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HEARING BEFORE THE  
SUBCOMMITTEE ON OVERSIGHT  
COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES

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STATEMENT FOR THE RECORD

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Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to appear here today to discuss the 2001 tax filing season and the IRS' continuing efforts to improve taxpayer service.

The IRS is experiencing success in processing tax returns and issuing refunds. The IRS also continues to provide substantive information to taxpayers on its Web Site. This filing season alone, the Web Site has received over 986 million accesses. While these are bright spots to recognize, the IRS is faced with the challenge of processing a greater number of returns around April 15<sup>th</sup> since many taxpayers have chosen to file later than expected. Electronic returns, while up significantly, have not reached the anticipated level. Challenges also continue to exist regarding the performance of and plans to enhance customer service.

The IRS acknowledges the need for customer service improvements. Our audit results also show the need for improvement. Over a four -day period during this filing season, our auditors made 368 random test calls to the IRS' toll -free number and were unable to gain access 37% of the time. When successful in getting through, the IRS incorrectly responded to 47% of the questions. The topics for the test calls were obtained from the IRS' List of Frequently Asked Questions.

We also encountered a similar situation when we visited 47 Taxpayer Assistance Centers in 11 states. The IRS did not provide auditors with correct answers 49% of the time. In the majority of our 90 contacts, we were served within 15 minutes and were

treated courteously. However, in over 10% of the contacts, IRS did not provide an adequate professional response.

Dramatic improvements in customer service are heavily dependent on the success of the IRS' systems modernization initiative. Among the benefits taxpayers are expected to receive from systems modernization initiatives are:

- Better and quicker access to tax help;
- Readily available, accurate and current account information;
- More electronic filing capabilities;
- More refunds in days instead of weeks; and
- Expanded self-service options over the telephone and the Internet.

To accomplish modernization, the IRS contracted with a consortium of experienced information technology companies, led by a major integrator. This contract, known as the PRIME, is a multi-billion dollar contract over a 15 -year period. Since it began 2 years ago, about \$400 million has been spent on systems modernization. While the basic architecture and program management processes have been established to guide the modernization, thus far, most of the ongoing modernization projects are taking longer and costing more than originally estimated. As a result, benefits to taxpayers have yet to be realized.

The Customer Communications Project is intended to be the IRS' first major systems modernization accomplishment. This Project is designed to route taxpayer calls to a

Customer Service Representative who is best qualified to answer the taxpayer's question, anywhere in the United States, and will also provide expanded self-service telephone and Internet services.

Although progress has been made on this Project, deliverables originally scheduled for 2001 have been scaled back significantly, including the ability to route calls to the best-qualified person. Also, implementation dates for those deliverables have steadily slipped and cost overruns have occurred. As a result, the expectation of answering an additional 9.6 million calls during the 2001-filing season will not be realized, nor will I telephone assistants be freed up for other work. This situation is due, in part, to:

- The decision to move to the Project's development stage before completing critical foundational products, such as the risk management plan and security testing schedules,
- Initial software design failures, and
- Virtually no allowance for unplanned events.

This Project has special significance since it is the first systems modernization deliverable for the taxpayer's benefit. In this and several other instances, the PRIME and the IRS have overestimated their ability to deliver projects on schedule and within cost estimates.

I'd be pleased to respond to any questions that you have at the appropriate time.