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**CIS 410**

**Prof Reinhardt**

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**MISSION STATEMENT**

“To collect the proper amount of tax revenues at the least cost to the public. and in manners that warrants the highest degree of public confidence in our integrity, efficiency, and fairness”

**Introduction/Problem**

The Internal revenue Service is the revenue service for the United States Federal Government. It is responsible for collecting U.S federal taxes and administering the internal revenue code.

In 1988 alone, the IRS received and processed more than 194 million tax returns. The IRS's primary function was to collect revenue for the US government, so it needed to improve its production and its operations.

The old system they were using was the collection office functions (COF), a structure consisting of six basic functions: there was the process review group, the outgoing call unit, a walk-in group, office field unit, incoming call group, and a research unit. When cases first arrived, they went to the process unit, and if customers could not reach by phone a letter was sent, this is the outgoing call group. And this would drive the customers to come in, this is where the walk-in group acted.

The old system was outdated causing some issues, for example when attempting to close incoming call cases, it was a whole process of going back and forth with taxpayers and even having to arrange meetings to conduct research. This was a long-drawn-out process, simply because things were done manually, so there was the challenge of having to sort through thousands of paper accounts.

COF was an operation overflowed with papers; any action taken on accounts involved paper. Things were reported on papers and so every time an employee worked on an account, they had to write a summary sheet and attach it to the account. Each account had about 10 to 15 pages. Which is very extensive considering how many accounts there were. This was very complicated to manage.

This was one of the driving forces to the COF not being able to handle the workload. There were just too many documents to have to sort through and when a document was misplaced it took hours upon hours to locate it. This was getting out of control and was very unmanageable for both employees and management.

Another flaw of the COF was that it was not very efficient at sending follow up. Customers even started to take notice of this. Deadlines were not enforced at all, for example customers would purposely not pay their tax on time because there was no penalty.

To improve all the previous problems with the old system, the IRS sought ways to improve things. A switch was made from COF to ACS, an Automated Collection System in efforts to increase productivity and improve the overall collection system. This was a computerized inventory control system consisting of three computer components: IDRS (integrated data retrieval system), IBM. and Rockwell ACD (automated call distributor). It was also organized along three basic functions: contact, investigation, and research. For the contact function, the contact representative sat at a computer terminal and generated the case with the highest priority to contact to resolve the case. The investigation function deals with employees finding telephone numbers for taxpayers when none were available on the ACS computer file.

And the research function handled the more intricate cases.

However, this new system was not meet with open arms by employees, although productivity had improved, there was a major issue with turnover, **“**turnover in the newly automated operation had reached a level unprecedented in its history” This was a major concern because of the decrease in people wanting to work, so it was difficult to attract job seekers. At one once turnover rate was at 100% so in situations like this you cannot function without employees, so offices had to shut down.

A lot of COF staff did not want to work with ACS because of the fear of being tied to the computer terminal all day. So many preferred to quit and retire. A lot of technical knowledge was lost in the process so there was a need to train new employees from scratch. Also, when the IRS moved to ACS, only three of the functions used in COF were used in ACS. This is a dramatic decrease.

The problem was that employees did not know how to manage an automated work environment. “We need an understanding of how to manage automated environment. I don't think we fully understand the effect of certain things on employees” for example there was a large amount of computer monitoring going on, this had its benefits and its downfalls, although employees like know how they are doing, being monitored always causes employees to feel untrustworthy by their management team.

The bright side of the ACS was that productivity was higher than it had been before the automation. This was important because more work was going done, there was an easier way to manage processes. There was about a 33 %-dollar increase, and many other improvements. Although there were some remarkable changes, this was not all that was needed for a successful. There was still so much more room for improvement.

**Porter’s five forces**

**Threat of New Entrants:** low

The threat of new entrance is very low because it is such a large government entity that would be so hard and almost impossible for a regular business owner to enter. Taxing is such a profound part of the US government and is very reputable because of the sensitivity of taxpayer’s information, no one will allow for another business to collect taxes this way.

**Threat of Substitutes:** low

 The threat of substitution is very low because taxpayers are required to file their taxes and the IRS is the only one who does this process. There are literally no other options for US residents to file their taxes with.

**Supplier Power:** low

The supplier power is low with the systems that the IRS uses such as COF and ACS, they operate on a lowest bidder motto, so this is how they find their suppliers.

**Buyer Power**: low

Customers do not have any powers in this instance, everything is out of their hands because of the nature of the IRS being such a large entity, that is essentially a monopoly.

**Degree of Rivalry:** low

There is no competition because the IRS is the only ones allow to collected taxpayers.

**Stakeholders**

**Employees**

The decisions of the IRS has an effect on the employees, as we saw with the changes from COF to ACP there was a huge turnover because many did not want to work under the supervision of a new system.

**Management**

More specifically Tim Brown, his back is riding on the success or failure of the new ACP system. These changes are making things hard for the organization currently and that will affect the revenue.

**Taxpayers**

Tax papers are affected by the decisions of the IRS how their taxes are collected and the revenues made by the IRS.

**US Government**

 The US government is the owner of the IRS and needs the IRS to help generate revenue.

**Courses of Action/Alternatives**

1. **Do Nothing**

The IRS could choose to do nothing and continue with the ACS system as is. The ACS system has improved operations productivity.  Also, when the IRS moved to ACS, only three of the functions used in COF were used in ACS. This simplified things and made things go by smoother and faster. The ACS system has a lot of benefits, from faster response time, real time information on a variety of performance indicators, to different methods of monitoring. Although these were great factors and helped improve things a ton, there was still a lot of improvement needed, and it was evident how many employees disliked it by the turnover rate.

**2. Reconstruct ACS’s work organization into a semi-autonomous team.**

Because of how things are going with a fully automated system of collecting tax from taxpayers, the IRS could Reconstruct ACS’s work organization into a semi-autonomous team. And this team would entail members who had functional expertise necessary to handle cases to completion. Employees would be given a batch of cases to work on their performance would be monitored only as how they handle the cases. And scheduled workflow and monitoring individual performance would be the team's responsibility. The issue with this course of action is that it could be very pricey. 

1. **Retrain ACS employees to become more versatile and able to handle all aspects of the collection function.**

This approach would mean that employees could handle cases as best as they could from start to finish. This approach would require compensating employees accordingly for the additional skills and labor needed to complete all the functions in closing a case. And another issue with be the cost associated with retraining employees.

**4. Work with the present organization but change how system was managed**

There was a lot of monitoring that was taking place in the IRS. Employees started to feel mistrust from management, and therefore so many refused to work. They were feeling confined from the “required constant presence at their terminal”, and employees also showed that they disliked working a case through completion. The new technology was not main problem, there was a lot that needed to be done to improve the relationship between management and employees.

**Recommendation**

I think the biggest issue at the IRS is not with the new automated process system but the relationship between employees and the managers. There is just so much distrust and belief that the management team uses the monitoring system to spy on the employees and not for quality assurance as they proposed. Along the lines the management team has shown to the employees some mistreatment and now employees are on guard. I think it would be helpful for a conversation to be had to clear up the air and the intentions of the monitoring system. Employees need to feel trusted in their skills and not have to be always under surveillance.

The monitoring system is the biggest reason for the high turnover rate so why not change that process? I think that can only improve things at this point. As we seen ACP has only improved productivity and so many other processes, it has simplified things significantly, from working for hours with so many physical documents, things have been automated now and making the process faster. Technology plays such a vital role, especially with an organization as wide as the IRS that deals with millions of taxpayers’ dollars, moving forward with technology is the only right, but of course with changing the management aspect.

Work Cited

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