

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Post-Pandemic Actions Have Contributed to Declines in Automated Collection System Level of Service and Collection Inventories

December 20, 2023

Report Number: 2024-300-008

HIGHLIGHTS: Post-Pandemic Actions Have Contributed to Declines in Automated Collection System Level of Service and Collection Inventories

Final Audit Report issued on December 20, 2023

Report Number 2024-300-008

Why TIGTA Did This Audit

This audit was initiated to evaluate the effectiveness of the IRS's actions to improve Automated Collection System (ACS) call sites' business results and level of service (LOS), including the current status of performance in light of the Coronavirus Disease 2019 pandemic (hereafter referred to as the Pandemic). ACS sites consist primarily of employees who answer telephone calls from taxpayers who have received collection notices from the IRS. ACS Support is comprised of employees who assist in the ongoing operations, such as incoming correspondence at ACS sites. TIGTA also reviewed ACS Support's business results and operations.

When taxpayers do not respond to collection notices requesting payment of delinquent taxes or to file a delinquent return, they may be assigned to the ACS in an attempt to satisfy their tax liability or address their return delinquency.

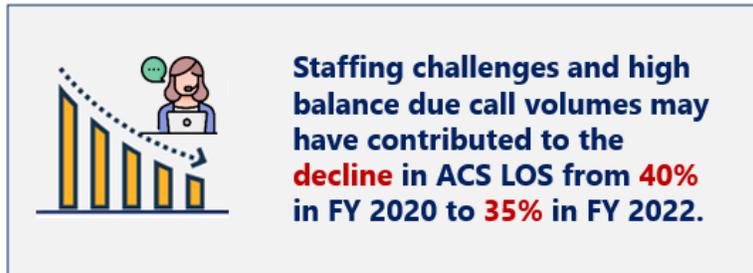
Impact on Tax Administration

The ACS is a critical part of the IRS's overall Collection program and plays a vital role in securing and protecting the revenue of the United States.

What TIGTA Found

ACS management actions such as pausing collection notices and suspensions of call site inventory workdays, as well as staffing challenges, have impacted ACS and ACS Support business metrics and overall production. In addition, virtual training and maximizing telework in response to the Pandemic also may have contributed to declines in productivity.

ACS Support's closures per full-time equivalent (FTE) decreased significantly from pre-Pandemic Fiscal Years (FY) 2018 and 2019 to subsequent FYs 2020 through 2022. TIGTA also found declining trends in LOS call metrics.



From FY 2018 to FY 2022, ACS calls answered per FTE dropped by 35 percent, *i.e.*, 885 fewer ACS calls answered per FTE.

In March 2022, scheduled ACS inventory workdays were suspended. Inventories consist of cases that need processing outside of incoming telephone work. While call site FTEs increased by 48 percent from FY 2019 (pre-Pandemic) to FY 2022, there was a general decline in balance due and delinquent return dispositions, which does not support the continued suspension.

Inconsistencies in ACS Support managers' interpretation and definition of "portable work," *i.e.*, tasks capable of being worked by employees in a telework environment, led to inefficiencies. Two of the five ACS Support sites incorporated an additional step in their work processes to allow tax examiners to telework, while the remaining three sites based telework decisions on the availability of portable work.

Telework studies were performed in which some ACS collection representatives participated, but ACS Support employees were not included. Further, taxpayer customer satisfaction was not taken into consideration in these studies.

What TIGTA Recommended

TIGTA made four recommendations to help the IRS address the impact of the Pandemic on ACS and ACS Support business metrics and overall production.

The IRS agreed to all four recommendations and plans to take corrective actions.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

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

December 20, 2023

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

A handwritten signature in black ink, appearing to read "M. Weir", is positioned above the typed name.

FROM: Matthew A. Weir
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Post-Pandemic Actions Have Contributed to Declines in Automated Collection System Level of Service and Collection Inventories (Audit # 202230011)

This report presents the results of our review to evaluate the effectiveness of the Internal Revenue Service's (IRS) actions to improve Automated Collection System (ACS) call sites' business results and level of service, including the current status of performance in the light of the Coronavirus Disease 2019 pandemic. We also reviewed ACS Support's business results and operations. This review was part of our Fiscal Year 2022 Annual Audit Plan and addresses the major management and performance challenges of *Improving Customer Service and the Taxpayer Experience* and *Improving Tax Reporting and Payment Compliance to Reduce the Tax Gap*.

Management's complete response to the draft report is included as Appendix II. If you have any questions, please contact me or Phyllis Heald London, Acting Assistant Inspector General for Audit (Compliance and Enforcement Operations).

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Background

The Automated Collection System (ACS) is a critical part of the Internal Revenue Service's (IRS) overall Collection program and plays an important role in securing and protecting the revenue of the United States. As of Fiscal Year (FY) 2022, the ACS is second only to the collection notice stream in terms of revenue collected on delinquent taxpayer accounts.¹

The first step in the collection process involves mailing taxpayers a series of systemic notices (referred to as the notice stream) asking for payment of delinquent

taxes or to file a delinquent return, if required. When taxpayers do not respond to these delinquency notices, they may then be assigned to the ACS in an attempt to satisfy their outstanding tax liability or address their return delinquency.

The ACS is organizationally placed under the IRS Small Business/Self-Employed Division's Collection operation. Collection representatives in the ACS assist taxpayers, mainly through a taxpayer-initiated, telephone-based operation, in resolving delinquent balance dues or unfiled tax returns (known as Taxpayer Delinquent Accounts (TDA) or Taxpayer Delinquency Investigations (TDI), respectively). In addition to telephone assistance, collection representatives work ACS inventory that require actions, such as sending the taxpayer a letter requesting a delinquent return or following up on requested documentation. ACS Support tax examiners and clerks assist ACS call sites through processing of incoming ACS-related correspondence. There are 19 ACS call sites and five ACS Support sites around the country.

As a result of the Coronavirus Disease 2019 (COVID-19) pandemic (hereafter referred to as the Pandemic), the Office of Management and Budget (OMB) issued an evacuation notice on March 17, 2020, declaring that the Government must immediately adjust operations and services to minimize face-to-face interactions. The OMB directed agency heads to review, modify, and implement risk-based policies and procedures to safeguard the health and safety of Federal workplaces to restrict the transmission of COVID-19. This included factors such as maximizing telework across the Federal workforce (including mandatory telework, if necessary) while maintaining mission-critical workforce needs.

Prior to the Pandemic, the ACS and ACS Support generally did not allow employees to telework. However, due to the OMB's evacuation notice, the IRS issued its own directive to work from home with an original expiration date of September 26, 2020. As a result, ACS management issued equipment such as laptops, Ethernet cords, extra monitors, and headsets to collection representatives so that they could transition to answering incoming taxpayer telephone calls

Automated Collection System

- **Protect tax revenue.**
- **Assist taxpayers looking to resolve tax liabilities.**
- **Address taxpayers' return delinquencies.**



¹ In the IRS "notice stream," taxpayers with delinquent liabilities or returns are generally issued a series of two to four notices. Cases not resolved during the notice stream may be transferred to the ACS where an appropriate ACS letter may be issued six to 10 weeks after the fourth notice.

from home. Pursuant to additional guidance, the IRS extended its original evacuation orders to March 26, 2021. This extension allowed the IRS to mandate telework for those with portable work.² The IRS telework mandate included employees with or without current telework agreements as well as those with Telework Enhancement Act of 2010 misconduct violations.³ The IRS subsequently executed two additional evacuation orders through September 23, 2021, and March 23, 2022, respectively.

Finally, on March 23, 2022, the IRS Human Capital Office (HCO) notified all employees of the plan to return all personnel to the physical workplace by providing a Return to Office framework, which identified three return to office phases, the groups of employees impacted by each phase, and the anticipated return timelines for each group, to allow for fully resuming normal operations by the week of June 25, 2022. Within the HCO communication, IRS management and employees were provided a Return to Office Playbook to assist them with how to reopen the 19 ACS call sites, including all five ACS Support sites.⁴

Pause in collection actions

On March 25, 2020, the IRS announced the People First Initiative with the issuance of IRS News Release IR-2020-59.⁵ The goal of the People First Initiative was to temporarily adjust and suspend key compliance programs to help people facing the challenges of the Pandemic, which included halting collection notices and enforcement actions, *e.g.*, levies and liens, for the period starting April 1, 2020, through July 15, 2020. In response to the People First Initiative, the IRS issued several Servicewide Electronic Research Program guidance announcements to stop the collection notice stream and enforcement actions.⁶ The IRS's suspension of enforcement actions impacted all levy and lien issuances in the ACS function.

The IRS is required to issue certain statutory notices. For example, Internal Revenue Code (I.R.C.) § 6303 requires the IRS to issue a notice and demand for tax within 60 calendar days after making a tax assessment, when the taxpayer has a balance due. I.R.C. § 7524 requires the IRS to issue an annual written notice to each taxpayer of their continued tax delinquency on balance due accounts, and Treasury Regulations require notices be issued to taxpayers when proposed installments are rejected and existing installment agreements are terminated or modified.⁷ After the start of the Pandemic, the IRS had numerous suspensions of notice and enforcement activities, as shown in Figure 1.

² Portable work is defined as work that can be: 1) accomplished effectively outside of the traditional office/team setting and 2) accomplished independently of other co-workers, support staff, and/or the employee's supervisor without any adverse impact on individual/team or overall office productivity or customer service impact.

³ 5 U.S.C. § 6501, et seq. (2018).

⁴ The Return to Office Playbook was a collaboration with the Senior Commissioner's Representative – Continuity of Operations and the IRS's Operations Support partners.

⁵ IRS, News Release IR-2020-59, *IRS unveils new People First Initiative; COVID-19 effort temporarily adjusts, suspends key compliance program* (March 25, 2020).

⁶ The People First Initiative provided taxpayers relief from compliance actions pertaining to the following: installment agreements; offers in compromise; liens; levies; seizures; passport certifications to the State Department; private debt collection; and field, office, and correspondence audits.

⁷ Treas. Reg. § 301.6159-1(d)(1) and (e)(4).

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Figure 1: IRS Notice and Enforcement Suspensions Occurring After Start of the Pandemic

Enforcement Activity Paused	Date	Enforcement Activity Resumed	
2020			
ACS related levies (including Automated Levy Programs), liens, and TDI creation suspended. ⁸	● March		
All notices suspended, including statutory notices.	● April		
	● June		Statutory notices resumed.
	● October		TDI creation and manual liens resumed.
	● November		Notice stream resumed.
2021			
	● January	ACS manual levies resumed. ⁹	
TDI creation suspended.	● February		
	● July	Automated Levy Programs resumed.	
	● August	ACS systemic levies and systemic liens resumed. ¹⁰	
	● October	TDI creation resumed.	
	● December	Manual levies resumed by end of December 2021.	
Moratorium issued on ACS manual and systemic levies.			
2022			
ACS manual and systemic levies and the Automated Levy Programs were paused again.	● January	Systemic levies resumed (for five calendar days).	
Systemic liens and TDI creation were also suspended.	● January		
Non-statutory notices in the notice stream suspended.	● February		Statutory notices continue to be issued.

Source: Servicewide Electronic Research Program communications and IRS management confirmation of continued suspended activities as of May 2023.

These suspensions mainly took place as a result of the IRS correspondence backlogs. For example, if a taxpayer’s return, payment, or correspondence was part of the backlog and not yet

⁸ See Appendix II for a glossary of terms.

⁹ A manual levy is a paper levy that is manually prepared and mailed by an ACS employee, Internal Revenue Manual (IRM) 5.19.4.1.6(2)a. (Mar. 25, 2022).

¹⁰ Systemic levies are generated in the ACS by the ACS systemic levy program, IRM 5.19.4.1.6(2)(c) (Mar. 25, 2022). Similar to systemic levies, the ACS also generates systemic liens through the Automated Lien System.

processed, the pause would prevent the taxpayer from receiving erroneous notices. As of July 13, 2023, the suspension of balance due progression status notices (except those required by law) remains in place. The suspension of delinquency notices has also paused lien and levy issuances over several periods, impacting the work performed by the ACS and ACS Support because some enforcement actions would be incomplete without the issuance of certain suspended letters/notices.¹¹ In addition, requiring maximum telework from March 17, 2020, through June 25, 2022, has potentially impacted the ACS and ACS Support in numerous ways. This review attempts to evaluate the impact of the IRS's reactions to the Pandemic and subsequent events on the ACS's Level of Service (LOS) and business results as well as ACS Support operations.

Results of Review

Multiple Management Actions Such As Pausing Collection Notices and Transitioning Employees to Telework May Have Impacted Business Metrics and Overall Production

ACS and ACS Support business metrics and overall production have generally not recovered to pre-Pandemic levels. A number of factors may have impacted the IRS's ability to improve performance, including:

- Suspension of collection notices and difficulties assigning work.
- Staffing challenges and high balance due call volumes.
- Suspension of ACS inventory workdays for call sites and assistance with surge efforts.
- Virtual training.
- Expanded use of telework.

In April 2023, the OMB issued guidance to agencies on measuring, monitoring, and improving organizational health and organizational performance in the context of evolving agency work environments.¹² The guidance stresses the importance of establishing assessments of both organizational health and performance to evaluate the impact (both positive and negative) that the work environment (including telework) has on the agency's performance of its mission. On August 4, 2023, the IRS provided the OMB its draft Post-Reentry Workforce Environment Plan. IRS management's plan does not address how the adverse or beneficial impacts of telework will be identified but indicates that management will continue their efforts for a Telework and Productivity Report Project plan to explore avenues to enhance telework, organizational health,

¹¹ For example, generally a levy cannot be issued unless the taxpayer first receives a Collection Due Process notice. I.R.C. § 6330 allows taxpayers the right to a Collection Due Process hearing before the issuance of the first levy on a delinquent module, and I.R.C. § 6320 allows taxpayers to elect a Collection Due Process hearing after the filing of the first Notice of Federal Tax Lien on a delinquent module where taxpayers can raise various issues including collection alternatives.

¹² OMB, Memorandum M-23-15, *Measuring, Monitoring, and Improving Organizational Health and Organizational Performance in the Context of Evolving Agency Work Environments* (Apr. 13, 2023).

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and organizational performance measures. Further, the IRS is responsible for establishing a comprehensive approach for measuring and evaluating customer satisfaction, employee satisfaction, and business results.¹³ However, in reviewing the telework studies in which ACS call site employees participated, the Treasury Inspector for Tax Administration (TIGTA) found that they did not include any customer satisfaction measures to address the level of overall satisfaction as perceived by external customers. Moreover, ACS Support employees were excluded from these telework studies.

Suspension of collection notices and difficulties assigning work has impacted ACS Support inventory and productivity

From the start of the Pandemic in FY 2020 through FY 2022, we identified a decreasing trend in ACS Support's inventories influenced by the periodic suspension of collection notices (shown in Figure 1). Figure 2 details ACS Support inventory levels from FY 2018 to FY 2022 for the function's three inventory categories: Collection Information Statement (CIS), TDA, and TDI inventories.¹⁴

¹³ IRM 1.5.1.1.3(1) (June 30, 2023).

¹⁴ Form 433-F, *Collection Information Statement*, is used to obtain current financial information necessary to determine how a wage earner or self-employed individual can satisfy an outstanding tax liability.

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Figure 2: ACS Support Inventory Metrics for FYs 2018 Through 2022

 Productivity	FY					% change 2018 to 2022	
	2018	2019	2020	2021	2022		
CIS Inventory							
Receipts	40,007	40,414	23,314	22,703	26,881	(33%)	
Closures	38,521	40,778	21,834	26,452	26,560	(31%)	
Ending Inventory	4,910	4,546	6,026	2,277	1,787	(64%)	
Balance Due (TDA) Inventory							
Receipts	296,909	282,572	181,273	194,375	203,167	(32%)	
Closures	277,111	285,847	157,769	224,258	198,834	(28%)	
Ending Inventory	22,551	18,113	41,617	12,238	12,675	(44%)	
Delinquent Return (TDI) Inventory							
Receipts	84,445	84,397	58,321	103,910	92,178	9%	
Closures	83,666	84,059	57,040	104,226	91,827	10%	
Ending Inventory	598	821	2,102	1,786	1,371	129%	
Total ACS Support Receipts	421,361	407,383	262,908	320,988	322,226	(24%)	
Total ACS Support Closures	399,298	410,684	236,643	354,936	317,221	(21%)	
Total ACS Support Ending Inventories	28,059	23,480	49,745	16,301	15,833	(44%)	

Source: ACS Monthly Assessment of Performance Reports and Monthly Monitoring Reports for FYs 2018 through 2021.

When comparing FY 2022 to pre-Pandemic FY 2018, total ACS Support inventory receipts (correspondence) decreased for FY 2022 by 24 percent and closures decreased by 21 percent. The primary inventories contributing to this decrease were CIS and TDA inventories. Collection management cited the suspension of Collection enforcement programs (shown in Figure 1) as a reason for low inventory levels. For example, the normal progression of cases into ACS inventory is halted while collection notices are suspended. Similarly, this impacts the number of cases that ACS Support has to work.

We also analyzed two measures of productivity for ACS Support: closures per full-time equivalent (FTE) and response time as reflected by the over-age inventories shown in Figure 3.¹⁵

¹⁵ ACS Support has two measures of over-age based on the received date of the TDA/TDI/CIS correspondence: IRS received date and site received date. The IRS received date is the date the taxpayer correspondence was first received by the IRS, and the site received date is the date when the taxpayer correspondence is received by ACS Support.

Figure 3: ACS Support Productivity by FTE and Over-Age Inventory

 Over-Age Inventory		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ACS Support FTEs		532	499	503	603	560
Closures per FTE		751	822	471	588	566
Inventory over-age percentage based on <u>IRS</u> received date						
60	CIS Inquiries > 60 Calendar Days	34%	36%	92%	48%	55%
45	TDA Inquiries > 45 Calendar Days	24%	61%	96%	47%	66%
30	TDI Inquiries > 30 Calendar Days	49%	24%	83%	59%	14%
Inventory over-age percentage based on <u>ACS</u> received date						
60	CIS Inquiries > 60 Calendar Days	7%	17%	74%	28%	28%
45	TDA Inquiries > 45 Calendar Days	9%	15%	76%	11%	20%
30	TDI Inquiries > 30 Calendar Days	27%	5%	65%	32%	3%

Source: ACS Monthly Monitoring Reports for FYs 2018 through 2022.

We identified that closures per FTE decreased significantly from FYs 2018 to 2022 (from 751 to 566) and found significant reductions when comparing pre-Pandemic FYs 2018 and 2019 to subsequent fiscal years. During this five-fiscal year period, ACS Support increased its FTEs by 5 percent. However, despite the increase in the FTEs, productivity has not recovered to pre-Pandemic levels.

ACS Support management stated that the ability to assign work to its employees was one of the challenges associated with having low inventory levels. As a result, ACS Support had to find other ways to keep its employees productive. For example, a Support site can request inventory from other ACS Support sites, referred to as “transshipped cases,” as a means to backfill its low inventory levels. In addition, ACS Support has been approved to assist ACS call sites with their pending installment agreement and independent review inventories.

We also found that cases in ACS Support inventory are aging. The goal of ACS Support is to support ACS call sites by ensuring that related correspondence is processed in a timely manner. IRS management stated that each inventory category has its own over-age metrics, as reflected in Figure 3. ACS Support documents over-age cases when both the IRS received date and site received date of CIS inquiry cases exceed 60 calendar days, when TDA cases exceed 45 calendar days, and when TDI cases exceed 30 calendar days from the ACS Support received date.

Figure 3 highlights the following trends from the IRS received date from FYs 2021 to 2022:

- CIS over-age inventory increased by approximately 7 percent.
- TDA (balance due) over-age inventory increased significantly by approximately 19 percent.

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The significant increases during FY 2022 (from the IRS received date), reflect that the majority of CIS and balance due inquiries were not worked timely. When reviewing over-age trends from the ACS received date, we similarly found that in FY 2022, CIS and balance due inquires over-age inventories continue to exceed pre-Pandemic over-age levels when compared to FY 2018 or FY 2019. Moreover, while the overall ACS Support FTEs increased from FY 2018 to FY 2022, the response time for addressing both over-age CIS and balance due inventories generally increased.

ACS Support management speculates that the over-age issues may be a result of the decreasing inventories. Specifically, management stated that as inventory levels go down, a greater number of older cases remain that have not closed for one reason or another, creating a higher proportion of older cases. Management added that ACS Support's participation in surge efforts (to assist with backlogs of returns) may be another contributing factor to the over-age issues. However, ACS Support's participation in surge efforts did not start until February 28, 2022, and does not address the decline in closures per FTE productivity as shown in Figure 3.¹⁶

Staffing challenges and high balance due call volumes may have contributed to the declines in ACS LOS

Our review of ACS call site LOS showed a significant decline from 53 percent in FY 2018 to 35 percent in FY 2022 (see Figure 4). Specifically, since FY 2020, the LOS in FYs 2021 and 2022 has steadily decreased. The ACS's primary measure of telephone effectiveness is the LOS, which is generally calculated by dividing the ACS calls answered by the ACS call demand. The purpose of this measure is to determine the relative success rate of taxpayers who call for ACS services seeking assistance from a collection representative. Not all taxpayer call attempts are included in the calculation of the LOS, as it only includes the relative success rate.

The Joint Operations Center is responsible for creating the call handling schedules for each ACS call site, in addition to supporting other Small Business/Self-Employed Division and Wage and Investment Division campus programs. The number of ACS taxpayer calls that can be answered is dependent on the number of available employees at all ACS call sites and average time spent assisting the taxpayer, which may also take into consideration the mix (type and volume) of expected calls based on issued notices. Therefore, not all calls are answered because the ACS does not have the resources.

Figure 4 reflects the overall call performance statistics for the ACS call sites for FYs 2018 through 2022.

¹⁶ ACS Support has assisted with five surge efforts. As of July 2023, one of the five surge efforts remains open with a projected end date of September 23, 2023. ACS Support assigned an average of 16 FTEs per surge effort, ranging from five to 30 FTEs.

**Figure 4: ACS Toll-Free Telephone
Performance Statistics for FYs 2018 Through 2022**

	FY				
	2018	2019	2020	2021	2022
ACS LOS Target	29%	30%	31%	48%	36%
ACS Actual LOS	53%	34%	40%	38%	35%
ACS Net Incoming Taxpayer Call Attempts¹⁷	12,073,311	15,033,568	11,995,745	16,123,431	15,070,959
ACS Calls Answered	5,924,227	4,663,706	4,206,875	5,653,432	5,005,247
ACS Calls Answered/ACS Net Call Attempts	49%	31%	35%	35%	33%
ACS FTEs	2,338	2,057	2,687	3,186	3,036
ACS Calls Answered per FTE	2,534	2,267	1,566	1,774	1,649
ACS Average Speed of Answer (Minutes)	24	38	24	28	38
ACS Average Handle Time (Minutes)	18	22	20	19	18

Source: Joint Operations Center's Enterprise Telephone Database Reporting Website and Monthly Monitoring Reports for FYs 2018 through 2022.

Figure 4 compares ACS LOS established targets for FYs 2018 through 2022 against the achieved ACS LOS for the same fiscal years. The ACS LOS target is based on the anticipated resources and a variety of assumptions applicable to a particular fiscal year, *e.g.*, FTEs, whether there will be scheduled inventory days, hiring, overtime, notice pauses, and handling calls from other business units. The ACS LOS target was met in FYs 2018 through 2020. However, the ACS fell short of its target in FYs 2021 and 2022 with achieved LOS of 38 percent and 35 percent respectively.

We also identified declining trends in other related LOS call metrics, as shown in Figure 4, such as a decrease in calls answered per FTE and an increase in average speed of answer as follows:

- **Average Calls Answered per FTE.** In comparison to FY 2018 and FY 2019, ACS FTEs were greater in FYs 2020 through 2022. Despite ACS FTEs increasing by 30 percent (2,338 to 3,036) from FY 2018 to FY 2022, ACS calls answered per FTE dropped by 35 percent (2,534 to 1,649) for the same period, or 885 fewer ACS calls answered per FTE.
- **Average Speed of Answer.** The average speed of answer is the average length of time callers wait on hold before connecting to a collection representative. The average speed of answer increased by 14 minutes from FY 2018 to FY 2019, then declined by 14 minutes in FY 2020, but increased back to a 38-minute hold time in FY 2022.

¹⁷ The call attempts listed reflect the total number of incoming callers intended for ACS product lines and include incomplete, disconnected, or abandoned calls. However, they exclude calls entering the ACS Conversation Interactive Voice Response authenticated voice bot that was deployed in July 2022.

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Therefore, during FY 2022, taxpayers calling in were on hold an average of 38 minutes before connecting to an ACS collection representative.

- **Average Handle Time.** The average handle time is the average time collection representatives spend assisting taxpayers. Since FY 2019, this metric improved with FY 2022 having the same average handle time as FY 2018 of approximately 18 minutes.

Management cited that the reason for not reaching the 48 percent LOS target in FY 2021 was largely due to the increase in phone calls received, most of which were balance due. Figure 4 shows a significant increase in ACS Net Incoming Taxpayer Call Attempts from FY 2020 to FY 2021, which coincides with the realignment between the Accounts Management (AM) and ACS, where balance due calls were transitioned to be answered fully by the ACS over a five-year period, from FY 2017 through FY 2021. However, ACS Net Incoming Taxpayer Call Attempts decreased from FY 2021 to FY 2022 by more than 1 million net attempts to levels that are consistent with those seen pre-Pandemic in FY 2019, and despite fewer incoming net call attempts, ACS calls answered per FTE decreased from FY 2021 (1,774) to FY 2022 (1,649).

ACS management also stated that they look to maximize the LOS while balancing other business needs. Although not included in the LOS calculation, some actions they have taken to enhance the LOS are through online tools and include:

- Redesigning certain ACS notices and adding Quick Response Codes to provide taxpayers with quicker access to online information.
- Developing ACS text chat, chat bots, and voice bots to provide general assistance to taxpayers through use of online services and self-help options in lieu of the taxpayer calling into the ACS toll-free telephone line.
- Adding a customer callback feature to provide taxpayers the option to keep their place in the queue and receive a callback rather than continuing to wait on hold.

However, given the concerns we identified with call site performance statistics, ACS management should continually monitor available ACS metrics to ensure that taxpayers are receiving their right to quality service, while working to increase both their targeted and achieved LOS.

Issues with hiring, staffing, and attrition may contribute to lower LOS

Our review of ACS hiring, staffing, and attrition in Figure 5 shows that beginning with the start of the Pandemic in FY 2020, overall attrition of ACS call site employees has continued to increase significantly through FY 2022.

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**Figure 5: ACS Non-Management Staffing,
Hiring, and Attrition for FYs 2018 Through 2022**

 	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ACS Hiring Plan Goal¹⁸	<u>N/A</u>	661	1,346	835	2,033¹⁹
New ACS Employees (new to the IRS)	70	269	1,050	402	1,181
New ACS Employees (internal transfers)	328	292	329	256	134
Total ACS New Employees	398	561	1,379	658	1,315
ACS New Hires Goal Over-Age/(Shortfall)		(100)	33	(177)	(718)
Ending ACS Employee Balance	2,131	2,149	2,827	2,527	2,618
ACS New Employees/Total Employees	19%	26%	49%	26%	50%
Total Attrition	243	312	572	728	946
ACS Attrition (IRS Separations >5 years after the hire date)	144	123	146	167	249
ACS Attrition (internal transfers)	87	172	184	226	215
ACS Attrition (IRS Separations within 5 years of hire date)	12	17	242	335	482
New Hires Over/(Under) Total Attrition	155	249	807	(70)	369

Source: TIGTA analysis of ACS and ACS Support staffing, hiring, and attrition data, and hiring plan goals.

High attrition combined with an influx of new hires has resulted in a 50/50 ratio of new employees to seasoned employees at the end of FY 2022. Developing new call site employees to become proficient takes time. They must be trained properly and need experienced employees to coach and monitor them on the job, which may reduce the number of calls experienced employees (who are coaching new employees) can answer, thereby potentially impacting call site LOS.

In FYs 2021 and 2022, the IRS had been unable to meet its ACS employee hiring plan goals. Management stated that the reason for not meeting the hiring plan goal is a result of the IRS' HCO only being given a specific number of Small Business/Self-Employed Division priority allocations for each quarter. The ACS was limited to what was allocated to its operating unit and unable to announce positions to fill its needs.

ACS management increased the number of employee vacancies in FYs 2020 through 2022 in comparison to pre-Pandemic FY 2019. For example, Figure 5 shows the ACS new hiring plan

¹⁸ No hiring plan was available for FY 2018. Also, for FY 2019, ACS hiring plan goal includes ACS Support and employees that work Collection Due Process cases who were unable to be identified and removed from ACS counts.

¹⁹ FY 2022 hiring is not complete. Report pulled as of February 13, 2023.

goal increased more than 200 percent in FY 2022 (2,033) over FY 2019 (661). Although the ACS's new hiring goal for the last three fiscal years exceeds pre-Pandemic levels, the IRS has fallen short of its goal for two of the three fiscal years, with FY 2022 having the highest shortfall from meeting its hiring goal, achieving only 65 percent (1,315) of its targeted goal (2,033).

Supporting and training an inexperienced workforce places an additional burden thereby impeding the ACS's ability to improve its LOS. Considering all related issues surrounding such a high proportion of an inexperienced workforce, the IRS HCO should collaborate with the ACS to analyze the issues surrounding failing to meet hiring plan goals and attrition issues to promote employee retention; otherwise, they risk not having adequate staffing to address taxpayer needs.

Suspension of quarterly ACS inventory workdays for call sites and assistance with surge efforts may result in uncollected balance dues or continued return delinquencies

From October 2021 through March 2022, management directed ACS collection representatives to work inventory (casework outside of their regular telephone duties) once per quarter. As of March 17, 2022, the IRS paused their quarterly inventory day policy due to resource issues. Management stated that continued high call demand and assistance with surge efforts of backlogged inventory due to the Pandemic were the reasons for this change in policy. While ACS collection representatives no longer have any scheduled time to work inventory outside of answering incoming calls, they will work this inventory when time permits, *e.g.*, if their shift ends after the telephone lines go down for the day. However, working this inventory at least one day per quarter assured that some level of inventory management was performed.

ACS collection representatives' work generally falls into two major categories: immediate, *i.e.*, customers calling in, and delayed, *i.e.*, inventory processing or cases that need processing outside of the incoming telephone work. Specifically:

- Cases in the immediate category have the same priority for selection.
- Cases in the delayed category consist of call site inventories (such as following up when a taxpayer fails to send in requested correspondence or sending a notice requesting a delinquent return) that need to be processed by ACS collection representatives.²⁰ These cases have a priority scheme based on a combination of factors, such as case priority, current organizational program needs, risk categories, and available staff to work the inventory.

One of the issues impacting available resources provided by management for stopping inventory workdays, was the temporary realignment of ACS staff to support working through the IRS inventory backlogs. An example of these backlogs included assisting with unprocessed paper tax return backlogs accumulated during the Pandemic outside of the ACS. The IRS referred to these temporary transfers as "surge" efforts. We learned that there have been three surge teams impacting the ACS, including:

- AM Surge: February 28, 2022 – December 31, 2022.
- Submission Processing Surge: March 28, 2022 – December 31, 2022.

²⁰ As of September 2020, this inventory is defined as "ACS Function Units" and has a total of 12 subcategories.

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- ACS to AM Telephones Surge: January 30, 2023 – April 21, 2023.

On average, 136 ACS FTEs were reassigned to support these three surge efforts for over a year’s time frame, from February 2022 through April 2023, as shown in Figure 6.

Figure 6: ACS FTEs Diverted to Surge Efforts

	ACS to AM Surge February 28, 2022, to December 31, 2022	ACS to Submission Processing Surge March 28, 2022, to December 31, 2022	ACS to AM Telephone Surge January 30, 2023, to April 21, 2023
Total FY 2022 ACS FTEs²¹	3,036	3,036	3,036
Reassigned ACS FTEs to Surge Efforts	158	124	126
Percentage of ACS FTEs Assisting Surge Efforts	5%	4%	4%
Potential Revenues Delayed or Lost²²	\$401,134,956	\$315,244,588	\$318,709,788
Potential Dispositions Delayed or Lost²³	70,809	55,647	56,259

Source: TIGTA analysis of AM and Submission Processing Surge Efforts impact and ACS Monthly Assessment of Performance Reports and Monthly Monitoring Reports for FYs 2018 through 2022.

While we understand the IRS’s decision to temporarily transfer ACS staff to support addressing inventory backlogs, it is important to acknowledge that this decision may have resulted in over \$1 billion in potential revenues that were delayed or lost, as shown in Figure 6.

We also reviewed the general ACS dispositions and ending inventories to determine whether there were any trends supporting the continued suspension of ACS call site inventories (hereafter referred to as manual inventories). As shown in Figure 7, we found a general decline in ACS TDA and TDI case dispositions and ending inventories for FYs 2018 through 2022.

²¹ FY 2022 FTEs are being used as FY 2023 FTEs are unavailable.

²² Potential Revenues Lost was calculated by allocating the percentage of ACS FTEs to the overall IRS estimated potentially lost revenues for the ACS to AM surge and the ACS to Submission Processing Surge. No allocation was required for the ACS to AM telephones surge as ACS employees represented all allocated FTEs for this surge effort. IRS management described these revenues as “estimated delayed revenue;” however, we do not agree with their description as there is no guarantee that the revenue will be realized and, therefore, we believe these to be more accurately described as potentially delayed or lost revenues.

²³ Potential Dispositions Lost were calculated by allocating the percentage of ACS FTEs to the overall IRS estimated potentially lost dispositions for the ACS to AM surge and the ACS to Submission Processing Surge. No allocation was required for the ACS to AM telephones surge as ACS employees represented all allocated FTEs for this surge effort. IRS management described these dispositions as “estimated delayed dispositions;” however, we do not agree with their description as there is no guarantee that the dispositions will be realized and, therefore, we believe these to be more accurately described as potentially delayed or lost dispositions.

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Figure 7: ACS TDA and TDI Module Dispositions and Ending Inventories

 Inventory	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
TDA Module Dispositions	3,895,215	3,972,918	2,913,329	2,623,733	2,777,104
TDA Modules in Ending Inventory	9,193,359	6,731,823	4,603,272	6,839,368	6,653,253
TDI Module Dispositions	263,455	513,538	589,153	512,739	280,121
TDI Modules in Ending Inventory	1,244,579	1,635,709	1,788,077	1,227,075	1,111,558

Source: Monthly Monitoring Reports for FYs 2018 through 2022.

The data show that TDA and TDI module dispositions and ending inventories in FY 2019 (the year before the Pandemic) were higher than in FY 2022 by as much as 45 percent, as shown with TDI module dispositions. This declining trend does not support the continued suspension of ACS call site inventory days.

In responding to the impact of the continued suspension of call site inventory, management stated that inventory not worked between the scheduled inventory days, during non-telephone hours, or not resolved via taxpayer action will either remain in the ACS awaiting follow-up action or be systemically moved out of the ACS, *i.e.*, shelved or queued. For example, according to TDA Collection Activity Reports for FY 2022 that collectively represent the ACS and ACS Support, more than 1.1 million TDAs were transferred to the queue and more than 500,000 TDIs were collectively shelved or transferred to the queue. When cases are shelved or put in the queue, there is a greater risk that the IRS will not collect the related outstanding taxpayer liabilities or obtain a delinquent return.

The ACS provided TIGTA a sample snapshot report reflecting the call site manual inventories as of September 30, 2022. This snapshot report included total inventories of 553,317 cases of which only 3,537 (less than 1 percent) were worked. The sample report also indicated that collection representatives did not meet required follow-up dates in approximately 90 percent of the total cases, *i.e.*, follow-up dates were not met in 496,319 of the 553,317 cases. However, ACS management does not currently have a cumulative report that tracks and monitors how much of the manual inventories are worked versus those that are moved out of the ACS. The only report they have to monitor these inventories is the snapshot report that provides information as of a specific point in time. Further, management stated that the report cannot be created for multiple days or a period of time, nor could individual reports be summed to produce an overall report because reports may contain overlapping inventories.

Through the Inflation Reduction Act of 2022, the plan is to fund additional combined ACS and ACS Support resources as follows: 1,355 new employees for FY 2023 and 304 new employees for FY 2024.²⁴ While planned, these Inflation Reduction Act resources may not be realized. Additionally, collection representatives are assigned inventory dependent on available direct hours and program priorities, including LOS. As an example, when there are excess direct hours that will lead to meeting the LOS, collection representatives are assigned time to work in either two hour or more segments or inventory days. However, based on the facts presented, the IRS

²⁴ Pub. L. No. 117-169, 136 Stat. 1818.

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should dedicate staff to ensure manual inventories worked by collection representatives are always in process to avoid potential delayed collection actions and taxpayer burden.

Virtual training may be less effective than in-person training

Prior to the Pandemic, all ACS new hires had to complete their related new hire training curriculum in an in-person setting. However, with the Pandemic starting in FY 2020, the ACS was forced to reengineer its training to a virtual format; therefore, most new hires have completed their new hire training virtually.²⁵ Our discussions with ACS managers and collection representatives informed us that ACS virtual training has been a challenge and attempting to virtually train hires who are completely new to the IRS has been a difficult task. For example, some of the responses we received were that on-the-job training coaches were only available virtually via Skype and it was difficult to get in touch with them in real time, the virtual training did not include “hands-on” time with the on-the-job coach as the in-person training had, and the virtual training was more reading than actual training.

In addition to the primary measure of telephone effectiveness, *i.e.*, the LOS, the IRS also measures performance through its Embedded Quality program, which includes the National Quality Review System (NQRS). National reviewers use the NQRS to assess organizational performance versus employee performance. The quality review process provides a method to monitor, measure, and improve the quality of work. One of the measurement categories is customer accuracy. Customer accuracy measures whether the customer was provided complete and correct information to their case or issue.

We reviewed ACS Customer Accuracy Reports to analyze the impact related to new hires and attrition. Figure 8 shows the ACS goal for customer accuracy for NQRS product reviews was 95 percent for FYs 2018 and 2019 and decreased to 90 percent for FYs 2020 through 2022.

Figure 8: NQRS Customer Accuracy by ACS Campus Directorship²⁶

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
NQRS Customer Accuracy Goal	95%	95%	90%	90%	90%
NQRS Customer Accuracy by Directorship					
Andover Campus	93%	92%	92%	91%	89%
Atlanta Campus	95%	95%	94%	89%	87%
Fresno Campus	94%	92%	91%	90%	88%
Kansas City Campus	94%	93%	92%	91%	87%
Philadelphia Campus	93%	90%	91%	89%	86%
Overall NQRS Customer Accuracy	94%	92%	92%	90%	87%

Source: ACS Collection Quality Reports for FYs 2018 through 2022.

²⁵ As of November 18, 2022, ACS virtual training remains in place with the exception of Puerto Rico, which had ACS recruit curriculum in a face-to-face classroom environment the second half of FY 2022.

²⁶ The red font means the goal was not met. In some places, it may appear the goal was met when it was not due to rounding.

Despite the reduction in the accuracy goal, the data reflect that the overall accuracy has generally declined from FY 2020 through FY 2022 in comparison to FY 2019 pre-Pandemic levels. These declining trends may be related to issues surrounding the Pandemic, such as hiring and attrition issues as well as the need to create a virtual training solution in lieu of the existing in-person training prior to the Pandemic.

Training new hires virtually may not be the best approach when the majority of new hires have no IRS background and do not have immediate access to their on-the-job trainer when questions arise. The ACS should review its virtual training curriculum and incorporate appropriate adjustments, including a potential change to an in-person training curriculum to ensure that all new hire employees have adequate training to accurately assist taxpayers in a timely manner and improve customer accuracy ratings.

The expanded use of telework may have impacted ACS and ACS Support performance

In discussions with ACS managers and throughout this review, the transition to full-time telework was determined to be another potential factor in lower LOS and productivity in the ACS. In addition, our review found inconsistencies in telework practices in ACS Support.

In October 2014, the IRS began a series of technology demonstration studies to test the feasibility of implementing telework in a customer service telephone environment. Selected ACS collection representatives were incorporated into these telework studies starting with the second telework technology demonstration study conducted from October 2016 through March 2017. Some ACS collection representatives continued to participate in the third telework technology demonstration study where tests were conducted from June 2018 through May 2021. ACS Support tax examiners were not included in any of these telework studies. Without any concrete data, the IRS cannot determine whether telework is having a positive or negative impact on ACS Support employee performance. Also, customer satisfaction, an important measure in telephone support performance, was not included in the telework studies.

Inconsistencies in defining portable work may risk unfair treatment related to telework decisions in ACS Support

Our review found that some ACS Support managers are using inefficient and inconsistent processes to establish remote work in pursuance of telework for their respective tax examiners. Specifically, managers are inconsistent in their definition of "portable work," *i.e.*, tasks capable of being worked by employees in a telework environment, and in the interpretation and application of the terms of the IRS's union contract with the National Treasury Employees Union (NTEU), which governs telework decisions.

ACS Support provides assistance to the ACS organization through the processing of incoming and outgoing correspondence related to ACS telephone operations.²⁷ ACS Support employees assist with resolving correspondence from taxpayers or their representatives involving TDAs or TDIs. ACS Support clerks and tax examiners continue to maintain their pre-Pandemic job responsibilities. For example:

²⁷ IRM 5.19.6.1(6) (July 8, 2022).

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- ACS Support clerks are responsible for receiving, sorting, and batching incoming mail into the AM System.²⁸
- ACS Support tax examiners are responsible for taking actions to resolve the incoming taxpayer correspondence while having the physical correspondence at hand to reference.

Given the clerks' responsibilities associated with processing incoming correspondence when maximum telework was mandated during the Pandemic, there was no change to the requirement for those employees to be in the office. However, as a result of the Pandemic, clerks were tasked with additional work including creating digital files by scanning the paper documents so that other employees, such as tax examiners, could access their assigned work from their remote computer.

Prior to the Pandemic, ACS Support tax examiners were not generally afforded the opportunity to telework as the nature of their work involves addressing incoming taxpayer correspondence in "paper" format that is typically considered non-portable. As such, ACS Support tax examiners, similar to the clerical employees, previously reported to their assigned site daily. In FY 2022, when employees were called back into the office, management was required to follow the new NTEU Agreement that was updated to include tax examiners as an occupation eligible for frequent telework.²⁹ Prior versions of the NTEU Agreement excluded ACS Support tax examiners from the list of eligible occupations. Further, once the evacuation orders were lifted and Phase I of the Return to Office process began, employees who had non-portable work were required to report back to their post-of-duty.

We interviewed a combination of nine campus directors and department and operations managers across the five ACS Support sites to identify how each site determines which employees are granted the ability to telework. Management at two ACS Support sites stated that they allow all but the clerical department to request frequent telework and cited the revised Article 50 of the FY 2022 NTEU Agreement when making telework decisions. Article 50 was updated in FY 2022 to add the ACS Support tax examiner as an eligible occupation to elect frequent telework. These two sites do not limit telework based on the type of work and have incorporated scanning documents as an additional step for the clerks to create portable work for tax examiners, even when cases are not typically required to be in electronic form. These managers also referenced the IRS's goal to reduce its paper inventory to support scanning paper correspondence into an electronic file.

Management at the three remaining support sites base their telework decisions on available portable work. Their general view is that ACS Support is a "paper" function, with most of its work being non-portable and therefore not eligible for telework. Management at these three sites generally allow tax examiners working Collection Due Process and Taxpayer Advocate Service cases or cases awaiting an answer or research to telework, as these cases are required to be in electronic format and therefore considered portable.³⁰ Further, management at one site

²⁸ The process of batching involves manually entering information from the taxpayer correspondence received into the AM System. Information from the correspondence, such as the IRS received date, the document type, and batch volume, is used to batch correspondence.

²⁹ Frequent telework involves regular and recurring duties that may be performed at the approved telework site for more than 80 hours each month (not including overtime, credit hours, or compensatory time worked).

³⁰ ACS Support groups that work Collection Due Process and Taxpayer Advocate Service cases are deemed to have portable work as all cases are in an electronic format and not in a paper format.

reviews inventory weekly and will adjust the number of tax examiners allowed to telework and/or the number of telework days allowed for the week based on available portable work. Separately, some ACS Support employees assisting the IRS's efforts to whittle down the backlog of unprocessed paper tax returns (which the IRS refers to as the "surge team") are excluded from teleworking.³¹ Managers at this location understand that the NTEU Agreement designates the tax examiner as an eligible position for frequent telework; however, they base their telework decisions on assigned work and whether the work is required to be portable.

ACS Support management's approval of telework for their tax examiners involves inefficient processes that need to be reviewed and implemented in a more uniform manner according to the provided definition of what is portable and non-portable work. ACS Support sites that continue creating portable work (when not required to do so) by adding an extra step to allow their tax examiners to telework may be increasing inefficiencies and negatively impacting their productivity, thereby threatening the timeliness in addressing taxpayer inquiries. Additionally, inconsistencies in the interpretation of the NTEU Agreement and definition of portable work threaten the fairness of telework determinations for ACS tax examiners. As a result, ACS Support may risk unnecessary grievances by employees in those sites that do not create portable work for their tax examiners.

Telework studies of ACS collection representatives identified some areas of concern; however, the studies excluded ACS Support tax examiners and measures of customer satisfaction

In response to the Pandemic's evacuation notices, and as previously stated, the IRS issued its own directive that involved transitioning ACS call site staff to answer incoming taxpayer telephone calls from home. The transition to telework for ACS call site staff took approximately one month, and supervisors who we interviewed noted that one challenge resulting from the Pandemic has been managing teleworking call site employees and the fact that management cannot physically observe their teams. As a result of these statements, we suggested to IRS management that they study the impact that extended telework is having on ACS and ACS Support's performance. Management responded that a study could not be performed because the ACS work streams have all been disrupted since the Pandemic and operations are not back to normal.

However, during our exit conference with IRS management, the IRS provided information on a series of telework studies, indicating that these studies should satisfy TIGTA's request to analyze the impact of telework on ACS and ACS Support. ACS collection representatives participated in the last two studies and ACS Support tax examiners did not. The studies were performed over the following three data periods:

- Prior to the Pandemic:
 - Technology Demonstration I, October 2014 – February 2015. The AM and the Contact Center Support Division conducted this study. Both ACS and ACS Support employees did not participate in this study.
 - Technology Demonstration II, October 2016 – March 2017. The AM, the ACS, and the Contact Center Support Division conducted this study. Some ACS collection

³¹ One ACS Support site is fully assisting with the surge team efforts and, therefore, its employees cannot telework.

Post-Pandemic Actions Have Contributed to Declines in Automated Collection System Level of Service and Collection Inventories

representatives participated in this study; however, ACS Support employees did not participate.

- Started prior to and completed during the Pandemic:
 - Technology Demonstration III, June 2018 - May 2021. The AM, the ACS, and the Contact Center Support Division conducted this study. Some ACS collection representatives continued to participate in this study; however, ACS Support employees did not participate. The three data periods reviewed included two pre-Pandemic reviews (June 10, 2018, through December 15, 2018, and January 28, 2019, through December 19, 2019), and one review during the Pandemic (October 1, 2020, through May 31, 2021).

Various tests were performed as part of Technology Demonstration III including but not limited to reviews on call quality, call clarity, and inventory analysis. For example, in this study, when testing for call quality, the first two data periods (pre-Pandemic) found no significant differences between ACS collection representatives' performance on call quality when teleworking or working in the site. The third data period within this study showed mixed results and conclusions could not be made across all tests. This may be due to the fact that in response to the Pandemic, the majority of call site representatives were teleworking during the third data period and therefore comparisons could not be drawn against non-teleworking employees. For this reason, the results from this last data period may not have made reliable comparisons. In addition, these tests across all three data periods did not include any measure of external customer satisfaction from the public.

The IRS reported an overall observation from the Technology Demonstration III study that employees and managers expressed greater satisfaction and work life balance. However, this study also identified certain issues such as background noise and employees in a non-secure environment due to speaking to family or guests in the employee's home office area where Personally Identifiable Information could be overheard. ACS collection representatives with a non-secure environment, while teleworking, failed to comply with I.R.C. § 6103, which protects taxpayer information from disclosure to unauthorized individuals. Observations of ACS Support tax examiners who telework were not performed; therefore, it is not known if disclosure risks may also have been present.

As mentioned previously, the OMB issued guidance in April 2023 on assessing organizational health and performance and instructs agencies to ensure feedback from the public is incorporated into their frameworks and that they focus on improvements and service elements that most effectively improve trust and reduce burden on the public. IRS management submitted their draft Post-Reentry Workforce Environment Plan in response to this OMB issued guidance. However, the draft response is written in a very generic manner and is not specific to any business unit. For example, it does not include any post-reentry workforce planning for ACS or ACS Support. To support the IRS's overall Post-Reentry Workforce Environment Plan, ACS and ACS Support management should continually monitor available ACS metrics to evaluate potential risks with ACS collection representatives and ACS Support tax examiners who telework and develop strategies to mitigate those risks, such as any adverse impact to its LOS, the security of taxpayer information, ACS productivity, and taxpayer customer service.

**Post-Pandemic Actions Have Contributed to Declines in
Automated Collection System Level of Service and Collection Inventories**

The Director, Campus Collection, Small Business/Self-Employed Division, should:

Recommendation 1: Dedicate staff to ensure that manual inventories worked by collection representatives are always in process to avoid potential delayed collection actions and taxpayer burden.

Management's Response: The IRS agreed with this recommendation and started inventory days during the fourth quarter of FY 2023 and will schedule at least one inventory day per site during FY 2024 based on factors such as telephone demand.

Recommendation 2: Review the virtual training curriculum and incorporate appropriate adjustments, including a potential return to an in-person training curriculum to ensure that all new hire employees have adequate training to accurately assist taxpayers in a timely manner and improve customer accuracy ratings.

Management's Response: The IRS agreed with this recommendation stating that they are in the process of revising the ACS new hire curriculum. Once completed, the material will be available via the Integrated Talent Management System. In addition, the IRS confirmed Campus Collection has begun transitioning back to in-person training for new hires and will continue this in FY 2024.

Recommendation 3: Establish a consistent approach between ACS Support sites when defining portable work in an effort to improve efficiency.

Management's Response: The IRS agreed with this recommendation and will have Campus Collection collaborate with impacted stakeholders to clarify portable work as it pertains to the business unit, and it will be communicated to ACS Support sites once a consistent approach has been established.

Recommendation 4: Continually monitor available ACS and ACS Support metrics to evaluate potential risks with ACS collection representatives and ACS Support tax examiners who telework and develop strategies to mitigate those risks, such as any adverse impact to its LOS, the security of taxpayer information, productivity, and taxpayer customer service.

Management's Response: The IRS agreed with this recommendation and will have managers utilize various metrics to mitigate risks and improve efficiencies. Campus Collection is currently purchasing additional scanners and will distribute them to various campus locations to convert paper correspondence to an electronic format and is in the process of upgrading laptops for collection representatives and tax examiners to improve speed, efficiency, and to minimize disruptions in service.

Appendix I

Detailed Objectives, Scope, and Methodology

The overall objective of this audit was to evaluate the effectiveness of the IRS's actions to improve ACS call sites' business results and LOS, including the current status of performance in light of the Pandemic. We also reviewed ACS Support's business results and operations. To accomplish our objectives, we:

- Interviewed ACS and ACS Support management, via conference calls and site visits, and obtained relevant documentation to evaluate: the processes of both business units, the types of inventories worked by both business units, and the impact from the Pandemic on each business unit.
- Reviewed all relevant ACS and ACS Support strategies, plans, policies, and Internal Revenue Manual (IRM) guidelines.
- Identified the impact that AM and Submission Processing surge efforts had on the ACS: the FTEs, Potential Revenues Lost, and Potential Dispositions Lost.
- Reviewed the IRS's Collection Activity Reports, Monthly Monitoring Reports, and the Monthly Assessment of Performance Reports to determine the impact that the Pandemic has had on ACS and ACS Support business results related to:
 - ACS TDA and TDI Dispositions.
 - ACS Support CIS/TDA/TDI receipts, closures, closures per FTE, and over-age inventory.
- Reviewed the Joint Operation Center's Enterprise Telephone Database to assess ACS toll-free telephone performance for FYs 2018 through 2022. Specifically, we reviewed:
 - ACS LOS Target.
 - ACS Actual LOS.
 - ACS Net Incoming Taxpayer Call Attempts.
 - ACS Calls Answered and Calls Answered per FTE.
 - ACS Average Speed of Answer.
 - ACS Average Handle Time.
- Evaluated the result of IRS telework studies in which ACS participated in from October 2016 through May 2021.
- Reviewed the draft Post-Reentry Workforce Environment Plan response related to the OMB Memorandum M-23-15 to identify the IRS's strategy to assess the impact associated with the expanded use of telework in ACS and ACS Support.

Performance of This Review

This review was performed at the ACS and ACS Support site in Fresno, California, with information obtained from the Small Business/Self-Employed Division located in

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Washington, D.C.; all remaining ACS call sites (Oakland, California; Denver, Colorado; Jacksonville, Florida; Atlanta, Georgia; Des Moines, Iowa; Andover, Massachusetts; Detroit, Michigan; Kansas City, Missouri; Brookhaven, New York; Buffalo, New York; Cincinnati, Ohio; Philadelphia, Pennsylvania; San Juan, Puerto Rico; Memphis, Tennessee; Nashville, Tennessee; Austin, Texas; Ogden, Utah; and Seattle, Washington); and ACS Support sites located in Atlanta, Georgia; Kansas City, Missouri; Cincinnati, Ohio; and Philadelphia, Pennsylvania, during the period February 2022 through June 2023. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Major contributors to the report were Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations); Phyllis Heald London, Director; Javier Fernandez, Audit Manager; Carrie Mares, Lead Auditor; James Dovan, Auditor; and Laura R. Christoffersen, Applied Research and Technology Data Analyst.

Data Validation Methodology

This review did not rely on computer-processed data. However, we did use information contained in various IRS system reports such as the IRS's Collection Activity Reports and Monthly Assessment of Performance Reports, the ACS's Inventory Production Reports and Monthly Monitoring Reports, and reports from the Joint Operations Center's Enterprise Telephone Database Reporting website.

ACS Support's CIS/TDA/TDI inventory data, focusing on the receipts and closures, were reviewed using both the IRS's Monthly Assessment of Performance Reports and the ACS's Inventory Production Reports. The ACS Support's CIS/TDA/TDI inventory data for FYs 2018 and 2019 were reviewed and matched between each report. As a result of the inventory data matching, we determined that the information in these reports were sufficiently reliable for purposes of this review.

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 objectives: IRS management reports designed to monitor the status of ACS inventories and the LOS. To assess these controls, we reviewed reports from FY 2018 through FY 2022 to evaluate any significant trends. We also interviewed ACS and ACS Support management and reviewed relevant sections of the IRM and the IRS's response to the Pandemic including its Return to Office Playbook as it pertained to the ACS and ACS Support.

Management's Response to the Draft Report



COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

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

November 17, 2023

MEMORANDUM FOR MATTHEW A. WEIR
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Amalia C. Colbert
Lia Colbert Colbert
Commissioner, Small Business/Self-Employed Division

Digitally signed by Amalia
C. Colbert
Date: 2023.11.17
12:29:43 -05'00'

SUBJECT: Draft Audit Report – Post-Pandemic Actions Have Contributed to
Declines in Automated Collection System Level of Service and
Collection Inventories (Audit #202230011)

Thank you for the opportunity to review and comment on the subject draft audit report. The Automated Collection System (ACS) program is a critical part of IRS's collection program and brings in the second highest revenue stream for collection of delinquent tax accounts. IRS leadership balanced the monumental challenge of the unprecedented Coronavirus Disease 2019 (COVID-19) pandemic (hereafter referred to as the Pandemic) and safeguarding the health and safety of IRS employees. As noted in the draft audit report, we accomplished this by mobilizing the telework program for both ACS phone lines and ACS Support (ACSS) correspondence processing sites. Management's swift actions in response to the Pandemic included the mobilization of over 2,000 ACS employees to telework, which resulted in the ACS phone lines being one of the first IRS phone lines to reopen in March 2020. TIGTA commented favorably on IRS actions to leverage telework in a recent review.¹

IRS has been working to recover from the historic impacts of the Pandemic, which included sending our Collection employees to assist other IRS functions and pausing collection notices. Campus Collection, which includes ACS and ACSS, sent the most employees of any SB/SE function to assist with the return and correspondence backlogs. Despite these challenges, I'm pleased to report the following:

¹TIGTA Report 2022-IE-R003, *The IRS Leveraged Its Telework Program to Continue Operations During the COVID-19 Pandemic*, published May 23, 2022, commended IRS for leveraging our telework program to continue operations during the Pandemic.

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2

- For Fiscal Year (FY) 2023, ACS delivered a 56 percent Level of Service (LOS); the highest in the last five years and the lowest Average Speed of Answer and Handle Time.
- The most recent ACS Customer Satisfaction report shows overall satisfaction at 91 percent.
- We also secured direct hire authority late in FY 2023 and will be onboarding additional new hires in FY 2024 to offset recent hiring shortfalls and attrition.
- ACS and ACSS employees have the Document Upload Tool (DUT) which provides the ability for taxpayers to securely communicate with the IRS. This reduces taxpayer correspondence burden and provides a means for immediate documentation delivery to the IRS. For IRS employees, DUT reduces paper correspondence received and helps decrease processing time responding to taxpayer documentation, creating efficiency that assists the taxpayer.
- We deployed voice and chat bots to assist taxpayers with their questions rather than being on hold with an ACS phone representative. In addition, an authenticated voice bot was deployed in June 2022. The authenticated voice bot allows taxpayers to set up installment agreements and obtain account information, reducing the need for taxpayers to stay on hold and speak with an ACS representative.
- The deployment of ACS text chat allows taxpayers to connect online with ACS representatives to resolve their collection issues. From November 2017 through July 2023, ACS serviced over 1.5 million chats.
- We deployed Customer Callback services in 2019, and in July 2023 reached our goal of providing this service to 95 percent of our callers.

Multiple factors have contributed to the decline in ACS LOS and ACSS inventory productivity in recent years, among them:

- Since 2019, ACS has received an increase in balance due calls but was not given additional funding to hire more phone assistors. ACS cannot control the volume of statutory balance due notice incoming calls, which drove the increase in call volume and started the decline in LOS over the following years.
- Additionally, ACSS Taxpayer Delinquent Accounts (TDA) inventory began trending down in 2019, with a potential contributing factor (beyond the Pandemic) being the increased usage of the Online Payment Agreement application.

Attached are our comments and proposed actions to your recommendations. If you have any questions, please contact me, or Frederick W. Schindler, Director, Collection, Small Business/Self-Employed Division.

Attachment

**Post-Pandemic Actions Have Contributed to Declines in
Automated Collection System Level of Service and Collection Inventories**

Attachment

Recommendations

The Director, Campus Collection, Small Business/Self-Employed Division, should:

RECOMMENDATION 1:

Dedicate staff to ensure manual inventories worked by collection representatives are always in process to avoid potential delayed collection actions and taxpayer burden.

CORRECTIVE ACTION:

We agree. We started inventory days during the 4th quarter of FY 2023. We will schedule at least one inventory day per site during FY 2024 based on factors such as telephone demand.

IMPLEMENTATION DATE:

August 15, 2024

RESPONSIBLE OFFICIAL:

Director, Campus Collection, Small Business/Self-Employed Division

CORRECTIVE ACTION MONITORING PLAN:

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

RECOMMENDATION 2:

Review the virtual training curriculum and incorporate appropriate adjustments, including a potential return to an in-person training curriculum to ensure that all new hire employees have adequate training to accurately assist taxpayers in a timely manner and improve customer accuracy ratings.

CORRECTIVE ACTION:

We agree. We are in the process of revising the ACS new hire curriculum. Once completed, the material will be available via Integrated Talent Management (ITM). In addition, Campus Collection has begun transitioning back to in-person training for our new hires and this will continue in FY 2024.

IMPLEMENTATION DATE:

October 15, 2024

RESPONSIBLE OFFICIAL:

Director, Campus Collection, Small Business/Self-Employed Division

**Post-Pandemic Actions Have Contributed to Declines in
Automated Collection System Level of Service and Collection Inventories**

2

CORRECTIVE ACTION MONITORING PLAN:

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

RECOMMENDATION 3:

Establish a consistent approach between ACS Support sites when defining portable work in an effort to improve efficiency.

CORRECTIVE ACTION:

We agree. Campus Collection will collaborate with impacted stakeholders to clarify portable work as it pertains to the business unit. This will be communicated to ACS Support sites once a consistent approach has been established.

IMPLEMENTATION DATE:

October 15, 2024

RESPONSIBLE OFFICIAL:

Director, Campus Collection Policy, Small Business/Self-Employed Division

CORRECTIVE ACTION MONITORING PLAN:

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

RECOMMENDATION 4:

Continually monitor available ACS and ACS Support metrics to evaluate potential risks with ACS collection representatives and ACS Support tax examiners who telework and develop strategies to mitigate those risks, such as any adverse impact to its LOS, the security of taxpayer information, productivity, and taxpayer customer service.

CORRECTIVE ACTION:

We agree. Managers will utilize various metrics to mitigate risks and improve efficiencies. Campus Collection is currently implementing two strategies:

- Digitalization – Additional scanners are being purchased and will be distributed to various campus locations to convert paper correspondence to an electronic format.
- Campus Collection is in the process of upgrading laptops for Collection Representatives and Tax Examiners to improve speed, efficiency, and to minimize disruptions in service.

IMPLEMENTATION DATE:

October 15, 2024

3

RESPONSIBLE OFFICIAL:

Director, Campus Collection Policy, Small Business/Self-Employed Division

CORRECTIVE ACTION MONITORING PLAN:

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

Glossary of Terms

Term	Definition
Automated Levy Programs	A levy program in which selected Federal tax debts are matched with State taxing authorities, municipal taxing authorities, and Federal agencies disbursing funds such as salary, pension, and vendor payments.
Average Handle Time	Average length of time a collection representative spends assisting the customer.
Average Speed of Answer	Average length of time a caller spends in a secondary application before connecting to an agent.
Collection Due Process Notice	I.R.C. § 6330 gives the taxpayer the right to appeal before a proposed levy action and after a jeopardy levy, a Disqualified Employment Tax Levy, a levy on a Federal contractor, and a levy on State tax refunds. The IRS notifies taxpayers of their Collection Due Process rights by issuing a notice explaining their right to request a hearing.
Collection Representative	The duties of a collection representative are varied and include collecting unpaid taxes and securing tax returns from delinquent taxpayers that have not complied with previous notices along with securing, verifying, and updating levy sources and timely issuing notices of tax levy.
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government’s fiscal year begins on October 1 and ends on September 30.
Full-Time Equivalent	A measure of labor hours in which one FTE is equal to eight hours multiplied by the number of compensable days in a particular fiscal year.
Internal Revenue Code	The body of law that codifies all Federal tax laws, including income, estate, gift, excise, alcohol, tobacco, and employment taxes. These laws constitute Title 26 of the United States Code. The United States Code is a consolidation and codification by subject matter of the general and permanent laws of the United States.
Internal Revenue Manual	The primary, official source of IRS “instructions to staff” related to the organization, administration, and operation of the IRS.
Level of Service	The primary measure of service to taxpayers. It is the relative success rate of taxpayers who call for live assistance on the IRS toll-free telephone lines. The IRS’s measure is titled Customer Service Representative Level of Service.
Manual Lien	Manual liens are issued on an individual basis by collection representatives when lien criteria are met.
Tax Examiner	An employee located in a field office who conducts examinations through correspondence. However, the tax examiner position is also used for many other types of positions located in various IRS offices.

Abbreviations

ACS	Automated Collection System
AM	Accounts Management
CIS	Collection Information Statement
COVID-19	Coronavirus Disease 2019
FTE	Full-Time Equivalent
FY	Fiscal Year
HCO	Human Capital Office
I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
LOS	Level of Service
NQRS	National Quality Review System
NTEU	National Treasury Employees Union
OMB	Office of Management and Budget
TDA	Taxpayer Delinquent Account
TDI	Taxpayer Delinquency Investigation
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,
contact our hotline on the web at www.tigta.gov or via e-mail at
oi.govreports@tigta.treas.gov.**

**To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at www.tigta.gov/form/suggestions.**

Information you provide is confidential, and you may remain anonymous.