



*Planning for the 2006 Filing Season
Is on Course, but Challenges Exist
for the Toll-Free Telephone Operations*

February 2006

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This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 27, 2006

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM:

Michael R. Phillips
Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – Planning for the 2006 Filing Season Is on Course,
but Challenges Exist for the Toll-Free Telephone Operations
(Audit # 200540041)

This report presents the results of our review of whether the Wage and Investment Division Customer Account Services function adequately prepared its toll-free telephone operations for the 2006 Filing Season¹ and adequately considered and accounted for the effects of Hurricanes Katrina and Rita in the 2006 Filing Season preparations.

This review was conducted in conjunction with the President's Council on Integrity and Efficiency as part of its examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the President's Council on Integrity and Efficiency Homeland Security Working Group, which is coordinating the Inspectors' General reviews of this important subject.

Synopsis

Each year, millions of taxpayers contact the Internal Revenue Service (IRS) seeking assistance in understanding the tax law and meeting their tax obligations by calling the various Customer Account Services function toll-free telephone lines. The Customer Account Services function appears to have an effective planning process for the 2006 Filing Season. The process the Customer Account Services function uses to plan for the toll-free telephone operations is primarily budget driven and has not changed substantially from recent years. Additionally, prior Treasury Inspector General for Tax Administration (TIGTA) audits have shown the process generally to be effective. For example, in Fiscal Years 2004 and 2005, the TIGTA reported that

¹ The period from January through mid-April when most individual income tax returns are filed.



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the IRS provided taxpayers with effective access to its toll-free telephone lines and realized productivity and efficiency gains.²

If the Customer Account Services function 2006 Filing Season plans are properly implemented, taxpayers that call the IRS toll-free telephone lines for assistance should receive effective customer service. Customer Account Services function management has established goals and objectives for the 2006 Filing Season and, based on budget and data from prior years, has planned for the upcoming fiscal year to ensure staffing, training, and equipment are sufficient for the toll-free telephone operations.

While the planning process appears to be effective, the 2006 Filing Season could present unique challenges. We believe more taxpayers than the IRS estimates could call the Special Services Applications, the telephone lines used for disaster-related issues. In addition, the IRS had planned to reduce toll-free telephone hours of operation in Fiscal Year 2006. The Customer Account Services function will have about 400 fewer Full-Time Equivalents³ for toll-free telephone operations than it had in Fiscal Year 2005 due to plans to reduce operating hours from 15 to 12 hours per day. However, the IRS is still determining if it will reduce the toll-free hours of operation and when the new hours would take effect.

Congress and the National Treasury Employees Union have expressed concerns about the IRS reducing operating hours for the toll-free telephone lines. A new law enacted in November 2005 requires the IRS to consult with stakeholder organizations, including the TIGTA, regarding any proposed or planned efforts to terminate or reduce significantly any taxpayer service activity.⁴ Congress recently further defined a reduction of taxpayer service to include limiting available hours of telephone taxpayer assistance on a daily, weekly, and monthly basis below the levels in existence during the month of October 2005.⁵ As a result, in Fiscal Year 2006 the TIGTA is conducting an audit to evaluate the IRS' plans to reduce operating hours for the toll-free telephone lines.

² *Taxpayers Experienced Improved Access to Toll-Free Telephone Services During the 2004 Filing Season* (Reference Number 2004-30-144, dated August 2004) and *Taxpayers Continued to Experience Improved Access to Toll-Free Telephone Service During the 2005 Filing Season* (Reference Number 2005-40-155, dated September 2005).

³ A Full-Time Equivalent is a measure of labor hours in which 1 Full-Time Equivalent is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year. This usually equates to 1 person working 1 year, but can equate to 2 people working 1/2 of a year each, 2 people working part time for a full year, 3 people working 1/3 of a year each, etc. For Fiscal Year 2006, 1 Full-Time Equivalent is equal to 2,080 staff hours.

⁴ The Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, Pub. L. No. 109-115, 119 Stat. 2396 (2006).

⁵ Department of Defense Appropriations Act, Pub. L. No. 109-148, 119 Stat. 2680 (2006).



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Recommendations

We made no recommendations in this audit report but will monitor the toll-free telephone operations during the 2006 Filing Season.

Response

The IRS appreciated our acknowledgement of the detailed and complex planning process required to ensure a successful 2006 Filing Season and that each new filing season presents numerous unique challenges. Management's complete response to the draft report is included as Appendix IV.

Copies of this report are also being sent to the IRS managers affected by the report finding. Please contact me at (202) 622-6510 if you have questions or Michael E. McKenney, Assistant Inspector General for Audit (Wage and Investment Income Programs) (Designee), at (202) 622-5916.



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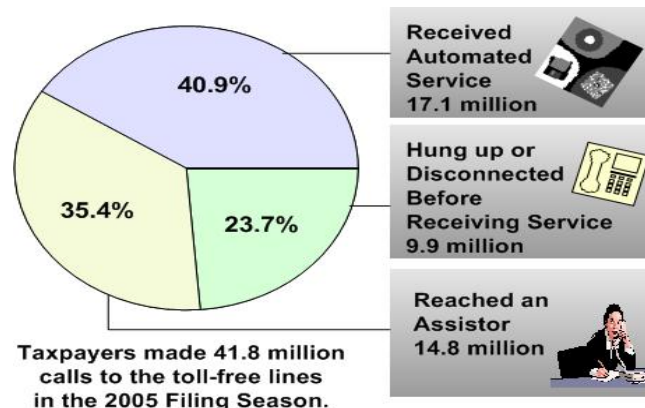
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Background

Most taxpayers' only contact with the Internal Revenue Service (IRS) is during the filing season, the period from January through mid-April when nearly all individual taxpayers file their tax returns. During these months, millions of taxpayers seek assistance filing their tax returns by calling the IRS on its toll-free telephone lines, walking into local IRS offices called Taxpayer Assistance Centers, or accessing the IRS' public Internet site, IRS.gov. Although accessing IRS.gov is the single most frequent means of contacting the IRS for taxpayers, the second most frequent means is calling the toll-free telephone lines.

The IRS is committed to providing quality customer service, and its success in doing so is essential to voluntary compliance. During the 2005 Filing Season, the IRS devoted 8,200 Full-Time Equivalents¹ to answer the toll-free telephone lines at call sites located throughout the United States and Puerto Rico. Taxpayers called the IRS Customer Account Services function toll-free telephone lines approximately 41.8 million times² during the 2005 Filing Season. Of these, 16.8 million were made to the toll-free telephone number, 1-800-829-1040, the telephone number taxpayers call to ask tax law or account-related questions.

Figure 1: IRS Handled Calls for the 2005 Filing Season



Source: IRS Enterprise Telephone Data Warehouse.

¹ A Full-Time Equivalent is a measure of labor hours in which 1 Full-Time Equivalent is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year. This usually equates to 1 person working 1 year, but can equate to 2 people working 1/2 of a year each, 2 people working part time for a full year, 3 people working 1/3 of a year each, etc. For Fiscal Year 2006, 1 Full-Time Equivalent is equal to 2,080 staff hours.

² These calls were made to the suite of 17 telephone lines the IRS refers to as "Customer Account Services Toll-Free." Unless otherwise specified, all references made in this report to the toll-free telephone system performance data are for Customer Account Services function toll-free telephone lines through April 16, 2005, and comparable prior years.



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In addition, over 9.4 million calls were made to the IRS automated TeleTax system³ that provides recorded tax law and refund information. Figure 1 shows the number of calls made to the Customer Account Services function toll-free telephone lines and the 14.8 million calls answered during the 2005 Filing Season.

Taxpayers that call the IRS can receive automated services or choose to speak to a live assistor, called a customer service representative (assistor). For taxpayers using a touchtone telephone, the automated service uses recorded information and interactive applications to provide automated refund status information, permit taxpayers to obtain a payoff amount for an outstanding balance due, or enable taxpayers to set up an installment agreement to settle a delinquent tax debt.

The Director, Customer Account Services, in the Wage and Investment (W&I) Division manages the toll-free telephone operations for the Customer Account Services function. Within the Customer Account Services function are the Accounts Management Office and the Joint Operations Center. Assistors in the Accounts Management Office answer the toll-free telephone lines and are trained and certified on specific applications⁴ for each current filing season. Assistors answer taxpayer questions involving tax law and other related tax account conditions such as refunds, balance-due billing activity, and changes to the amount of taxes owed. For example, if an individual taxpayer calls to find out where to mail a tax return, the call would be routed to an assistor who has been trained to handle IRS procedural issues for individual taxpayers. If a business taxpayer calls to find out the taxes due on a business account, the call would be routed to an assistor who handles balance-due questions for business taxpayers.

The Joint Operations Center serves as the central control organization for all of the IRS' toll-free telephone call routing. It uses intelligent call management software to control and route calls to call sites and assistors that have the skills and are available to answer the calls. In addition, it monitors the call sites for abnormally high queue (wait) times and/or number of assistors that are idle or available to answer calls. When this occurs, actions are taken to modify routing scripts and balance the workload and associated staffing.

Effective management of the IRS' toll-free telephone operations requires extensive planning prior to the beginning of each fiscal year. Based on historical data from prior filing seasons and planning assumptions for the upcoming filing season, the Accounts Management Office and Joint Operations Center Directors develop plans to maximize the effective use of resources, including plans to ensure sufficient staffing, training, and equipment for the toll-free telephone operations.

³ The TeleTax system allows taxpayers to check the status of their current year refunds or listen to recorded tax information on a variety of topics.

⁴ The Customer Account Services function toll-free telephone lines are further subdivided into categories called "applications." Each application is staffed with a group of assistors that have received specialized training to assist taxpayers with specific tax issues.



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The Customer Account Services function measures success and establishes goals in which to measure its success, including:

- Level of Service – The relative success rate of taxpayers calling for assistance and seeking services from an assistor. Part of the calculation of results for this measure includes the percentage of call attempts made by taxpayers compared to the number of calls answered by the IRS.
- Average Speed of Answer – The average number of seconds taxpayers waited in the queue before receiving services.
- Accuracy – How often customers received the correct answers to their inquiries and/or had their cases resolved correctly based upon all available information and Internal Revenue Manual required actions.

The effects of Hurricanes Katrina and Rita create unique challenges for the IRS and the 2006 Filing Season. The IRS has a Disaster Assistance and Emergency Relief Program to provide administrative tax relief to taxpayers and tax practitioners affected by a major disaster or emergency so they can meet their Federal tax obligations for filing tax returns or paying taxes without being penalized. In addition, the Katrina Emergency Tax Relief Act of 2005 (KETRA)⁵ enacted on September 23, 2005, contained provisions to provide relief for Hurricane Katrina victims.

In the hardest hit areas, the tax relief will be automatic and taxpayers will not need to do anything to get the extensions and other relief available. In areas where the Federal Emergency Management Agency (FEMA) has determined damage is more isolated or for other taxpayers outside the impacted area, taxpayers will be required to identify themselves as Hurricane Katrina victims when filing tax returns with the IRS. The IRS will also work with any taxpayer who resides elsewhere but whose books, records, or tax professional are located in the areas affected by Hurricane Katrina.

A total of 179 counties and parishes were declared a “Presidential Disaster Area” related to Hurricane Katrina – 22 counties in Alabama, 11 counties in Florida, 64 parishes in Louisiana, and 82 counties in Mississippi. For Hurricane Rita, a total of 254 counties in Texas and 64 parishes in Louisiana were declared disaster areas.

The IRS took numerous actions to provide broad relief to affected taxpayers. This included postponing deadlines for filing and payment, providing relief from interest and penalties, and waiving some low-income housing tax credit rules. It also waived the usual fees and expedited requests for copies of previously filed tax returns for affected taxpayers who needed them to apply for benefits or to file amended tax returns to claim casualty losses.

⁵ Pub. L. No. 109-73, 119 Stat. 2016 (to be codified in scattered sections of 26 U.S.C.).



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The KETRA applies to people affected by Hurricane Katrina and to those taxpayers helping victims of the disaster. For example, the KETRA provides for suspension of certain limitations on personal casualty losses; provides an additional personal exemption of \$500 for each Hurricane Katrina-displaced individual that a taxpayer houses for more than 60 days; and, with respect to taxable years beginning in 2005 or 2006, provides that taxpayers do not lose dependency exemptions or child credits or experience a change of filing status because of temporary relocations after Hurricane Katrina.

IRS employees also provided tax assistance at FEMA Disaster Assistance Sites in numerous locations. The IRS assigned 5,000 employees to augment Federal Government telephone call sites and provided additional employees to assist in approximately 34 FEMA disaster recovery centers in 13 States. The IRS called back 4,000 seasonal employees⁶ in September 2005 to minimize the disruption to ongoing IRS work.

This review was performed at the Customer Account Services function of the W&I Division Headquarters in Atlanta, Georgia, during the period September through December 2005. The audit was conducted in accordance with *Government Auditing Standards*. To timely report the results of the review, we ended testing on December 1, 2005. Since the Customer Account Services function had not completed planning for the 2006 Filing Season, many of the planning documents were still in draft status, were incomplete, or had not been finalized. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

⁶ Seasonal employees work during high workload volume periods that are specified in their seasonal employment agreement each year.



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Results of Review

The Customer Account Services Function Has an Effective Process to Prepare the Toll-Free Telephone Operations for the 2006 Filing Season

Based on the budget and data from prior years, the Customer Account Services function has planned the upcoming fiscal year to ensure sufficient staffing, training, and equipment for the toll-free telephone operations. The process the Customer Account Services function uses to plan for the toll-free operations is primarily budget driven and has not changed substantially from recent years. The impact of changes affecting the toll-free telephone operations, such as Hurricanes Katrina and Rita, is and will be addressed by daily real-time adjustments to move resources where they are needed to handle the demand for services.

Although planning for the 2006 Filing Season had not been completed when audit testing ended December 1, 2005, prior Treasury Inspector General for Tax Administration (TIGTA) audit results have shown the Customer Account Services function's planning process for the toll-free telephone operations is generally effective.⁷ For example, the TIGTA reported that, during the 2004 and 2005 Filing Seasons, the IRS provided taxpayers with effective access to its toll-free telephone lines and realized productivity and efficiency gains. In the 2005 Filing Season, the IRS achieved 105 percent of its planned assistor services and 90 percent of its planned automated services. Assistors answered 4 percent more calls than planned using 95 percent of the planned resources and more calls per Full-Time Equivalent than in the 2004 Filing Season. Nevertheless, in the 2005 Filing Season, the IRS reduced access to the toll-free telephone lines, causing taxpayers to wait a little longer to speak to an assistor and resulting in more taxpayers hanging up without receiving service.

The 2006 Filing Season could present unique challenges. The IRS had planned to reduce toll-free telephone hours of operation in Fiscal Year 2006. The Customer Account Services function will have about 400 fewer Full-Time Equivalents for toll-free telephone operations than it had in Fiscal Year 2005 due to plans to reduce operating hours from 15 to 12 hours per day. However, the IRS is still determining if it will reduce the toll-free hours of operation and when the new hours would take effect. If more taxpayers call in than planned, they could experience longer wait times than in recent filing seasons.

⁷ *The Wage and Investment Division Properly Planned for the 2002 Toll-Free Telephone Operation* (Reference Number 2002-40-058, dated March 2002), *Taxpayers Experienced Improved Access to Toll-Free Telephone Services During the 2004 Filing Season* (Reference Number 2004-30-144, dated August 2004), and *Taxpayers Continued to Experience Improved Access to Toll-Free Telephone Service During the 2005 Filing Season* (Reference Number 2005-40-155, dated September 2005).



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Congress and the National Treasury Employees Union have expressed concerns about the IRS reducing operating hours for the toll-free telephone lines. A law enacted in November 2005 requires the IRS to consult with stakeholder organizations, including the TIGTA, regarding any proposed or planned efforts to terminate or reduce significantly any taxpayer service activity.⁸ Congress recently further defined a reduction of taxpayer service to include limiting available hours of telephone taxpayer assistance on a daily, weekly, and monthly basis below the levels in existence during the month of October 2005.⁹ As a result, in Fiscal Year 2006 the TIGTA is conducting an audit to evaluate the IRS' plans to reduce toll-free operating hours for the toll-free telephone lines.

The Customer Account Services function has established its Fiscal Year 2006 objectives and goals

The Customer Account Services function appropriately used the W&I Division Strategy and Program Plan Fiscal Years 2006–2007, Draft Fiscal Year 2006 Program Letter,¹⁰ and Fiscal Year 2006 Work Plan to prepare for the upcoming fiscal year and filing season. As shown in Figure 2, the Customer Account Services function has established several toll-free telephone line goals for Fiscal Year 2006.

Figure 2: Customer Account Services Function Goals for Fiscal Year 2006

Measure	Fiscal Year 2006 Goal
Level of Service	82%
Average Speed of Answer	Below 300 Seconds
Accounts Accuracy	92%
Tax Law Accuracy	89%

Source: Draft Accounts Management Office Fiscal Year 2006 Program Letter.

W&I Division Strategy and Program Plan Fiscal Years 2006–2007

The W&I Division Strategy and Program Plan Fiscal Years 2006–2007 outlines operational priorities for taxpayer assistance, which include:

⁸ The Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, Pub. L. No. 109-115, 119 Stat. 2396 (2006).

⁹ Department of Defense Appropriations Act, Pub. L. No. 109-148, 119 Stat. 2680 (2006).

¹⁰ The Customer Account Services function Fiscal Year 2006 Program Letter had not been issued during the time we were conducting our audit tests. Therefore, our results are based on the draft version of the Program Letter obtained November 14, 2005.



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- *Leveraging opportunities for improvement by seeking the most efficient and effective channels of delivering filing season services, including responding to questions on tax law changes and processing of tax documents.* The Accounts Management Office will continue to develop and implement customer-driven improvements to telephone applications through blending of applications. The blending of applications is designed to improve the customer experience, for example, by combining specific applications to reduce customer transfer and hold time when a customer seeks “live” assistance.
- *Identifying less costly methods of service delivery, such as automation, to reduce customer dependence on traditional methods of delivery, improve quality, and utilize resources more efficiently.* The Joint Operations Center is planning to implement Centralized Contact Center Forecasting and Scheduling (CCCF&S) in Fiscal Year 2006. The CCCF&S is an end-to-end workforce management solution that produces schedules that achieve business results and maximize resources in a multichannel environment. The CCCF&S project will complete delivery of a dynamic, interactive system that will perform enterprise-wide tactical strategic planning of workload forecasts and staffing schedules.

Draft Fiscal Year 2006 Program Letter

The Draft Fiscal Year 2006 Program Letter highlights toll-free telephone operations objectives and goals, as well as the operating guidelines, for the upcoming fiscal year. Figure 3 compares the actual Level of Service and Average Speed of Answer¹¹ achieved for the last four filing seasons compared to the goals for Fiscal Year 2006.

Figure 3: Comparison of the Filing Season Actual Service to Fiscal Year 2006 Goals

Measure	2002	2003	2004	2005	Fiscal Year 2006 Goals
Level of Service	66.6%	82.4%	84.7%	81.7%	82%
Average Speed of Answer for Accounts	293	138	206	301	Below 300 Seconds (5 minutes)
Average Speed of Answer for Tax Law	160	196	165	190	Below 300 Seconds (5 minutes)

Source: IRS Enterprise Telephone Data Warehouse and Draft Fiscal Year 2006 Program Letter.

¹¹ The Average Speed of Answer goal is a program-wide goal; separate goals for Accounts and Tax Law Accuracy are not established each year.



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The Customer Account Services function also increased the Toll-Free Accuracy goals from Fiscal Year 2005 to 2006—from 90.5 to 92.0 percent for Accounts and from 82.0 to 89.0 percent for Tax Law.

The Draft Fiscal Year 2006 Program Letter also establishes the strategic measures and goals that will be used to assess the overall performance of the Accounts Management Office. It states the Customer Account Services function will continue its efforts to improve customer service. Of note in the Draft Fiscal Year 2006 Program Letter are plans to:

- Certify all assistors answering tax law applications are ready to correctly and completely respond to inquiries. The certification process will include application readiness action plans, including emphasis on enhancing each assistor's proficiency on the topics he or she has been assigned and certification status reports indicating whether assistors are currently certified or certification is still in progress. Final certification is to be completed by the end of the calendar year.
- Verify hiring has been accomplished to meet staffing levels. The Draft Fiscal Year 2006 Program Letter specifies that all levels of call site management must consistently focus on delivering the appropriate staffing for all assigned program areas. This includes (when necessary) using overtime, changes in tours of duty,¹² and cross training employees where appropriate. Each call site is responsible for creating filing season readiness plans and work schedules to plan the use of resources based on the projected staffing levels. The Program Management Office staff will monitor call site staffing using available staffing tools to ensure uniformity with authorized staffing patterns, span of control, and progress toward achieving the planned levels. Hiring will be tracked by regular hiring reports and reported to the Filing Season Readiness Executive Steering Committee and other levels of management.
- Redistribute assistors and workloads into other product lines as needed. The Draft Fiscal Year 2006 Program Letter specifies the strategy used to monitor delivery of services and transfer resources from one application to another to address fluctuations in demand in all toll-free product lines.
- Ensure assistors will be adequately and timely trained. The Draft Fiscal Year 2006 Program Letter outlines (by assistor experience level) specific training courses, the number of training hours, and a target completion date of January 23, 2006.
- Provide adequate space and equipment. The Draft Fiscal Year 2006 Program Letter reminds call site managers to ensure current workstation data are updated as needed to facilitate decisions on hiring, tours of duty, and space and equipment needs.

The Draft Fiscal Year 2006 Program Letter also provides guidance for seasonal employees (such as training, the events that are “out of season” that may extend the stated season in the seasonal

¹² “Tour of duty” is the term used to specify the days and times employees are scheduled to work.



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employment agreement, inclusion of seasonal employees when creating work plans and schedules, and management of the seasonal workforce) and provides an able roadmap for the upcoming year.

Fiscal Year 2006 Work Plan

Each year, the IRS allocates Full-Time Equivalents to the Accounts Management Office for the toll-free telephone operations. Based on the budgeted resources, the Customer Account Services function plans for the number of taxpayer calls that will be answered by assistors and the number of services taxpayers may need during the calls. These data are used to set the Level of Service goal for the filing season.

To reduce staff costs with the least effect on taxpayers, the IRS has plans to reduce certain hours of operation. Toll-free telephone operations hours of operation for October 1 through December 31, 2005, are 15 hours a day, from 7:00 a.m. to 10:00 p.m. local time. The IRS has plans to reduce hours of operation to 12 hours a day, from 8:00 a.m. to 8:00 p.m. local time, Monday through Friday. Caller access would be restricted to the hours of operation within each caller's own time zone.

Using historical data and planning assumptions, the Accounts Management Office and the Joint Operations Center work together to develop a Work Plan.¹³ Using 7,800 Full-Time Equivalents and 46.5 million estimated services to be provided (including screener), the Customer Account Services function established an 82 percent Level of Service and below 300 seconds Average Speed of Answer goals.

- The Accounts Management Office based its planning on 7,800 Full-Time Equivalents, about 400 fewer than in the Fiscal Year 2005 Work Plan. Customer Account Services function management stated assistors who were working the FEMA telephone lines or performing other Hurricane relief work had returned to duty on November 8, 2005, and will be ready for the 2006 Filing Season.
- The Accounts Management Office and the Joint Operations Center estimate the trend will continue that fewer taxpayers will use the toll-free telephone lines in Fiscal Year 2006. It estimates 31.9 million services will be provided (including screener) on the toll-free telephone lines during the Second Planning Period of Fiscal Year 2006 (January through June). This represents a decrease of 1.8 percent from the actual services provided for the same period in Fiscal Year 2005.

Customer Account Services function management stated they expect fewer calls program-wide in Fiscal Year 2006, even after taking into consideration taxpayers affected by Hurricanes Katrina and Rita. They believe most taxpayers needing disaster relief assistance obtained it

¹³ While the Customer Account Services function did not provide a copy of the Work Plan, the necessary information was obtained from the Joint Operations Center web site.



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during the latter part of Calendar Year 2005, and the Customer Account Services function had initially planned for a slight decrease in services to the Special Services Applications (the lines used for disaster-related issues). We believe more taxpayers than expected could call those telephone lines with questions because of the effects of Hurricanes Katrina and Rita. After we discussed our concern, Customer Account Services function management raised the estimated volume of services to these telephone lines by 78,432 services, from 26,646 to 105,078 from January through June 2006, reflecting a 365.1 percent increase over the total Fiscal Year 2005 services provided on those telephone lines.¹⁴

The Customer Account Services function staff will monitor and corporately manage the telephone workload using call site management tools. The Joint Operations Center staff use real-time data, with information about nontelephone workload, to make routing decisions and balance resources.

The Customer Account Services function has appropriately planned to train telephone assistors and update the tools used to help taxpayers with tax matters

All assistors are to be trained by January 23, 2006. In addition, all call site managers are required to certify (verify) that all assistors are properly trained and that assistors answering tax law questions have been certified on the topics assigned.

A review of the training program and the training plan showed training for the upcoming fiscal year is scheduled for all assistors and all call sites. As of December 1, 2005, when our audit testing was completed, all training had not been completed, but Accounts Management Office management is confident the training will be completed as planned. Training is scheduled from October 3, 2005, through January 20, 2006.

The required tax law training is listed on the schedules for six of the eight call sites that handle the majority of tax law applications; however, Customer Account Services function management stated training for tax law changes is scheduled for all call sites that handle tax law applications. The training for the other two call sites may not be listed on some training templates due to lack of space.

As of November 29, 2005, training had been completed in 187 of 323 scheduled training classes in 22 of 25 call sites. An additional 136 training classes are scheduled to be completed by January 20, 2006.

During Calendar Year 2005, eight new laws were enacted that affect tax administration. We reviewed the KETRA, as well as two of the other seven laws (the Energy Policy Act of 2005¹⁵ and the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005¹⁶) and determined

¹⁴ The estimated volumes of service are as of the end of our testing, December 1, 2005.

¹⁵ 109 P.L. 58, 119 Stat. 594 (2005).

¹⁶ 109 P.L. 8, 119 Stat. 23 (2005).



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whether assistors' tools had been updated or planned to be updated. The review indicated the Customer Account Services function has appropriately planned updates to the tools used by the assistors to ensure taxpayers are provided the most current and accurate information.

Changes to the Internal Revenue Manual (the IRS' internal guidelines), the *Probe and Response Guide*,¹⁷ the IRS Intranet, and training documents have either been completed or are being planned. Additionally, the Customer Account Services function has provided a dedicated webpage on the IRS Intranet where assistors can review information on changes and updates related to Hurricanes Katrina and Rita. Some updates to the *Probe and Response Guide* and the *Electronic Accounts Resolution Guide*¹⁸ have already been made (as of November 1, 2005). Final revisions have not yet been published in the Internal Revenue Manual; those updates are scheduled for publication by January 1, 2006.

Conclusion

The Customer Account Services function has an effective process to prepare its toll-free telephone operations for the 2006 Filing Season. In addition, it has considered the effects of Hurricanes Katrina and Rita in its planning efforts and, although it does not believe there will be a significant influx of calls from those taxpayers affected by these disasters, it has planned more services to the toll-free telephone lines dedicated to disaster relief applications. If the Customer Account Services function 2006 Filing Season plans are properly implemented, taxpayers who call the IRS toll-free telephone lines for assistance should receive effective customer service. Thus, we made no recommendations in this audit report. However, because of the effect of about 400 fewer Full-Time Equivalents and the potential effect of the recent Hurricanes, taxpayers may have to wait longer before speaking with an assistor. The TIGTA will monitor the toll-free telephone operations during the 2006 Filing Season.

¹⁷ The *Probe and Response Guide* is used by assistors to respond to telephone tax law inquiries on the topics covered in the *Guide*.

¹⁸ The *Electronic Accounts Resolution Guide* is used by assistors to respond to telephone and in-person inquiries regarding tax account issues.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the Wage and Investment Division Customer Account Services function adequately prepared its toll-free telephone operations for the 2006 Filing Season (the period from January through mid-April when most individual income tax returns are filed) and adequately considered and accounted for the effects of Hurricanes Katrina and Rita in the 2006 Filing Season preparations. To accomplish our objective, we:

- I. Reviewed guidelines and documents used to ensure 2006 Filing Season readiness; discussed filing season readiness with appropriate Internal Revenue Service (IRS) officials; and determined if Customer Account Services function management identified the appropriate objectives and goals for the 2006 Filing Season, especially for those areas affected by Hurricanes Katrina and Rita.
 - A. Obtained and reviewed copies of the Draft Fiscal Year 2006 Program Letter,¹ attachments, assumptions, training assumptions and templates; Filing Season Executive Steering Committee minutes and action items; and work plan scheduling data from the Joint Operations Center web site.
 - B. Reviewed procedures and internal controls for ensuring filing season readiness.
 - C. Identified new tax law legislation passed during Calendar Year 2005, especially that relating to Hurricanes Katrina and Rita.
 - D. Compared the 2005 Work Plan for the Second Planning Period (January through June) to the 2006 Work Plan for the Second Planning Period data on the Joint Operations Center web site to determine if the effects of the two Hurricanes had been considered and incorporated.
- II. Determined if the Customer Account Services function ensured all staff are adequately trained.
 - A. Discussed with Customer Account Services function management and analysts the procedures for ensuring all assistors, including employees that might be

¹ The Customer Account Services function Fiscal Year 2006 Program Letter had not been issued during the time we were conducting our audit tests. Therefore, our results are based on the draft version of the Program Letter obtained November 14, 2005.



*Planning for the 2006 Filing Season Is on Course,
but Challenges Exist for the Toll-Free Telephone Operations*

- detailed to the toll-free telephone lines, have had the required training prior to the start of the filing season.
- B. Reviewed training plans and scheduling templates prepared to ensure timely completion of all training for both permanent and seasonal employees.²
 - C. Determined if procedures and internal controls are adequate to ensure all staff are adequately trained and kept current on any changes to the tax laws.
- III. Determined if all tools used by the toll-free telephone assistors are updated with new tax law and procedures, specifically those dealing with Hurricanes Katrina and Rita. We compared proposed changes to the *Probe and Response Guide*,³ *Electronic Accounts Resolution Guide*,⁴ IRS Intranet sites, and Internal Revenue Manual (the IRS' internal guidelines) to the Katrina Emergency Tax Relief Act of 2005⁵ legislation and other new legislation enacted during Calendar Year 2005, to determine if those tools were or are scheduled to be updated with current information.

² Seasonal employees work during high workload volume periods that are specified in their seasonal employment agreement each year.

³ The *Probe and Response Guide* is used by assistors to respond to telephone tax law inquiries on the topics covered in the *Guide*.

⁴ The *Electronic Accounts Resolution Guide* is used by assistors to respond to telephone and in-person inquiries regarding tax account issues.

⁵ Pub. L. No. 109-73, 119 Stat. 2016 (to be codified in scattered sections of 26 U.S.C.).



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Appendix II

Major Contributors to This Report

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Appendix III

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Appendix IV

Management's Response to the Draft Report



COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

RECEIVED
FEB 10 2006

FEB 10 2006

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

for Richard J. Morgante *Pamela G. Watson*
Commissioner, Wage and Investment Division

SUBJECT:

Draft Audit Report – Planning for the 2006 Filing Season Is on
Course, but Challenges Exist for the Toll-Free Telephone
Operations (Audit # 200540041)

I appreciate your positive comments concerning our detailed planning in preparation for the 2006 Filing Season. Our planning begins almost a year in advance of the Filing Season based upon critical planning assumptions and budgetary considerations. These assumptions and considerations drive our staffing and training models to ensure that we have the right staff at the right time with the required skills to serve our customers. I appreciate your acknowledgement of the detailed and complex planning process required to ensure a successful Filing Season. Each new Filing Season presents numerous unique challenges. This year we have conducted several additional critical planning actions to ensure special hurricane assistance and to effectively implement late legislation. We look forward to effectively serving our customers in 2006.

If you have any questions, please call me at (404) 338-7060, or members of your staff may contact David L. Medeck, Director, Customer Account Services, at (404) 338-8910.