

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received Satisfactory Responses to Their Questions

October 3, 2023

Report Number: 2024-100-003

HIGHLIGHTS: Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received Satisfactory Responses to Their Questions

Final Audit Report issued on October 3, 2023

Report Number 2024-100-003

Why TIGTA Did This Audit

From Fiscal Years 2019 through 2021, the Tax Exempt and Government Entities (TE/GE) Division's ending inventory for customer correspondence grew from 2,060 cases to more than 20,000 cases, while the TE/GE Division's Exempt Organizations' determinations inventory grew from 13,451 cases to more than 35,000 cases. This audit was initiated to assess the quality of customer service provided to TE/GE taxpayers.

Impact on Tax Administration

The *Taxpayer Bill of Rights* provides taxpayers the right to be informed, which includes the right to know what they need to do to comply with the tax laws. Taxpayers are entitled to clear explanations of the laws and IRS procedures in all correspondence. In addition, taxpayers have the right to quality service, which includes the right to receive prompt assistance, and to receive clear and easily understandable communications from the IRS. Taxpayers who do not receive satisfactory responses to their inquiries are unnecessarily burdened when they must call back multiple times. Further, taxpayers who do not receive satisfactory responses to their tax-related questions may not file accurate tax returns.

What TIGTA Found

TE/GE management has taken steps to reduce backlogs of inventory that grew during Calendar Years 2020 and 2021. IRS management cited challenges facing the TE/GE Division that contributed to the growth of inventories, including the onset of the Coronavirus Disease 2019 pandemic and the transition to a new management information system. By the end of Fiscal Year 2022, correspondence inventory was reduced by nearly half of the previous year, and determinations inventory returned to levels comparable to those before the pandemic.

The responsibility for providing customer service to TE/GE taxpayers is cross-functional and spans multiple IRS business units, including Exempt Organizations employees within the TE/GE Division and Accounts Management employees within the Wage and Investment Division.

However, TE/GE taxpayers may not have always received satisfactory responses to their inquiries when referred by Wage and Investment Division employees.

When TE/GE taxpayer requests are unable to be resolved over the telephone, they are referred for additional action via Forms 4442,

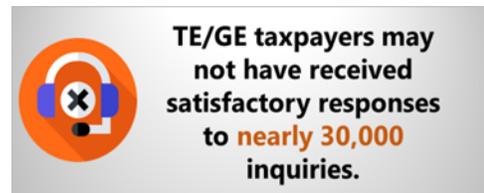
Inquiry Referral. From January 1, 2017, through May 15, 2022, the IRS may not have provided satisfactory responses to nearly 30,000 TE/GE taxpayer inquiries, including approximately 20,000 taxpayers who had to call twice and 10,000 taxpayers who had to call three or more times for the same tax return. The IRS does not track or monitor taxpayer inquiries after their questions are referred via Forms 4442.

In addition, TE/GE management has not established performance metrics or goals to measure the quality of customer service. For example, the TE/GE Division does not have customer service-focused measures, such as average response time, level of service, or the average number of repeated contacts with the taxpayer.

Furthermore, there is no independent quality review of customer correspondence work.

What TIGTA Recommended

TIGTA recommended that the IRS: 1) establish a process to track, monitor, and measure performance for referrals received in the TE/GE Division via Forms 4442 to ensure that taxpayers receive prompt and satisfactory responses; 2) develop performance measures and goals for TE/GE customer service efforts, including taxpayer paper correspondence and Forms 4442; and 3) ensure that taxpayer paper correspondence and Form 4442 cases in the TE/GE Division are subject to periodic independent quality review. The IRS agreed with all three recommendations and plans to take corrective actions.





TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

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

October 3, 2023

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

Heather Hill

FROM: Heather M. Hill
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Thousands of Tax Exempt and Government Entities
Taxpayers May Not Have Received Satisfactory Responses to Their
Questions (Audit # 202210020)

This report presents the results of our review to assess the quality of customer service provided to Tax Exempt and Government Entities taxpayers. This review is part of our Fiscal Year 2023 Annual Audit Plan and addresses the major management and performance challenge of *Improving Taxpayer Service*.

Management's complete response to the draft report is included as Appendix III. If you have any questions, please contact me or Bryce Kisler, Assistant Inspector General for Audit (Management Services and Exempt Organizations).

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Background

The Tax Exempt and Government Entities (TE/GE) Division's mission is to provide the assistance taxpayers need to properly file and pay their taxes while also enforcing tax laws to maintain fairness for all. Customer service for TE/GE taxpayers can be provided through paper correspondence, tax return submission processing, telephone calls, and referrals from within the Internal Revenue Service (IRS). The responsibility for providing service to TE/GE taxpayers is cross-functional. For example, responsibility for responding to taxpayer requests may involve Exempt Organizations (EO) employees within the TE/GE Division and/or Accounts Management employees (hereafter referred to as customer service representatives (CSRs) within the Wage and Investment (W&I) Division. Generally, customer service provided by TE/GE Division employees originates from taxpayer inquiries related to paper correspondence, submission processing, or referrals. Customer service provided by W&I Division CSRs for TE/GE taxpayers usually relates to inquiries during telephone calls.

Paper correspondence and tax return processing

Within the TE/GE Division, the EO Rulings and Agreements (R&A) Processing and Support Unit is responsible for providing responses to taxpayer inquiries (paper correspondence) on certain exempt organization matters, including name and address changes, confirmation of tax-exempt status, public information requests, erroneous revocations, reinstatement of tax-exempt status, and corrections to determination letters. The EO Correspondence Unit, which is within the EO R&A Processing and Support Unit, handles taxpayer requests such as:

- Forms 4506-B, *Request for a Copy of Exempt Organization IRS Application or Letter*, which includes copies of releasable documents, *e.g.*, tax-exempt applications, determination letters, and letters affirming exempt status.
- Updates to IRS records, such as organization name and/or address changes.

W&I Division CSRs in the Ogden Campus who are responsible for TE/GE taxpayer work also handle taxpayer requests related to:

- Forms 4506-A, *Request for a Copy of Exempt or Political Organization IRS Form*.
- Penalty abatement requests.
- Name change requests on non-exempt organizations.

Telephone calls and referrals

W&I Division CSRs answer the customer service toll-free lines dedicated for TE/GE taxpayers. Services provided include confirmation of the status of an application; generating a letter affirming tax-exempt status; and providing answers to miscellaneous exempt organization, employee plan, and government entity issues. Requests unable to be resolved over the telephone are sent to either the TE/GE Division or certain W&I Division groups dedicated to TE/GE taxpayer work streams using Form 4442, *Inquiry Referral*. When these forms are

necessary, W&I Division CSRs should notate the referral in the Account Management Services application history.¹

Results of Review

Inventory Backlogs for Taxpayer Correspondence and Exempt Organization Determinations Are Declining

TE/GE management has taken steps to reduce the backlogs of inventory that grew during Calendar Years 2020 and 2021. Management cited challenges facing the TE/GE Division during Calendar Year 2020 that contributed to the growth of inventories, including the onset of the Coronavirus Disease 2019 pandemic and the transition to a new management information system. However, by the end of Fiscal Year (FY) 2022, inventory levels began to decline. Figures 1 and 2 show inventory levels for cases received, closed, and remaining for FYs 2018 through 2022.

Figure 1: EO Correspondence Inventory FYs 2018 Through 2022²

FY	Received	Closed	Ending Inventory
2018	28,854	27,200	3,555
2019	28,696	30,219	2,060
2020	27,151	20,641	8,651
2021	12,223	8,179	20,276
2022	33,595	43,917	10,462

Source: EO R&A office.

¹ A system that provides employees access to multiple IRS systems through their computers and allows for inventory management, case delivery, history narratives, print-to-fax capabilities for sending information to taxpayers, and electronic referral generation.

² Due to the transition to a new computer system, inventory received and closed numbers for FY 2021 are limited to approximately October 2020 through March 2021. Inventory figures for the remaining years do not fully reconcile due to IRS system limitations.

Figure 2: EO Determinations Inventory FYs 2018 Through 2022

FY	Received	Closed	Ending Inventory
2018	95,529	91,977	17,395
2019	97,936	101,880	13,451
2020	101,382	95,864	18,969
2021	111,046	94,466	35,549
2022	113,123	136,708	11,964

Source: EO R&A office.

By the end of FY 2022, taxpayer correspondence ending inventory had been reduced by nearly half of the previous year, and determinations ending inventory returned to a level lower than those before the pandemic. TE/GE management stated that they took the following actions to reduce inventory levels:

- Transferred employees temporarily from other units to work R&A determinations.
- Transferred employees temporarily from another unit to assist with scanning taxpayer correspondence into the new computer system.
- Improved familiarity with the new computer system to become more efficient when working cases.

These actions helped to reduce the inventories to more manageable levels, and the TE/GE Division is continuing to work these inventories to provide better customer service.

Thousands of Taxpayer Inquiries May Not Have Been Addressed Satisfactorily

TE/GE taxpayers may not have always received satisfactory responses to their inquiries when referred by W&I Division CSRs. When TE/GE taxpayer requests are unable to be resolved over the telephone, they are referred for additional action via Form 4442.³ While TE/GE management stated that most Forms 4442 sent to the TE/GE Division related to EO matters, they were unable to provide the specific numbers of Forms 4442 initiated, in process, or closed. However, we identified approximately 45,000 unique inquiries from taxpayers for whom their Forms 4442 were referred by W&I Division CSRs working TE/GE taxpayer telephones for the time period covered by our analysis.⁴ Taxpayers for more than 20,000 (44 percent) of these inquiries may not have received a satisfactory response and had to place another telephone call to have their inquiry addressed, creating unnecessary burden. Even after the second call, approximately 10,000 of these inquiries needed to make a third call or more to the IRS concerning the same tax return. By fielding multiple calls for the same tax return, employees potentially perform

³ For purposes of this report, we define an unsatisfactory response to be one where the taxpayer had to call more than once in an attempt to have their tax matter addressed.

⁴ The time period covered by our analysis included Calendar Years 2017 through 2021, plus January 1, 2022, through May 15, 2022. We included the data for January 1, 2022, through May 15, 2022, because the data were the most recent available at the time of our analysis.

Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received Satisfactory Responses to Their Questions

repetitive work, wasting resources that could be better used to answer initial calls from other taxpayers.⁵

Further analysis showed that some taxpayer cases were particularly problematic. We identified 257 taxpayers who had five or more Form 4442 inquiries referred for the same tax return, and these forms were processed three separate times by different W&I Division CSRs.⁶ Additionally, we identified 36 taxpayers who had 10 or more Form 4442 inquiries for the same tax return, and some of these forms were processed as many as five separate times by different W&I Division CSRs.

Our methodology was limited because it could be applied only to W&I Division CSRs working TE/GE taxpayer telephone calls who were still IRS employees as of December 2021. The data used to perform the analysis were available only as of specific dates (no cumulative data were available); therefore, any Form 4442 referrals made by employees who left the IRS during the time period covered by our analysis would be excluded, and some Forms 4442 not related to TE/GE taxpayers could be included for any CSRs who transferred to the TE/GE taxpayer telephone lines from another function during that same time frame. In addition, our analysis was unable to identify any taxpayers who were not provided an answer to their question but 1) called back prior to a promised response date from the IRS, 2) did not call back at all, or 3) were unable to get through again to the IRS on the telephone.

When referred to the TE/GE Division, the Form 4442 becomes the responsibility of the TE/GE Division. The EO R&A Processing and Support Unit is responsible for providing responses to taxpayer inquiries on EO matters. Form 4442 referrals prepared by W&I Division CSRs related to TE/GE Division issues are either account-related or TE/GE Division-specific and can be sent directly to offices within the TE/GE Division.⁷ Depending on the nature of the inquiry, W&I Division CSRs working TE/GE taxpayer telephone lines may alternatively refer Forms 4442 to W&I Division offices at the Ogden Campus responsible for TE/GE taxpayer work.

Unless otherwise specified, the Internal Revenue Manual requires responses to taxpayers within 30 calendar days for an account inquiry and 15 business days for a tax law inquiry.⁸ When a taxpayer calls again for the same issue for which a Form 4442 has already been initiated, W&I Division CSRs will initiate another Form 4442.

The *Taxpayer Bill of Rights* provides taxpayers the right to be informed, which includes the right to know what they need to do to comply with the tax laws.⁹ Taxpayers are entitled to clear explanations of the laws and IRS procedures in all correspondence. In addition, taxpayers have the right to quality service, which includes the right to receive prompt assistance, and to receive clear and easily understandable communications from the IRS.

⁵ It is possible that taxpayers made multiple calls for questions about different issues on the same tax return. Data limitations prevented the systemic identification of the specific issues. However, we identified thousands of cases in which W&I Division CSRs notated that the taxpayers had advised them that they had not received a response from the IRS regarding their previous inquiry.

⁶ W&I Division CSRs may make multiple Form 4442 referrals during the same telephone call. In some cases, the same W&I Division CSRs may have initiated referrals for the same taxpayer during different telephone calls.

⁷ For examples, see Internal Revenue Manual 21.3.8.12.6.1 (Apr. 13, 2021); 21.3.8.5.1.4 (Apr. 13, 2021); 21.3.8.12.5.7(2) (Oct. 1, 2022); and 21.3.8.9.10(3) (Nov. 17, 2020).

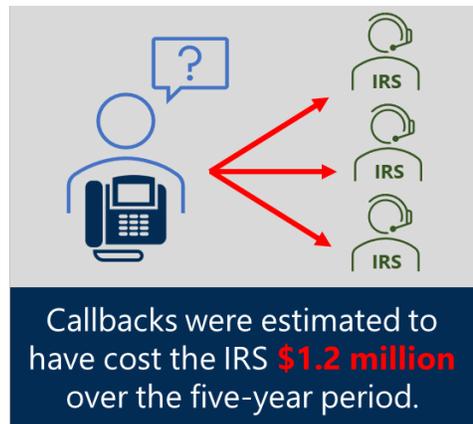
⁸ Internal Revenue Manual 21.3.8.8.2(7) (Nov. 17, 2020).

⁹ Publication 1, *Your Rights as a Taxpayer* (Rev. 9-2017).

Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received Satisfactory Responses to Their Questions

The TE/GE Division has not established a process to track, monitor, or measure performance for Form 4442 inquiries made on behalf of TE/GE taxpayers. Without such a process, TE/GE management does not have the ability to determine whether TE/GE customers are provided satisfactory responses to inquiries or to identify opportunities to improve the process. Taxpayers who do not receive satisfactory responses to their inquiries are unnecessarily burdened when they must call back multiple times.

Taxpayers who do not receive satisfactory responses to their tax-related questions may also not file accurate tax returns. In addition, when taxpayers must make multiple calls, IRS employees are required to perform repetitive work, causing an inefficient use of resources. W&I Division CSRs must answer multiple calls from the same taxpayers for issues that have not received satisfactory responses. Furthermore, the IRS has a limited number of employees who answer the telephone and millions of taxpayers are involuntarily disconnected each year without obtaining live assistance. Taxpayers who must make repeated telephone calls consume some of the IRS's capacity to answer calls, causing burden to other taxpayers who cannot get through to a CSR.



In FY 2018, the IRS's Chief, User Experience and Design, reported that the average telephone call to the IRS costs the agency \$41. Based on this cost, for the time period covered by our analysis, we estimate that the IRS spent approximately \$1.23 million answering second and third telephone calls from taxpayers who may not have received satisfactory answers to questions they asked during their first call.

Recommendation 1: The Commissioner, TE/GE Division, should establish a process to track, monitor, and measure performance for Forms 4442 referrals to ensure that TE/GE taxpayers receive prompt and satisfactory responses.

Management's Response: The IRS agreed with this recommendation and will establish a process to track, monitor, and measure performance for Form 4442 referrals received by TE/GE.

The Tax Exempt and Government Entities Division Does Not Measure or Assess the Quality of Customer Service

TE/GE management has not established performance metrics or goals to measure the quality of customer service. For example, the TE/GE Division does not have customer service-focused measures, such as average response time, level of service, or average number of repeated contacts with the taxpayer. In addition, there is no independent quality review of customer correspondence work.

The TE/GE Division administers seven customer satisfaction surveys, but these results are not used as part of its Balanced Performance Measurement System, and none of the surveys relate

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to customer paper correspondence or Forms 4442 work.¹⁰ The Treasury Inspector General for Tax Administration is separately assessing how the results of customer satisfaction surveys are used to monitor and improve taxpayer-facing programs and policies throughout the IRS, including within the TE/GE Division.¹¹

Executive Order 12862, *Setting Customer Service Standards*, dated September 11, 1993, requires Federal agencies to achieve the following customer service goals:

- Post service standards and measure results against them.
- Benchmark customer service performance against the “best in business.”
- Survey front-line employees on barriers to, and ideas for, matching the best in business.
- Provide customers with choices in both the sources of service and the means of delivery.
- Make information, services, and complaint systems easily accessible.
- Provide means to address customer complaints.

The IRS has a Balanced Performance Measurement System to ensure that its operational priorities are consistent with its mission and strategic goals. To help ensure balance, the IRS should consider each of the three components of balanced measures - customer satisfaction, employee satisfaction, and business results - when setting organizational objectives, establishing targets, assessing progress and results, and evaluating individual performance. Each measure should have goals based on the previous year's results, historical patterns, and the anticipated mix of resources available.

Each IRS business unit is responsible for establishing a Balanced Performance Measurement System within their own area of responsibility. The TE/GE Division has multiple quality review processes, but none specifically measure the quality of customer service provided. For example, the Special Review Unit in the TE/GE Division's Compliance, Planning, and Classification function conducts independent quality reviews of closed TE/GE examination cases. The EO Determination Quality Assurance Unit is responsible for reviewing EO determination cases and advising EO Determinations management of areas that need attention. The Employee Plans R&A Quality Assurance Unit quality reviews employee plans determination cases. Although these quality review processes exist within the TE/GE Division, none specifically measure the work performed by the EO Correspondence Unit or the TE/GE Division's administration of taxpayer inquiries referred via Forms 4442.

The EO R&A Processing and Support Unit relies on managerial reviews of cases to assess the quality and timeliness of correspondence work. However, these reviews focus on the quality of individual performance rather than the overall quality of customer service. Without customer service performance measures or quality reviews, the TE/GE Division may not fully assess the quality of customer service provided to taxpayers or identify needed improvements to the taxpayer experience.

¹⁰ The W&I Division administers a separate satisfaction survey for TE/GE Division telephone lines. A Balanced Performance Measurement System provides a means to establish priorities, guide and motivate performance, obtain feedback, and assess overall program effectiveness.

¹¹ Treasury Inspector General for Tax Administration, Audit # 202310023, *Effectiveness of Customer Satisfaction Surveys*.

**Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received
Satisfactory Responses to Their Questions**

The Commissioner, TE/GE Division, should:

Recommendation 2: Develop performance measures and goals for customer service efforts, including taxpayer paper correspondence and Forms 4442.

Management's Response: The IRS agreed with this recommendation and will develop performance measures and goals for customer service efforts for taxpayer correspondence and Forms 4442 received by the TE/GE Division.

Recommendation 3: Ensure that taxpayer paper correspondence and Form 4442 cases are subject to periodic independent quality review.

Management's Response: The IRS agreed with this recommendation and will ensure Form 4442s received by the TE/GE Division are subject to periodic independent quality review.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to assess the quality of customer service provided to TE/GE taxpayers. To accomplish our objective, we:

- Determined the organization structure and personnel within the TE/GE and W&I Divisions responsible for providing customer service to TE/GE taxpayers.
- Identified and interviewed the executives and personnel responsible for providing customer service to TE/GE taxpayers to determine any areas of concern, improvement plans, *etc.*
- Obtained any customer service initiatives or policies, or Governmentwide directives, that are driving efforts in the TE/GE and W&I Divisions to deliver customer service to TE/GE taxpayers and determined if the IRS is effectively implementing them.
- Reviewed available Internal Revenue Manual guidelines and any local or desk procedures to evaluate whether the processes in the TE/GE and W&I Divisions adequately deliver customer service.
- Identified the inventory and workflow process for case identification and assignment, including how cases can originate, whether from taxpayers or from other IRS business units.
- Evaluated the Form 4442 referral process for TE/GE taxpayers from origination to resolution.
- Evaluated the methodology for case execution and monitoring, and for working a case to resolution and a satisfactory taxpayer response.
- Calculated any quantifiable outcomes related to these processes.
- Identified measures and statistics that quantify success rates as compared to any goals or expectations and/or identified any challenges or obstacles preventing any success.
- Assessed available feedback or evaluation methods for determining the levels of customer satisfaction in response to customer service efforts.

Performance of This Review

This review was performed with information obtained from the TE/GE Division in Cincinnati, Ohio; and Ogden, Utah; as well as the W&I Division in Jacksonville, Florida; Covington, Kentucky; Cleveland, Ohio; and Ogden, Utah, during the period May 2022 through July 2023. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Bryce Kisler, Assistant Inspector General for Audit (Management Services and Exempt Organizations); Carl Aley, Director; Brian Foltz, Audit

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Manager; Jennifer Earls, Audit Manager; John Jarvis, Acting Audit Manager; Carrie Little, Acting Audit Manager; Rick Viscusi, Lead Auditor; Sylvia Sloan-McPherson, Senior Auditor; and Johnathan Elder, Applied Research and Technology Data Analyst.

Validity and Reliability of Data From Computer-Based Systems

We performed tests to assess the reliability of data from the Account Management Services. We evaluated the data by 1) performing electronic testing of required data elements and 2) reviewing existing information about the data and the system that produced them. We determined that the data were sufficiently reliable for purposes of this report.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: IRS policies and procedures for providing customer service to TE/GE taxpayers and for measuring the quality of the customer service provided. We evaluated these controls by requesting and reviewing IRS guidance and processes for providing customer service to TE/GE taxpayers as well as interviewing TE/GE Division and W&I Division employees responsible for providing customer service and for measuring the quality of the customer service provided.

Appendix II

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Taxpayer Burden – Potential; 19,810 TE/GE taxpayers that may have had to contact the IRS multiple times to get their issue resolved (see Recommendation 1).

Methodology Used to Measure the Reported Benefit:

We determined that from January 1, 2017, through May 15, 2022, 19,810 TE/GE taxpayers may not have received satisfactory answers to their inquiries. We estimated the number of taxpayers affected by querying the Account Management Services narrative field to identify records from January 1, 2017, through May 15, 2022, for which the narrative contained reference to Form 4442. Using a list of employees responsible for TE/GE taxpayer work as of December 2021, we cross-matched the employee numbers with the records identified as referencing a Form 4442. We then identified the taxpayers for whom a Form 4442 was issued for the same tax return on multiple occasions.

Type and Value of Outcome Measure:

- Inefficient Use of Resources – Potential; \$1.23 million estimated cost of the IRS answering multiple telephone calls for the same tax return and potentially the same unresolved taxpayer issue (see Recommendation 1).

Methodology Used to Measure the Reported Benefit:

We determined that from January 1, 2017, through May 15, 2022, W&I Division CSRs answered 20,099 telephone calls from TE/GE taxpayers who had to call a second time when they may not have received a satisfactory response to their inquiry.¹ W&I Division CSRs answered another 9,820 calls from taxpayers who called three or more times. In FY 2018, the IRS's Chief, User Experience and Design, reported that the average telephone call to the IRS costs the agency \$41. Based on this cost, over the period included in our audit, we estimate that the IRS spent approximately \$1.23 million answering second and third telephone calls from taxpayers who may not have received satisfactory answers to questions they asked during their first call. This figure resulted from the following computation: $20,099 + 9,820 = 29,919 * \$41 = \$1,226,679$, or approximately \$1.23 million.

Management's Response: The outcome measure discusses taxpayers who contacted the IRS more than once by telephone to have inquiries addressed. The analysis identified customers for whom more than one referral Form 4442 was created, indicating

¹ We determined that 19,810 taxpayers made 20,099 telephone calls because some taxpayers made a second call about more than one tax return.

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that they contacted the IRS about their account more than once during the time period TIGTA reviewed. This methodology does not provide a sufficient basis to measure if resolutions were satisfactory. There are a multitude of reasons a taxpayer may contact the IRS more than once. This includes, but is not limited to, account updates, status updates on applications for tax exemption or filing of information returns, or questions about their accounts.

Office of Audit Comment: TIGTA requested any information or basis that the TE/GE Division uses to measure satisfactory resolutions, but TE/GE management stated that they do not keep track of such information. Therefore, they do not know if any of these additional telephone calls were unrelated to the first call. However, many of the additional calls identified in TIGTA's methodology had indications that they were due to unsatisfactory responses to the first call. For example, for approximately 3,000 of the telephone calls, it was documented in the Account Management Services that the cases were referred to the Taxpayer Advocate Service, which should be done if the taxpayer had to call the IRS multiple times for the same issue because it had not been satisfactorily resolved. Because of the poor recordkeeping, TIGTA's methodology also had limitations, as acknowledged in the report, that could potentially lead to both over and under counting. However, we believe that our methodology helps to define the extent of the problem and supports the need for the TE/GE Division to develop a process to track, monitor, and measure performance when processing Forms 4442.

Appendix III

Management's Response to the Draft Report



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

September 8, 2023

MEMORANDUM FOR HEATHER M. HILL
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Edward T. Killen Edward T. Killen Digitally signed by Edward T. Killen
Date: 2023.09.08 08:38:17 -0400
Commissioner,
Tax-Exempt and Government Entities Division (TE/GE)

SUBJECT: Draft Report – Thousands of Tax Exempt and Government
Entities Taxpayers May Not Have Received Satisfactory
Responses to Their Questions (Audit # 202210020)

Thank you for the opportunity to review your draft report titled: “Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received Satisfactory Responses to Their Questions.” Each year in TE/GE, we process tens of thousands of pieces of taxpayer correspondence, and we appreciate your recommendations intended to ensure continued effective processing of taxpayer correspondence and high levels of customer service.

As stated in the Taxpayer Bill of Rights, taxpayers have the right to receive prompt, courteous, and professional assistance in their dealings with the IRS. In TE/GE, we continually strive to provide this level of customer service to taxpayers. As noted in the draft report, we faced unprecedented challenges, such as the Coronavirus pandemic, and transition to a new inventory management system, during the majority of the time period covered by your review. Being acutely aware of the impact to taxpayers of a growing inventory during this time, we have undertaken significant efforts to reduce our taxpayer correspondence inventory. As your report observes, by the end of FY 2022 we reduced our inventory of correspondence by nearly half from the prior year. We have successfully reduced our inventory even further since that time, from levels of over 20,000 pieces of correspondence at the end of FY 2021 to approximately 3,000 pieces of correspondence currently.

The outcome measures discuss taxpayers who contacted the IRS more than once by telephone to have inquiries addressed. The analysis identified customers for whom more than one referral Form 4442 was created, indicating that they contacted the IRS about their account more than once during the time period you reviewed. This methodology does not provide a sufficient basis to measure if resolutions were

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satisfactory. There are a multitude of reasons a taxpayer may contact the IRS more than once. This includes, but is not limited to account updates, status updates on applications for tax exemption or filing of information returns, or questions about their accounts. Nevertheless, we always seek to establish and improve our processes, including those that support providing excellent customer service. To that end, we agree to establish a process to track, monitor, and measure performance for the processing for the Forms 4442 received by TE/GE. Similarly, while the report acknowledges that TE/GE managers review cases to assess the quality and timeliness of our correspondence work, we also agree to develop performance measures and goals for processing taxpayer correspondence and referrals on Form 4442 received by TE/GE and to complete periodic independent quality review of the Form 4442 workstream.

We appreciate the opportunity to review and comment on the draft report. Attached is a detailed response to your recommendations. If you have any questions, you or your staff may contact me, or Robert Malone, Director, Exempt Organizations/Government Entities, TE/GE at Robert.Malone@irs.gov.

Attachment

Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received Satisfactory Responses to Their Questions

Attachment

**Corrective Actions for TIGTA Audit Draft Report –
Thousands of Tax Exempt and Government Entities Taxpayers May Not Have
Received Satisfactory Responses to Their Questions (Audit #202210020)**

RECOMMENDATION 1:

The Commissioner, TE/GE Division, should establish a process to track, monitor, and measure performance for Forms 4442 referrals to ensure that TE/GE taxpayers receive prompt and satisfactory responses.

CORRECTIVE ACTION:

TE/GE will establish a process to track, monitor, and measure performance for Form 4442 referrals received by TE/GE.

IMPLEMENTATION DATE:

July 15, 2024

RESPONSIBLE OFFICIAL(S):

Director, Exempt Organizations Rulings & Agreements, TE/GE

CORRECTIVE ACTION MONITORING PLAN:

TE/GE will monitor this corrective action as part of our internal management system of controls.

RECOMMENDATION 2:

The Commissioner, TE/GE Division, should develop performance measures and goals for customer service efforts, including taxpayer paper correspondence and Forms 4442.

CORRECTIVE ACTION:

TE/GE will develop performance measures and goals for customer service efforts for taxpayer correspondence and Forms 4442 received by TE/GE.

IMPLEMENTATION DATE:

August 15, 2024

RESPONSIBLE OFFICIAL(S):

Director, Exempt Organizations Rulings & Agreements, TE/GE

CORRECTIVE ACTION MONITORING PLAN:

TE/GE will monitor this corrective action as part of our internal management system of controls.

Thousands of Tax Exempt and Government Entities Taxpayers May Not Have Received Satisfactory Responses to Their Questions

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RECOMMENDATION 3:

The Commissioner, TE/GE Division, should ensure that taxpayer paper correspondence and Form 4442 cases are subject to periodic independent quality review.

CORRECTIVE ACTION:

TE/GE will ensure Form 4442s received by TE/GE are subject to periodic independent quality review.

IMPLEMENTATION DATE:

October 15, 2024

RESPONSIBLE OFFICIAL(S):

Director, Exempt Organizations Rulings & Agreements, TE/GE

CORRECTIVE ACTION MONITORING PLAN:

TE/GE will monitor this corrective action as part of our internal management system of controls.

Abbreviations

CSR	Customer Service Representative
EO	Exempt Organizations
FY	Fiscal Year
IRS	Internal Revenue Service
R&A	Rulings and Agreements
TE/GE	Tax Exempt and Government Entities
W&I	Wage and Investment



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oi.govreports@tigta.treas.gov.**

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

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