

MSP
#21**The Automated Collection System Must Emphasize Taxpayer Service Initiatives to Resolve Collection Workload More Effectively****RESPONSIBLE OFFICIALS**

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DEFINITION OF PROBLEM

The Automated Collection System (ACS) is a computerized inventory system and telephone call center that assigns cases to contact representatives or tax examiners who interact with taxpayers about delinquent accounts.¹ ACS systemically sends taxpayers demand notices, issues liens and levies, and answers telephone calls in an effort to resolve balance due accounts. However, ACS's success in resolving cases and collecting tax due has been limited.

- In fiscal year (FY) 2012, ACS collected \$2.8 billion (or only seven percent) of its \$42.7 billion of receipts and productively closed only 41 percent of its total inventory.²
- In FY 2012, ACS transferred 1.17 million taxpayer delinquent accounts (TDAs) valued at \$12.9 billion to the Queue.³ The ratio of delinquent tax dollars transferred out of ACS to the amount actually collected by ACS was 4½ to one. The 1.17 million cases transferred had an average tax liability of \$10,995.⁴

The National Taxpayer Advocate believes this poor performance is caused, in part, by ACS's automated, enforcement-oriented approach to working inventory.

- Only about two percent of all ACS's time is spent making outgoing calls. Instead, ACS relies on systemically generated levy notices and levies to generate taxpayer contacts.⁵
- ACS is entering into fewer installment agreements (IAs), despite the implementation of the IRS "Fresh Start" Initiative.⁶ In FY 2012, the number of new ACS-approved IAs

¹ ACS is designed to get the taxpayer into the ACS system as quickly as possible by sending them to the first available contact representative or tax examiner who can assist them, regardless of where the assistor is located geographically in the country.

² Collection Activity Report, NO-5000-2, Taxpayer Delinquent Account Cumulative Report (Oct. 2012). Productive closed TDAs include full pays, installment agreements, and currently not collectible (CNC) hardship determinations. Numbers include ACS FY 2011 TDA ending inventory and ACS TDA receipts through March fiscal year 2012 (to allow ACS time to close cases).

³ TDAs are collection accounts that remain unresolved at the conclusion of the collection notice process, and have been designated by the IRS for additional collection activity, e.g., ACS or the Collection Field function (CFF). A taxpayer may have multiple TDAs (e.g., one for each different delinquent tax year). The Queue is a holding process where cases sit after having been worked in ACS, and before they are assigned for additional collection action by the CFF. Cases sit in the Queue based on business rules and resources available to work them.

⁴ Collection Activity Report, NO-5000-2, Taxpayer Delinquent Account Cumulative Report (Oct. 2012). ACS Transfer to Queue: \$12,905,262,534 and 1,173,754 TDAs. Transfer to CFF: \$1,122,486,037 and 111,686 TDAs. ACS to CNC: \$3,824,972,103 and 966,614 TDAs.

⁵ Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2010-30-046, *More Management Information is Needed to Improve Oversight of Automated Collection System Outbound Calls* 6 (Apr. 28, 2010). See also National Taxpayer Advocate 2011 Annual Report to Congress 336-349 (Most Serious Problem: *The IRS Does Not Emphasize the Importance of Personal Taxpayer Contact as an Effective Tax Collection Tool*).

⁶ Collection Activity Report NO-5000-6, Installment Agreement Cumulative Report (Oct. 2012), and Collection Activity Report NO-5000-2, Taxpayer Delinquent Account Report (Apr. 2012 and Oct. 2012). Although Business Master File (BMF) IAs increased by 12 percent, the number of BMF IAs issued by ACS is remarkably small – 31,070 for the year, or 4.4 percent of total ACS BMF Inventory (FY 2012 Receipts through March and ending inventory from FY 2011).

and streamlined installment agreements (SLIAs) decreased by one percent compared to FY 2011.

- About one out of every five calls to ACS cannot reach the IRS to resolve his or her issues. ACS had a Level of Service (LOS) of about 80.6 percent in both FY 2011 and FY 2012, which means nearly one of five calls went unanswered. Wait times averaged over eight minutes.⁷
- Taxpayers cannot work with the same ACS employee as they attempt to resolve their issues.

The National Taxpayer Advocate is concerned that ACS, in addition to using policies that do not embrace customer service, may not be working the correct inventory and that IRS business rules for determining which cases ACS should work may be flawed.

- An IRS study showed ACS was more successful at working Queue-type cases than other cases.⁸ However, ACS does not often work these cases because they are not thought to be productive inventory.
- Twenty-five percent of ACS cases are defaulted IAs that have been through the collection process before. However, ACS places these cases back into its normal inventory to be worked.⁹
- ACS does not appear to be effective in fully resolving employment tax cases that require specific procedures to cure the delinquency issues and prevent future balances due.¹⁰

Despite these problems, the assessment of ACS service reflects high customer satisfaction and quality review scores. However, the design and administration of the survey raises concerns about the validity of the results.

⁷ Joint Operations Center (JOC) Reports for week ending Sept. 30, 2012. Snapshot report of Product Line Detail, Small Business/Self Employed Division (SB/SE) ACS 800-829-3903 and Wage & Investment (W&I) Division ACS 800-829-7650. The LOS and average speed of answer (ASA) are the weighted averages of SB/SE and W&I based on calls answered by each function.

⁸ IRS response to TAS research request (Oct. 24, 2012). In FY 2012, the percentages were 2.4 percent for SB/SE and 2.0 percent for W&I.

⁹ Collection Activity Report NO-5000-2, Taxpayer Delinquent Account Report (Apr. 2012)

¹⁰ See Most Serious Problem: *The Diminishing Role of the Revenue Officer has been Detrimental to the Overall Effectiveness of IRS Collection Operations*, *supra* for a discussion on employment tax pyramiding and ACS.

ANALYSIS OF PROBLEM

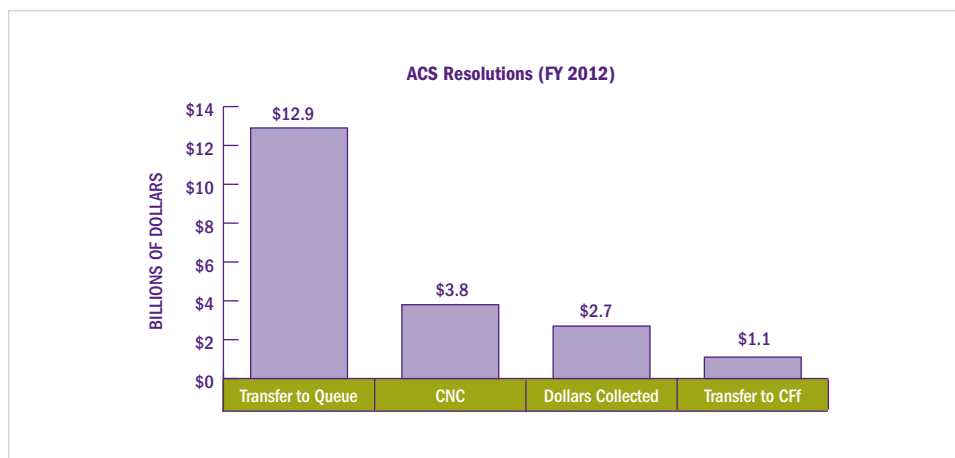
Background

The Collection Process

When taxpayers do not fully pay the taxes they owe, the IRS uses various techniques to collect the remaining balances. First, the IRS attempts to secure payment through a series of intermittently issued notices.¹¹ If notices do not yield resolution, the IRS assigns the account to ACS.¹² Cases that remain unpaid or unresolved in ACS are transferred to the Collection Queue or to the Cff.¹³

The Automated Collection System is an important component of the IRS tax collection operation, but its resolution rate for certain types of cases is low. The chart below shows the amounts collected by ACS in FY 2012, the amounts placed in CNC status, and the amounts transferred to the Queue and Cff, illustrating that most ACS inventory (by dollar amount) eventually lands in the Queue.

FIGURE 1.21.1, Dollars Collected and Transferred by ACS in FY 2012



¹¹ The first notice, which explains the delinquency and requests payment, is generally issued within four to six weeks from the filing of the return or creation of additional tax assessments. If the balance remains outstanding, the IRS sends a final notice that urgently demands payment and warns the taxpayer of potential enforcement action. The IRS may begin enforcement 30 days after sending the final notice. Internal Revenue Code (IRC) § 6331.

¹² IRM 5.19.5.1 (Mar. 6, 2009); IRM 5.19.5.2 (Dec. 1, 2007).

¹³ The Cff is predominantly staffed by revenue officers who make field contact with taxpayers, secure delinquent returns and financial information, initiate installment agreements, and take enforcement action including liens, levies, and seizures of property. They generally work the highest dollar and priority cases. The IRS uses Collection Inventory Management (CIM) tools to prioritize and assign cases. IRM 5.1.20.2 (May 27, 2008).

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ACS Does Not Focus on Taxpayer Service to Improve Case Resolution.

The ACS began as a call center operation that devoted significant staff hours to outgoing calls. However, over the years its focus has changed from making outgoing calls in an effort to resolve cases to answering incoming calls generated by the notices and levies it sends out. ACS staff now spends about two percent of all its time making outgoing calls.¹⁴ This is a shift from direct customer service to a reactive approach of managing taxpayers' calls.

ACS Relies on Systemic Generated Levy Notices and Levies to Generate Taxpayer Contacts.

In general, collection cases in ACS are most successfully resolved through direct contacts with the taxpayers. However, ACS's current collection strategy relies heavily on levy notices and systemically-generated levies to trigger a response from the taxpayer, even though several studies have demonstrated that less intrusive methods of contact may be more efficient and effective in generating responses. In fact, studies have been raising concerns regarding ACS collection strategy for more than 20 years.

Early Study Raising Concerns Regarding ACS Collection Strategy.

In 1991, the IRS conducted a study at the Newark and Houston call sites as part of the "Planning for Quality" redesign effort.¹⁵ The IRS compared the effectiveness of four ways of contacting taxpayers:

1. A telecomputer predictive dialer;¹⁶
2. IRS employees making outgoing calls;
3. Sending letters to taxpayers requesting contact; and
4. Issuing levies.¹⁷

The study's general conclusion was that having IRS employees make outgoing calls was most effective in contacting taxpayers, and ultimately resolving cases. This study also noted the relatively high administrative cost of issuing the levy. Subsequent studies have also challenged the assumption that the levy is the most effective method of establishing contact with a taxpayer.

¹⁴ IRS response to TAS research request (Oct. 24, 2012). In FY 2012, the percentages were 2.4 percent for SB/SE and 2.0 percent for W&I.

¹⁵ See ACS Telephone Response Study, Kansas City Customer Service Site March-April 2000. This study discussed the 1991 Newark and Houston call site study.

¹⁶ A predictive dialer is a telephone control system that automatically calls a list of telephone numbers in sequence, screening out no-answers, busy signals, answering machines and disconnected numbers, and predicting when a live person will answer the call. Further, use of the telecomputer in this study did not focus on simply leaving callback messages, as the current predictive dialer does. The telecomputer activity referenced in this study actually connected an answered call to a live assistor, which was an effective method of making outcalls.

¹⁷ ACS Telephone Response Study, Kansas City Customer Service Site March-April 2000.

Kansas City Service Site Study Conducted in 2000

In a 2000 study completed by the Kansas City customer service site, the IRS set out to determine taxpayer response rates for ACS letters, notices of levy, and levies.¹⁸ The letters included in the study were:

- LT 11 - *Final Notice of Intent to Levy and Your Notice of a Right to a Hearing*;¹⁹
- LT 16 - *Letter, Please Call us About Your Overdue Tax or Tax Return*;²⁰
- LT 40 – *Advisory Notice to Taxpayer of Need to Contact Third Parties*;²¹
- LT 99 – *Please Call Us About Your Overdue Taxes or Tax Returns* — same letter as LT 16 but mailed out when a new case comes to ACS, generated by the system if requested by the site;²² and
- Levy – the levy is sent to both the taxpayer and the source of the levy (e.g., employer or bank).²³

The study concluded that all of the ACS letters were more effective than levies in prompting telephonic customer contact. The chart below provides the specific response rates for each letter and the levy:

¹⁸ ACS Telephone Response Study, Kansas City Customer Service Site March-April 2000. The study was conducted by analyzing 2,000 TDAs that had LT 11, 16, 40, 99, and levies issued. The sample consisted of 400 accounts for each of the letters and levies. The KCSC study looked at each treatment separately, *i.e.*, the study took a sample of cases and issued LT 11, 16, 40, 90, and levies and tracked the response rate of each.

¹⁹ Final Notice, *Notice of Intent to Levy and Your Notice of a Right to a Hearing*, is sent by certified mail with a return receipt and is required before the IRS can take any enforcement action.

²⁰ Letter 16, *Please Call us About Your Overdue Taxes or Tax Return*, asks the taxpayer to call the IRS regarding overdue taxes or tax returns.

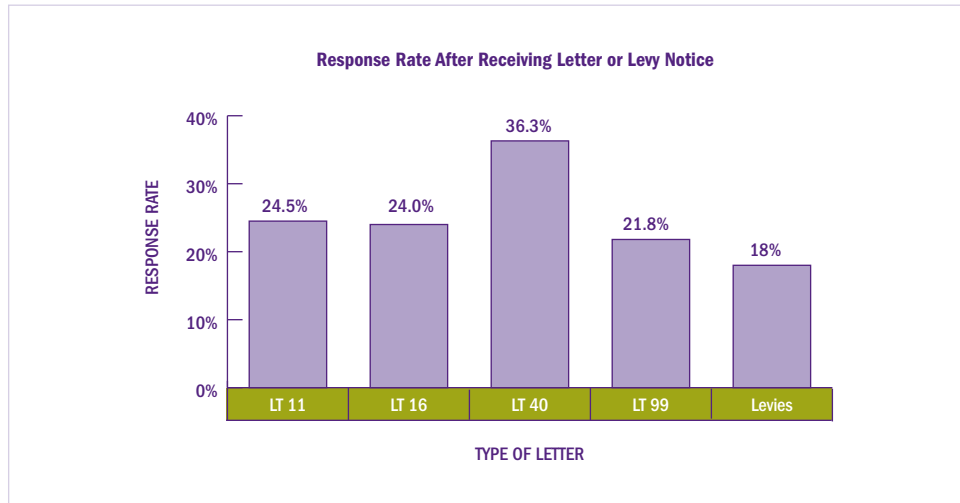
²¹ Letter 40, *Advisory Notice to Taxpayer of Need to Contact Third Parties*, advises the taxpayer that the IRS could be contacting a third party regarding a balance due and does not require a response. Even though it requires no response by taxpayers, the study found it was the most effective tool in prompting telephonic customer contact, because taxpayers were concerned that their neighbors or employers would become aware of their affairs. (This form letter is no longer in use.)

²² LT 99, *Please Call Us About Your Overdue Taxes or Tax Returns*, is the same as letter 16 but mailed out when a new case comes to ACS.

²³ A levy is sent to both the levy source and the taxpayer. The levy sources may have been contacted on some of the cases in order to verify financial relationship with the taxpayer.

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FIGURE 1.21.2, Results of the Kansas City Service Site Study²⁴



As illustrated above, the levy yielded the lowest response rate at 18 percent (all letters yielded a response greater than 20 percent).²⁵ Further, two-thirds of the responses generated by the levy were calls from third parties that likely called to inform the IRS that the taxpayer was no longer associated with them (*i.e.*, no longer employed with them or having no funds in the account) or to ask how to comply with the levy. In other words, only six percent of the levies actually led to taxpayer contacts. Further, the study showed that when taxpayers responded to the letters and notices by phone, 27.7 percent of the contacts resulted in the case being closed, while closing actions on cases that did not respond by phone totaled only 14.4 percent. This further supports previous findings that phone contact with the taxpayer is the most successful way to resolve a case.

Small Business/Self-Employed Division 2012 Research Study

In the most recent study, conducted in 2011, SB/SE analyzed a large sample of cases closed in ACS during the month of May 2011 and reviewed actions taken in these cases in the 180 days prior to the closure.²⁶ The study recommended the following actions to improve ACS's case resolution rate:

- Maintain sufficient staffing to answer taxpayer phone calls promptly, because telephone contact with ACS taxpayers is the number one action that leads to case closure; and

²⁴ ACS Telephone Response Study, Kansas City Customer Service Site March-April 2000.

²⁵ *Id.* On average, 28.5 percent of the letters were returned as undelivered mail.

²⁶ Automated Collection System (ACS) Closed Case Actions Project DEN0181, SB/SE Research (Aug. 2012). This study looked at 83,365 taxpayers with ACS SB/SE cases in inventory during FY 2011 that closed during May 2011. ACS TDA closures fall into three categories: 1) Status 12 Fully Satisfied; 2) Status 60 Installment Agreement; and 3) Status 53 CNC. Fully Satisfied applies to cases that were resolved by payment, abatement of assessed amounts, or a combination. Installment agreements are not fully satisfied at time of closure, and the case may reopen if the taxpayer does not keep the terms of the agreement. Cases closed as CNC have a balance due that is not being pursued.

- Consider issuing levies where warranted as over half of the ACS taxpayers with levies immediately called ACS, and calls are a leading factor in case closure.²⁷

The National Taxpayer Advocate fully supports the recommendation that ACS maintain sufficient staffing to answer taxpayer phone calls promptly, and agrees with the observation that personal taxpayer contact is the key factor in resolving ACS cases. Additionally, the National Taxpayer Advocate agrees that ACS resources should be used in a manner that maximizes the benefits from these contacts. However, the implication that ACS levies are the optimum method for generating taxpayer contacts is questionable, and not completely supported by the data contained in the report.

For example, of the approximately 73,000 closed TDA cases analyzed by the study, only about 35 percent contained evidence of an ACS levy.²⁸ Even assuming the levy was needed to close these cases (which the report does not show), it remains that nearly two thirds of the cases closed without levies. Further, although the study noted that personal contact by ACS with delinquent taxpayers was a critical factor in bringing ACS cases to resolution, only about 20 percent of the taxpayers in the sample called ACS as a direct result of a levy.²⁹ About 80 percent of the calls resulted from less intrusive IRS actions.

The study also only looks at case closures. The study does not consider the number of cases in which levies are imposed and the cases remain open, or compare this track record to alternative approaches, such as IRS outbound calls to taxpayers.

Although the IRS invests heavily in issuing levies from ACS to generate taxpayer contacts and case resolutions, *i.e.*, ACS issued 2.9 million levies in FY 2011,³⁰ there is very little evidence that this contact strategy is highly effective. In light of the findings in both the 1991 Newark and Houston call site and the 2000 Kansas City Customer Service Site studies, discussed earlier, as well as this most recent study, it seems a reasonable conclusion that an outbound call or a less intrusive letter may actually be more effective in resolving accounts, while being less economically damaging to taxpayers. The IRS data indicates that levies should not be relied upon as the primary precursor to a conversation with the taxpayer. A strategy that instead emphasizes prompt outgoing calls to taxpayers resolves cases by helping taxpayers understand the issues, what payment alternatives exist, and how to avoid delinquencies in the future.

²⁷ Automated Collection System (ACS) Closed Case Actions. Project DEN0181, SB/SE Research (Aug. 2012).

²⁸ Automated Collection System (ACS) Closed Case Actions Project DEN0181, SB/SE Research 16 (Aug. 2012). The study includes 83,365 closed cases, of which 72,770 were TDA cases and the remainder were taxpayer delinquent investigation (TDI) cases. The IRS initiates a TDA investigation when the taxpayer has an unpaid tax liability and initiates a TDI investigation when the IRS believes that the taxpayer has not filed a required return. Therefore, the levy analysis was only conducted on the cases that had an outstanding liability.

²⁹ Automated Collection System (ACS) Closed Case Actions Project DEN0181, SB/SE Research 17 (Aug. 2012).

³⁰ Collection Activity Report, NO-5000-23-10 (Oct. 2011).

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ACS is Entering into Fewer Installment Agreements, Despite the Implementation of its “Fresh Start” Initiative.

In February of 2011, the IRS announced its “Fresh Start” initiative, which provided taxpayers with more flexible methods of meeting their tax obligations and a more moderate collection enforcement policy.³¹ In January of 2012, the criteria governing this initiative were expanded. Specifically, taxpayers could now enter into a Streamlined Installment Agreement (SLIA) if the liability is fully paid within six years (taxpayers previously had only five years to full pay).³² Considering the flexible options of the Fresh Start initiative, the National Taxpayer Advocate anticipated an increase in ACS IAs. However, in FY 2012, the number of IAs ACS entered into actually *decreased* by one percent compared to FY 2011.³³

This decline may be explained by the current procedural guidance, which continues to serve as a barrier to the IRS’s ability to realize the benefits the Fresh Start changes were intended to provide.³⁴ In its discussion with the IRS, TAS has recommended that the IRS clarify the following points in revisions to guidance to complement and support Fresh Start:

- After taxpayers inform the IRS they are unable to full pay, IRS employees should inform them of all collection alternatives, including Fresh Start options, and not focus only on full payment through liquidation of assets;
- Taxpayers should be advised of payment options, such as SLIAs, the new “six year rule,” and offers in compromise earlier in the collecting process;
- Taxpayers should not have to liquidate the equity in available assets to qualify for an installment agreement. A taxpayer should not be placed into a long-term hardship situation by liquidating all assets, which he or she may need to live on in the future, to qualify for an installment agreement; and
- The IRS should explore mutually beneficial payment options with taxpayers who may have unfiled returns at the time of the initial contact. The need to resolve return delinquencies should be recognized as a component of the taxpayer’s delinquency problem and considered as a condition to finalize a payment agreement, but should not be an absolute prerequisite for initiating the discussion. (Discussion with the taxpayer about the available collection alternatives may serve as an incentive for the taxpayer to file the delinquent returns.)

³¹ IRS, Media Relations Office, IRS Announces New Effort to Help Struggling Taxpayers Get a Fresh Start, IR-2011-20 (Feb. 24, 2011). A SLIA is an agreement under \$50,000 that will be fully paid in six years or less.

³² IRS, Interim Guidance, Control Number SBSE-5-MM12-002, Interim Guidance to Change Five-Year Rule to Six-Year Rule (Jan. 5, 2012).

³³ The overall number of standard IAs the IRS entered into during FY 2012 decreased by two percent compared to FY 2011 and the overall number of SLIAs the IRS entered into in FY 2012 decreased by four percent. Collection Activity Report NO-5000-6, Installment Agreement Cumulative Report (Oct. 2012).

³⁴ IRM 5.19.1 (Apr. 1, 2011).

The IRS's failure to identify and address the foregoing procedural and cultural barriers that prevent ACS from fully embracing the flexibilities provided by the Fresh Start initiative is causing ACS to enter into fewer IAs, collect less revenue, and ultimately bring fewer taxpayers into compliance.³⁵

ACS Level of Service on the Phones Remains a Concern.

When taxpayers do call ACS, they may wait on the line for a long time and may not get through to an ACS employee at all. The average wait time on the ACS phone line is 8.3 minutes, and ACS's combined LOS was about 80.6 percent in FY 2011 and FY 2012, which means nearly 20 percent of calls, or one out of every five, goes unanswered.³⁶ Although this LOS ranks among the best for IRS telephone lines, it is not acceptable for a phone line dedicated to taxpayers who owe a tax debt and are calling to either make payment arrangements or avoid economic harm.³⁷ In addition to ensuring that the phone lines are properly staffed, ACS may be able to reduce incoming calls by attempting to resolve taxpayers' cases early in the process with outgoing calls.

ACS Does Not Allow Taxpayers to Deal with the Same Employee to Resolve a Case.

When a taxpayer does reach ACS, he or she is routed to the next available employee. A taxpayer who has to call ACS multiple times finds it virtually impossible to work with the same employee to resolve the case. Instead, taxpayers provide information several times and start resolution discussions all over again with different employees. Although initially ACS adopted a "one-call-does-it-all philosophy" and recommended that taxpayers be able to reach ACS employees by extension, it abandoned that approach many years ago.³⁸

TAS frequently hears complaints from taxpayers about delays in responding to questions, the inability to speak with the same ACS employee or their manager, and overall lapses in ACS customer service. This has been confirmed by tax professionals at IRS Nationwide Tax Forum focus groups.³⁹ Some of the comments included:

- Taxpayers cannot work with one ACS assistor from start to finish and must retell their circumstances to each new assistor;
- Different assistors ask for different information to resolve the issue; and

³⁵ IRM 5.19.1 (Apr. 1, 2011). Currently, IRS guidance directs ACS employees to focus on getting the taxpayer to full pay, even if it means securing a loan or liquidating assets. ACS focuses on full payment, even after the taxpayer has told them they cannot full pay, rather than exploring other collection alternatives.

³⁶ Joint Operations Center (JOC) Reports for week ending September 30, 2012. Snapshot report of Product Line Detail, SB/SE ACS 800-829-3903 and W&I ACS 800-829-7650. The LOS and ASA are the weighted averages of SB/SE and W&I based on calls answered by each function. ASA is measured as the average length of time a caller spends on a secondary application before connecting to an agent. It does not include the time on hold with ATT or Verizon or on the call with the agent. Based on ACS LOS reports in FY 2012 (through Sept. 30, 2012) the SB/SE ACS incoming telephone line answered nearly 2.3 million calls out of 3.6 million net attempts by taxpayers. The telephone line has an LOS of 79.03 percent and an ASA of ten minutes; W&I ACS line answered 2.6 million out of 3.8 million attempts. That line has an LOS of 82.04 percent and an ASA of 6.7 minutes. By way of comparison, if the taxpayer does not call the ACS lines and calls the AM lines, they have an LOS of 67.6 percent and an ASA of nearly 17 minutes.

³⁷ For a discussion of the level of service on various IRS telephone lines, see Most Serious Problem: *IRS Telephone and Correspondence Services Have Deteriorated Over the Last Decade and Must Improve to Meet Taxpayer Needs*, *supra*.

³⁸ ACS Redesign Project, *Working the Right Cases, at the Right Time, in the Right Way* (June 1998). The study suggested that ACS design extension routing capability into ACS call routing procedures. This technology would allow the customer to work with the same ACS employee regarding an ongoing collection matter.

³⁹ IRS, 2008 Nationwide Tax Forum Focus Groups conducted by TAS - Understanding the Practitioner Experience with ACS.

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- The knowledge level of assistors seems to vary greatly, which was directly proportional to their courtesy, professionalism, flexibility, and ability to “think outside the box” to resolve problems.

To address these comments, the IRS should design extension routing capability to allow the taxpayer to work with the same employee until the case is resolved.⁴⁰ Such a capability would create continuity in the ACS communication process and make it easier for taxpayers to provide additional information to the IRS, as required, to reach an appropriate resolution for their accounts. It would also decrease ACS re-work. In addition to designing extension routing capabilities, the IRS should develop Virtual Service Delivery capabilities allowing taxpayers to schedule an appointment to meet “face-to-face” virtually with an ACS employee by videoconference, provide information, fill out financial information, and discuss payment options, all in real time.⁴¹ This modernization would allow the IRS to resolve taxpayer issues more swiftly and reduce correspondence.

Finally, complex cases that generally require multiple contacts between the taxpayer and ACS may be worked more effectively in the field by a revenue officer. This is especially true where a taxpayer has a large liability or complex financial circumstances, or the case requires business-related financial analysis, *i.e.*, BMF accounts.⁴² However, in recent years, the IRS has been doing the opposite (assigning cases with higher dollar amounts, and more BMF cases, to ACS).⁴³

ACS Needs to Reevaluate the Types of Cases It Works and How it Works Those Cases.

ACS may not be prioritizing its case inventory in a manner that will yield the best results, *i.e.*, resolve cases and collect unpaid tax. For instance, cases where the IRS has previously made contact with the taxpayer, such as those involving defaulted installment agreements, are being worked in the order received, even when a quick call soon after the default could bring the taxpayer back into compliance. Additionally, other cases that ACS could work successfully, as described below, are instead being assigned to the Queue.

A Cost Effectiveness Study, Conducted By the IRS as Part of the Private Debt Collection Program, Found that ACS Might Not Be Working the Best Cases.

Cases that ACS has been unsuccessful at resolving are likely to land in the Queue, which is a holding process for cases awaiting assignment and further action by the IRS. Most cases flow from the notice process into ACS and generally stay there for six to nine months, until

⁴⁰ Automated Collection System (ACS) Redesign Project, *Working the Right Cases, at the Right Time, in the Right Way* (June 1998).

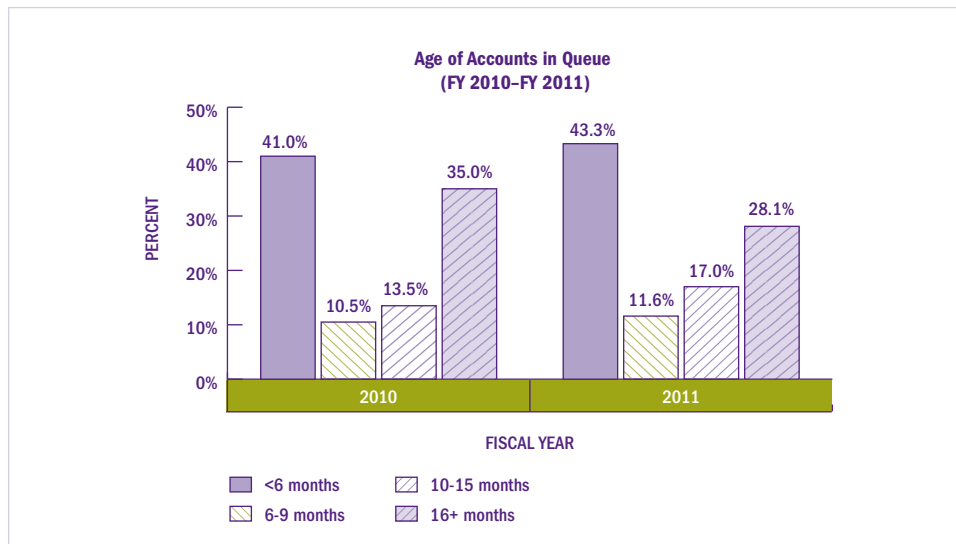
⁴¹ See Status Update: *The IRS Has Made Significant Progress in Delivering Virtual Face-to-Face Service and Should Expand its Initiative to Meet Taxpayer Needs and Improve Compliance*, *infra*.

⁴² See Most Serious Problem: *The Diminishing Role of the Revenue Officer has been Detrimental to the Overall Effectiveness of IRS Collection Operations*, *supra*, for a discussion of employment tax pyramiding and ACS.

⁴³ IRS, SERP Alert 12A0587, *Increase in Automated Collection System IMF TDA Threshold for SB/SE and W & I*, (Oct. 15, 2012). Beginning October 29, 2012, ACS increased the threshold for tax liabilities on individual accounts for cases it will work from \$100,000 to \$250,000.

transferred to the Queue or Cff. Cases will sit in the Queue until the IRS deems them appropriate for application of resources, which could be months. For example, the mean age of the accounts in the Queue was 75 weeks in FY 2010; in FY 2011 it was 64 weeks, and 73 weeks in FY 2012.⁴⁴

FIGURE 1.21.3, Accounts in Queue by Age



As of FY 2012, there were 3,867,953 Taxpayer Delinquent Accounts (TDA) totaling \$63.1 billion in the Queue. In FY 2012, ACS transferred 1,173,754 TDAs to the Queue.⁴⁵ Of the cases in the Queue reported by the IRS as “dispositions,” approximately 61 percent were systemically reported as uncollectible, *i.e.* the IRS made a decision that the accounts did not warrant investing Collection resources in efforts to collect them.⁴⁶ These unresolved cases have been deemed a low priority for work by ACS.⁴⁷

On first glance, the IRS’s decision to deem cases in the Queue a low work priority might seem reasonable, but an IRS cost effectiveness study (CES) found otherwise. This study was designed to assess the Private Debt Collection program by determining whether private collection agencies (PCAs) or ACS were more successful at collecting unpaid tax.

As part of the CES, ACS worked two groups of cases. One group was made up of Potential New Inventory (PNI) cases, which included cases from the Queue, shelved cases, and

⁴⁴ The chart shows that in FY 2010, 40.8 percent of cases in the Queue were less than six months old; 10.5 percent of cases were between 6-9 months; 13.4 percent were between 10-15 months and 35.3 percent were 16 months and older. The mean (median) in FY 2010 was 46 cycles (weeks); in FY 2011 it was 39. The median range in both years was six to nine months. Collection Activity Report 5000-2. Due to business rules, *i.e.*, related cases, some cases involving less than \$1,500 go directly to the Cff.

⁴⁵ Collection Activity Report, NO-5000-2, Taxpayer Delinquent Account Cumulative Report (Sept. 2011).

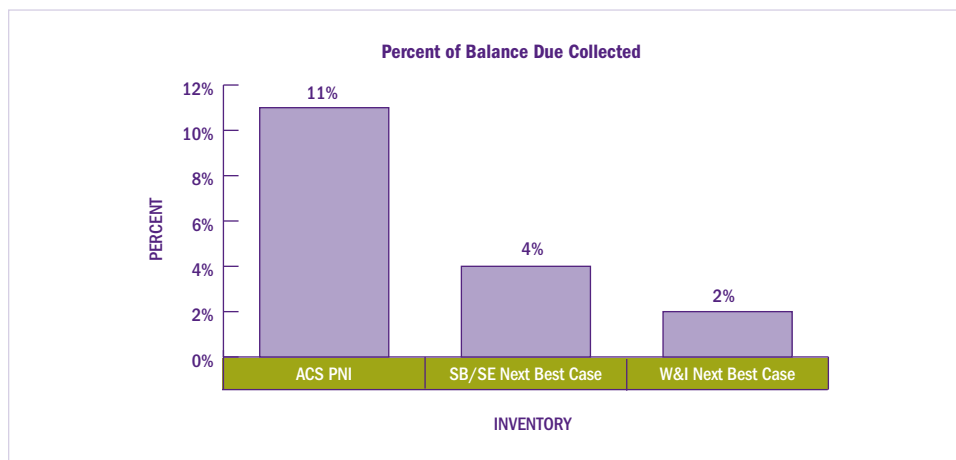
⁴⁶ *Id.*

⁴⁷ The Queue is comprised of unresolved cases that are awaiting assignment depending on IRS resources and workload.

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unable to locate and unable to contact cases, none of which were likely to be worked by IRS collection.⁴⁸ The second group included cases that were identified as those that ACS would work if it had more funding (*i.e.*, “next best case”).⁴⁹ Although many of the PNI cases may have been “low dollar,” ACS performed better at working PNI cases, which included inventory from the Queue, than working what it identified as its “next best case” inventory. More specifically, while ACS collected 11 percent of the balance due when working PNI inventory, it brought in just two percent of the balance due for W&I division next best case inventory and four percent for SB/SE next best case inventory.

FIGURE 1.21.4, ACS Percent of Balance Due Collection When Working PNI and Next Best Inventory



This study indicates that IRS business rules for determining which cases ACS should work may be flawed.

An additional concern regarding ACS case-assignment practices is illustrated by the fact that substantially more cases are transferred from ACS to the Queue by SB/SE ACS sites (which primarily work business accounts and those of self-employed taxpayers) than by W&I sites (which work accounts involving individual wage-earners.), indicating that ACS is much more effective at working the lower-dollar individual accounts. More specifically, in FY 2011 SB/SE sent 1.6 million TDAs to the Queue while W&I had to transfer only 178,000; in FY 2012 SB/SE transferred 1.07 million TDAs and W&I only 93,000.⁵⁰ This condition is yet another indicator that ACS is not focusing on the right types of cases (*i.e.*, smaller, wage-earner accounts), while spending Collection resources attempting to resolve

⁴⁸ IRS Private Debt Collection-Cost Effectiveness Study (Mar. 2009). ACS worked cases similar to the types handled by PCAs, which were shelved, low priority, or unable to locate or contact cases with balances below \$100,000.
⁴⁹ There are ACS sites in both W&I and SB/SE. W&I ACS focuses on individual accounts, while SB/SE ACS focuses on business accounts.
⁵⁰ IRS, CAR Report No. 5000-6 (Oct. 2, 2011, Sept. 30, 2012). See also Most Serious Problem: *The Diminishing Role of the Revenue Officer has been Detrimental to the Overall Effectiveness of IRS Collection Operations*, *supra*.

delinquency problems that could be more effectively addressed in the Collection Field function (BMF and self-employed taxpayers).

The National Taxpayer Advocate believes that working cases in order of the greatest balance due amount, rather than intervening early when the debts are fresh and amounts are modest, harms taxpayers, and impacts voluntary compliance. Since the IRS continues to significantly rely on dollar amounts for its case assignment practices, the cases with smaller liabilities continue to sit in the Queue and age. While the cases sit in the Queue, penalties and interest continue to accrue, making the liability larger and the case more difficult to resolve. By working the cases early when they involve smaller amounts, ACS could keep the accounts receivable from increasing while minimizing the damage to the taxpayer.⁵¹ Therefore, the IRS should rethink its approach to prioritizing cases as a first step toward meeting the goals established in its Strategic Plan to “expedite and improve issue resolution” and to deliver “improved service to make voluntary compliance easier.”⁵²

ACS Should Work Defaulted Installment Agreements as a Priority.

When a taxpayer defaults on his or her installment agreement, the IRS sends the case back to ACS. Identifying these cases as prime candidates for outgoing calls, rather than working them like all other cases could help ACS achieve a better resolution and reduce potential harm to the taxpayer.

In addition to bringing the taxpayer back into compliance, making an outgoing call and re-establishing the installment agreement will yield more revenue. In FY 2012, over a quarter percent of all taxpayer delinquent accounts routed through ACS were reissued installment agreements, accounting for \$8.7 billion in accounts receivable.⁵³ This condition indicates that having a personal contact with these taxpayers before placing the account in default status could reduce the risk of losing a significant amount of revenue, while also improving service for these taxpayers. A more proactive emphasis on curing default conditions earlier in the process would also reduce the amount of rework required by simply reassigning these accounts to ACS as “new” receipts.⁵⁴ Further, addressing missed payments as they occur to cure the potential default conditions will minimize penalty and interest accruals. The 1998 ACS Redesign project recommended a similar approach, stating that the IRS should focus on curing defaulted IAs through personal contacts.⁵⁵ This methodology is not without precedent; employees working under the Streamlined Offer in Compromise (OIC) process now call taxpayers for additional information rather than simply sending a letter requesting information. The results have been impressive.⁵⁶ The process has improved

⁵¹ See Most Serious Problem: *The Diminishing Role of the Revenue Officer has been Detrimental to the Overall Effectiveness of IRS Collection Operations*, *supra*, for a discussion on employment tax pyramiding and ACS.

⁵² IRS Strategic Plan 2009-2013.

⁵³ Collection Activity Report, NO-5000-2, Taxpayer Delinquent Account Cumulative Report (Oct. 2012).

⁵⁴ *Id.* Total TDAs Issued: 7,395,725 Issued from IA (Defaults): 1,853,051 (25.1 percent)

⁵⁵ Automated Collection System (ACS) Redesign Project, *Working the Right Cases, at the Right Time, in the Right Way* (June 1998).

⁵⁶ Collection Report C108 (Oct. 2012).

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clarification of the issues, decreased cycle time, reduced rejects, and increased OIC acceptances. Although the streamlined OIC process is somewhat different from the installment agreement situation, we are confident the adoption of a similar approach that focuses on personal contact in ACS for lapsed installment agreements will produce similar results.

ACS Customer Satisfaction Surveys Do Not Present the Complete Picture.

Despite all the problems discussed above, the assessment of ACS service reflects high customer satisfaction and quality review scores. ACS's overall customer satisfaction ratings over the past six years (based on a scale of 1 thru 5, with 5 the highest score) have ranged from a low of 4.46 (2008) to a high of 4.51 (2005). FY 2011's rating was 4.50.⁵⁷

However, TAS has concerns about how the survey is conducted. The IRS contracts with a survey administrator that develops sampling patterns and questions, and monitors call procedures. After an ACS employee speaks with the taxpayer, the ACS employee asks him or her to participate in the post-call survey, regardless of whether the issue has been resolved or not. However, only those who stay on the line until the end of the call are asked to be part of the survey.⁵⁸ Although statistically valid, the sample does not include ACS cases where an IRS employee never speaks to the taxpayer. It omits cases where ACS only sends out notices, such that the case may end up in the Queue, which may skew the results to more satisfied taxpayers.

Not only does the customer satisfaction survey exclude the majority of ACS taxpayers, namely, those who never speak to an ACS operator; the taxpayer is never asked if he or she believes the matter was resolved, let alone resolved satisfactorily.⁵⁹ Further, the SB/SE survey questions are more process-related and do not address the collection actions or their perceived or actual fairness. For example, the survey asks, "Rate your satisfaction with how well the automated answering system directed you to the correct representative."⁶⁰

In contrast, TAS's customer satisfaction survey is a sample of closed cases within a given period, resulting in a more diverse sample population. TAS attempts to discuss the process and outcome of all cases, good and bad, with satisfied and unsatisfied customers.⁶¹ We believe this approach provides more accurate information on how well TAS is meeting the expectations of its customers and the effectiveness of its procedures. One step ACS could take to obtain more accurate information would be to include questions that elicit the taxpayer's perception of how reasonably and fairly ACS handled the case.

⁵⁷ Pacific Consulting Group, Internal Revenue Service Customer Satisfaction Ratings, Automated Collection System (ACS); SB/SE National Report Period July 10-June 11 Satisfaction Ratings (August 2011). W&I ACS had slightly higher scores ranging from 4.63 to 4.70. (This equated an overall satisfaction rating of 91 percent.)

⁵⁸ *Id.* at Appendix A-2.

⁵⁹ *Id.* Appendix C, C-35-C-40. The report indicated resolution partly 48 percent, and completely 36 percent (combined rate 84 percent).

⁶⁰ Pacific Consulting ACS SBSE Appendix E-1.

⁶¹ ACS and TAS use the same contractor, Pacific Consulting Group.

CONCLUSION

The National Taxpayer Advocate believes that ACS continues to create problems for taxpayers and practitioners and is failing to resolve taxpayer cases. Part of this failure can be attributed to ACS relying on enforcement actions to make contact rather than placing outgoing calls to taxpayers early in the collection process. Additionally, taxpayers and practitioners continue to face long telephone wait times to respond to IRS actions. This can impede timely and fair resolution of collection problems. Finally, ACS may not be working the best cases, which is also limiting its success at resolving taxpayer issues.

The National Taxpayer Advocate preliminarily recommends that the IRS:

1. Revise ACS collection strategy to use more outgoing calls prior to enforcement activity.
2. When ACS uses the predictive dialer, rather than simply leaving callback messages, as the current predictive dialer does, it should actually connect an answered call to a live assistor.
3. Once contact has been established, assign each ACS case to one employee, who will work with the taxpayer throughout the process.
4. Review and revise the Customer Satisfaction Measurement process in conjunction with TAS Research, revising the questions to elicit the taxpayer's perception of how reasonably and fairly ACS handled the case.
5. Develop a way to identify and review lapsed installment agreements and contact taxpayers prior to defaulting them.
6. Revise the Collection Strategy to send to ACS only cases that data has shown ACS can readily resolve, such as newer Queue cases, and place more emphasis on "initial contact" resolutions in making that determination.

IRS COMMENTS

Although it is not the only effective means of communicating with taxpayers, the IRS agrees that personal contact is an important part of assisting taxpayers to become compliant in both filing and paying their federal tax obligations. If a taxpayer responds to one of the many notices issued, our campus collection employees are helpful and efficient in resolving the account. If a taxpayer does not provide contact information or respond to the multiple notices issued, then the ACS must initiate the next most cost-effective action. We use a multi-faceted collection strategy to effectively maximize impact with available resources that includes the issuance of notices, levies, and direct contact with taxpayers.

To assist taxpayers with understanding their federal tax obligations, the IRS's Office of Taxpayer Correspondence (OTC) has worked closely with the Collection function on its notice redesign efforts over the last few years. The redesigned notices provide clearer, plainer language. The majority of collection notices were redesigned and implemented in January 2011 and improved engagement with the taxpayer through higher response

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rates and liabilities collected earlier in the process (*e.g.*, installment agreements). The OTC comprehension and perception testing also showed an increase in understanding of notices by taxpayers.

The ACS is set up to get the taxpayers into the system as quickly as possible by sending them to the first available Collection Representative (CR) who can assist them, no matter where the assistor is located geographically in the country as opposed to waiting for a particular assistor to become available. Our employees pride themselves on providing the highest level of service to their taxpayers and attempt to resolve issues upon first contact.

The ACS program strives to balance focus between Customer Satisfaction, Customer Accuracy, and Productivity. In FY 2012, ACS handled approximately 4.9 million incoming calls and closed approximately three million taxpayer cases. The ACS has limited staffing resources, but strives to assist as many taxpayers as possible to resolve their accounts. In an effort to reduce taxpayer burden and reduce follow-up issues, we continue efforts that emphasize the need to resolve accounts on the first call. Examples include:

- Expansion of the streamlined installment agreement criteria, which is part of the Fresh Start Initiatives;
- Reduced documentation requirements for taxpayers to substantiate expenses on their financial statements;
- Revised Collection Information Statement to eliminate items that are not necessary to resolve the account and often delay case resolution while waiting on the taxpayer to secure and submit information; and
- Determination of which types of outcalls using the Predictive Dialer are more appropriate for unmanned campaigns.

Productivity is achieved through a focus on efficiency, which includes maximizing one-call resolutions and optimizing Average Handle Time⁶² for the approximately five million incoming calls received by ACS annually. Our focus on efficiency includes the use of data analysis to best optimize the effective use of staffing resources to provide the opportunity to work with as many taxpayers as possible to resolve their accounts.

Performance data indicates ACS has achieved success with its focus on efficiency. The table below shows that, in spite of the decrease in resources, ACS continues to experience impressive improvements in efficiency and case resolutions, as reflected by taxpayer closures and the taxpayer closures per Full Time Equivalent (FTE), while remaining steady in Customer Satisfaction and Customer Accuracy performance.

⁶² ACS Average Handle Time refers to the total duration of the Aspect phone system talk time, hold time, and wrap time. Wrap time is the time used by the assistor to complete documentation of a call after the customer has been released.

FIGURE 1.21.5, ACS Performance Data

ACS Performance Data – Source ECR Report						
Performance Measure	Organization	FY 2010	FY 2011	FY 2012	% Diff 12/11	% Diff 12/10
ACS FTE	Enterprise	3,943	3,937	3,671	-6.8%	-6.9%
ACS Taxpayer Dispositions	Enterprise	2,537,558	2,710,163	2,724,721	.5%	7.4%
Per FTE rate	Enterprise	644	688	742	7.8%	15.2%
ACS Customer Satisfaction	Enterprise	92.6%	92.9%	92.0%	-1.0%	-0.7%
ACS Customer Accuracy	Enterprise	94.3%	94.9%	93.6%	-1.4%	-0.7%

Source: W&J PAC Report & SB/SE COBR Reports

The ACS's collection strategy places a strong focus on reaching out to taxpayers before taking enforcement actions. When a telephone number is not available, we strive to conduct research to obtain a valid and current number for the taxpayer. If a number is found, we make an attempt to reach the taxpayer through an outgoing call.

The ACS runs two types of Predictive Dialer (PD) campaigns:

- Manned – If the call is answered by a person, the call is transferred to an ACS Assistor or if an answering machine is reached, a message is left; and
- Unmanned – A message is left whether the call is answered by a person or an answering machine.

Manned campaigns represent 71 percent of ACS Dialer calls, of which contact is made on nine percent of the calls. The ACS designated PD sites have CRs staffed to handle calls when the PD reaches someone. On the calls where contact is made, 56 percent of the taxpayers reached have to call back with additional information.⁶³ On both manned and unmanned campaigns, 34 percent call back within 24 hours. We have made a determination of which outcalls are more appropriate for unmanned versus manned campaigns because data reflects that when we contact the taxpayer on a manned campaign, the taxpayer is usually not prepared to resolve the account, which requires the taxpayer to call back. Therefore, unmanned campaigns are run on cases where the final demand has been sent and ACS is making one last attempt to contact the taxpayer prior to enforcement action. Our use of both manned and unmanned PD campaigns is one of many examples showing we do not operate a “one size fits all issues” operation.

Over the years, ACS has evolved from an organizationally segmented processing approach (contact, research, and investigation) to a team approach that maximizes our resources in order to provide more efficient and effective service to taxpayers. Managing the ACS workload requires a balance between phones and inventory processing to achieve the best possible service to the maximum number of taxpayers. To assign each ACS case to one

⁶³ ACS SB/SE Predictive Dialer Report, FY12.

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employee to work through the process would adversely impact our ability to effectively manage corporately and present barriers in our efforts towards efficient resolution and effective service to our taxpayer base.

The delivery of ACS customer survey is the most effective means of securing feedback on the taxpayer's actual telephone experience. Completed in real time, thereby ensuring the timeliest, reliable, and accurate feedback, the survey is conducted and verified by an independent third party, Pacific Consulting Group. The PCG uses statistically valid sampling to ensure the survey is unbiased and representative of the ACS customer base. Survey questions encompass the entire experience, from the automated telephone routing system, to account processing questions, to numerous questions regarding the service provided by the actual collection representative who handled the call. The taxpayer is able to directly rate their overall satisfaction and indicate whether we met their expectations during their call. Key areas for improvement are identified through the survey. These areas are identified in the survey report as the *Top Improvement Priorities for ACS Customers* and *Top Improvement Priorities for Customer Service Representatives*. We concentrate on these key areas as we monitor call site performance.

Both W&I and SB/SE, in concert with Research and PCG, have worked to revise our surveys and the process used to capture information that provides meaningful insight to our performance in this area. Major changes were implemented in March 2012. Research also has significantly increased their involvement in providing analysis of the results and works closely with the operations in the identification of improvement priorities.

The IRS established a cross-functional team with the goal of helping taxpayers who were having difficulty maintaining their installment agreements. In February 2009, new procedures were established to contact individual taxpayers who were having trouble. When a taxpayer misses a monthly payment, a Letter 4458C is sent to inform the taxpayer that we did not receive a monthly payment and asks him or her to contact the IRS if he or she is having difficulty preserving their agreement. The IRM section 5.19.1.5.5 has been updated to reflect this change and includes directions for CRs to help the taxpayer maintain or reestablish their installment agreement.

The defaulted installment agreement issue is also an area that is scheduled to be addressed as a part of the PD outcall tests. We are working to identify installment agreement cases at the point of a missed payment and determine if we can initiate a PD outcall into the existing process. If successful, we will use the test to assess potential value that can be used in a cost benefit analysis to make system or resource changes. It should be noted that until there are changes made to the PD software and communication hardware, these cases will need to be brought into the ACS inventory.

The IRS continuously evaluates the collection strategy for case routing, selection, and prioritization. Many factors are considered during the evaluation process including the availability of resources to work cases and the most effective treatment. The IRS's Inventory

Delivery System (IDS) applies analytics to all cases routed through IDS that includes predictive models for collection potential. The results of this modeling are used by the IRS to prioritize inventory within ACS so optimal results are achieved given the limited resources to work cases. The business rules for routing cases to ACS take into consideration the authority and tools necessary to resolve each case. While some cases may not get fully resolved in ACS, there are benefits to ACS initially working the case instead of assigning directly to the collection queue. The IRS collects money and secures delinquent returns on many of these accounts while assigned to ACS. While the case is assigned to ACS, taxpayers may receive important information that can help them resolve their accounts.

The IRS agrees with the National Taxpayer Advocate about the importance of case resolution on initial contact. Policies and procedures guide employees to attempt resolution of a taxpayer case on first contact. Additionally, the IRS continues to explore using analytics earlier in the collection process that consider taxpayer behavior for establishing the most effective treatment stream.

Taxpayer Advocate Service Comments

The National Taxpayer Advocate is pleased that the IRS recognizes the importance of making personal contacts with taxpayers when attempting to resolve cases. However, the IRS's reluctance to acknowledge the need for improvements in ACS customer service and case prioritization is disappointing.

The National Taxpayer Advocate agrees that the clarity of IRS notices has improved over the past several years, but ACS relies too heavily on these notices to generate contact with the taxpayer. In fact, rather than making outgoing calls or sending a notice asking the taxpayer to call, which the IRS knows is effective, ACS heavily relies on generating phone calls from the taxpayer by sending out intent to levy or levy notices at the front end of the ACS treatment.⁶⁴ The IRS response continues to assume that this approach is both efficient and effective, but provides no evidence that it is either. In fact, the IRS's own studies discussed above suggest otherwise. Further, ACS's focus on enforcement type notices in the front end of the ACS treatment stream may actually be counter-productive for the IRS, as most ACS taxpayers did not self-correct during the initial collection notice process, and more of the same may actually discourage these taxpayers from coming forward to cooperate with the IRS to resolve the delinquencies. The National Taxpayer Advocate questions the effectiveness, as well as the efficiency, of this approach.

The National Taxpayer Advocate agrees that it is important to ensure that taxpayers spend as little time waiting for an ACS employee to take their call as possible; however, speaking to the same employee each time the taxpayer calls ACS will prevent the taxpayer from having to repeat the particulars of his or her case. In addition to designing an extension routing capability to allow the taxpayer to work with the same employee until the case is resolved, the IRS should also place more emphasis on routing cases to ACS that can be readily resolved with one phone call, thereby eliminating altogether the need for taxpayer call backs.

Although the IRS recognizes the important role ACS needs to play in the IRS "Fresh Start" initiative, there is little evidence that the initiative has been fully implemented. Contrary to what one would expect, the number of streamlined installment agreements (SLIAs) has decreased in FY 2012 when compared to FY 2011.⁶⁵ A decline in SLIAs is a symptom that ACS employees have not been properly trained on these new procedures, and are not focusing on "one-call" resolutions. The National Taxpayer Advocate is concerned that the IRS response does not seem to recognize that this unfortunate condition even exists.

⁶⁴ Only about two percent of all ACS's time is spent making outgoing calls. Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2010-30-046, *More Management Information is Needed to Improve Oversight of Automated Collection System Outbound Calls* 6 (Apr. 28, 2010). See also National Taxpayer Advocate 2011 Annual Report to Congress 336-349 (Most Serious Problem: *The IRS Does Not Emphasize the Importance of Personal Taxpayer Contact as an Effective Tax Collection Tool*).

⁶⁵ Collection Activity Report NO-5000-6, *Installment Agreement Cumulative Report* (Oct. 2012).

In regard to the ACS Performance Data, although dispositions may be slightly on the rise (up only one half of one percent) the volume transferred to the queue is significant. Specifically, in FY 2012, ACS transferred 1.17 million TDAs valued at \$12.9 billion to the Queue.⁶⁶ Further, ACS's customer satisfaction numbers may appear impressive, but because the questions on the survey are narrow, they are not a complete reflection of the taxpayer's experience with ACS. Specifically, taxpayers are only asked about process and timeliness, not if they believe the matter was resolved, let alone resolved satisfactorily.

The National Taxpayer Advocate is pleased that the IRS established a cross-functional team with the goal of establishing procedures on how to reach out to taxpayers who were having difficulty maintaining their installment agreements. The new procedures focus on a new notice, Letter 4458C, *Second Installment Agreement Skip*, which is sent to inform the taxpayers that the IRS did not receive a monthly payment and asks them to contact the IRS if they are having difficulty meeting the terms of the agreement. However, the National Taxpayer Advocate believes these cases would be best addressed by outgoing phone calls to the taxpayers attempting to get them back into compliance, rather than simply sending letters, especially since good phone numbers should already be readily available in installment agreement cases. TAS commits to work with ACS to facilitate the use of the Predictive Dialer on such cases and the necessary programming so that these cases do not need to enter the regular ACS inventory.

The National Taxpayer Advocate does not contest that many taxpayers successfully resolve balance due cases during the notice process, and that ACS processing can provide resolution to many more. However, it is not clear that IRS is properly assigning to ACS the best cases to work (*i.e.*, cases that ACS can resolve quickly and efficiently). The IRS should use its analytics to better determine which cases are effectively resolved in the call-site environment, and which cases are not. Additionally, it is inappropriate to route certain types of cases, such as BMF and SB/SE Large Dollar cases, through ACS, especially when the change in case assignment is not supported by data and ACS employees are not trained to work such cases.

⁶⁶ Collection Activity Report NO-5000-2, Taxpayer Delinquent Account Cumulative Report (Oct. 2012).

Recommendations

The National Taxpayer Advocate recommends that the IRS:

1. Revise ACS collection strategy to use more outgoing calls prior to enforcement activity.
2. When ACS uses the predictive dialer, rather than simply leaving callback messages, as the current predictive dialer does, it should actually connect an answered call to a live assistor.
3. Once contact has been established, assign each ACS case to one employee, who will work with the taxpayer throughout the process.
4. Review and revise the Customer Satisfaction Measurement process in conjunction with TAS Research, revising the questions to elicit the taxpayer's perception of how reasonably and fairly ACS handled the case.
5. Develop a way to identify and review lapsed installment agreements and contact taxpayers prior to default.
6. Revise the Collection Strategy to send to ACS only cases that data has shown ACS can readily resolve, such as newer Queue cases or cases involving relatively low-dollar W&I taxpayers and place more emphasis on "initial contact" actions by making a measure for initial contact resolutions.