**INTERNAL REVENUE SERVICE:**

**Automated Collection System**

CIS 410-02

Case 6

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# Overview

The Internal Revenue Service is the revenue service of the U.S. federal government. Founded in 1862, this government agency is responsible for the collection of taxes and for upholding the Internal Revenue Code, the domestic portion of federal statutory tax law in the U.S.

The INTERNAL REVENUE SERVICE implemented an automated collection system to improve collection productivity. It did so by storing case data online and making it accessible at a moment’s notice using a specific taxpayer identification number to on-site computer terminals. The system included the ability to monitor computers for information regarding call sites and individuals such as average speed of answer, number of accounts closed, and number of dollars collected. Telephone monitoring, involving a supervisor listening in on a call and viewing a display of the account the employee on the call is working on, was done with the notice to the employee that it may happen, but without the knowledge of when and if they are being monitored assuming they are using one of the phones that is clearly marked as subject to monitoring. INTERNAL REVENUE SERVICE monitoring guidelines stated that all telephones subject to monitoring must be clearly marked and employees must be given prior notification in writing that their work-related calls are subject to monitoring. The performance of the system increased collection productivity as predicted, but the electronic monitoring aspect has created an environment of distrust, anxiety, and fear among employees.

# The Problem

The INTERNAL REVENUE SERVICE is experiencing extreme levels of turnover in their offices. The automated collection system minimizes the need and ability for individuals to walk around, stretch their legs, and create conversation. “Organizations usually become vitally dependent on some form of core technology as a means of converting organizational inputs into outputs” (Morgan), however, the automated collection system is not fully automated. It relies on individuals to handle calls and data input. These individuals are not happy with the work environment, and in particular, the way and extent to which they are being monitored. “Get a job that lets you 'analyze' or 'evaluate' something as opposed to actually 'doing' something. When you evaluate something you get to criticize the work of others. If you 'do' something, other people get to criticize you” (Adams). With this in mind, being a supervisor isn’t too bad. “We all know that employees work best when motivated by the tasks they have to perform and that the process of motivation hinges on allowing people to achieve rewards that satisfy their personal needs” (Morgan). This motivation cannot effectively, and in the long term, be accomplished by punishment or solely by negative reinforcement. If one is always looking for what an employee has done wrong, what that employee has accomplished successfully will never be realized. The IRS must "[develop] the idea that employees are people with complex needs that must be satisfied if they are to lead full and healthy lives and to perform effectively in the workplace" (Morgan) and that this is necessary to reduce turnover.

# Industry Competitive Analysis

## Mission Statement

Internal Revenue Service’s mission was “to collect the proper amount of tax revenues at the least cost to the public, and in a manner that warrants the highest degree of public confidence in our integrity, efficiency, and fairness” (Ir-98-59).

## Generic Strategy

Internal Revenue Service follows the cost leadership strategy. They have no competition and aim to perform at the lowest cost.

## Organizational Structure

Internal Revenue Service has a divisional organizational structure. The highest-level divisions are split up by district, and many of them are then split again into branches at each district. Each branch focuses on a specific aspect of the Internal Revenue Service’s responsibilities, such as collection, examination, and criminal investigation.

## Competitive Rivalry: N/A, None

The INTERNAL REVENUE SERVICE is a federal agency created by the government for the government. No entity can compete for the functions it serves.

## Threat of New Entrants: N/A, None

The threat of new entrants is non-existent. No other entity is qualified to enforce the Internal Revenue Code.

## Threat of Substitutes: N/A, None

The threat of substitution is non-existent. The U.S. Federal Government requires that all taxes be paid through the methods provided by the INTERNAL REVENUE SERVICE.

## Bargaining Power of Suppliers: High

The U.S. government backs the Internal Revenue Service to uphold the Internal Revenue Code. The resources of the INTERNAL REVENUE SERVICE are increased or decreased as needed within wide boundaries.

## Bargaining Power of Customers: Low, High

U.S. Citizens can exert some power over the INTERNAL REVENUE SERVICE when they can prove conclusively that they do not owe the government any money.

U.S. Federal Government receives funding through the performance of the Internal Revenue Service. If the Federal Government wants to affect the INTERNAL REVENUE SERVICE, law may be passed to amend the Internal Revenue Code.

Key Stakeholders

## The U.S. Federal Government

The federal government of the U.S. relies on the Collection Division of the INTERNAL REVENUE SERVICE to collect due taxes.

## Internal Revenue Service Employees

Employees of Internal Revenue Service have high stake in the success of the firm, which without, would result in them being without a source of income.

## U.S. Citizens

U.S. Citizens must pay taxes to the INTERNAL REVENUE SERVICE. The automatic collection system enhances the INTERNAL REVENUE SERVICE’s "speed of service, convenience, personalization, and price" (Kalakota).

# Solutions

## Restructure ACS’s work organization

## Restructure ACS’s work organization into semi-autonomous teams. These teams would be made up of individuals with all the functional expertise necessary to handle cases to completion and would be responsible for monitoring their own performance.

## Retrain ACS employees

Retrain ACS employees to be able to handle all aspects of the collection function. "Technology is a necessary condition, but it's not sufficient. To get the benefits at the time that we install the new technology, we must also" (Necessary) train employees on how to use that technology effectively.

## Change how the system is managed

According to a report given to the assistant commissioner for collection, there were seven factors that were significant in influencing employees’ reactions to ACS. They were the immediacy of monitoring information feedback, the nature of the feedback, the clarity of the criteria used to rate performance, the method of monitoring (involving the awareness of the employee to the supervisor monitoring them), the supervisor’s knowledge of the job, the supervisor’s leadership style, and the employee’s prior disposition toward computer monitoring. These factors heavily impact the effectiveness of monitoring and the employees’ reactions to it.

# Recommendation

It is my recommendation that the INTERNAL REVENUE SERVICE change how ACS is managed. Train supervisors on how to maximize the effectiveness of monitoring while maintaining a positive disposition to the case handlers.

# Work Cited

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