



December 2014

TAX FILING SEASON

2014 Performance Highlights the Need to Better Manage Taxpayer Service and Future Risks

GAO Highlights

Highlights of [GAO-15-163](#), a report to congressional requesters

Why GAO Did This Study

During the filing season, IRS processes tax returns, issues refunds, and provides telephone, correspondence, online, and face-to-face service. GAO has reported that in recent years IRS has absorbed significant budget cuts and struggled to provide quality service. In response, IRS has taken steps, including eliminating some services and implementing a new risk management process. GAO assessed IRS's (1) 2014 filing season performance, including how it compares itself to best practices; (2) efforts to evaluate the effectiveness of 2014 service changes; and (3) actions to manage risk for filing season operations, among other objectives. GAO analyzed IRS documents and data, visited IRS facilities, and interviewed IRS officials and external stakeholders.

What GAO Recommends

GAO recommends IRS systematically compare telephone service to the best in business, develop measures and a plan to analyze service changes, and include specific countermeasures in risk management plans.

IRS disagreed with comparing its telephone service to the best in business stating it (1) is not comparable to other organizations and (2) has done targeted comparisons. GAO disagrees. In its view, the recommendation remains valid and benchmarking all aspects of service to the best in business could help IRS improve its service. IRS agreed to develop measures and a plan to analyze service changes. It neither agreed nor disagreed to include specific countermeasures in its risk management plans.

View [GAO-15-163](#). For more information, contact James R. White at (202) 512-9110 or whitej@gao.gov.

December 2014

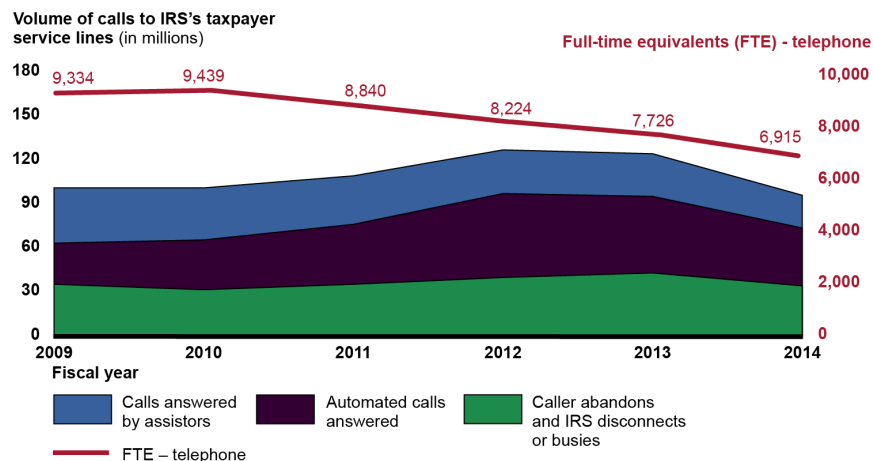
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What GAO Found

The Internal Revenue Service's (IRS) processing of tax returns was timely, even though the filing season was delayed due to the 2013 government shutdown. Continued growth in e-filing allows IRS to reduce costs and issue refunds faster. Although IRS received fewer calls in 2014, the percentage of callers seeking help who received it remained low and wait times remained high compared to prior years.

Call Volume to IRS's Taxpayer Service Telephone Lines and IRS Full-Time Equivalents (FTE) Devoted to Telephone Service, Fiscal Years 2009 through 2014



Source: GAO analysis of IRS data. | GAO-15-163

One way to improve taxpayer telephone service is to compare it to the best in business, as required by Congress and executive orders. However, IRS has not systematically made such a comparison for its telephone service because of budget constraints and difficulty in identifying comparable organizations, according to IRS officials. By not comparing itself to other call center operations, IRS is missing an opportunity to identify and address gaps between actual and desired service, and inform Congress about resources needed to close the gap. More efficient telephone service could help improve correspondence service because the same staff provides those services.

IRS did not set numerical goals—such as a reduction in wait time—or develop a plan to assess the effects of its 2014 service changes. Such information would help Congress, IRS managers, and others understand the benefits and potential budget tradeoffs associated with IRS service changes. This is important because IRS has identified additional service changes for 2015 and beyond.

IRS used its new enterprise-wide risk management approach to identify risks such as staffing and training. IRS has made good progress in setting up its risk management process. However, while risks were identified and countermeasures discussed, such as contingency plans and workload adjustments, most countermeasures were not specific. Without specific countermeasures identified in advance, IRS's ability to respond to adverse events may be hampered.

Contents

Letter		1
	Background	5
	Return Processing Was Timely and IRS Continued to Shift Taxpayers to Lower Cost Services, but Opportunities Exist to Improve Telephone Service	9
	IRS Did Not Develop Measurable Goals or an Analysis Plan to Evaluate the Effectiveness of 2014 Service Changes, Which Could Inform Planned Changes for 2015	22
	IRS Used its New Enterprise Risk Management Process to Identify Major Risks for the 2015 Filing Season, but Management Plans Lack Specificity	24
	IRS Has Implemented Six Filing Season Recommendations but Some Significant Ones Remain Open	29
	Conclusion	30
	Recommendations for Executive Action	31
	Agency Comments and Our Response	31
Appendix I	Individual Income Tax Returns and Refunds Processed, 2009 through 2014	34
Appendix II	Full-Time Equivalent (FTE) Data for Telephone, Correspondence, Submission Processing and Other Categories, Fiscal Years (FY) 2009 through 2014	35
Appendix III	IRS Call Volume and Telephone Service Goals and Performance, Fiscal Years (FY) 2009 through 2014	37
Appendix IV	Costs for Calls Answered by IRS Assistors and Automated Services and Average Handle Time with Assistors, Filing Seasons 2009 through 2014	38

Appendix V	Use of IRS Website and Online Services, Fiscal Years (FY) 2009 through 2014	39
Appendix VI	Services Offered at IRS Taxpayer Assistance Centers (TAC) and Volunteer Sites, Fiscal Years (FY) 2009 Through 2014	40
Appendix VII	GAO Assessment of IRS's Efforts to Evaluate the Effectiveness of Changes to Taxpayer Services	41
Appendix VIII	GAO Analysis of Expected and Actual Outcomes for IRS's 2014 Service Changes	42
Appendix IX	Selected Excerpts From IRS's Risk Registers	44
Appendix X	Prior GAO Filing Season Recommendations Implemented by IRS	50
Appendix XI	Prior Filing Season-Related GAO Recommendations That Remain Open	52
Appendix XII	Prior Filing-Season Related GAO Recommendations Related to Improving Web Services Remaining Open	54
Appendix XIII	Matters for Congressional Consideration for Enhanced Math Error Authority	56

Appendix XIV	Comments from the Internal Revenue Service	58
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Appendix XV	GAO Contact and Staff Acknowledgments	62
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Tables

Table 1: Individual Tax Returns Prepared at Volunteer Sites and through Free File, Fiscal Years 2009 through 2014	22
Table 2: IRS's Risk Management Efforts Compared to GAO Risk Management Criteria	26
Table 3: Individual Income Tax Returns and Refunds Processed from 2009 through 2014	34
Table 4: GAO Assessment of IRS's Efforts to Evaluate the Effectiveness of Changes to Taxpayer Services	41
Table 5: GAO Analysis of IRS's 2014 Service Initiatives' Expected and Actual Outcomes	42
Table 6: Implemented GAO Recommendations to IRS Related to the Filing Season	50
Table 7: Open GAO Recommendations to IRS Related to Filing Season	52
Table 8: Open GAO Recommendations Related to a Long-Term Strategy for Improving IRS Web Services	54
Table 9: Status of GAO Matters for Congressional Consideration Concerning MEA for IRS	56

Figures

Figure 1: Numbers of Individual Tax Returns Processed and Full-Time Equivalents (FTE) Devoted to Submission Processing, Fiscal Years 2009 through 2014	10
Figure 2: Call Volume to IRS's Taxpayer Service Telephone Lines and IRS FTEs Devoted to Telephone Service at IRS, Fiscal Years 2009 through 2014	13
Figure 3: IRS Telephone Level of Service and Average Telephone Wait Times, Fiscal Years 2009 through 2014	15
Figure 4: Trends in Taxpayer Correspondence Overage and IRS FTEs Used for Correspondence, Fiscal Years 2009 through 2014	19

Figure 5: Trends in Total Contacts and FTEs Used for IRS Taxpayer Assistance Centers, Fiscal Years 2009 through 2014	21
Figure 6: IRS FTEs Responsible for Telephone, Correspondence, Submission Processing and Other Categories, Fiscal Years 2009 through 2014	36

Abbreviations

ACA	Affordable Care Act
EIN	Employee Identification Number
ERM	Enterprise Risk Management
ESC	Executive Steering Committee
e-filed	electronically filed
FATCA	Foreign Account Tax Compliance Act
FSR	Filing Season Readiness
FTE	Full-time Equivalent
FY	Fiscal Year
GPRA	Government Performance and Results Act of 1993
GPRAMA	GPRA Modernization Act of 2010
HCERA	Health Care and Education Reconciliation Act of 2010
ICMM	International Compliance Management Model
IRS	Internal Revenue Service
IT	Information Technology
ITIN	Individual Taxpayer Identification Number
MEA	Math Error Authority
MeF	Modernized e-File
OMB	Office of Management and Budget
OPCI	Office of Program Coordination and Integration
PPACA	Patient Protection and Affordable Care Act
PPS	Practitioner Priority Service
TAC	Taxpayer Assistance Center
VITA	Volunteer Income Tax Assistance
W&I	Wage and Investment

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December 16, 2014

The Honorable Ron Wyden
Chairman
The Honorable Orrin Hatch
Ranking Member
Committee on Finance
United States Senate

The Honorable Charles W. Boustany, Jr.
Chairman
The Honorable John Lewis
Ranking Member
Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

The tax filing season is an enormous undertaking during which the Internal Revenue Service (IRS) processes more than 140 million individual tax returns, issues hundreds of billions of dollars in refunds, and provides telephone, correspondence, online, and face-to-face services to tens of millions of taxpayers. For fiscal year 2014, IRS was appropriated about \$2.2 billion for processing tax returns and providing taxpayer services (about 19 percent of its total appropriation).

Since fiscal year 2010, IRS has absorbed approximately \$900 million in budget cuts, resulting in significant staffing declines. Performance has declined in both enforcement and taxpayer services including telephone and correspondence services. To address budget constraints and performance issues, IRS has for years pursued a strategy of shifting taxpayers from labor intensive services such as assistor answered phone calls and paper correspondence to lower cost services such as online assistance.¹ In 2014, IRS more aggressively followed the same strategy including reducing and eliminating services in six areas, such as return preparation at walk-in sites.

¹See GAO, *IRS 2015 Budget: Long-Term Strategy and Return on Investment Data Needed to Better Manage Budget Uncertainty and Set Priorities*, [GAO-14-605](#) (Washington, D.C.: June 12, 2014).

Performance during the 2014 filing season has implications for 2015. According to the IRS Commissioner, IRS's 2015 filing season will be occurring in an environment that presents significant risks. The risks result, in part, from the current levels of resources and performance but also because IRS will have major new tax administration responsibilities in 2015. IRS is one of several agencies responsible for implementing provisions of the Patient Protection and Affordable Care Act (PPACA).² Risk management is a strategy to help agency officials make decisions about identifying and assessing risks, allocating resources, and taking actions to manage risks.

Finally, IRS's uneven filing season performance—coupled with its new responsibilities—highlight the importance of implementing our past filing season recommendations to IRS and suggestions to Congress regarding possible legislative action. If implemented, these recommendations and suggestions could help IRS more effectively manage its operations and achieve some savings over time.

In this context, you asked us to review IRS's 2014 tax filing season performance. This report (1) assesses how well IRS processed individual income tax returns and provided telephone and other assistance compared to its 2014 goals and past performance, as well as how it compares itself to best practices; (2) assesses IRS's actions to evaluate expected and actual outcomes for the six service changes implemented in 2014; (3) assesses IRS's actions to manage risk for filing season operations; and (4) describes IRS's actions to implement our prior recommendations.

To assess IRS's filing season performance, we

- obtained and analyzed IRS documents and data, including performance and workload data, for return processing and taxpayer services, and used this information to compare IRS's performance

²Pub. L. No. 111-148, 124 Stat. 119 (Mar. 23, 2010) (hereafter, "PPACA"), as amended by the Health Care and Education Reconciliation Act of 2010 (HCERA), Pub. L. No. 111-152, 124 Stat. 1029 (Mar. 30, 2010) (hereafter "HCERA"). In this report, references to PPACA include any amendments made by HCERA. We note that IRS refers to PPACA as the Affordable Care Act ("ACA") and when quoting IRS documents, this report will use the IRS acronym.

from fiscal years 2009 through 2014 and agency goals to identify trends and anomalies;

- visited IRS facilities, including the Joint Operations Center (which manages IRS's telephone operations) and an IRS walk-in site (both in Atlanta, Georgia) to better understand IRS's operations;
- obtained and analyzed IRS reports and documents including those which were on a study that it had undertaken to evaluate a telephone performance standard;
- identified federal standards for evaluating performance and compared IRS actions to those;
- interviewed external stakeholders, including representatives from tax preparation and software firms, who interact with IRS on key aspects of the filing season and representatives from customer service trade organizations to identify best practices; and
- interviewed officials from IRS's Wage and Investment (W&I) division (which is responsible for managing filing season operations) and tax administration experts from major tax preparation firms to obtain contextual information about IRS's performance, including the effect of the October 2013 federal government shutdown and efforts to improve taxpayer services.

To assess IRS's actions to evaluate expected and actual outcomes for the six service reductions or eliminations implemented in 2014, we

- obtained and analyzed IRS information and data, including full-time equivalent (FTE) and performance data for IRS's taxpayer services;³
- interviewed officials from IRS's Excellence through Productivity Improvement and Quality group (which is responsible for managing the service initiatives), tax administration experts including major tax preparation firms, and the National Taxpayer Advocate to obtain contextual information about IRS's performance, including the effect

³FTEs represent the total number of hours worked based on IRS payroll data, divided by the number of compensable hours applicable to each fiscal year. For example, in fiscal year 2014, there were 2,088 compensable hours.

of the service limitations and reductions to improve taxpayer services;
and

- reviewed GAO guidance on designing evaluations and assessing program effectiveness, and used these criteria to evaluate IRS's expected and actual outcomes for the service changes implemented in 2014.

To assess IRS's risk management activities, we

- obtained and analyzed IRS documents that identified risks that could affect the filing season, including the Filing Season Action Plan, the PPACA, the Foreign Account Tax Compliance Act (FATCA),⁴ and W&I Risk Registers as well as guidance and working drafts used to develop the risks and management actions;⁵
- interviewed IRS officials in W&I, the Enterprise Risk Management (ERM) office, and Filing Season Readiness (FSR) Executive Steering Committee (ESC) to confirm our understanding of the policies and procedures regarding IRS's risk management process;
- compared the actions IRS has taken as part of its risk management process to identified risks and associated management approaches listed in the PPACA, FATCA, and W&I Risk Registers to the criteria outlined by GAO's risk management approach;⁶ and
- compared the FSR ESC action plan process—which while not part of the risk management process, also identifies risks that could affect filing season operations—to the criteria cited above and limited our scope to only those risks that were the responsibility of W&I.

⁴FATCA is found in the Hiring Incentives to Restore Employment Act, Pub. L. No. 111-147, Title V, 124 Stat. 71, 97-117 (Mar. 18, 2010).

⁵A risk register is a document used to capture risk related information and report on risks across such areas such as risk identification, risk assessment, and risk management/internal control activities.

⁶GAO, *Risk Management: Further Refinements Needed to Assess Risks and Prioritize Protective Measures at Ports and Other Critical Infrastructure*, [GAO-06-91](#) (Washington, D.C.: Dec. 15, 2005).

To describe IRS's actions to implement our prior recommendations, we obtained information from IRS officials and reviewed relevant documentation, including the IRS Joint Audit Management Enterprise System reports, which track IRS actions taken to implement our recommendations. We then determined which recommendations were implemented. We also searched the GAO Engagement Reporting System to identify our prior recommendations for executive action and open matters for congressional consideration.

To identify limitations and assess data reliability, we reviewed IRS data and documentation, interviewed IRS officials about computer systems and data limitations, and compared those results to our data reliability standards. We interviewed Treasury Inspector General for Tax Administration staff who worked on past reports relevant to our work to identify data sources and better interpret IRS's data. We consider the data presented in this report to be sufficiently reliable for our purposes.

We conducted this performance audit from February 2014 through December 2014 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.

Background

Return Processing and Other Services

During the tax filing season, IRS processes paper and electronically filed (e-filed) tax returns and validates key pieces of information, such as a taxpayer's name and social security number.⁷ The overwhelming majority of returns are e-filed.⁸ Eligible taxpayers may use IRS's Free File program

⁷Most taxpayers file their tax returns between January 1 and April 15, which is the deadline for filing individual income tax returns. However, millions of taxpayers receive extensions from IRS, which allows them to delay filing until as late as October 15.

⁸IRS cannot accept e-filed returns directly from taxpayers. Rather, IRS authorizes e-file providers to transmit returns to IRS.

to prepare and e-file their federal tax returns online for free.⁹ In addition to return processing, IRS offers the following services:

Telephone service for tax law and account questions: Taxpayers can speak with an IRS assistor to obtain information about their accounts or to ask tax law questions. Taxpayers can also listen to recorded tax information using automated telephone menus. In 2010, we recommended that IRS determine a telephone standard based on the quality of service provided by comparable organizations, what matters most to the customer, and resources required to achieve this standard based on input from Congress and other stakeholders.¹⁰ IRS disagreed, saying its current process of developing a planned level of telephone service takes into consideration many factors, including its resource availability and assumptions about call demand. We noted, however, that such a standard would allow IRS to communicate to Congress what it believes constitutes good service. Furthermore, since 2010, the IRS Oversight Board—an independent body charged to provide IRS with long-term guidance and direction—has said that an acceptable level of service should be about 80 percent, but IRS has yet to set such a standard.

Correspondence: IRS assistors are also responsible for responding to paper correspondence from taxpayers. IRS tries to respond to paper correspondence within 45 days of receipt; otherwise, such correspondence is considered “overage.” Minimizing overage correspondence is important because delayed responses may prompt taxpayers to write again or call. According to IRS, the top three reasons taxpayers write relate to balance due payoffs, penalty abatements, and miscellaneous account inquiries.¹¹

⁹The Free File program is a public-private partnership between IRS and the Free File Alliance. Free File is a consortium of 14 leading tax software providers who make their products available exclusively at IRS.gov. Each Free File software provider sets its own criteria for eligibility, generally based on income, age, state residency or military service.

¹⁰GAO, *2010 Tax Filing Season: IRS’s Performance Improved in Some Key Areas, but Efficiency Gains Are Possible in Others*, [GAO-11-111](#) (Washington, D.C.: Dec. 16, 2010).

¹¹GAO, *2013 Tax Filing Season: IRS Needs to Do More to Address the Growing Imbalance between the Demand for Services and Resources*, [GAO-14-133](#) (Washington, D.C.: Dec. 18, 2013). IRS’s findings were based on a recent small judgmental sample of correspondence cases. In that same sample, IRS found that its own processes, such as the wording of notices or requirements for a paper signature, influenced taxpayers to respond.

Online services: IRS’s website is a low-cost method for providing taxpayers with basic interactive tools to, for example, check refund status, view and print transcripts, make payments and apply for installment agreements. In response to recommendations in our April 2013 report, IRS said that a long-term online strategy for improving web services will be completed in February 2015.¹²

Face-to-face assistance: Taxpayers can obtain face-to-face assistance at IRS’s 390 Taxpayer Assistance Centers (TAC), also known as walk-in sites, or at more than 13,000 sites staffed by volunteer partners. At TACs, IRS staff answer basic tax law questions, review and adjust taxpayer accounts, take payments, authenticate Individual Taxpayer Identification Number (ITIN) applicants and assist identity theft victims. At the sites staffed by volunteers, taxpayers can receive return preparation assistance as well as financial literacy information.

Service Changes in 2014

In 2012, we reported that despite regularly realizing efficiency gains, IRS was struggling to provide quality services to taxpayers. We showed that increases in the demand for services have offset the efficiency gains and that unless IRS made tough choices about what services to provide, performance would likely continue to suffer.¹³ For fiscal year 2014, IRS reduced or eliminated certain telephone and walk-in services. IRS officials reported they chose these reductions and eliminations because taxpayers had other options for these services. Specifically, IRS took the following actions:

1. limited telephone assistance to only basic tax law questions during the filing season and reassigned assistors to work account-related inquiries;
2. launched the “Get Transcript” tool, which allows taxpayers to obtain a viewable and printable transcript on IRS.gov and redirected taxpayers to automated tools for additional guidance;

¹²GAO, *IRS Website: Long-Term Strategy Needed to Improve Interactive Services*, [GAO-13-435](#) (Washington, D.C.: Apr. 16, 2013); *2012 Tax Filing: IRS Faces Challenges Providing Service to Taxpayers and Could Collect Balances Due More Effectively*, [GAO-13-156](#) (Washington, D.C.: Dec. 18, 2012); *Tax Gap: IRS Could Significantly Increase Revenues by Better Targeting Enforcement Resources*, [GAO-13-151](#) (Washington, D.C.: Dec. 5, 2012).

¹³[GAO-14-133](#).

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3. redirected refund-related inquiries to automated services and did not answer refund inquiries until 21 days after a tax return was filed electronically or 6 weeks after a return was filed by paper (unless the automated service directed the taxpayer to contact IRS);
 4. limited access to the Practitioner Priority Service line to only those practitioners working tax account issues;
 5. limited live assistance and redirected requests for domestic employer identification numbers to IRS's online tool; and
 6. eliminated free return preparation and reduced other services at IRS's walk-in sites.

Risk Management

To address challenges including the requirements of PPACA and other responsibilities, IRS has recently established an agency-wide risk management program office.¹⁴ While IRS previously had a process to manage risk as part of the annual filing season, the agency is now standing up a process to address enterprise risk. Risk management is a tool for assessing risks, evaluating alternative management approaches, deciding which management approaches to take, and then implementing and monitoring the management steps. The goal is develop a mechanism that can be used to inform agency officials and decision makers of potential risks, and evaluate alternative countermeasures to reduce risk being considered along with associated costs. IRS's ability to identify problems and address them with countermeasures will be crucial in having a successful filing season in 2015.

¹⁴As part of the PPACA implementation, IRS is required to make changes to a number of existing tax products and Information Technology (IT) systems. The scope of these changes spans across almost all Business Operating Divisions and other functional groups with a significant impact on IT. The ERM program will support the IRS offices with the aggregation, analysis, and reporting of risks that arise from the PPACA implementation effort.

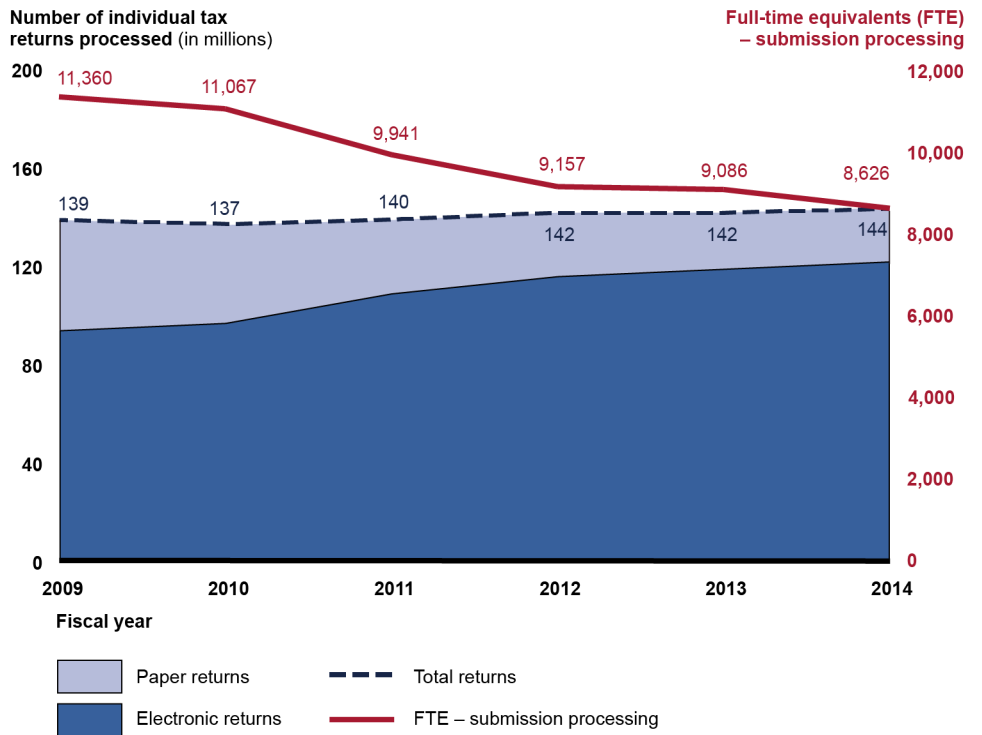
Return Processing Was Timely and IRS Continued to Shift Taxpayers to Lower Cost Services, but Opportunities Exist to Improve Telephone Service

Increases in Electronic Filing Continue to Generate Savings

IRS delayed the beginning of the 2014 filing season because the government shutdown compressed the agency's preparation time.¹⁵ Despite this delay, IRS officials and stakeholders—such as large tax preparation firms—reported relatively smooth processing, in part, because there were fewer tax law changes that resulted in fewer system and form updates compared to previous years. As of September 26, 2014, IRS had achieved an 85 percent e-file rate for individual returns and processed 7 percent fewer paper returns compared to last year (see figure 1). Compared to 2009, paper returns have fallen by 51 percent, from 45 million to 22 million. See appendix I for additional data on return and refund processing.

¹⁵IRS usually begins processing tax returns in early to mid-January. This year, it started processing most returns on January 31, 2014, 1 day later than the 2013 filing season opening.

Figure 1: Numbers of Individual Tax Returns Processed and Full-Time Equivalents (FTE) Devoted to Submission Processing, Fiscal Years 2009 through 2014



Source: GAO analysis of IRS data. | GAO-15-163

Note: Submission processing processes paper and electronically submitted tax returns and supplemental documents, accounts for tax revenue, processes information documents, and issues refunds and tax notices.

As of October 21, 2014, data on the number of returns processed for fiscal year 2014 were available from January 1 through September 26, 2014.

As we have previously reported, continued increases in electronic filing are important because they allow taxpayers to receive refunds faster, are less prone to transcription and other errors, and reduce IRS’s costs.¹⁶ Between fiscal years 2009 and 2014, as seen in figure 1, the number of FTEs devoted to processing decreased by approximately 24 percent—from 11,360 in 2009 to 8,626 in 2014. Since 2003, IRS has reduced the

¹⁶GAO, *2009 Tax Filing Season: IRS Met Many 2009 Goals, but Telephone Access Remained Low, and Taxpayer Service and Enforcement Could Be Improved*, GAO-10-225 (Washington, D.C.: Dec. 10, 2009). According to IRS, in fiscal year 2013, it cost 18 cents to process an e-filed return, as opposed to \$3.54 for returns filed on paper.

number of paper processing sites from eight to three: Fresno, California; Kansas City, Missouri; and Austin, Texas.¹⁷ According to IRS officials, this consolidation has been a key element in the agency's ongoing program to streamline operations, improve customer satisfaction, and achieve savings through reductions in rent and labor costs.¹⁸

Despite Decreases in Call Volume and Continued Success Shifting Calls to Automated Services, Access to Live Assistors Remained Low and Wait Times Remained High Compared to Prior Years

Between fiscal years 2009 and 2014, as shown in figure 2,

- Call volume to IRS's taxpayer service lines varied, and was the lowest in 2014. IRS attributed 2014's overall decline in call volume in part to smooth tax return and refund processing, which results in fewer phone calls about return errors and delayed refunds. IRS also attributed the decline to its efforts to limit or eliminate assistor-based services and direct taxpayers to self-service options. See appendix III for call volume and telephone service performance and goals since fiscal year 2009.
- IRS significantly reduced FTEs devoted to answering telephones—from about 9,300 to about 6,900—a 26 percent decrease.
- IRS answered about 41 percent more calls using automated assistance. Calls answered by IRS assistors fell to its lowest level in 5 years. Answering as many calls as possible through automation is a significant efficiency gain because IRS estimates that it costs 38 cents per call to provide an automated answer, but about \$42 per call to use a live assistor—a 27 percent increase over 2013 (see appendix IV).¹⁹ Its costs per call grew over the past year partly because there was a bigger decline in the number of calls answered than the number of

¹⁷In 2000, IRS developed a long-term strategy for consolidating paper processing centers as electronic filing grew and shifting the processing of paper returns to the remaining centers. IRS subsequently ended paper return processing at sites in Brookhaven, New York; Memphis, Tennessee; Philadelphia, Pennsylvania; Atlanta, Georgia; and Andover, Massachusetts between fiscal years 2003 and 2011. In addition, in 2013, IRS closed its Fresno satellite facility that was located in Tulare, California.

¹⁸IRS officials stated that there are benefits to maintaining the three paper processing sites, such as weather and other unforeseen conditions that cause processing center closures and other delays during the filing season. Moving forward, IRS plans to monitor the effects of PPACA implementation and review processing center consolidation and other resource allocation efforts as it expects PPACA to increase its processing workload.

¹⁹For 2014, IRS reported that the cost for an assistor answer call is based on calls answered from October 1, 2013, through June 30, 2014.

FTEs assigned to answer those calls. According to IRS officials, fewer calls were answered using live assistance because of efforts to reduce assistor-based services and because there were fewer PPACA-related calls than expected. In addition, average handle time increased from 11.8 to 12.5 minutes per call (about 6 percent) from 2013 (see appendix IV).²⁰ These increases highlight the importance of IRS efforts to drive people to other sources such as web-based services.

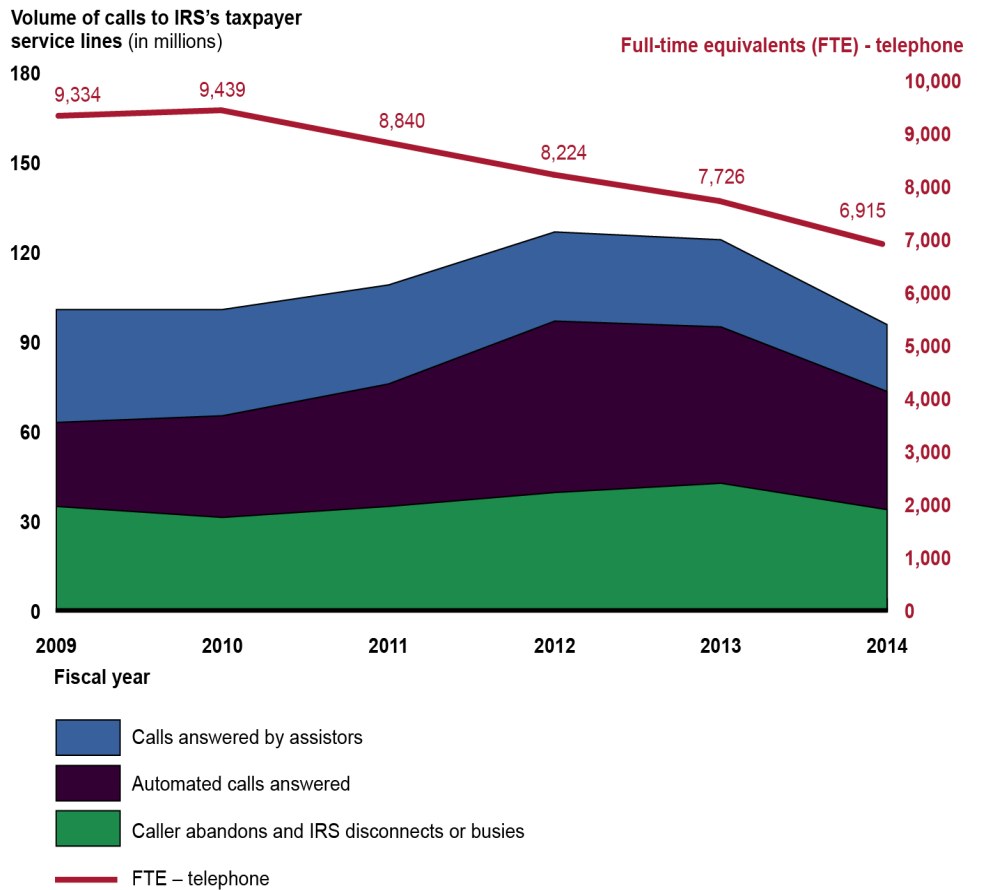
- More than a third of calls ended with the taxpayer hanging up, receiving a busy signal, or being disconnected before reaching an assistor.²¹ Taxpayers who cannot initially reach IRS may need to spend additional time redialing and waiting for assistance. Further, while taxpayers can obtain tax law assistance through alternative sources—such as tax attorneys or tax preparation firms—taxpayers who have account questions that only IRS can answer must either wait to get assistance via telephone or pursue help from IRS through some other means, such as through sending correspondence to IRS or visiting TACs.

Figure 2 illustrates aspects of IRS telephone service.

²⁰Average handle time is the time an assistor spends talking with a taxpayer, keeping the taxpayer on hold, and finishing the call and indicating readiness to receive another call. Numbers are rounded to the nearest one-tenth of 1 minute.

²¹Abandoned calls are those calls where the taxpayer hangs up before receiving assistance, and busies are those calls where the taxpayer receives a busy signal.

Figure 2: Call Volume to IRS’s Taxpayer Service Telephone Lines and IRS FTEs Devoted to Telephone Service at IRS, Fiscal Years 2009 through 2014



Source: GAO analysis of IRS data. | GAO-15-163

As telephone staffing fell, in fiscal year 2014 IRS’s performance in providing live telephone assistance—referred to as the level of service—remained low compared to recent years at about 64 percent (see figure 3).²² This is considerably lower than the 82 percent level of service IRS

²²IRS assistor level of service is calculated by dividing the sum of toll-free callers speaking to an IRS assistor and receiving informational messages by the total number of attempted calls.

achieved in 2005.²³ It is also well below the 80 percent level of service considered acceptable by the IRS Oversight Board.²⁴ While during the filing season IRS's level of service was about 70 percent or slightly higher, this rate also is still well below past performance.

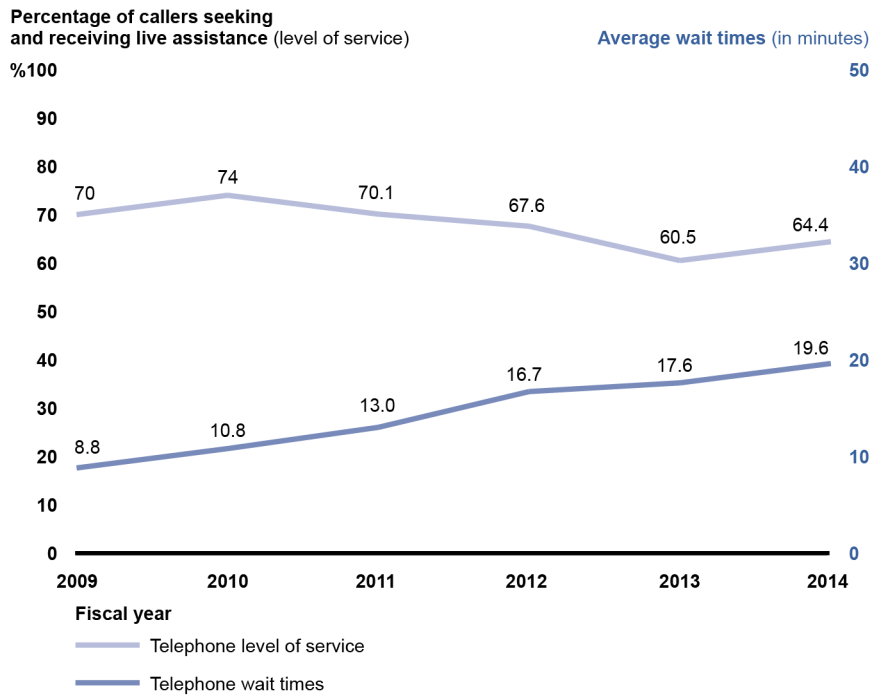
IRS has requested additional funding to deliver a targeted level of service. For instance, in its fiscal year 2015 congressional justification, IRS requested a 10 percent increase in FTEs to deliver a telephone level of service of 71 percent.

One of IRS's expected outcomes of its fiscal year 2014 service changes was to improve wait time for telephone service. However, in fiscal year 2014, taxpayers had to wait more than twice as long to speak with someone as they did in fiscal year 2009, when the average wait time was about 9 minutes (see figure 3). Wait times increased in part because IRS devoted fewer FTEs to answering telephones and because the average handle time increased (see appendix IV). This is important because taxpayers must call IRS or visit walk-in sites for certain account-related information that they cannot access online.

²³GAO-11-111.

²⁴GAO-13-156.

Figure 3: IRS Telephone Level of Service and Average Telephone Wait Times, Fiscal Years 2009 through 2014



Source: GAO analysis of IRS data. | GAO-15-163

For a number of years, IRS assistors have answered tax law and account-related inquiries with more than 90 percent accuracy in part because IRS uses interactive tools to help prompt and direct assistors to provide more accurate and consistent responses to taxpayers (see appendix III). This trend continued in fiscal year 2014, with a 95 percent accuracy rate for tax law inquiries and a 96 percent accuracy rate for account-related inquiries (with confidence intervals of 90 percent). IRS was able to maintain this high rate of accuracy even though the government shutdown delayed hiring and caused IRS to increase its reliance on just-in-time training.²⁵

²⁵IRS developed just-in-time training to provide assistors with the skills they need at the time needed and reduce the time it takes to train assistors for the filing season. This training approach allows assistors to gain basic skills for providing services during the filing season and participate in other training courses as needed.

In recent years, the type of telephone calls IRS receives and answers has changed. Specifically, the number of tax law inquiries has somewhat decreased and a slightly greater portion of calls are account related. This is due in part to such efforts as limiting the scope of tax law inquiries it answered in 2014. The shift in the types of calls answered by IRS assistors may explain at least in part the increase in telephone wait times as shown in figure 3. Taxpayers have alternative sources of information for tax laws inquiries, such as from tax software or a paid tax preparer. Taxpayers with questions about their accounts, however, may have no choice but to speak to an IRS assistor.

IRS May Be Missing Opportunities to Improve Telephone Service by Not Systematically Comparing Its Telephone Service to the Best in the Business

Comparing performance data on calls answered by IRS assistors to the best in the business can help IRS understand taxpayer needs and improve service.²⁶ Both Congress and the executive branch have taken action to improve customer service. The GPRA Modernization Act of 2010 (GPRAMA) requires agencies to, among other things, establish a balanced set of performance indicators to be used in measuring or assessing progress toward each performance goal, including, as appropriate, customer service.²⁷ In addition, Executive Order 12862, *Setting Customer Service Standards*, requires that all executive departments and agencies that “provide significant services directly to the public shall provide those services in a manner that seeks to meet the customer service standard established” which is “equal to the best in business.”²⁸ Most recently, Executive Order 13571, *Streamlining Service Delivery and Improving Customer Service*, was issued to strengthen customer service and required agencies to develop and publish a customer service plan, in consultation with the Office of Management and

²⁶In October 2014, we issued a report that discussed the efforts needed to measure and improve customer service at five selected agencies. See GAO, *Managing for Results: Selected Agencies Need to Take Additional Efforts to Improve Customer Service*, [GAO-15-84](#) (Washington, D.C.: Oct. 24, 2014).

²⁷GPRAMA significantly enhanced the requirements of Government Performance and Results Act of 1993 (GPRA) by requiring agencies to develop annual performance plans that include performance goals for an agency’s program activities and accompanying performance measures. GPRAMA, Pub. L. No. 111-352, § 3, 124 Stat. 3866 (Jan. 4, 2011), 31 U.S.C. § 1115(b)(6). GPRA, Pub. L. No. 103-62, 107 Stat. 285 (Aug. 3, 1993).

²⁸Executive Order No. 12862, *Setting Customer Service Standards* (Sept. 11, 1993), 58 Fed. Reg. 48,257 (Sept. 14, 1993). The order defined the “best in business” as the highest quality of service delivered to customers by private organizations providing a comparable or analogous service. Exec. Order No. 12862, § 1 (Sept. 11, 1993).

Budget (OMB).²⁹ Finally, OMB has issued memorandums and guidance to agencies identifying a number of actions to improve customer service, including setting, communicating, and using customer service standards.³⁰ Most recently, in July 2014, to help agency leadership focus on this issue, OMB issued guidance that agencies include additional customer service information with their fiscal year 2016 budget submissions.³¹

IRS has taken some steps towards conforming to federal customer service standards by, for example, having a suite of performance measures for its telephone and other key operations. It also has worked with its W&I research analysis group on a variety of issues including call demand forecasting. However, we found that IRS has not systematically benchmarked its telephone (customer) service to the best in business. Specifically, IRS conducted one study that focused on its level of service, benchmarking its measures to seven private and public sector organizations and enabling it to identify options for modifying the level of service measure. However, it has not regularly compared its suite of performance measures to those used by comparable organizations. Further, it has not benchmarked its actual performance against goals achieved by other organizations with large-scale call center operations to determine whether there are opportunities to improve telephone service provided by live assistants. IRS officials cite budget constraints and difficulty in identifying organizations (other than the Social Security Administration) that are comparable in size, complexity, and uniqueness as reasons they have not systematically compared IRS's telephone service performance against the best in the business.

²⁹Executive Order No. 13571, § 2 (April 27, 2011). *Streamlining Service Delivery and Improving Customer Service*, 76 Fed. Reg. 24,339-40 (May 2, 2011).

³⁰Memorandums issued include a Memorandum on Customer Service, 31 Weekly Comp. Pres. Doc. 456 (Mar. 22, 1995) (released by Office of the Press Secretary on Mar. 23, 1995), and a Memorandum on Conducting "Conversations with America" to Further Improve Customer Service, 34 Weekly Comp. Pres. Doc. 368 (Mar. 3, 1998). Following Exec. Order No. 13571 *Streamlining Service Delivery and Improving Customer Service*, 76 Fed. Reg. 24,339 (Apr. 27, 2011), OMB issued guidance to agencies to implement the requirements. See Office of Management and Budget, *Implementing Executive Order 13571 on Streamlining Service Delivery and Improving Customer Service*, Memorandum M-11-24 (June 13, 2011).

³¹Office of Management and Budget, *Management Agenda Priorities for the FY 2016 Budget*, Memorandum M-14-12 (July 18, 2014).

By not comparing customer service performance against the best in the business, IRS is missing an opportunity to identify and address gaps in actual and desired service and inform Congress about resources needed to improve the level of service provided to taxpayers. We have previously reported on IRS's budgetary constraints.³² While reduced funding has resulted in fewer resources available to IRS, a better understanding of the nature and size of service gaps could help it provide the best service possible with declining resources.

Overage Correspondence Continued to Increase and FTEs Stayed about the Same

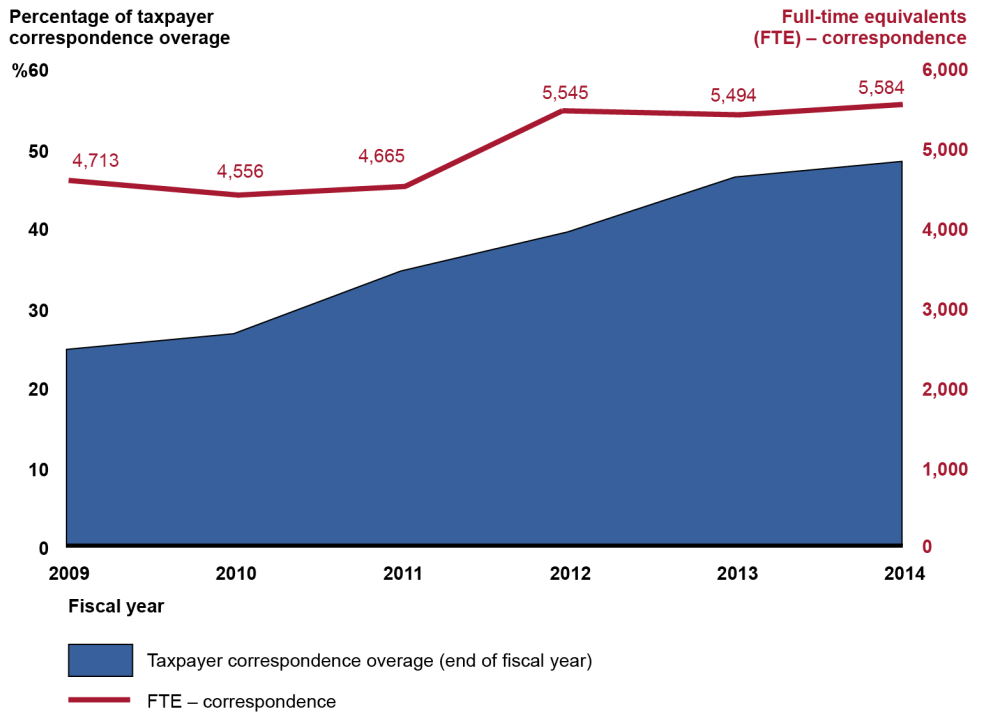
In 2010, we concluded that providing timely responses to paper correspondence is a critical part of taxpayer service because if IRS's responses take too long taxpayers may write again or call IRS for additional assistance. We recommended that IRS establish a performance measure that includes providing timely correspondence service to taxpayers. IRS agreed and started using more detailed performance measures, including an overaged timeliness measure for its correspondence.³³

These performance measures indicated that the time it takes IRS to respond to correspondence has continually increased since fiscal year 2009. Taxpayers sent IRS somewhat less correspondence between fiscal years 2013 and 2014 (21 million and 20 million, respectively), yet total overage stayed close to 50 percent during the same period. While total overage slightly increased, IRS devoted about 2 percent more FTEs for responding to correspondence (see figure 4). As noted earlier, IRS assistors are responsible for both telephone and correspondence duties. Consequently, IRS's performance in responding to correspondence is dependent on the volume and length of telephone calls answered by assistors and the volume of work that is shifted to automated services. According to IRS officials, shifting calls to automated lines enabled IRS to better focus assistors' efforts on taxpayer services that require live assistance. Since assistors also respond to correspondence, shifting calls also enabled them to devote more time to correspondence.

³²[GAO-14-605](#).

³³[GAO-11-111](#).

Figure 4: Trends in Taxpayer Correspondence Coverage and IRS FTEs Used for Correspondence, Fiscal Years 2009 through 2014



Source: GAO analysis of IRS data. | GAO-15-163

Note: Aggregate data are from Accounts Management and Submission Processing, which jointly responds to IRS's taxpayer correspondence. The data cover equivalent periods for each fiscal year with slight variation in the exact dates depending on the year and data source.

New Self-Service Tools Helped Shift Demand to IRS's Website

IRS continued to make progress in directing more taxpayers to online resources and away from telephone and face-to-face services. Use of IRS's website reached approximately 440 million visits for fiscal year 2014, 4 percent fewer than fiscal year 2013. IRS attributes this decrease to improved website design, which allowed visitors to accomplish their goal in fewer site visits. Use of IRS's website was slightly lower in fiscal year 2014 than the previous year partly due to fewer forms and publications being downloaded as a result of fewer tax law changes.

For the 2014 filing season, IRS launched two new self-service web applications, Get Transcript and Direct Pay:

- **Get Transcript** allows taxpayers to request and print tax transcripts online immediately. The taxpayer must first pass IRS's authentication process. The tool will not work for taxpayers who are filing for the first

time, are victims of identity theft, or cannot remember the answers to IRS's authentication questions, such as the street address from the last tax return filed. Taxpayers may request for the transcript to be mailed, but must wait 5 to 10 days to receive it. Use of Get Transcript exceeded IRS's estimates of about 9 million requests. In fiscal year 2014, taxpayers used the application to request or view 19 million transcripts. This resulted in IRS receiving 43 percent fewer requests through other channels.³⁴

- **Direct Pay** allows taxpayers to electronically pay their tax bills or make quarterly estimated tax payments directly from checking or savings accounts without any fees or preregistration. IRS reported it processed more than 1 million payments totaling more than \$1.7 billion through Direct Pay (as of September 10, 2014). IRS expected Direct Pay to help significantly reduce the millions of paper checks received each year.

IRS reported that it has made progress in addressing our previous recommendations on improving its online service strategy. Specifically, IRS reported that it was in the process of developing a long-term strategy for improving web services for taxpayers and officials expected it to be released in early 2015. A long-term comprehensive strategy for online services will help ensure IRS is maximizing the benefit to taxpayers from this investment and reduce costs in other areas, such as for IRS's telephone operations. See appendix V for additional information on use of IRS's website.

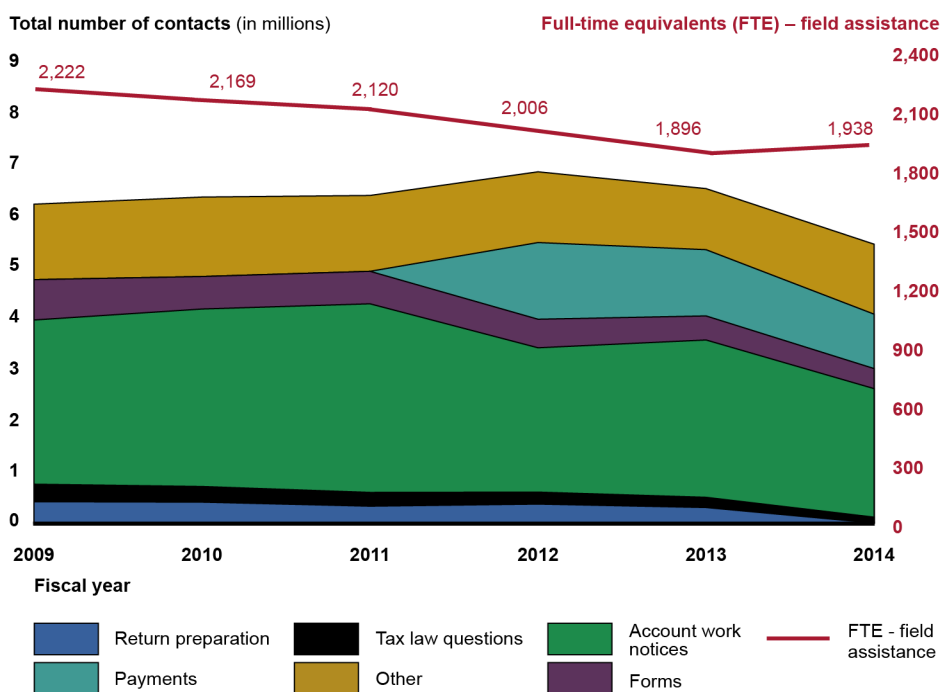
IRS Eliminated Return Preparation and Shifted Taxpayers from Taxpayer Assistance Centers to Volunteer Partners

Face-to-face assistance at IRS's Taxpayer Assistance Centers (TAC) and volunteer sites remains an important component of IRS's efforts to serve taxpayers, particularly those with low incomes. As part of its service changes for 2014, IRS eliminated return preparation at TACs and redirected taxpayers to volunteer sites and Free File. In fiscal year 2014, taxpayers visited TACs 5.4 million times, a decline of about 17 percent compared to the previous year. In almost half of those visits, taxpayers received assistance with account-related inquiries. Meanwhile, IRS

³⁴Taxpayers have four options to request a transcript: (1) call IRS toll-free line and speak to an assistor or use the interactive voice response unit to request a mailed copy of the transcript; (2) visit a TAC and speak with an assistor to request the transcript to be printed on the spot; (3) complete and mail or fax paper Form 4506-T to request a transcript be mailed; or (4) use the "Order a Transcript" web tool on IRS.gov to request a transcript be mailed.

assigned fewer field assistance staff to TACs in fiscal years 2010 through 2013 (see figure 5).

Figure 5: Trends in Total Contacts and FTEs Used for IRS Taxpayer Assistance Centers, Fiscal Years 2009 through 2014



Source: GAO analysis of IRS data. | GAO-15-163

Notes: Data cover equivalent periods for each fiscal year with slight variations in the exact dates depending on the year and data source.

TAC return preparation counts include both individual and business contacts. Account work notices includes assistance to taxpayers who need to pay taxes owed and victims of identity theft. Beginning in fiscal year 2012, IRS accounted for contacts where taxpayers made payments separately from other account work notices.

Other contacts include taxpayers responding to correspondence, scheduling appointments, obtaining Individual Taxpayer Identification Number (ITIN) authentication, providing self-assistance services, and other varied contacts which do not fall into the defined categories above.

At the same time IRS eliminated return preparation at TACs, taxpayers increased their use of volunteer sites and Free File. IRS’s 12,319 volunteer partner sites prepared a little more than 3.6 million tax returns in fiscal year 2014—a 7 percent increase from the previous year. Use of Free File also increased, although use prior to 2014 had been decreasing (see table 1). See appendix VI for additional information on taxpayer use of TAC and volunteer site services.

Table 1: Individual Tax Returns Prepared at Volunteer Sites and through Free File, Fiscal Years 2009 through 2014

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Percent change from FY 2013 to 2014
Return preparation at volunteer sites	3,047,622	3,085,512	3,188,524	3,264,997	3,406,182	3,646,562	7
Free File	3,299,292	3,242,741	3,173,891	3,133,756	2,970,945	3,261,248	10

Source: GAO analysis of IRS data. | GAO-15-163

IRS Did Not Develop Measurable Goals or an Analysis Plan to Evaluate the Effectiveness of 2014 Service Changes, Which Could Inform Planned Changes for 2015

Our guidance on designing evaluations states that to appropriately assess program effectiveness, outcome measures must represent the nature of the expected program benefit.³⁵ The outcome measures should cover key aspects of desired performance and should not be unduly influenced by factors outside the program’s control. In addition, to know if a program directly resulted in the desired effect, the data collection and analysis plan must establish a link between the program and the expected result.

IRS identified outcomes in the form of FTE savings and other service improvements such as improving telephone level of service. However, most of those outcomes did not specify measurable goals. For example, IRS planned to improve wait time, but did not state a numeric goal for reducing wait time. As a result, IRS’s outcomes were not a clear representation of the nature of the expected program benefits.

While IRS collected some data that it could use to evaluate effectiveness, it did not develop plans to analyze the data or track it in a way that would allow officials to draw causal connections and develop valid conclusions about the effectiveness of its 2014 service changes (see appendix VII for an assessment against our criteria and appendix VIII for our analysis of IRS’s service changes). Without measurable goals and other analyses, IRS could not identify whether specific service improvements were a result of its service changes or other external influences on taxpayer behavior. For example, as discussed, wait time actually increased in 2014. While IRS sought to improve wait time, without setting a numeric goal that can be measured, it does not know the extent to which it was

³⁵GAO, *Designing Evaluations: 2012 Revision*, [GAO-12-208G](#) (Washington, D.C.: Jan. 31, 2012).

unable to meet its goal. Moreover, IRS does not know whether the increase in wait time was a result of external factors, or if wait time would have increased even more without its service changes.

Without such information, it will be difficult for Congress, IRS management, and others to understand the benefits and potential budget trade-offs associated with IRS's service changes. This is important because IRS has identified additional ones for 2015 and beyond.

In addition to maintaining the 2014 service changes, as of early September IRS had proposed the following for 2015:

1. Redesign notices to clearly state why the notice was issued; if a response is required; what action, if any, is required; and inform taxpayers about online resources and self service tools as an alternative to calling or writing the IRS.
2. Expand use of the Oral Statement Authority tool to reduce the amount of written correspondence to resolve penalty relief requests.³⁶
3. Direct taxpayers who meet the Online Payment Agreement qualifications to use a tool online (and at kiosks where available) to apply and set up installment payment agreements instead of calling or visiting IRS.
4. Reduce the volume of IRS products at TACs and community outlets, including forms, instructions, and publications that are available online at IRS.gov, and encourage taxpayers to use available online sources.
5. More heavily promote electronic payment options, such as IRS Direct Pay, as an alternative to cash, check, or money order payments made at a TAC site or by mail.

These service changes are examples of IRS's efforts to promote more technology-based services to serve the maximum number of taxpayers possible more effectively and efficiently. We have previously reported that, given the volume of taxpayers calling IRS and sending correspondence, shifting taxpayers to self-service tools, such as interactive automated telephone lines or IRS's website, is key to

³⁶Oral statement authority is acceptance of a verbal request for account adjustment without written documentation or account information without written request.

improving taxpayer services.³⁷ If more taxpayers use self-service tools, then fewer will need to speak to an IRS assistor and IRS's costs will fall.

IRS Used its New Enterprise Risk Management Process to Identify Major Risks for the 2015 Filing Season, but Management Plans Lack Specificity

According to the Commissioner of Internal Revenue, implementation of new tax laws such as PPACA combined with a tight budget and the possibility of Congress passing a late package of tax extenders threatens to make 2015 “the most complicated filing season before us in a long time, if ever.”³⁸ At the enterprise level, in February 2014, IRS undertook a new approach to risk management in response to management failures related to applications for tax exempt status. In that effort, IRS established an Enterprise Risk Management (ERM) process that formalizes risk management across the organization.

As part of the ERM process, IRS created several risk registers, including an enterprise risk register that consists of 15 broad emerging risk categories. The top two risks IRS identified were (1) staffing and training and (2) budget sufficiency. IRS ranked the emerging risk categories by highest to lowest likelihood and impact. Also as part of ERM, IRS developed two other enterprise-wide risk registers, one covering PPACA and the other FATCA. In addition, IRS developed a risk register for its W&I division, which is responsible for the filing season. The PPACA, FATCA, and W&I risk registers identify risks and list management activities that might affect the filing season. IRS plans to expand risk management procedures at the process level, such as filing season operations, in the future. IRS's ERM guidance notes that divisions and offices should determine appropriate risk management activities.

Separate from the ERM process, IRS has a long-standing process to ensure filing season readiness. This process strongly mirrors our framework for risk management—including identifying risks, developing management actions, getting management concurrence, and implementing and monitoring those actions. The FSR Action Plan contains specific steps to undertake in response to critical tasks, given the budgetary constraints under which the filing season operates.

³⁷GAO, *2011 Tax Filing: Processing Gains, but Taxpayer Assistance Could Be Enhanced by More Self-Service Tools*, [GAO-12-176](#) (Washington, D.C.: Dec. 15, 2011).

³⁸William Hoffman, “Koskinen Warns Filing Season Could Be Most Complicated Yet,” Tax Analysts, October 21, 2014.

While there is no established universally agreed upon set of requirements or processes for a risk management framework, we have previously developed one that can be used to inform agency officials and decision makers of the basic components of a risk management system or which can be used as a stand-alone guide.³⁹ Consistent with our framework, risk management activities should evaluate alternative countermeasures to reduce risk being considered along with associated costs. Furthermore, evaluating alternative countermeasures should include specific countermeasures to reduce risk.

Table 2 shows the results of our analysis of IRS enterprise risk management procedures and filing season procedures.

³⁹[GAO-06-91](#). See also GAO, *Patient Protection And Affordable Care Act: IRS Managing Implementation Risks, but Its Approach Could Be Refined*, [GAO-12-690](#) (Washington, D.C.: Jun. 13, 2012) for a recent application of our risk management framework to IRS implementation of PPACA, Pub. L. No. 111-148, 124 Stat. 119 (Mar. 23, 2010). For additional information see GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014) Principles 6 and 7.

Table 2: IRS's Risk Management Efforts Compared to GAO Risk Management Criteria

GAO risk management framework stages	GAO risk management framework criteria	Does IRS meet criteria	Status of IRS risk management effort
Strategic goals, objectives, and constraints	Document (a) strategic goals and objectives of the initiative and (b) the steps needed to attain those results.	Yes	Enterprise level: IRS's enterprise risk register consists of 15 emerging risk categories including Staffing and Training; Budget Sufficiency; Changing/Expanding Mission; Trust/Confidence; Customer Service; Operational and Technical Effectiveness; Morale; Physical Security; Information Security; Taxpayer Rights & Protections; Administration and Complexity of Laws/Regulations; Culture of Silos; Management Oversight; Tax Gap Components; and Stewardship of Taxpayer Dollars. The categories were retrofitted to existing strategic goals. Risks listed in the PPACA, FATCA, and W&I risk registers list which risk category to which they relate, but not by strategic goal.
		N/A	Process level: The FSR Action Plan is not directly tied to strategic goals because it is not part of the ERM process.
Risk assessment	Document standard operating procedures designed to identify (a) what can go wrong; (b) the likelihood of a risk occurring; and (c) the consequences of an occurrence.	Yes	Enterprise level: The PPACA, FATCA, and W&I risk registers contain risks affecting the 2015 filing season. Risks identified include resources being diverted due to PPACA phone traffic and PPACA forms not being developed in time for the filing season.
		Yes	Process level: The FSR Action Plan assesses potential risks associated with, for example, tax forms and publications development and implementation of recruitment strategies to assist with filing season hiring, training strategy, and telephone routing and script changes.

GAO risk management framework stages	GAO risk management framework criteria	Does IRS meet criteria	Status of IRS risk management effort
Alternatives evaluation	Identify specific countermeasures to reduce risk and a process by which to evaluate potential mitigation strategies using a variety of criteria, particularly cost-benefit analyses	Partially	Enterprise level: The listed management activities in the PPACA, FATCA, and W&I risk registers rely heavily on W&I managers to make future decisions when the adverse event occurs. The management activities do not contain specific countermeasures or cost-benefit analyses. For example, the following broad management activity “W&I Service Delivery Approach to evaluate services to ensure delivery of core service and to drive service to most efficient delivery method. Evaluate trade-off analysis and what to ‘stop doing’” appeared several times. Because the ERM program is in its early stages, the specificity of countermeasures may improve over time.
		Yes	Process level: The FSR Action Plan contains specific steps to address each action item. The Action Plan is a long-standing process. However, few high likelihood risks have arisen in recent years. One example is the “Affordable Care Act (ACA) Impacts to Information Return Receipt and Processing,” which is behind schedule. The plan lists the following steps: <ul style="list-style-type: none"> • Participating in sessions with IT to discuss a new timeline for the form 1095 B&C. • Once timeline is established next step will be to identify where time savings is possible and identify “go live” date. • Attending weekly requirements session with e-service AD to outline new requirements for Phase II online application, ACA Information Return Application for Transmitter Control Code. • Attend ACA Gap Analysis - Information Returns working sessions; Conducting weekly Developing Team meetings. • Conduct weekly Electronic Submission of Form & Pub Development.
Management selection	Identify a consistent process by which an agency (a) selects a risk mitigation strategy; (b) allocates resources to pursue that strategy; and (c) documents decisions, including the rationale behind the decisions.	Too Early to Assess	Enterprise level: W&I executives hold biweekly meetings, but it is unclear as to the extent mitigations have been discussed because they lack specificity.
		Yes	Process level: FSR team gets documented management concurrence of mitigation strategies.
Implementation and monitoring	The framework calls for documentation of processes to (a) monitor progress of mitigation strategies and establish timelines; and (b) detect failed strategies in need of revision	Too Early to Assess	Enterprise level: Bi-weekly meetings are held, but too early to assess.
		Yes	Process level: The FSR team holds biweekly meetings to monitor progress. A procedure is in place for the responsible executive to certify that he will meet goal or have mitigations in place.

Legend: N/A = not applicable.

Source: GAO analysis of IRS data. | GAO-15-163

As table 2 shows, IRS has made good progress in setting up its risk management process. In some cases we found it was too early to assess whether the ERM process meets the criteria. For example, the status of monitoring efforts is unknown because the risk management effort is still in the early stages.

However, in the alternatives evaluation stage, we found IRS has an opportunity to strengthen the ERM process. The criteria of this stage are specific countermeasures to reduce risk, use of external sources to improve decision making, and cost-benefit analysis of countermeasures.

According to IRS's own guidance, management plans should be detailed and contain the following information: all areas that could be impacted if an adverse event occurred; all activities required to effectively reduce likelihood, impact, or both; critical or due dates, external dependencies and activity ownership; and residual risk (risk left after management activities) and actions taken to address residual risks.

IRS has not developed specific countermeasures as part of its risk management activities. Instead, in many cases, the management activities rely on decision making once the adverse event occurs rather than providing an explicit course of action (see appendix IX for examples). IRS's proposed activities lack specific countermeasures to address the risk, but rather emphasize opportunities to assess the adverse event as it unfolds. For example, IRS has identified delays in creating PPACA forms as a high impact risk that may occur for the 2015 filing season, but has not identified specific countermeasures for addressing this likely event. Developing specific countermeasures would allow IRS to better address likely risks by either reducing the probability an event may occur or by managing the effects of an adverse event.

Officials in W&I said they have not yet fully developed alternatives because they have focused on becoming familiar with risk management processes. An official in IRS's ERM office stressed the importance of prioritizing risks so as to most efficiently direct the use of resources to develop management activities. In April, IRS undertook what officials described as a "temperature check" that had the aim of assessing current risks and indentifying additional risks to provide a high-level overview of risks within the business units and aggregating them at the enterprise level. These risks were listed in various risk registers and include management activities as well as a link to the emerging risk categories. IRS officials acknowledged that the risk management strategies need further refinement.

We have reported on IRS budget cuts and the uncertainty the cuts cause, but simply ranking perennial concerns such as staffing and budget may delay the development of management activities on other impending potential risks and loses sight of why risk management is important. The reason for risk management is to provide options to tackle risks in a budget constrained environment.

As mentioned earlier, many of the management activities listed in the risk registers envision meetings to discuss a response to an unfolding risk situation. These types of meetings should be held ahead of time and a range of scenarios should be considered with appropriate response. Then, when a risk situation unfolds, specific countermeasures or a roadmap is already in place to guide the response. Without specific countermeasures, including a cost-benefit analysis of options, IRS is unable to provide clear guidance for implementing or prioritizing countermeasures, which could hamper its ability to respond to adverse events that could affect filing season operations.

IRS Has Implemented Six Filing Season Recommendations but Some Significant Ones Remain Open

Since 2010, we have issued seven reports on various aspects of IRS's filing season activities. These reports included 20 recommendations for IRS to improve filing season operations, become more efficient, and provide taxpayers with better customer service. IRS has implemented six of the recommendations.

Both taxpayers and IRS have received benefits as a result of IRS's implementation of our recommendations. For example, IRS implemented our 2011 recommendation to offer an automated telephone line that gives taxpayers the status of their amended tax return. This telephone line provided taxpayers with faster service because they did not have to wait for a live person to assist them. The phone line also enabled IRS to reduce costs and make better use of its available resources because it lowered taxpayer demand to talk to a live assistor. Table 6 in appendix X summarizes the filing season recommendations implemented by IRS.

Tables 7 and 8 in appendices XI and XII summarize the 14 recommendations IRS has yet to implement. IRS officials told us they fully agreed with seven of the recommendations, agreed in part with one, disagreed with two, and neither agreed nor disagreed with four. IRS is taking or plans to take certain actions to implement the recommendations that it agreed with or did not disagree with. Six of the 14 recommendations relate to improving web services. Specifically, in April 2013, we recommended that the IRS should develop a long-term strategy to improve web services provided to taxpayers (see appendix XII).

Expanded Math Error Authority Could Help IRS Increase Pre-refund Compliance

Since 2008, we have raised five matters for Congress to consider that make changes to the ability of IRS to use its math error authority (MEA) to quickly correct errors without the need for an audit. Without a specific grant of MEA authority, IRS must use audit procedures to correct errors before it could issue a statutory notice of deficiency.⁴⁰ Congress took our 2009 suggestion and provided IRS with MEA so it could automatically verify taxpayers' compliance with payback provisions for the 2008 First-Time Homebuyer Credit.⁴¹ With this authority, IRS was able to adjust taxpayers' refunds if they had not complied with the payback provision. As a result, from fiscal years 2010 through 2013, IRS prevented over \$500 million in improper refunds from being sent to taxpayers. Congress has not yet acted on the other four matters we have asked Congress to consider related to MEA. All five matters are summarized in table 9 in appendix XIII.

Conclusion

IRS continues to struggle with providing services to taxpayers. It is caught between declining resources on one hand and increasing statutory responsibilities and growing demand from taxpayers on the other. As we have discussed for several years, IRS needs to do two things—first, it needs to ensure that available resources are utilized as effectively as possible by identifying opportunities to improve services, and second, it needs to make tough choices about which services to continue providing.

One way IRS could more effectively use available resources is by benchmarking telephone service to the best in business. The importance of providing high quality customer service is driven by the requirements of GPRA, GPRAMA and executive orders, and OMB guidance and memorandums which emphasize the relationship of customer service to agency performance and outcomes. While IRS has taken some steps to improve telephone service, it has not systematically and periodically compared its service to the best in business. As a result, IRS is not benefiting as much as it could from the roughly 7,000 FTEs it is devoting to telephone service. Further, because IRS uses the same staff for

⁴⁰For a list of the IRS's existing MEA, see appendix I of [GAO-12-176](#).

⁴¹GAO, *Tax Administration: Opportunities Exist for IRS to Enhance Taxpayer Service and Enforcement for the 2010 Filing Season*, [GAO-09-1026](#) (Washington, D.C.: Sept. 23, 2009); Worker, Homeownership, and Business Assistance Act of 2009, Pub. L. No. 111-92 § 12(d), 123 Stat. 2984, 2992 (Nov. 6, 2009), 26 U.S.C. § 6213(g)(2)(P).

telephone and correspondence means that it limits IRS's ability to work paper correspondence as effectively as possible as well.

In one effort to more effectively use resources in 2014, IRS made decisions to reduce or cut services. While its stated goal was to improve service, IRS did not identify the improvements it hoped to achieve. As a result, IRS is unable to determine the effectiveness of the changes or make informed decisions about additional service changes in 2015 and beyond.

Another way that IRS is trying to better manage its constrained resources is through its new process for identifying and managing enterprise-wide risks. If well executed, IRS's efforts should help the agency allocate resources and take actions under conditions of uncertainty when implementing PPACA. IRS has made good progress in setting up its risk management process. While it is too early to assess some aspects of the risk management framework, there is one area where IRS could take action to better prepare itself for risks. The risk management strategies IRS identified lack specifics, which could hamper IRS's ability to respond in the event a risk occurs. More specific countermeasures would better position IRS to either reduce the probability of an adverse event or manage the consequences if an adverse event occurs.

Recommendations for Executive Action

The Commissioner of the Internal Revenue should direct the appropriate officials to take the following three actions:

- Systematically and periodically compare its telephone service to the best in business to identify gaps between actual and desired performance.
- Develop outcomes that are measurable and plans to analyze service changes that allow valid conclusions to be drawn so that information can be conveyed to Congress, IRS management, and others about the effectiveness of IRS's service changes and impact on taxpayers.
- Include specific countermeasures or options in risk management plans that could guide a response when an adverse event occurs.

Agency Comments and Our Response

We provided a draft of this report to the Commissioner of Internal Revenue. IRS provided written comments on a draft of the report, which are reprinted in Appendix XIV. IRS also suggested technical changes to the report, which we incorporated where appropriate.

IRS disagreed with the recommendation to systemically and periodically compare its telephone service to the best in business, stating that the differences between the purposes of IRS's telephone operations and public sector contact centers are too significant to yield useful results when broadly compared to each other. We disagree that IRS's telephone operations cannot be compared to others. IRS notes, and we report, that the agency has conducted targeted benchmarking against the best in the business which it believes was helpful in identifying gaps and potentially improving performance. Specifically, IRS benchmarked one measure of telephone service—level of service—to both private and public sector organizations which allowed it to identify options for modifying that measure. However, IRS uses more than one measure to more fully evaluate its telephone performance. Benchmarking all of those measures alongside each other (and potentially others it does not currently use) to the best in the business could help improve taxpayer service. Further, as we note in our report, the criteria allow for comparison to private organizations providing analogous services, not just those that are exactly comparable. Comparisons of telephone service to the best in business can help inform Congress about resources needed to improve the level of service provided to taxpayers. Accordingly, we believe this recommendation remains valid and should be implemented.

IRS agreed with our recommendation to develop outcomes that are measurable and analyze service changes to allow for valid conclusions to be drawn. To accomplish this, IRS said that it will develop projections to assess the effect of service changes during the 2015 filing season, allowing it to determine the amount of resources that are reallocated as a result of the service changes and to assess the taxpayer experience and address opportunities for improvement. IRS reported it anticipates completing this analysis by the end of fiscal year 2015.

IRS did not state whether it agreed or disagreed with our recommendation to include specific countermeasures in its risk management plans. Our report acknowledges the progress that IRS has made implementing its ERM program. For the risk registers we reviewed, IRS had assessed the probability and impact of the risks listed, meaning that it had prioritized its risks; however, it had not developed specific countermeasures. Without specific countermeasures, risk assessment becomes a fruitless exercise. Without countermeasures specifically articulated in risk management plans, IRS's ability to respond quickly and appropriately to an adverse event may be hampered. Therefore, we believe IRS should implement our

recommendation and include specific countermeasures in its risk management plans.

We plan to send copies of this report to the appropriate congressional committees. We will also send copies to the Commissioner of Internal Revenue, the Secretary of the Treasury, and other interested parties.

In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-9110 or whitej@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix XV.



James R. White
Director, Tax Issues
Strategic Issues

Appendix I: Individual Income Tax Returns and Refunds Processed, 2009 through 2014

Continued increases in e-filing are important because processing costs are lower for e-file returns and refunds are issued faster. For the 2014 filing season (through early March), on average IRS reported it processed direct deposit refunds for e-filed returns within 9 days.¹

Table 3: Individual Income Tax Returns and Refunds Processed from 2009 through 2014

	2009	2010	2011	2012	2013	2014	Percent change from 2013 to 2014 ^a
Number of individual tax returns processed (in millions) ^b	139	137	140	142	142	144	1
Electronic	94	97	109	116	119	122	3
Paper	45	40	30	26	23	22	-7
Percentage e-filed	67	71	78	82	84	85	n/a
Number of refunds processed (in millions)	109	107	107	108	107	107	0
Amount of refunds processed (dollars in billions)	\$298	\$312	\$303	\$295	\$287	\$290	1

Legend: n/a = not applicable.

Source: GAO analysis of IRS data. | GAO-15-163

Note: Data on the number of returns and refunds processed are from January 1 through October 2, 2009; January 1 through October 1, 2010; January 1 through September 30, 2011; January 1 through September 28, 2012; and January 1 through September 27, 2013; and January 1 through September 26, 2014.

^aThe numbers in the table are rounded, but the percent change was calculated using exact values. Therefore, in some cases, the percent change is slightly different than it would be if it were calculated using the rounded values in the table.

^bThe number individual tax returns processed includes forms 1040, 1040A, and 1040EZ.

¹GAO, *2011 Tax Filing: Processing Gains, but Taxpayer Assistance Could Be Enhanced by More Self-Service Tools*, [GAO-12-176](#) (Washington, D.C.: Dec. 15, 2011). In that report, we recommended IRS develop a new refund timeliness performance measure to better reflect current performance and capabilities, but IRS did not agree and indicated it has no plans to develop such a measure.

Appendix II: Full-Time Equivalent (FTE) Data for Telephone, Correspondence, Submission Processing and Other Categories, Fiscal Years (FY) 2009 through 2014

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Percent change from FY 2013 to 2014
Telephone	9,334	9,439	8,840	8,224	7,726	6,915	-10
Correspondence	4,713	4,556	4,665	5,545	5,494	5,584	2
Other ^a	1,971	2,147	2,110	2,451	2,568	2,652	3
Total Accounts Management ^b	16,018	16,142	15,615	16,220	15,788	15,152	-4
Submission Processing ^c	11,360	11,067	9,941	9,157	9,086	8,626	-5
Total FTEs	27,378	27,209	25,556	25,377	24,874	23,778	-4

Source: GAO analysis of IRS data. | GAO-15-163

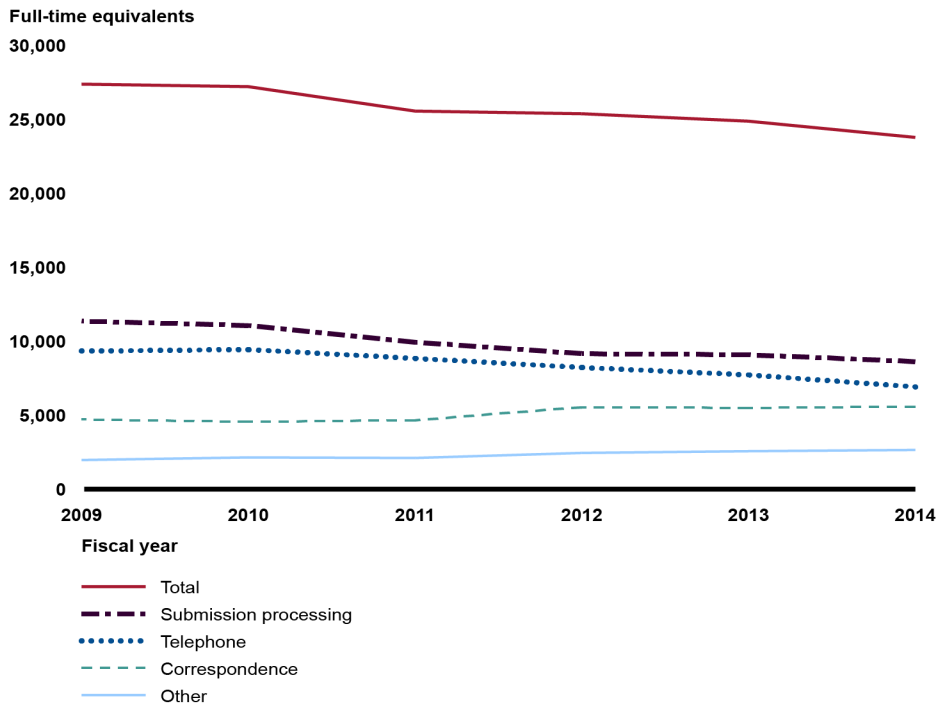
Note: Numbers are rounded and therefore may not add up to the totals for account management or FTEs.

^aOther categories include IRS campus staff, including direct staff that do not work paper or phone programs at an IRS campus, and taxpayer relations.

^bAccounts Management provides education and assistance to taxpayers and resolves accounts and notice inquiries through telephone, paper, and Internet correspondence.

^cSubmission processing processes paper and electronically submitted tax returns and supplemental documents, accounts for tax revenue, processes information documents, and issues refunds and tax notices.

Figure 6: IRS FTEs Responsible for Telephone, Correspondence, Submission Processing and Other Categories, Fiscal Years 2009 through 2014



Source: GAO analysis of IRS data. | GAO-15-163

Notes: Other categories include IRS campus staff, including direct staff who do not work paper or phone programs at an IRS campus, and taxpayer relations.

Submission processing processes paper and electronically submitted tax returns and supplemental documents, accounts for tax revenue, processes information documents, and issues refunds and tax notices.

Appendix III: IRS Call Volume and Telephone Service Goals and Performance, Fiscal Years (FY) 2009 through 2014

		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Percent change from FY 2013 to 2014 ^a
Total calls to IRS (in millions)^b		104.2	104.2	112.7	131.0	128.3	99.1	-23
Automated calls answered		29.0	35.1	42.3	59.2	54.0	40.8	-24
Assistor answered calls		39.0	36.7	34.2	30.8	30.1	23.1	-23
Abandoned, busies, and disconnects		36.2	32.4	36.2	41.0	44.2	35.1	-20
Access measures								
Percentage of callers seeking live help who receive it (level of service)	Goal	77 ^c	71	71	61	70	61	-13
	Actual	70	74	70.1	67.6	60.5	64.4	6
Average wait time (in minutes)	Goal	10.4 ^d	11.6	11.6	19	15	22	47
	Actual	8.8	10.8	13	16.7	17.6	19.6	11
Accuracy measures^e								
Tax law rate (in percent) ^f		92.5	92.4	92.9	92.5	95.6	95.0	
		+/- 0.8	+/- 0.8	+/- 0.6	+/- 0.7	+/- 0.7	+/-0.8	
Account accuracy rate (in percent)		95.1	95.6	96	95.4	95.8	96.2	
		+/- 0.4	+/- 0.4	+/- 0.3	+/- 0.3	+/- 0.4	+/-0.3	

Source: GAO analysis of IRS data. | GAO-15-163

^aThe numbers in the table are rounded, but the percent change was calculated using exact values. Therefore, in some cases, the percent change is slightly different than it would be if it were calculated using the rounded values in the table.

^bThe numbers in the table are the total automated, assistor answered, abandoned, busy and disconnected calls, and do not reflect the total number of attempted calls to IRS.

^cIRS revised its original fiscal year goal of 77 percent down to 70 percent because of high call volume from taxpayers requesting e-filing authentication information and asking stimulus-related questions.

^dIRS determines its wait time goals based on anticipated call volume and resource availability.

^eIRS calculation based on representative samples of phone calls from January 1 through June 30.

^fThe percentage of calls in which assistors provided accurate answers for the call type and took the appropriate actions, with a 90 percent confidence interval.

Appendix IV: Costs for Calls Answered by IRS Assistors and Automated Services and Average Handle Time with Assistors, Filing Seasons 2009 through 2014

	2009	2010	2011	2012	2013	2014	Percent change from 2013 to 2014
Assist or answered cost per call	\$25.75	\$29.41	\$30.01	\$33.97	\$33.21	\$42.33	27
Automated answered cost per call	\$.78	\$.61	\$.73	\$.37	\$.38	\$.38	0
Average handle time (minutes) ^a	10.9	11.8	11.7	12.5	11.8	12.5	6

Source: GAO analysis of IRS data. | GAO-15-163

Note: The period of October 1 through June 30 for each year was used for calculating costs of calls. That is what has been reported in the past and it represents the cost per call for the filing season.

^aAverage handle time is the time an assistor spends talking with a taxpayer, keeping the taxpayer on hold, and finishing the call and indicating readiness to receive another call. Numbers are rounded to the nearest one-tenth of 1 minute.

Appendix V: Use of IRS Website and Online Services, Fiscal Years (FY) 2009 through 2014

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Percent change from FY 2013 to 2014 ^a
Use of IRS website and mobile application tools							
Total visits to IRS.gov (in millions) ^b	296	305	319	373	456	437	-4
Searches (in millions) ^c	n/a	n/a	n/a	n/a	82	80	-2
IRS2GO downloads (in millions)	n/a	n/a	.3	.5	3	3	0
Self-service tools – assistance with tax filing and payments							
Taxpayer forms, publications, and instructions downloads (in millions) ^d	192	220	229	362	218	118	-46
Interactive Tax Assistance Tools (completion in thousands) ^e	n/a	42	177	455	631	944	50
Direct Pay Transactions (in millions)	n/a	n/a	n/a	n/a	n/a	2	n/a
Volunteer site locator (in thousands) ^f	n/a	n/a	n/a	n/a	366	273	-25
Online Payment Agreement (completion in thousands)	54	64	50 ^g	96	98	80	-18
Self-service tools – other requests for information							
Where's My Refund? (completion in millions)	54	67	78	132	201	189	-6
Electronic Filing Personal Information Number Request (completion in millions)	n/a	6	10	12	16	21	31
Get Transcript (in millions)	n/a	n/a	n/a	n/a	n/a	19	n/a
Where's My Amended Return (in millions)	n/a	n/a	n/a	n/a	2	4	100

Legend: n/a = not applicable.

Source: GAO analysis of IRS data. | GAO-15-163

Note: Data are from October 1 to September 30 for each fiscal year unless otherwise noted.

^aNumbers in the table are rounded, and the percent change has been calculated using the rounded values presented in the table.

^bA visit is a series of actions that begins when a visitor views their first page from the server, and ends when the visitor leaves the site. Visitors are not unique.

^cPage views include both successful search results and search results not found. In 2013, IRS revised its methodology for tracking taxpayer searches on IRS.gov. Previously, IRS tracked the total number of page views for all searches during a single visit. For 2013, IRS began tracking total unique searches, which does not include multiple searches for the same information in a single visit.

^dFor 2013, IRS revised its methodology for tracking downloads of forms, publications and instructions.

^eIRS introduced the interactive tax assistance tools in March 2010 and has since added more tools.

^f2010's listing was on 1 page, with an index at the top. 2011's listing was split into 52 pages; one for each state, the District of Columbia, and Puerto Rico. For 2012, IRS created a volunteer site locator tool for searches using zip codes. Data represents the number of visits to the disclaimer page where users leave IRS.gov to use the volunteer site locator application, hosted by the U.S. Department of the Treasury.

^gA programming error led to a decrease in the number of completed agreements.

Appendix VI: Services Offered at IRS Taxpayer Assistance Centers (TAC) and Volunteer Sites, Fiscal Years (FY) 2009 Through 2014

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Percent change from FY 2013 to 2014
TAC							
Total contacts	6,217,070	6,378,423	6,387,036	6,848,652	6,520,810	5,437,422	-17
Return preparation ^a	415,553	407,241	328,495	369,235	302,308	n/a	n/a
Tax law questions	340,999	304,578	267,951	233,174	198,844	114,348	-42
Account work notices ^b	3,201,992	3,461,238	3,678,072	2,814,757	3,068,225	2,506,428	-18
Forms	787,336	655,906	633,554	556,735	469,032	391,307	-17
Payments ^c	n/a	n/a	n/a	1,495,169	1,291,493	1,060,748	-18
Other ^d	1,471,190	1,549,460	1,478,964	1,379,582	1,190,908	1,364,591	15
Sites staffed by volunteers							
Return preparation	3,047,622	3,085,512	3,188,524	3,264,997	3,406,182	3,646,562	7
Percent of returns e-filed	91	92	93	95	95	96	n/a

Legend: n/a = not applicable.

Source: GAO analysis of IRS data. | GAO-15-163

Note: Data cover equivalent periods for each fiscal year with slight variations in the exact dates depending on the year and data source.

^aTAC return preparation counts include both individual and business contacts.

^bAccount work includes assistance to taxpayers who need to pay taxes owed and victims of identity theft.

^cBeginning in fiscal year 2012, IRS accounted for contacts where taxpayers made payments separately from other account work notices.

^dOther contacts include responding to correspondence, scheduling appointments, Individual Tax Identification Number (ITIN) authentication and providing self-assistance services, which do not fall into the defined categories.

Appendix VII: GAO Assessment of IRS's Efforts to Evaluate the Effectiveness of Changes to Taxpayer Services

To identify criteria appropriate for assessing the effectiveness of IRS' six service changes, we reviewed our guidance on designing evaluations and assessing program effectiveness and used this criteria to evaluate IRS's efforts to evaluate the effectiveness of changes to taxpayer services. Our analysis shows that IRS met some of the criteria, but did not meet the criteria for selecting outcome measures and developing an analysis plan.

Table 4: GAO Assessment of IRS's Efforts to Evaluate the Effectiveness of Changes to Taxpayer Services

GAO criteria	Did IRS meet criteria	GAO Analysis of IRS's Actions Compared to GAO Criteria
Clarify understanding of the program's goals and strategy	Yes	In 2013, IRS anticipated outcomes for all six service eliminations or reductions. These outcomes included full-time equivalent (FTE) savings projections and expected shifts in workload for certain initiatives during the 2014 filing season IRS conducted feasibility studies for each of the proposed service initiatives, which included a description of the implementation strategy and projected outcomes.
Select outcome measures that clearly represent the nature of the expected program benefits	Partially	IRS identified outcomes in the form of FTE savings and other service improvements such as improving telephone level of service. However, most of those outcomes did not specify measureable goals. For example, IRS planned to improve wait times, but did not develop a goal for reducing wait times. As a result, IRS's outcomes did not clearly represent the nature of the program benefits.
Identify data sources and collection procedures to obtain relevant credible information	Yes	IRS developed and used a weekly reporting dashboard (using data gathered from multiple organizations, including Field Assistance and the Joint Operations Center) to track changes in demand. Officials stated that assessing changes or shifts in demand allowed the agency to measure shifts in demand from telephone and walk-in services to alternative service channels, such as online service applications available on IRS.gov . IRS also used the data to calculate the number of FTEs that were available for reinvestment.
Develop plans to analyze the data in ways that allow valid conclusions to be drawn about exposure to the program and actual outcomes	No	IRS did not develop plans to analyze or track the data in a way that would allow officials to draw causal connections and develop valid conclusions about the effectiveness of the service initiatives. For example, the data IRS collected showed that demand for services decreased. However, IRS did not analyze the data to determine if a correlation exists between its efforts and shifts in demand for services.

Source: GAO analysis of IRS information. | GAO-15-163

Appendix VIII: GAO Analysis of Expected and Actual Outcomes for IRS's 2014 Service Changes

Most of the expected outcomes that IRS identified were not specific or measureable goals. IRS had some data that it could have used to assess the effectiveness of its 2014 service changes. We compiled this information to compare the reported results of the service changes against IRS's expected outcomes.

Table 5: GAO Analysis of IRS's 2014 Service Initiatives' Expected and Actual Outcomes

Limit telephone assistance to only basic tax law questions during the filing season and reassign assistors to work account-related inquiries.	
Expected outcome	Actual outcome
<ul style="list-style-type: none"> Estimated FTE savings: 199 	<ul style="list-style-type: none"> Actual FTE savings: 245 (as of January 1 through July 26, 2014)
<ul style="list-style-type: none"> Increase telephone level of service by 1.7 percent for fiscal year 2014. 	<ul style="list-style-type: none"> Telephone level of service increased by approximately 4 percent—from 60.5 percent in FY 2013 to 64.4 in FY 2014.
<ul style="list-style-type: none"> Answer fewer tax law calls and redirect taxpayers to other resources for tax law assistance, such as IRS.gov and third-party providers. 	<ul style="list-style-type: none"> Telephone demand for tax law assistance was 12 percent lower than 2013—from approximately 3.7 million to 3.2 million (as of January 5 through July 26, 2014). Answered approximately 1.2 million tax law related calls, a 58 percent decrease compared to 2013 (as of January 5 through July 26, 2014).
<ul style="list-style-type: none"> Redirect tax law assistors at walk-in sites to work account related inquiries, such as assisting more customers with identity theft and fraud issues. 	<ul style="list-style-type: none"> During the filing season, assistors at walk-in sites provided identity theft services to 23 percent more customers when compared to 2013, from 66,112 to 81,049 (as of January 1 through April 30, 2014).
Launch the "Get Transcript" tool, which allows taxpayers to obtain a viewable and printable transcript on IRS.gov and redirect taxpayers to automated tools for additional guidance.	
Expected outcome	Actual outcome
<ul style="list-style-type: none"> Estimated FTE savings: 349 	<ul style="list-style-type: none"> Actual FTE savings: 45 (as of January 1 through July 26, 2014)
<ul style="list-style-type: none"> Redirect taxpayers to automated options for obtaining a transcript, limit telephone assistance, and reduce demand for transcripts at walk-in sites and by mail. 	<ul style="list-style-type: none"> The volume of transcripts requests made by phone, mail, and at walk-in sites decreased by 49 percent, from approximately 7.3 million to 3.7 million (as of January 5 through July 26, 2014). Telephone transcript request declined the most, dropping 62 percent.
<ul style="list-style-type: none"> IRS expected approximately 9 million unique users to use Get Transcript during calendar year 2014. 	<ul style="list-style-type: none"> More than 15 million unique users completed transcript requests using Get Transcript (as of January 5 through July 26, 2014).
Redirect refund related inquiries to automated services and not answer refund inquiries until 21 days after the tax return had been filed, except for refunds held for potential fraud.	
Expected outcome	Actual outcome
<ul style="list-style-type: none"> Estimated FTE savings: 330 	<ul style="list-style-type: none"> Actual FTE savings: 92 (as of January 1 through July 26, 2014)

Appendix VIII: GAO Analysis of Expected and Actual Outcomes for IRS's 2014 Service Changes

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| <ul style="list-style-type: none"> • Reduce demand and limit access to live assistors for refund inquiries. | <ul style="list-style-type: none"> • Telephone calls for refund inquiries, including automated route-outs and transfers, decreased by about 25 percent (from approximately 43 million calls to 32 million) when compared to the prior year (as of January 5 through July 26, 2014). |
|--|--|

Limit access to the Practitioner Priority Services (PPS) line to only those practitioners working tax account issues.

Expected outcome	Actual outcome
<ul style="list-style-type: none"> • Estimated FTE savings: 79 	<ul style="list-style-type: none"> • Actual FTE savings: 32 (as of January 1 through July 26, 2014)
<ul style="list-style-type: none"> • Limit services to qualified practitioners working tax account issues and refer all other callers to alternative sources for obtaining information 	<ul style="list-style-type: none"> • Telephone demand for PPS account assistance decreased by 19 percent, from 1,271,604 to 1,028,276 (as of January 5 through July 26, 2014). • IRS answered about 19 percent fewer calls for PPS account issues—from 996,278 to 802,162 (as of January 5 through July 26, 2014).

Limit live assistance and redirect requests for domestic employer identification numbers (EIN) to IRS's online tool.

Expected outcome	Actual outcome
<ul style="list-style-type: none"> • Estimated FTE savings: 32 	<ul style="list-style-type: none"> • Actual FTE savings: 38 (as of January 1 through July 26, 2014)
<ul style="list-style-type: none"> • Limit live assistor services for EIN requests and redirect individuals to the online EIN request application on IRS.gov. 	<ul style="list-style-type: none"> • Telephone demand for EIN assistance was 29 percent lower when compared to 2013—from 1,076,694 to 767,406 (as of January 5 through July 26, 2014). • IRS answered 22 percent fewer telephone calls—from 752,040 to 584,382 (as of January 5 through July 26, 2014).

Eliminate free return preparation and reduce other services at IRS's walk-in sites.

Expected outcome	Actual outcome
<ul style="list-style-type: none"> • Redirect taxpayers to available free return preparation options at volunteer sites and Free File and reduce demand for services at walk in sites. 	<ul style="list-style-type: none"> • For 2014 (as of January 1 through July 26, 2014), Field assistance received approximately: <ul style="list-style-type: none"> ○ Twenty-eight percent (from approximately 1.3 million to 926,926) fewer visits at its walk-in sites when compared to 2013; ○ Approximately 70,000 visits to its walk-in sites for tax law questions, a decline of approximately 23 percent from 2013.
<ul style="list-style-type: none"> • Reduce wait times at walk-in sites. 	<ul style="list-style-type: none"> • During the 2014 filing season, on average, 79 percent of taxpayers waited less than 30 minutes for services compared to 76 percent in 2013. Those waiting more than 90 minutes decreased by 33 percent. Additionally, taxpayers leaving before receiving service decreased by 30 percent.

Source: GAO analysis of IRS information. | GAO-15-163

Appendix IX: Selected Excerpts From IRS's Risk Registers

IRS risk	IRS risk description	IRS status/ probability/ impact	IRS mitigation strategy	GAO analysis
Patient Protection and Affordable Care Act (PPACA) risk register				
Wage and Investment (W&I) resources diverted from working paper inventories due to PPACA phone traffic	If PPACA-related increase in phone traffic occurs, then W&I will have to divert resources from working paper inventories to manning the telephone lines, resulting in reduced levels of customer service decreased customer and employee satisfaction, and increased costs.	Status: Risk is dire Probability: Likely Impact: High	<ol style="list-style-type: none"> Staff and systems are developed to meet service demand. Robust monitoring and reporting for level of service and performance measures. Routinely leverage IRS Research Organizations to determine the optimal balance of resources to provide customer service. Adjust the Compliance work plan to move some audit starts later in the year to reduce the impact of mail. New PPACA systems are being engineered to allow opportunities to change thresholds/work level receipts. W&I Service Delivery Approach to evaluate services to ensure delivery of core service and to drive service to most efficient delivery method. Evaluate trade-off analysis and what to "stop doing." Filing Season 2015 Approach is under development. 	<ol style="list-style-type: none"> Not specific – Systems under development Not specific –Monitoring to detect problem Not specific — Leveraging resources expectation Not specific — Prospective plans Not specific – Systems under development Not specific – Approach under development

**Appendix IX: Selected Excerpts From IRS's
Risk Registers**

IRS risk	IRS risk description	IRS status/ probability/ impact	IRS mitigation strategy	GAO analysis
Delay to Filing Season due to late and/or retroactive PPACA legislation, and/or new Presidential Executive Order(s) regarding PPACA legislation	If late or retroactive PPACA legislation occurs and shortens the planning process and/or results in rework, or if additional Presidential Executive Orders are issued to delay or alter original enacted legislation, then late changes to requirements and a delay to the Filing Season could result in decreased public confidence, decreased customer service and customer satisfaction, diminishing chances for successful implementation and introducing a reputational risk.	Status: Behind schedule Probability: Almost certain Impact: High	<ol style="list-style-type: none"> 1. Repeatable, highly effective Filing Season Readiness (FSR) planning process for a holistic look at upcoming events and legislation and impact to people, process and technology. 2. A designated Legislative Analysis Tracking and Implementation Services representative who attends regular meetings to determine the impact of new or expiring legislation. 3. Dedicated and embedded PPACA IRS Counsel resources to support decision making. 4. A PPACA dedicated staff identified at PPACA Program Management Office at Headquarters, Office of Program Coordination and Integration (OPCI) in W&I, the Electronic Invoice Presentation and Payment team and the PPACA Joint Implementation Teams to support organizational readiness activities. 	<ol style="list-style-type: none"> 1. Not specific — Prospective plan 2. Not specific — Assigned staff to support future discussion 3. Not specific — Assigned staff to support future discussion 4. Not specific — Assigned staff to support future discussion

Appendix IX: Selected Excerpts From IRS's Risk Registers

IRS risk	IRS risk description	IRS status/ probability/ impact	IRS mitigation strategy	GAO analysis
PPACA form development does not conform to Filing Season Readiness Approach timeframe	If development of PPACA forms (other than PPACA Information Return products) does not comply with existing timeframe of Filing Season Readiness Approach, then Unified Work Requests, training development and delivery, and IRM updates may all be delayed - forms readiness drives all.	Status: Behind schedule Probability: Almost certain Impact: High	<ol style="list-style-type: none"> 1. Timely and effective process to ensure resources are updated and efficient training delivery plan for front line employees. 2. Dedicated and embedded PPACA IRS Counsel resources to support decision making. 3. Significant external partner relationships to socialize upcoming changes and robust communication strategy. 4. Repeatable, highly effective FSR planning process for a holistic look at upcoming events and legislation and impact to people, process and technology. 	<ol style="list-style-type: none"> 1. Not specific – Monitoring to detect problem 2. Not specific — Assigned staff to support future discussion 3. Not specific – Dialogue with external partners 4. Not specific – Prospective plan

Foreign Account Tax Compliance Act (FATCA) risk register

Timing for Form 8966 submitter requirements due to International Compliance Management Model (ICMM) schedule could prevent appropriate execution of electronic filing Help Desk mission to successfully answer calls and inquiries	Development of the outputs from ICMM has not begun. Electronic Products and Services Support training is dependent upon the finalization of submitter responses (if we do not have the electronic filing of the 8966, then there will be no work for the Help Desk to do). As of right now, it is developing ICMM as the technological developments to enable electronic filing. The impact to electronic filing is lack of sufficient lead time to develop and deliver training by deployment date. Could have already hired and trained.	Status: Behind schedule Probability: Possible Impact: Medium	<ol style="list-style-type: none"> 1. New hires typically come on board in October. Recalls are brought back on September/October training is typically completed in 2 weeks. Cannot complete training without knowing the ICMM process. FATCA training would have to be delivered separately in a compressed time frame. Make training room reservations now. 2. Train assistors to do other work if Form 8966 does not materialize. 3. Reallocate inventory and revise resource work plan. 	<ol style="list-style-type: none"> 1. Not specific – Training under development 2. Not specific — Prospective plan 3. Not specific — Prospective plan
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**Appendix IX: Selected Excerpts From IRS's
Risk Registers**

IRS risk	IRS risk description	IRS status/ probability/ impact	IRS mitigation strategy	GAO analysis
Delay in January 1 "go-live" date for ICMM system prevents electronic filing of Form 8966 and a risk to Submission Processing for processing paper forms	The ICMM program will be contracted out with a contract award date of August 8, 2014. To meet the January 1 "go-live" date, there is a significant workload to accomplish in a very short period of time once the vendor is on board. If the ICMM system is not running by January 1, 2015, then Form 8966 needs to come through via paper which poses a risk to Submission Processing. The impact of this would be no electronic filing of Form 8966; the form will be on paper instead, which will cause a resource constraint.	Status: Behind schedule Probability: Possible Impact: Medium	<ol style="list-style-type: none"> 1. Clarify our role with respect to testing and integration with W&I systems and processes and the timeframe of the testing. 2. The contingency plan for Submission Processing to incorporate paper processing F8966 into existing work is the following. When faced with over-receipts, the following actions are taken as a standard practice: —1) Receipts are monitored to determine if/when extra manpower is needed —2) People are recruited from other areas that may not be facing high volumes in their work at the time. 3. Obtain research on what the paper volumes would be - projected volume is 100,000. 	<ol style="list-style-type: none"> 1. Not specific —Dialogue between managers 2. More specific 3. Not specific – Monitoring to detect problems

W&I risk register

Appendix IX: Selected Excerpts From IRS's Risk Registers

IRS risk	IRS risk description	IRS status/ probability/ impact	IRS mitigation strategy	GAO analysis
Mission creep	If significant changes to, and/or expansion of, the breadth and complexity of the IRS's mission continues then IRS will be unable to either execute on its core mission or implement the required changes in a complete, accurate, timely and/or efficient manner.	Status: Not available Probability: Almost certain Impact: High	<ol style="list-style-type: none"> Filing Season 2015 Service Approach - W&I Service Delivery Approach to evaluate services to ensure delivery of core service and to drive service to most efficient delivery method including evaluation of trade-off analysis and what to "stop doing." FSR process including FSR Executive Steering Committee in place to comprehensively evaluate upcoming events and legislation that impacts filing season looking holistically at people, process and technology for Filing Season 2015. Significant external partner relationship to socialize upcoming changes and robust communication strategy. Established quantitative and qualitative performance measures that support and reinforce the achievement of the IRS mission and overall strategic goals. FATCA implementation - oversight provided by OPCI. 	<ol style="list-style-type: none"> Not specific – Approach under development Not specific – Monitoring to detect problem Not specific – Dialogue with external partners More specific Not specific – Monitoring to detect problem

Appendix IX: Selected Excerpts From IRS's Risk Registers

IRS risk	IRS risk description	IRS status/ probability/ impact	IRS mitigation strategy	GAO analysis
Service delivery	If service delivery options are not evaluated and adjusted to maximize return on diminishing resources then mission creep and scope expansion may impact ability to achieve core mission.	Status: Not available Probability: Likely Impact: Medium/ High	<ol style="list-style-type: none"> 1. Filing Season 2015 Service Approach - W&I Service Delivery Approach to evaluate services to ensure delivery of core service and to drive service to most efficient delivery method including evaluation of trade-off analysis and what to "stop doing." 2. Significant external partner relationship to socialize upcoming changes and robust communication strategy. 3. Established quantitative and qualitative performance measures that support and reinforce the achievement of the IRS mission and overall strategic goals. 4. Service On Demand project to evaluate service delivery channels moving forward. 	<ol style="list-style-type: none"> 1. Not specific – Approach under development 2. Not specific – Dialogue with external partners 3. More specific 4. Not specific – Project under development

Source: GAO analysis of IRS information. | GAO-15-163

Note: These descriptors are taken directly from IRS's Risk Registers.

Appendix X: Prior GAO Filing Season Recommendations Implemented by IRS

Since 2010, we have issued seven reports on various aspects of IRS's filing season operations. These reports included 20 recommendations for IRS to improve filing season operations, become more efficient, and provide taxpayers with better customer service. Listed below are the six recommendations that IRS has implemented.

Table 6: Implemented GAO Recommendations to IRS Related to the Filing Season

Recommendation	Benefit	Status
<p>GAO-11-111 - To gain efficiencies and improve taxpayer service, the Commissioner of Internal Revenue should direct the appropriate officials to</p>	<p>Identifying trends in call topics is a key element in improving service. Telephone assistants, interacting with taxpayers, can identify systemic issues and send them forward for analysis and resolution.</p>	<p>IRS piloted a process called "Hear me" in selected telephone service sites. By implementing this process, IRS is better able to identify emerging issues and improve the taxpayer experience by providing alternative and more cost effective services, according to IRS officials.</p>
<p>use the existing process of regular team meetings with frontline telephone assistants to solicit information on call trends and other potential improvements to phone service and to supplement issues identified using Contact Analytics.</p>	<p>establish an evaluation plan for the 2011 filing season debit card program that includes taxpayers, volunteer site partners, and other stakeholders and assess the full range of reasons for program participation rates.</p>	<p>An analysis plan would provide an understanding informed by multiple stakeholder perspectives on reasons why taxpayer participation in the program was low, including reasons outside of the manner in which the program was marketed. Without such a plan, IRS risks missing opportunities to increase participation.</p>
<p>GAO-12-176 - We recommended that the Commissioner of Internal Revenue</p>	<p>offer an automated telephone line that gives taxpayers the status of their amended tax return, unless IRS has a convincing cost-benefit analysis to suggest that the costs exceed the benefits.</p>	<p>IRS completed a plan to determine how to appropriately market debit cards and other services provided at Volunteer Income Tax Assistance (VITA) sites.</p>
<p>assess the costs and benefits of automating the Taxpayer Assistance Center (TAC)/VITA telephone lines and automate these lines if the benefits exceed the costs.</p>	<p>A rigorous assessment of the costs and benefits of automating the TAC/VITA telephone line will give IRS better information on how to allocate scarce resources.</p>	<p>IRS implemented an automated phone line.</p>
		<p>IRS officials evaluated the resources needed to provide an automated telephone line with similar information and determined that the costs of doing so would currently be prohibitive.</p>

**Appendix X: Prior GAO Filing Season
Recommendations Implemented by IRS**

Recommendation	Benefit	Status
<p>GAO-12-566 - We recommended that the Commissioner of Internal Revenue should</p>		
<p>ensure that IRS's IT contingency plan for modernized electronic filing (MeF) is reviewed and updated, as needed, in time for the beginning of the 2013 filing season.</p>	<p>Without a timely review and update to its contingency plan that considers lessons learned from this year's experiences with MeF, IRS could be introducing additional risk to next year's filing season.</p>	<p>IRS updated its contingency plan for 2013.</p>
<p>GAO-13-156 - We recommended that the Acting Commissioner of Internal Revenue should</p>		
<p>clearly define and document the roles and responsibilities of IRS offices administering the notice phase, such as in resolving tax debts.</p>	<p>A lack of clarity in the roles and responsibilities of IRS officials in charge of sending notices to taxpayers impedes IRS's ability to best identify and implement risk-based approaches for resolving balance due accounts.</p>	<p>IRS has defined and documented the roles and responsibilities of each office administering the collection notice process.</p>

Source: GAO and IRS. | GAO-15-163

Appendix XI: Prior Filing Season-Related GAO Recommendations That Remain Open

Since 2010, we have issued seven reports on various aspects of IRS's filing season operations. These reports included 20 recommendations for IRS to improve filing season operations, become more efficient, and provide taxpayers with better customer service. IRS has not yet implemented 14 of the recommendations. Eight of these recommendations are described in Table 7 below, and we discuss the other six recommendations to improve IRS's web-related services in appendix XII. As shown in table 7, IRS agreed with three of these recommendations, disagreed with two, and has taken certain actions in regard to the three with which it neither agreed nor disagreed.

Table 7: Open GAO Recommendations to IRS Related to Filing Season

Report/Recommendation	Benefit	Status
GAO-11-111 - To gain efficiencies and improve taxpayer service, we recommended that the Commissioner of Internal Revenue should direct the appropriate officials to		
determine a customer service telephone standard, and the resources required to achieve this standard based on input from Congress and other stakeholders based on the quality of service provided by comparable organizations and on what matters most to the customer.	A telephone standard would serve as a means of communicating to Congress and others what IRS believes would constitute good service. Having such a standard would make the gap more transparent and highlight for Congress and others what IRS's capabilities are based on resources provided.	IRS officials disagreed, stating that its measure of telephone service does not need to be revised and the current process for establishing IRS telephone plans is sufficient.
assess business units' need for holding Contact Analytics calls beyond 45 days and store calls for this period or document that the costs of doing so exceed the benefits.	Storing calls for extended periods would allow IRS to better understand the reasons taxpayers call, thus offsetting the costs.	IRS disagreed and maintains that increasing recorded call storage beyond 45 days would not be a low-cost effort.
establish a performance measure for taxpayer correspondence that includes providing timely service to taxpayers.	Without having a performance measure for correspondence timeliness, IRS managers may have a less informed basis for balancing resources across telephone and correspondence services. Without elevating timeliness to taxpayers as part of its suite of balanced performance measures, IRS management risks prioritizing telephone or other services, for which such measures already exist, over providing timely taxpayer correspondence. Creating this measure would help provide the highest improvement opportunity for taxpayer paper correspondence.	IRS has agreed and started using a more detailed performance measure that tracks the time it takes to close taxpayer correspondence. We continue to believe that the benefits described here justify making this performance measure part of a suite of balanced measures.

**Appendix XI: Prior Filing Season-Related GAO
Recommendations That Remain Open**

Report/Recommendation	Benefit	Status
GAO-12-176 - We recommended that the Commissioner of Internal Revenue		
develop a new refund timeliness measure and goal to more appropriately reflect current capabilities.	A new measure would reflect current IRS capabilities better than the current measures, which are outdated.	IRS agreed but has not yet developed a new refund timeliness measure. However, it has taken steps to identify the number of days it takes to issue a refund.
complete an Internet strategy that provides a justification for the implementation of online self-service tools and includes an assessment of providing online self-service tools that allow taxpayers to access and update elements of their account online; acknowledges the costs and benefits to taxpayers of new online services; sets the time frame for when online service would be created and available for taxpayer use; and includes a plan to update the strategy periodically.	Such a strategy would provide Congress and taxpayers with a better understanding of the online services IRS plans to provide with its significant investment on its website.	IRS agreed but has not yet taken action to fully address this recommendation. IRS does not have a long-term strategy for enhancing its web services, and has not developed business cases for new online services that describe the potential benefits and costs and prioritizes projects.
GAO-13-156 - We recommended that the Acting Commissioner of Internal Revenue		
outline a strategy that defines appropriate levels of telephone and correspondence service and wait time and lists specific steps to manage service based on an assessment of time frames, demand, capabilities, and resources.	Outlining a strategy that defines appropriate levels of service and lists specific steps to manage service would reverse recent declining trends in customer service.	IRS did not agree or disagree but believes that its efforts to increase taxpayer service by improving contact center efficiency, providing issue resolution alternatives to reduce demand, and equipping the workforce with additional tools is sufficient.
tailor appropriate and timely interventions with taxpayers who file balance due returns by pilot testing risk-based approaches that could include implementing the Advanced Consolidated Data Analytics plan and using more data-driven methods to identify the most appropriate method for contacting a taxpayer.	Risk-based approaches where contacts are tailored to the taxpayer have helped increase collections in a number of states.	IRS did not agree or disagree but has reported that the advanced analytics research project for contacting taxpayers with a balance due had not been funded. As an alternative to that project, IRS conducted an in-depth analysis in-house of the model it uses to identify potential cases that it considers to have balances that are currently not collectable. In October 2014, IRS reported that it believes that better (more productive) cases will be assigned to those work streams.
GAO-14-133 - We recommended that the Commissioner of Internal Revenue		
develop a set of standardized account entries and eliminate unnecessary redundancy when entering installment agreement data into accounts.	Standardized account entries can lead to increased efficiencies and lower costs, and taxpayers and IRS can benefit by the elimination of redundancy in IRS processes.	IRS is testing an alternative system before it considers standardizing account entries.

Sources: GAO and IRS. | GAO-15-163

Appendix XII: Prior Filing-Season Related GAO Recommendations Related to Improving Web Services Remaining Open

Six of the 14 open recommendations relate to improving web services. Specifically, we recommended that IRS should develop a long-term strategy to improve web services provided to taxpayers. We include these separately because we were subsequently asked to review IRS efforts to offer more interactive web services. IRS agreed with four of these recommendations, partially agreed with developing business cases because it believes other criteria should be considered, and did not take a position on establishing numerical measures. These six unimplemented recommendations are listed in table 8.

Table 8: Open GAO Recommendations Related to a Long-Term Strategy for Improving IRS Web Services

Report/Recommendation	Benefit	Status
<p>GAO-13-435 - The Acting Commissioner of the Internal Revenue Service should direct appropriate officials to develop a long-term strategy to improve web services provided to taxpayers, in accordance with Howto.gov and other federal guidance outlined in our report. To accomplish this, we further recommend that IRS take the following six actions.</p>		
Decide on a complete suite of performance metrics, as soon as practical.	To improve taxpayer service and compliance, it is important to have a full set of performance metrics as a baseline.	IRS officials agreed and IRS is tracking all the recommended Howto.gov metrics and is working to identify additional performance metrics.
Study leading practices of other organizations to understand how web improvement strategies were developed and new services prioritized.	Learning what is working for others and applying their practices and lessons learned could help IRS identify which tools would provide the most benefit to taxpayers.	IRS officials agreed and IRS conducted a study of best practices of other organizations to understand how web improvement strategies were developed and prioritized.
Establish a numerical or other measureable goal to improve taxpayer satisfaction and a timeframe for achieving it.	Having a measurable target with a numerical goal or measurable targets facilitates future assessments of whether overall goals and objectives were achieved.	IRS officials neither agreed nor disagreed, but stated that they are continuing to work on establishing a numeric goal to measure customer satisfaction.
Develop business cases for all new online services, describing the potential benefits and costs of the project, and use them to prioritize future projects.	Business cases can help IRS determine which additional services would benefit taxpayers the most and how much the services would cost.	IRS officials partially agreed and stated that IRS has enhanced business case development for all online services to include potential benefits and costs of those projects. In partially agreeing, IRS indicated that it needs to balance prioritization using broader criteria, such as the risk to existing business systems and processes.

**Appendix XII: Prior Filing-Season Related GAO
Recommendations Related to Improving Web
Services Remaining Open**

Report/Recommendation	Benefit	Status
Review risk mitigations plans for interactive tools to ensure all risks are addressed. If risks are not addressed, IRS should take corrective action and identify the root cause to help prevent similar occurrences in future mitigation plans.	Reviewing risk mitigation plans could provide IRS with reasonable assurance that it is addressing those risks, and that its processes are reliable.	IRS officials agreed and stated that Online Services works closely with Information Technology to identify all potential risks for products in development.
Link investments in security to the long-term plan.	Linking security investments to the strategic plan would help IRS to align activities, core processes, and resources to support its mission.	IRS officials agreed and stated that Online Services will integrate the future plans for the use of authentication in to the Online Strategy, including the dependency of "eAuthentication" capabilities plan.

Source: GAO report and IRS comments. | GAO-15-163

Appendix XIII: Matters for Congressional Consideration for Enhanced Math Error Authority

For almost a century, Congress has been expanding IRS’s math error authority (MEA) on a case-by-case basis. Currently, there are 13 situations where IRS can use MEA to make corrections to tax returns.¹ Using MEA can save time and money for taxpayers and can reduce the need for audits to correct taxpayer errors. Since 2008, we have raised five matters for the Congress to consider providing IRS with additional MEA authority. The Congress has enacted one and has not yet acted on four of them.

Table 9: Status of GAO Matters for Congressional Consideration Concerning MEA for IRS

Report number	Matter for Congressional Consideration	Status
GAO-09-146	Use MEA to identify and correct returns with ineligible Individual Retirement Account “catch-up” contributions and contributions to traditional Individual Retirement Accounts from taxpayers older than 70 1/2.	Not as yet enacted.
GAO-09-1026	Use prior years’ tax return information to automatically verify compliance with the 2008 First Time Homebuyer Credit payback provision and ensure that homebuyers do not improperly claim the credit in multiple years.	Enacted Pub. L. No. 111-92, § 12(d), 123 Stat. 2984, 2992 (Nov. 6, 2009), 26 U.S.C. § 6213(g)(2)(P).
GAO-10-225	Use prior years’ tax return information to automatically verify taxpayers’ compliance with the number of years the Hope credit can be claimed.	Not as yet enacted.
GAO-10-349	Broaden MEA so it is not restricted to a case-by-case basis, with appropriate safeguards against misuse.	Not as yet enacted. An Administration revenue proposal for fiscal year 2015 would grant the U.S. Department of the Treasury (Treasury) regulatory authority to expand the IRS use of MEA to correct computational errors and incorrect use of tables provided by IRS, and would add a new category of correctable errors where (1) the information provided by the taxpayer does not match the information contained in government databases, (2) the taxpayer has exceeded the lifetime limit for claiming a deduction or credit, or (3) the taxpayer has failed to include with his or her return, documentation that is required by statute. Department of the Treasury, <i>General Explanations of the Administration’s Fiscal Year 2015 Revenue Proposals</i> , March 2014, at 229-230, available at http://www.treasury.gov/resource-center/tax-policy/Pages/default.aspx (last visited Dec. 8, 2014).

¹For a list of IRS’s existing MEA, see appendix I of [GAO-12-176](#).

**Appendix XIII: Matters for Congressional
Consideration for Enhanced Math Error
Authority**

Report number	Matter for Congressional Consideration	Status
GAO-11-481	Use tax return information from previous years to ensure that taxpayers do not improperly claim credits or deductions in excess of lifetime limits where applicable.	Not as yet enacted. The Administration's revenue proposals for each of the last 3 fiscal years (2013 through 2015) included a proposal to give IRS authority to use MEA to correct errors where the taxpayer has exceeded the lifetime limits for claiming a deduction or credit. See, Department of the Treasury, <i>General Explanations of the Administration's Fiscal Year 2013 Revenue Proposals</i> , February 2012, at 168-169; Treasury, <i>General Explanations of the Administration's Fiscal Year 2014 Revenue Proposals</i> , April 2013, at 200-201; Treasury, <i>General Explanations of the Administration's Fiscal Year 2015 Revenue Proposals</i> , March 2014, at 229-230, all available at http://www.treasury.gov/resource-center/tax-policy/Pages/general_explanation.aspx (last visited Dec. 8, 2014).

Source: GAO-12-176 and status updates. | GAO-15-163

Appendix XIV: Comments from the Internal Revenue Service



DEPUTY COMMISSIONER

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

December 1, 2014

Mr. James R. White
Director, Tax Issues
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. White:

I have reviewed your draft report entitled *Tax Filing Season: 2014 Performance Highlights the Need to Better Manage Taxpayer Service and Future Risks*, and appreciate acknowledgment of a smooth filing season despite the delay due to the 2013 government shutdown, additional budget cuts, and decreases in staffing.

By effectively applying available resources, the IRS was able to exceed performance projections in many areas this filing season. Concentrating staffing in the January through June period enabled us to deliver a 70 percent level of telephone service and answer 15.2 million customer calls. Cumulatively, we maintained high levels of accuracy, 95 percent for Tax Law calls and 96 percent for Account calls. In addition, while receipts in our adjustments inventory program were 111 percent of prior year through June, our ending inventory was 63 percent of prior year with 468,000 fewer overage cases.

Each year, we review and update our priorities to ensure we are meeting the needs of our customers in the most effective and efficient manner. To effectively serve taxpayers we must strike a balance between technology-based and person-to-person services, leveraging technology solutions to serve the majority of taxpayers with limited or less complex needs, while maintaining personal service for complex issues that can only be resolved with the assistance of IRS personnel. This past filing season, we launched the 2014 IRS Service Approach, which successfully guided more taxpayers to appropriate self-service channels and preserved telephone and face-to-face services for those taxpayers whose needs could not be met by automation. By applying this approach, the IRS was able to reduce the competition for services by shifting service demands to alternate channels and devoting its limited assistor-based resources to taxpayers needing personal assistance. For example, the IRS has traditionally experienced a peak in toll-free telephone demand early in the filing season, driven primarily by questions

2

pertaining to when tax refunds would be received. Noting that more than 90 percent of filers receive their refund within 21 days of filing, we changed our policy in the 2014 Service Approach to encourage those callers to use the "Where's My Refund" application on IRS.gov if it had been less than 21 days since the taxpayer had filed their refund claim. This change eliminated that refund-driven peak demand on our toll-free services. We will continue to build on these successes as we develop and refine the 2015 Service Approach.

In addition to placing a greater focus on assisting taxpayers with account issues, the IRS delivered a 70.3 percent Level of Service (LOS) across our toll-free environment during the period of January through June 2014, compared to 67.7 percent achieved in 2013. We delivered a significantly higher LOS on sensitive product lines such as the Taxpayer Protection Program, sustaining a 79.7 percent LOS in the Identity Protection Specialized Unit for 2014. We were also able to redirect resources to realize a reduction in correspondence adjustments inventory to 69 percent of the 2013 level, and to reduce Identity Theft inventory to 52 percent of the 2013 level for the same period.

Regarding toll-free telephone operations, we have conducted benchmarking with other call centers in the past to address specific needs. In 2012, the Customer Service Representative (CSR) LOS Redesign team was convened to perform a 30-day evaluation of the existing CSR LOS measure and benchmark with private and public contact centers. Factors considered in undertaking the study included the relevance of our primary measure at the time, changes to IRS call processing over the years, and indications that other organizations have changed their approach to performance measures. After conducting interviews with representatives from each organization, we used IRS data to see how the measures of the other organizations could be used to evaluate performance and customer service. We believe targeted benchmark comparisons can be helpful in identifying effective processes and methods that are appropriate for improving our performance.

A response to your specific recommendations is enclosed. If you have any questions, please contact Scott Irick, Acting Director, Strategy and Finance, Wage and Investment Division, at (404) 338-8801.

Sincerely,


John M. Dalrymple
Deputy Commissioner for
Services and Enforcement

Enclosure

Enclosure

The Commissioner of the Internal Revenue should direct the appropriate officials to take the following three actions:

Recommendation

Systemically and periodically compare IRS telephone service to the best in business to identify gaps between actual and desired performance.

Comment

We disagree with this recommendation as the differences between the purposes and missions of IRS telephone operations and public sector contact centers are too significant to yield useful results when broadly compared. The IRS has conducted benchmarking with other call centers in the past to address specific needs, and we believe that targeted benchmark comparisons can be helpful in identifying effective processes and methods that can assist in improving performance. We will continue to perform such benchmarking when appropriate.

Recommendation

Develop outcomes that are measurable and plans to analyze service changes that allow valid conclusions to be drawn so that information can be conveyed to Congress, IRS management, and others about the effectiveness of IRS's service changes and impact on taxpayers.

Comment

We agree to develop projections for impact of changes to our Service Approach. We will monitor and track the demand migration and other metrics related to the service approach during this filing season. Applying this approach, the IRS will be able to determine the amount of resources reallocated to deliver more critical assistor-based services using existing measures. We will also be able to assess the taxpayer experience and address improvement opportunities as they emerge. We anticipate completing the analysis near the end of the fiscal year.

Recommendation

Include specific countermeasures or options in risk management plans that could guide a response when an adverse event occurs.

Comment

The IRS began implementing an Enterprise Risk Management (ERM) program during Fiscal Year 2014, and is using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM framework as a guide in setting up its program. As noted in the report, ERM implementation is still in the early stages at the IRS, and the Government Accountability Office's (GAO) review of the IRS enterprise risk categories occurred as the first ERM cycle was being implemented and before the IRS had progressed through all stages of the process. The COSO framework consists of

2

multiple components, including risk identification, risk assessment, risk mitigation/response, and risk monitoring. The prioritization of risks that have been identified through our assessment process is only one step, which is then followed by the determination of risk responses for those risks ranked highest in likelihood and impact. The guidance and approach being developed and deployed by the IRS will cover all components of the COSO framework, including the identification of risk responses or countermeasures.

Appendix XV: GAO Contact and Staff Acknowledgments

GAO Contact:

James R. White, (202) 512-9110, whitej@gao.gov

Staff

Acknowledgments:

In addition to the individual named above, Joanna Stamatiades, Assistant Director; LaKeshia Allen-Horner; Jehan Chase; Robert Gebhart; George Guttman; Kirsten Lauber; Natalie Maddox; Mark Ryan; Erin Saunders-Rath; Angela Smith; and Elwood White made key contributions to this report.

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