

GAO

Report to the Chairman, Subcommittee
on Commerce, Consumer, and Monetary
Affairs, Committee on Government
Operations, House of Representatives

August 1994

**TAX
ADMINISTRATION**

**Better Measures
Needed to Assess
Progress of IRS'
One-Stop Service**





United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-248488

August 29, 1994

The Honorable John M. Spratt, Jr.
Chairman, Subcommittee on Commerce, Consumer
and Monetary Affairs
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

The Internal Revenue Service (IRS) has frequently been criticized by the press, the public, and Congress for its handling of taxpayer questions, requests for assistance, and complaints. Taxpayers have long been frustrated with the circuitous routes that they often must follow to obtain clear, concise, and accurate information about their accounts or tax law issues.

To better address taxpayers' concerns, IRS introduced a new concept of taxpayer assistance known as "one-stop service." IRS defined one-stop service as the "resolution of issues during the taxpayer's initial contact (with IRS) or as a result of that contact." IRS envisions that one-stop service will allow taxpayers to call, write, or walk into an IRS office for assistance on any type of tax problem and that office will be able to resolve the matter with only one contact by the taxpayer. Initially, IRS has focused on providing one-stop service to taxpayers who call for assistance.

IRS began implementing one-stop service in August 1991, but does not expect it to be fully operational until September 1998. We first reported to the Subcommittee on IRS' one-stop service effort in April 1992.¹ This report discusses IRS' progress since then. Because of the Subcommittee's continuing interest in the quality of IRS' service to taxpayers, you asked that we issue this report to you.

We believe that one-stop service, if properly implemented, would significantly improve IRS' service to taxpayers. Resolving problems in one contact with IRS should reduce taxpayer burden in terms of the additional time and accompanying frustration that come with making numerous IRS contacts, often with different IRS employees. For IRS, one-stop service should reduce its costs and contribute to increased taxpayer compliance.

¹Tax Administration: One-Stop Service: A New Concept of Assistance for Taxpayers (GAO/T-GGD-92-33, Apr. 28, 1992)

Results in Brief

IRS initially focused on providing one-stop service for account-related inquiries received at its 32 toll-free telephone sites. To do this, IRS purchased additional equipment to provide staff with better access to taxpayer account information, trained the staff, and gave them additional authority to handle account-related matters. We believe these steps have resulted in improved telephone account service for taxpayers.

Despite improvements in service, we believe IRS has overstated its accomplishments in providing one-stop service by telephone because its measure of that service is flawed. IRS reported that it provided one-stop service on 96 percent of the 11.7 million taxpayer account inquiries received by telephone in fiscal year 1993, up from 74 percent of 6.7 million telephone inquiries handled in fiscal year 1992. However, IRS relies on a measurement method that assumes all callers with account inquiries who reach IRS receive one-stop service, except those callers whose inquiries are written up for later resolution and not resolved within 15 days. IRS does not monitor calls handled on-line (a call handled while the taxpayer is on the telephone with IRS) to determine whether those callers actually receive one-stop service. We found examples of callers who did not receive, but were counted as having received, one-stop service on-line, leading us to conclude that IRS overstated its one-stop service accomplishments in fiscal year 1993.

Our analysis of a small sample of on-line account calls illustrates that many of the callers IRS assumed received one-stop service would, in fact, have had to make further contact with IRS to resolve the issue. We listened to 109 account inquiry calls handled on the telephone by IRS assistors at 4 call sites. We found that 21 of the 109 callers, or about 19 percent, received one-stop service and, consistent with IRS' definition, would not have required further contact with IRS. The remaining 87 callers,² or about 81 percent, did not receive one-stop service because, for example, they needed to write another IRS office to resolve a matter or opted to call back because an assistor with the expertise to handle the taxpayer's inquiry was not available. Under IRS' measurement method, all 109 callers were reported as receiving one-stop service because their calls were handled on-line.

Several obstacles block IRS' ability to provide one-stop service over the telephone. These obstacles include assistors' inability to respond to account inquiries because of delays in processing taxpayer transactions and posting them to taxpayer accounts. Also, to receive one-stop service,

²We could not determine whether one caller received one-stop service.

taxpayers must first reach IRS. During the first 4 months of 1993, only about one of every four calls reached IRS—the others received busy signals or taxpayers hung up after being placed on hold. IRS recognizes these barriers and is working to overcome them. Even when IRS makes its best efforts, it is not realistic to expect one-stop service 100 percent of the time. Taxpayers will need to make additional contacts, for example, in instances where IRS needs additional documentation to authenticate a taxpayer claim or the taxpayer lacks the information necessary for IRS to resolve an issue.

IRS has not yet done a great deal to analyze its ability to deliver one-stop service in other areas where it assists taxpayers. IRS applies its one-stop service measure to account inquiry calls because it assumes that taxpayers making other types of calls—calls concerning tax law questions or filing requirements, for example—usually receive one-stop service. This is a questionable assumption. We listened to 45 such calls that were handled on-line and found that 20 callers received one-stop service and 24 did not. In one case, we were unable to determine if the caller received one-stop service.

IRS has begun to measure one-stop service for calls to automated collection sites and had made limited attempts to measure such service in handling taxpayer correspondence, but little has been done to measure one-stop service for forms distribution centers and walk-in sites. We support IRS' initial emphasis on providing one-stop service for telephone account inquiries; however, if IRS wants to meet its 1998 one-stop service goal, we believe it also needs to begin work in these other areas.

We are recommending that IRS develop better measures to assess all of its service activities. Better measures should allow IRS to (1) accurately assess its progress toward its 1998 goal of one-stop service for 95 percent of all taxpayer inquiries, (2) identify and correct problems that may impede such progress, and (3) determine the relative quality of service available throughout various IRS activities.

Background

In fiscal year 1993, IRS handled about 75 million inquiries from taxpayers on matters ranging from routine queries on tax account balances to complex requests about corporate tax issues. These inquiries included 47 million telephone calls (63 percent of all inquiries), 21 million letters (28 percent), and 7 million personal visits (9 percent) to the hundreds of IRS offices across the country.

Many different IRS offices are responsible for handling taxpayer telephone calls, correspondence, and visits. About 75 percent of the 47 million telephone inquiries IRS received in fiscal year 1993 were answered at 32 toll-free telephone call sites operated by IRS' Taxpayer Service Division. Toll-free sites handle a variety of issues; telephone assistants at these sites answer tax law questions, make adjustments and answer inquiries about taxpayer accounts, and address such procedural matters as where to file a tax return. In addition, about 5 million calls on IRS enforcement actions were handled by 23 automated collection sites, and nearly 7 million calls requesting tax forms were handled by 3 forms distribution centers.

Most taxpayer correspondence is directed to the 10 IRS service centers and the Austin, TX, Compliance Center. Taxpayers sent over 21 million letters to these centers in fiscal year 1993 inquiring about their accounts, their returns, and various enforcement matters. In addition, about 7 million taxpayers visited IRS' 63 district offices or 779 smaller satellite offices with requests for tax forms or questions about tax returns and tax accounts.

IRS initiated one-stop service to improve its handling of taxpayer calls, correspondence, and visits. IRS defines one-stop service as the "resolution of issues during the taxpayer's initial contact [with IRS] or as a result of that contact." Afterwards, the taxpayer should not need to make any additional contacts with IRS on that particular problem.

IRS' one-stop service goal is consistent with the aims of the private sector, which relies heavily on telephone service. Representatives from the airline, credit card, and utility industries told us that it is important to help customers while they are on the telephone. Forcing a customer to call back, they said, may well result in lost business and/or damaged customer relations. IRS' goal is also consistent with the results of the National Performance Review, which found that successful organizations "put the customer first."

To provide one-stop service, IRS offices need access to IRS computer systems supplying account information, account status, and case disposition information. The staff must not only answer questions but also make account adjustments, contact other IRS organizations, and track the status of any issue these organizations manage.

In August 1991, IRS convened the One-Stop Service Executive Steering Committee, a group established to determine how one-stop service would apply to all the different organizations managing taxpayer inquiries. The

Committee published guidelines in March 1993 to incorporate one-stop service principles into all IRS operations. Overall, IRS' goal is to be able, by September 1998, to answer 95 percent of all taxpayer inquiries with one stop, whether the inquiries are made by a telephone call, letter, or personal visit.

In November 1993, IRS announced plans to consolidate its various telephone and correspondence services into 23 Customer Service Centers. Employees at the centers are to handle taxpayer matters not involving face-to-face interaction—all the tasks currently performed at taxpayer service telephone sites, automated collection sites, forms distribution sites, and many tasks now done at IRS' service centers. To accomplish these tasks, employees are to have additional information, authority, and equipment to resolve taxpayer questions and problems. IRS said that Customer Service Centers will be better able to provide one-stop service to taxpayers. IRS is testing Customer Service Center prototypes at its Fresno Service Center and Nashville District Office and expects to have the other centers operational by 2001.

Objectives, Scope, and Methodology

In April 1992, we provided testimony to the Subcommittee on one-stop service.³ The chairman subsequently requested a report on our follow-up efforts. Our objectives were to (1) assess the progress of IRS' one-stop service, (2) evaluate IRS' measurement of its progress, and (3) identify obstacles, if any, that stand in the way of one-stop service. To accomplish these objectives, we focused primarily on IRS' handling of account inquiries at its toll-free telephone sites because IRS has emphasized providing one-stop service there. In particular:

- We interviewed officials responsible for administering the one-stop service in IRS' National Office and at seven district offices from IRS' Mid-Atlantic, Southeast, and Central regions. Our discussions covered not only the delivery of one-stop service on account-related telephone calls but also IRS' plans for one-stop service in activities that handle other telephone contacts, taxpayer correspondence, and taxpayer visits to IRS offices.
- We determined the accuracy of IRS' one-stop service performance measure by looking at its formulas for calculating one-stop service and how those formulas were applied.
- We sent questionnaires to the Taxpayer Service Division chiefs at 29 of IRS' 32 toll-free telephone sites to determine the status of one-stop service at

³GAO/T-GGD-92-33.

the sites. (To facilitate follow-up, we excluded the three sites outside the continental United States.)

- We monitored 154 taxpayer telephone calls (109 of which involved account inquiries and 45 of which involved questions about the tax law or such procedural issues as where to file a tax return) received at 4 toll-free sites (Baltimore, MD; Cincinnati, OH; Jacksonville, FL; and Nashville, TN) during April and May 1993 to determine whether callers received one-stop service. To determine whether taxpayers received one-stop service, we listened to each taxpayer call and IRS' response and determined whether the taxpayer would need to contact IRS again to have the inquiry answered. Although our sample is not large enough to project the extent to which IRS provides one-stop service across IRS, it provides examples of where IRS falls short in delivering one-stop service and demonstrates flaws in IRS' measure of one-stop service.

We did our work between January 1993 and April 1994 in accordance with generally accepted government auditing standards.

We discussed the contents of this report with IRS officials on July 12, 1994. They agreed with our recommendation and told us that IRS plans to implement new one-stop measures in fiscal year 1995. Their comments and our evaluation are presented on pages 13 and 14.

Telephone Account Service Has Improved

Since 1991, IRS has directed most of its attention to implementing one-stop service for taxpayer account services that have become increasingly available through the 32 toll-free telephone call sites. For much of the 20-year history of the toll-free sites, telephone assistors have primarily answered taxpayer questions on tax law and technical procedures. However, as IRS technology advanced, the toll-free sites redirected their staff to handle more taxpayer account service and applied the concept of one-stop service to this expanded service.

A combination of technical improvements, personnel training, and procedural revisions has made it possible for staff at the toll-free telephone call sites to do more to help taxpayers with account inquiries than was possible in the past. If, for example, a taxpayer called in 1991 to question a math error notice concerning a tax return, toll-free site assistors could have done little except tell the taxpayer to write a service center for an explanation and any necessary account adjustment. The alternative for assistors was to wait for weeks to obtain a copy of the taxpayer's return

and then possibly still not have the authority to make an account adjustment.

Presently, however, a taxpayer with the same problem can call a toll-free site, and an assistor may be able to clear up the caller's difficulties during the course of the telephone call. Due to recent computer enhancements, a toll-free site assistor can now immediately retrieve the portion of the taxpayer's return showing the error. Using this record, the assistor can, with the taxpayer's help, identify the reason for the error and, if the error is below a certain dollar amount, adjust the taxpayer's account to reflect the corrected figures.

Since the beginning of fiscal year 1992, IRS has purchased equipment to answer taxpayer account questions at the toll-free sites. In 1992, IRS put 824 new computer terminals into its toll-free sites. These terminals and software enhancements give assistors access to account information, making it possible for them to not only check the latest changes posted to taxpayers' accounts but also to make adjustments to correct or update these accounts.

Furthermore, despite overall staff cuts at many toll-free sites, the number of assistors assigned to handle account questions has increased by 33 percent—from 1,522 to 2,022 staff from 1992 to 1993.⁴ This occurred because IRS shifted staff from other taxpayer service operations and trained more assistors to make account adjustments. As of February 1992, IRS had fully trained 77 percent of its telephone account assistors to make account adjustments. As of February 1993, IRS had fully trained 84 percent of its account assistors.

IRS officials said the increased equipment, staffing, and training has resulted in an increase in the number of account questions handled by telephone assistors and more one-stop service. IRS reported that it provided one-stop service on 96 percent (11.2 million) of the 11.7 million account inquiries it received from taxpayers in fiscal year 1993, up from 74 percent on 6.7 million inquiries received in fiscal year 1992.

⁴Our data on staffing increases and the following data on training are based on questionnaire responses provided by staff at 29 of IRS' 32 toll-free telephone sites.

IRS' One-Stop Service Accomplishments Are Overstated

We believe IRS overstates the actual delivery of one-stop service because of the way it measures whether a taxpayer was able to resolve an issue with one contact. Better measures would help IRS identify and deal with one-stop service obstacles.

Flawed Measure of One-Stop Telephone Service

IRS defines one-stop telephone service as the resolution of an issue while the taxpayer is on the telephone with IRS (an "on-line" resolution) or within 15 days if the assistor writes up the taxpayer's inquiry for later resolution.⁵ In either case, for service to qualify as one-stop, the taxpayer should need to make no further contact with IRS on that particular issue.

When measuring delivery of one-stop service for account-related calls (the focus of IRS attempts to measure one-stop service), IRS counts the number of calls that were written up and not answered within 15 days and assumes that all other callers received one-stop service. It does not monitor calls to determine whether callers' inquiries were in fact resolved on-line. Of the 96 percent (11.2 million) of all account inquiries that IRS reported receiving one-stop service in fiscal year 1993, about 84 percent were taxpayer inquiries that IRS assumed were resolved while the taxpayer was on-line. The other 12 percent were written up by an assistor and resolved within 15 days.

To determine whether callers in fact received one-stop service, we monitored 109 account-related calls that were handled on-line at 4 IRS call sites during April and May 1993. Our objective was to find out whether taxpayers' inquiries were resolved or would require further contact with IRS. Our analysis found that 21 callers (19 percent), not the 100 percent shown by IRS' measure, actually received one-stop service, while 87 callers (81 percent) would have needed further contact with IRS. We could not determine whether the remaining caller received one-stop service.

Although IRS concentrates on account-related calls when it measures delivery of one-stop service, we also monitored 45 calls from taxpayers with questions about the tax law or procedural issues. IRS does not measure delivery of one-stop service to these callers because it reasons that these calls are handled on-line and thus receive one-stop service. We found, however, that only 20 callers (44 percent) received one-stop service, and 24 callers (53 percent) would have needed to contact IRS again. We could not determine whether the remaining caller received one-stop service.

⁵An assistor might need to document a taxpayer inquiry for later resolution if IRS computers were not operating at the time of the taxpayer's call or if the assistor needed to do additional research.

In December 1993, IRS' Office of Internal Audit also reported that fewer taxpayers received one-stop service than reported by IRS' measure. It monitored 963 calls and identified 270 calls (28 percent) where one-stop service was not provided and/or an offer to write up and refer an inquiry was not appropriate. Some examples of why the 270 calls did not result in one-stop service included

- assistors gave inaccurate responses,
- taxpayers were asked to call another IRS office, and
- assistors offered to prepare a written referral but the taxpayers elected to call back.

An IRS National Office official in the Taxpayer Service Division told us in June 1994 that IRS was revising its reporting instructions to clarify and correct ambiguities in measuring one-stop service accomplishments.

Obstacles Limit One-Stop Telephone Service

Better measures would help IRS identify and correct situations that limit its ability to provide one-stop service. The reasons our sample callers' problems were not resolved (although IRS counted these calls as one-stop service) included such things as IRS having technical problems, procedural limitations, and processing delays. For example:

- Twenty-five percent of the callers in our sample were not helped because there was no one available to help at the time of the call. All the trained assistors with access to IRS computers were busy with other callers, and taxpayers opted to call back later rather than have their inquiries documented for IRS to respond to in writing later.
- Telephone assistors referred another 24 percent of the callers to other IRS offices because the assistors either did not have the authority or did not have the necessary information to resolve the taxpayers' issues. The referral required the taxpayers to place another call or write to the other IRS office.
- IRS' processing time sometimes prevented assistors from having an up-to-date record of a taxpayer's account, which resulted in the assistor telling a taxpayer to call back later. For example, it might take IRS several weeks to post a taxpayer payment and up to 3 months to process and post an amended return, preventing assistors from answering taxpayer questions about those transactions during the processing periods.

Following are some examples of calls we considered unresolved but which IRS counted as an on-line resolution and one-stop service:

- One caller asked for help with an installment agreement and then learned that IRS' computers were not working. The taxpayer opted to call back rather than have the assistor document the matter for later resolution by mail.
- A man called about his refund and was told that it was being held because he owed \$2,000 in back taxes. When the man asked how he could take care of that debt, the assistor told him to call another IRS office because IRS had already sent him notices of tax liability that the man had never answered, and that office was now responsible for the case.
- A caller requested that his current year tax debt be included in his ongoing installment agreement. The assistor obtained the necessary information to add this debt to the agreement, but at the end of the call told the taxpayer to write the service center to arrange adding the new debt to the agreement. This occurred because the combined debt was greater than the amount the assistor was authorized to handle.
- After waiting 12 weeks for her amended return to be processed, a taxpayer called to find out the status of the return. The assistor was unable to help her because the amended return had still not been processed, and the taxpayer was advised to call back in 3 to 4 weeks.
- One caller wanted to send an express package to a service center in an IRS region outside the one in which she was calling. When she requested the center's street address, the assistor was unable to provide it and told the caller to call the service center, a toll call.
- Other callers were told, for various reasons, to call another IRS line (TELETAX) that provides taped information on tax issues, write a service center, or visit a walk-in office.

Another factor not accounted for in IRS' measure of one-stop service was whether a taxpayer could reach IRS in the first place. To obtain one-stop telephone account service, a taxpayer must first be able to gain access to a toll-free site assistor. In the past year, this has become increasingly difficult as access rates to IRS telephones have dropped. During the first 4 months of 1993, only about one of every four calls placed to the toll-free sites was completed, down from the previous year when roughly one in three calls was completed. Taxpayers whose calls were not answered received busy signals or they hung up after being placed on hold.

Finally, there are some unavoidable constraints that limit IRS' ability to provide one-stop service. For example, taxpayers might not have gathered the information needed for IRS to resolve an issue. Also, taxpayers may need to make additional contacts in instances when they challenge an IRS position or when a telephone assistor is limited, for internal control

purposes, on the dollar amount of an adjustment that can be made without further documentation. Such restrictions make it unlikely that IRS will be able to provide one-stop service all of the time. However, without good measures of one-stop service, IRS will not know the circumstances under which it could be provided.

IRS recognizes many of these limitations and is working to overcome them. During 1994, for example, IRS is attempting to improve telephone accessibility by routing telephone calls to toll-free sites that are most likely to have open telephone lines. Over the next several years, IRS expects to improve one-stop service by consolidating taxpayer services at Customer Service Centers and by improving its capability to process tax transactions and adjust taxpayer accounts. Although it is too soon to predict whether these efforts will be successful, we believe IRS is moving in the right direction.

One-Stop Measures Needed in Other Taxpayer Assistance Activities

IRS' goal includes providing one-stop service not only to taxpayers who call with account-related inquiries but also to taxpayers who correspond with IRS, visit an IRS office, or call for other reasons. The latter include, for example, taxpayers who call with tax law or procedural questions, are responding to a collection notice, or are requesting an IRS form or publication.

Since our 1992 testimony on one-stop service,⁶ IRS has begun to measure such service to varying degrees at automated collection sites and in handling taxpayer correspondence at some service centers. Little, however, has been done to measure one-stop service at walk-in and forms distribution sites. As discussed next, we tested IRS' measure of one-stop service for taxpayer correspondence in a separate study. We made no attempt to measure IRS' one-stop service at walk-in or forms distribution sites or to test the measure being used at automated collection sites.

IRS has made limited attempts to deliver and measure one-stop service in the handling of taxpayer correspondence. In fiscal year 1993, IRS service centers processed about 21 million pieces of taxpayer correspondence—about 99 percent of the correspondence taxpayers sent to IRS. IRS' March 1993 one-stop service guidance was vague concerning taxpayer correspondence. It directed offices dealing with taxpayer correspondence to continue monitoring the quality and timeliness of IRS' responses.

⁶GAO/T-GGD-92-33.

Some service centers' correspondence activities have begun attempting to measure delivery of one-stop service. For example, the Service Center Adjustments/Correspondence Branches⁷ began measuring "repeat rates" in January 1993. This rate purports to show how often each branch responds to the same taxpayer issue more than once. From January to September, the branches reported that less than 1 percent of taxpayer correspondence related to issues the office had previously dealt with, which equates to a one-stop service rate of over 99 percent, assuming that taxpayers who did not write back to IRS were satisfied with IRS' initial response.

Our recent report on IRS' handling of taxpayer correspondence showed a higher repeat rate.⁸ From a December 1992 sample of taxpayer correspondence from the Adjustments/Correspondence branches at two IRS service centers, we found that about 20 percent of the taxpayers wrote in to resolve issues left unresolved during earlier contacts with IRS—an 80-percent one-stop service rate, given the same assumption noted above.

One reason our repeat rates differed from IRS' is that IRS defined repeat correspondence more narrowly. While we counted as repeat correspondence any issue that had been raised before in correspondence to any service center activity, IRS counted only those letters that indicated the prior correspondence was handled in the same branch, and the branch had handled the initial correspondence incorrectly. From a taxpayer's standpoint, we believe our method of measurement is more meaningful.

As IRS begins consolidating its telephone and correspondence handling activities in Customer Service Centers, it is important that IRS determine the ability of all these activities to deliver one-stop service. We agree with IRS' decision to concentrate initially on providing one-stop service for telephone inquiries. However, if IRS wants to meet its 1998 one-stop service goal for 95 percent of all taxpayer inquiries, we believe it also needs to begin work in the other areas.

Conclusions

Both taxpayers and IRS will benefit if IRS is able to reach its one-stop service goals. Taxpayers will have the opportunity to resolve issues in one contact with IRS, thus avoiding the time-consuming frustrations of dealing

⁷Service Center Adjustments/Correspondence branches are responsible for changing, adding, or correcting information in taxpayer accounts and responding to account-related taxpayer correspondence.

⁸Tax Administration: More Improvement Needed in IRS Correspondence (GAO/GGD-94-118, June 1, 1994).

with multiple IRS contacts. Reducing multiple contacts will save money for IRS, and lowering taxpayer frustrations should benefit IRS through increased taxpayer compliance.

Between 1992 and 1993, IRS improved its ability to deliver one-stop service to taxpayers who call with account inquiries. Although progress has been made, several barriers limit IRS' ability to deliver one-stop service over the telephone. IRS hopes to remove some of these barriers through its consolidation of various telephone and correspondence handling services into 23 Customer Service Centers. IRS expects these centers to be operational by 2001.

In the meantime, current measures overstate delivery of one-stop service at toll-free sites. In many instances counted as one-stop service, a taxpayer will likely need to contact IRS again about the same matter. Moreover, measures of one-stop service in service center correspondence activities and at forms distribution and walk-in sites are limited or nonexistent.

Recommendation

We recommend that the Commissioner of Internal Revenue develop better measures of one-stop service that do not include instances where taxpayers will likely need to contact IRS again about the same matter. The measures developed should apply to all taxpayer telephone inquiries, including account-related, tax law, and procedural inquiries as well as calls to automated collection sites and forms distribution sites; service center correspondence activities; and walk-in sites. Moreover, they should be designed in such a way that they enable IRS to (1) gauge its progress toward meeting its 1998 one-stop service goal, (2) identify and correct problems that might impede IRS' progress toward the goal, and (3) compare delivery of one-stop service among various taxpayer services available at IRS.

Agency Comments and Our Evaluation

IRS provided oral comments on a draft of this report in a July 12, 1994, meeting with IRS' Assistant Commissioner for Taxpayer Service, members of her staff, and other IRS staff involved with one-stop service. IRS agreed with our recommendation and outlined steps to implement it.

First, IRS said that it had already begun to revise its one-stop service measurement system for telephone account inquiries. IRS plans to sample account calls instead of relying on the current approach of assuming that all callers who reach IRS receive one-stop service, except callers whose

inquiries are written up for later resolution and not resolved in 15 days. IRS said it would test the revised approach in August and September, followed by actual use beginning in October 1994.

Second, IRS said that in the longer term, it will no longer measure resolution of issues during the taxpayers' initial contact to satisfy its own needs. Instead, in its new business vision, it will be measuring initial contact resolution from the taxpayer's point of view so that the taxpayer will not need to telephone IRS twice on the same issue. In addition, IRS plans to create an electronic casefolder for each taxpayer that will record all activity on the taxpayer's account. IRS plans to notate the casefolder for each contact and determine if taxpayers made multiple contacts and the issues involved. Although full implementation is not planned until 2001, IRS plans to make incremental changes until all the technology, systems, and processes are completely in place.

We believe the actions outlined by IRS are responsive to our recommendation and, if properly implemented, should enable IRS, Congress, and the public to better assess IRS' delivery of one-stop service.

We are sending copies of this report to other congressional committees, the Secretary of the Treasury, the Commissioner of Internal Revenue, and other interested parties.

Major contributors to this report are listed in appendix I. Please contact me on (202) 512-9110 if you have any questions.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Natwar M. Gandhi', with a large, stylized flourish at the end.

Natwar M. Gandhi
Associate Director, Tax Policy and
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