN**

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

### **Recommendation 7**

Refine the process to solicit and track CIS system enhancements. This process should include ensuring users are aware of the process to submit enhancement suggestions as well as ensuring key information needed by management, such as who submitted the request and when or what action(s) were taken is tracked.

### **CORRECTIVE ACTION**

We agree with this recommendation and will ensure the necessary information is captured. Reminders will be issued to all users to outline the processes for submitting CIS enhancement suggestions.

### **IMPLEMENTATION DATE**

March 15, 2014

### **RESPONSIBLE OFFICIAL**

Director, Business Performance Solutions, Business Modernization Office, Wage and Investment Division

### **CORRECTIVE ACTION MONITORING PLAN**

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