



*Appropriate Actions Were Taken to Maintain
Taxpayers' Level of Service, but Access Is
Lower Than That in Prior Years*

September 14, 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

September 14, 2006

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM:

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

SUBJECT:

Final Audit Report – Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years (Audit # 200640011)

This report presents the results of our review to evaluate the customer service toll-free telephone access during the 2006 Filing Season.¹ This audit was conducted as part of the Treasury Inspector General for Tax Administration's annual reviews of the performance of key customer service programs.

Impact on the Taxpayer

The Internal Revenue Service (IRS) planned and met its 2006 Filing Season toll-free performance measurement goals, providing taxpayers with effective access to its toll-free telephone system. We identified opportunities within the toll-free telephone scripts² for the IRS to educate and inform callers, either when taxpayers cannot connect to the toll-free telephone assistance lines or while they are on hold, which should improve taxpayer service and satisfaction.

Synopsis

Each year, millions of taxpayers contact the IRS seeking assistance in understanding the tax law and meeting their tax obligations by calling the various Customer Account Services (CAS)

¹ The filing season is the period from January through mid-April of each year when most individual income tax returns are filed.

² Scripts are used during menu selection and with recorded messages.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That In Prior Years

Toll-Free telephone assistance lines.³ During the 2006 Filing Season, the IRS made available approximately 9,900 customer service representatives (assistors) to answer the toll-free telephone lines at 25 call centers located throughout the United States and Puerto Rico and provided taxpayers with effective access to its toll-free telephone system.

The IRS planned and met its 2006 Filing Season toll-free performance measurement goals: 81.8 percent Level of Service, 295 seconds Average Speed of Answer, and 15 million CAS Assistor Calls Answered. The Level of Service is the primary measure of providing taxpayers with access to a live assistor. Average Speed of Answer is the average number of seconds taxpayers waited in the queue (on hold) before receiving services. Additionally, from January through March 2006, 94 percent of taxpayers that called the IRS toll-free telephone system and completed customer satisfaction surveys regarding their experience gave the IRS a rating of 4 (mostly satisfied) or 5 (completely satisfied) on a 5-point scale.⁴

The IRS achieved 98 percent of its planned assistor services and 110 percent of its planned automated services.

While the Level of Service for the 2006 Filing Season did not decline from that provided in the 2005 Filing Season and customer satisfaction surveys continue to be positive, the Level of Service is still below that provided during the 2004 Filing Season. In an attempt to reduce taxpayers' time waiting to speak to assistors, the IRS blocked more taxpayer calls in the 2006 Filing Season than in the 2005 Filing Season.⁵ More taxpayers disconnected prior to receiving assistance. Calls answered per Full-Time Equivalent (FTE)⁶ declined in the 2006 Filing Season. However, overall, callers waited less time to speak with assistors and abandoned fewer calls while on hold.

The CAS function's planning assumptions called for reducing the daily toll-free telephone operating hours from 15 hours to 12 hours, thus requiring fewer assistors to answer toll-free telephone calls. However, Congress enacted legislation⁷ restricting the IRS from reducing taxpayer services until the Treasury Inspector General for Tax Administration had completed a study of the proposed changes. As a result, the IRS did not reduce toll-free telephone hours of

³ These calls were made to the suite of 16 telephone lines the IRS refers to as "CAS Toll-Free." Unless otherwise specified, all references made in this report to the toll-free telephone system performance data are for CAS Toll-Free telephone assistance lines through April 22, 2006, and comparable dates in prior years.

⁴ The only taxpayers surveyed were a sample of those that completed their interactions with the IRS.

⁵ A blocked call is one that cannot be connected immediately because either no circuit is available at the time the call arrives (i.e., the taxpayer receives a busy signal) or the system is programmed to block calls from entering the queue when the queue backs beyond a defined threshold (i.e., the taxpayer receives a recorded announcement to call back at a later time).

⁶ An FTE is a measure of labor hours. One FTE is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year.

⁷ 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).



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That In Prior Years

operation in Fiscal Year 2006 and stated that being unable to reduce the toll-free telephone hours of operation while trying to maintain the same Level of Service during the 2006 Filing Season was not without costs. When the reduced operating hours were not implemented, it was too late for the CAS function to hire and train seasonal assistors. Therefore, there were fewer assistors available to answer the telephones.

Additionally, a review of telephone scripts used for 6 of 16 CAS Toll-Free telephone product lines showed the IRS has opportunities to educate and inform callers, either when taxpayers cannot connect to the toll-free telephone assistance lines or while they are on hold. For example, when the IRS is experiencing a high call volume or the taxpayer is calling outside the toll-free telephone operating hours, the IRS could educate the taxpayers or inform them of its self-help services. When a taxpayer is on hold, the IRS could provide information on new tax laws or upcoming filing deadlines or dates.

Recommendation

We recommended the Commissioner, Wage and Investment Division, review all toll-free telephone English and Spanish Call Flow Scripts for opportunities to educate the taxpayers or to inform them of self-help services on IRS.gov.

Response

IRS management agreed with our recommendation, stating that reviewing English and Spanish telephone call flow scripts may identify opportunities to educate taxpayers or inform them of self-help services. The IRS currently reviews the call flow scripts on a regular basis and agreed that there is value in looking for additional instances in which such announcements might be appropriate. It will also look closely at the costs of adding and maintaining such messages to determine the feasibility of doing so. Management's complete response to the draft report is included as Appendix VI.

Copies of this report are also being sent to the IRS managers affected by the report recommendation. 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), at (202) 622-5916.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Table of Contents

Background	Page 1
Results of Review	Page 5
The Internal Revenue Service Generally Planned Well for the 2006 Filing Season, but the Level of Service Was Below That Provided During the 2004 Filing Season	Page 5
Toll-Free Telephone Scripts Could Be Used to Inform and Educate Taxpayers	Page 12
<u>Recommendation 1</u> :.....	Page 15
Appendices	
Appendix I – Detailed Objective, Scope, and Methodology	Page 16
Appendix II – Major Contributors to This Report	Page 17
Appendix III – Report Distribution List	Page 18
Appendix IV – Customer Account Services Toll-Free Telephone Services Individual Product Lines for the 2005 and 2006 Filing Seasons.....	Page 19
Appendix V – Joint Operations Center	Page 21
Appendix VI – Management’s Response to the Draft Report	Page 23



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Abbreviations

CAS	Customer Account Services
FTE	Full-Time Equivalent
IRS	Internal Revenue Service
TIGTA	Treasury Inspector General for Tax Administration

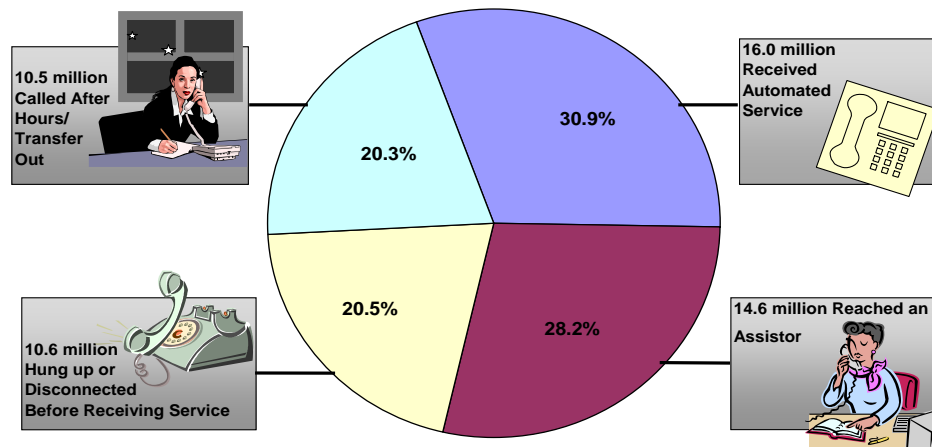


Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Background

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 toll-free telephone assistance lines. Taxpayers called the IRS Customer Account Services (CAS) Toll-Free telephone assistance lines approximately 51.7 million times¹ during the 2006 Filing Season.² Of these calls, 17.7 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. In addition, over 8 million calls were made to the IRS automated TeleTax system that provides recorded tax law and refund information. Figure 1 shows the number of calls made to the CAS Toll-Free telephone assistance lines and the 14.6 million calls answered during the 2006 Filing Season.

Figure 1: Calls Handled by the IRS in the 2006 Filing Season



Source: IRS Enterprise Telephone Data Warehouse.³

¹ These calls were made to the suite of 16 telephone lines the IRS refers to as “CAS Toll-Free.” Also, calls made to the TeleTax system are included in these calls. Unless otherwise specified, all references made in this report to the toll-free telephone system performance data are for CAS Toll-Free telephone assistance lines through April 22, 2006, and comparable dates in prior years.

² The filing season is the period from January through mid-April of each year when most individual income tax returns are filed. All references to the 2006 Filing Season made in this report, unless otherwise specified, are for the period from January 1 to April 22, 2006.

³ The Enterprise Telephone Data Warehouse is the official source for all data related to toll-free telephone measures and indicators.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

The CAS Toll-Free telephone assistance lines are further subdivided into categories called “applications.” Each application is staffed with a group of customer service representatives (assistors) that have received specialized training to assist taxpayers with specific tax issues. Assistors answer taxpayer questions involving tax law and tax account-related 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 the business taxpayer.

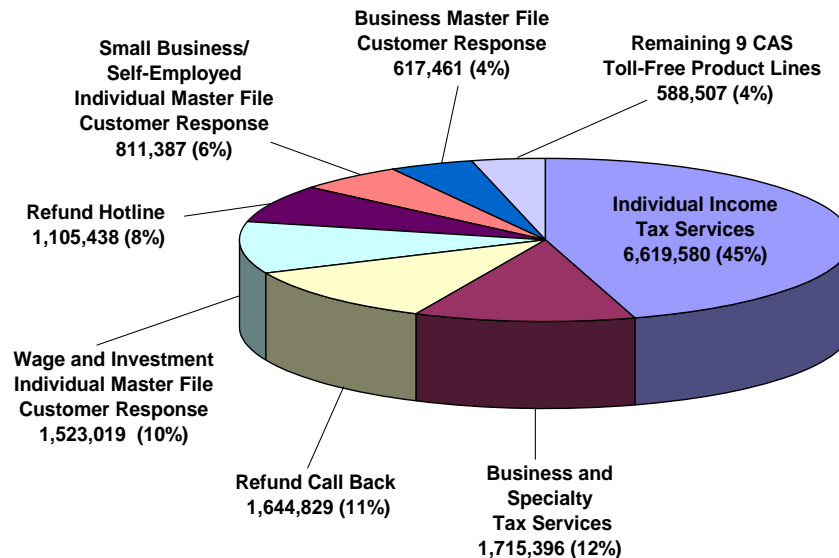
During the 2006 Filing Season, the IRS made available approximately 9,900 assistors to answer the toll-free telephone lines at 25 call centers⁴ located throughout the United States and Puerto Rico and provided taxpayers with effective access to its toll-free telephone system. The Director, CAS, Wage and Investment Division, manages tax law and account telephone calls through the Joint Operations Center. Appendix V explains the role of the Joint Operations Center and how telephone calls are routed to automated services or a live assistor. Appendix IV shows the CAS Toll-Free Telephone Service Individual Product Lines for the 2005 and 2006 Filing Seasons. Figure 2 shows the number of calls handled during the 2006 Filing Season.

⁴ Only nine call centers handle tax law questions.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Figure 2: CAS Toll-Free Telephone Service Product Lines and Number of Calls Answered⁵ During the 2006 Filing Season



Source: IRS Enterprise Telephone Data Warehouse.⁶

The IRS had planned to reduce toll-free telephone hours of operation in Fiscal Year 2006

As part of its strategy to reduce costs, the IRS had planned to reduce the toll-free telephone hours of operation from 15 hours to 12 hours. Currently, taxpayers can call the toll-free telephone lines and reach an assistor from 7 a.m. to 10 p.m. local time.⁷ The IRS planned to change the hours taxpayers can reach an assistor to 8 a.m. to 8 p.m. local time. The IRS estimated that reducing the hours and restricting a caller to local time zones could save approximately 410 Full-Time Equivalents (FTE)⁸ at a cost of approximately \$18 million. The IRS had planned to implement the new toll-free telephone operating hours in October 2005 and briefed the National Treasury Employees Union about the reduction on June 7, 2005.

⁵ Figure 2 does not include the Criminal Investigation Division Toll-Free telephone product line because this line became an automated service in January 2006.

⁶ The Individual Master File is the IRS database that maintains transactions or records of individual tax accounts. The Business Master File is the IRS database that consists of Federal tax-related transactions and accounts for businesses. These include employment taxes, income taxes on businesses, and excise taxes.

⁷ Local time means callers are limited to calling within their local time zones.

⁸ An FTE is a measure of labor hours. One FTE is equal to 8 hours multiplied by the number of compensable days in a particular fiscal year.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

However, due to concerns raised by the National Treasury Employees Union and the National Taxpayer Advocate over the proposed closing of several Taxpayer Assistance Centers⁹ nationwide, Congress enacted legislation on November 30, 2005,¹⁰ restricting the IRS from reducing taxpayer services until the Treasury Inspector General for Tax Administration (TIGTA) had completed a study of the proposed changes. Congress further defined a reduction of taxpayer service to include limiting available hours of toll-free telephone taxpayer assistance. As a result, the IRS did not reduce toll-free telephone hours of operation in Fiscal Year 2006.

This review was performed at the Joint Operations Center in Atlanta, Georgia, during the period January through June 2006. The audit was performed in accordance with *Government Auditing Standards*. The scope of this audit did not include an assessment of the quality of toll-free telephone services. The performance data we evaluated were provided by IRS management information systems. We did not verify the accuracy of these data. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

⁹ Taxpayer Assistance Centers provide taxpayers face-to-face assistance with interpreting tax laws and regulations, preparing certain individual tax returns, resolving inquiries on taxpayer accounts, accepting payments, and providing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations.

¹⁰ 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).



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Results of Review

The Internal Revenue Service Generally Planned Well for the 2006 Filing Season, but the Level of Service Was Below That Provided During the 2004 Filing Season

The IRS planned and met its 2006 Filing Season toll-free performance measurement goals—81.8 percent Level of Service, 295 seconds Average Speed of Answer, and 15 million CAS Assistor Calls Answered—and provided taxpayers with effective access to its toll-free telephone system. The Level of Service is the IRS' primary measure of providing taxpayers with access to a live assistor. Average Speed of Answer is the average number of seconds taxpayers waited in the queue (on hold) before receiving services. Figure 3 shows the actual performance measures for the last four filing seasons.

Figure 3: Comparison of the Performance Measures for the 2003–2006 Filing Seasons

CAS Toll-Free	2003	2004	2005	2006
Level of Service	83.1%	85.0%	81.8%	82.0%
Average Speed of Answer (seconds)	175	184	255	213
CAS Assistor Calls Answered (millions)	15.8	16.8	15.6	14.6

Source: IRS Enterprise Telephone Data Warehouse.

In addition, from January through March 2006, 94 percent of the taxpayers that called the IRS toll-free telephone system and completed customer satisfaction surveys regarding their experience gave the IRS a rating of 4 (mostly satisfied) or 5 (completely satisfied) on a 5-point scale.¹¹ The overall satisfaction rating was 4.7. Only 2 percent of the taxpayers were dissatisfied (i.e., gave a rating of 1 or 2).

¹¹ The only taxpayers surveyed were a sample of those that completed their interactions with the IRS.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

The IRS planned for fewer taxpayer calls

In preparation for the 2006 Filing Season, the Joint Operations Center planned to answer 31.9 million taxpayer calls (including 16.9 million calls to automated lines). This represents a 9.9 percent decrease from the 2005 Filing Season, 82.9 percent of which is a planned reduction in automated services as more customers use the Internet Refund Fact of Filing Service.¹² This estimate was based on historical data and workplan assumptions. Actual performance showed assistors answered 2 percent fewer calls than planned but used 99 percent of the planned resources.

The IRS planned to provide approximately .5 million fewer toll-free telephone assistor services and 2.9 million fewer automated services to taxpayers. The IRS defines a service as an issue or multiple issues handled by a single assistor. In general, one service equates to one or more taxpayer questions answered by one assistor. For example, one call might result in the IRS counting three services provided for one taxpayer: (1) asking a tax law question and requesting a form (two questions equals one service by one tax law assistor), (2) asking the status of an Employer Identification Number (one service by a business assistor), and (3) asking the status of the customer's individual account (one service by an individual account assistor).

For the 2006 Filing Season, the IRS achieved 98 percent of its planned assistor services and 110 percent of its planned automated services. Toll-free telephone automation and assistor services provided for the last two filing seasons have decreased steadily. There has also been a decline in tax law services due to more individuals using tax preparation software that thoroughly explains the preparation of their tax returns. Figure 4 shows the number of CAS Toll-Free telephone services provided for the last four filing seasons.

¹² This application allows taxpayers to check the status of their tax refunds on IRS.gov.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Figure 4: Comparison of CAS Toll-Free Telephone Services Provided for the 2003–2006 Filing Seasons (in millions)¹³

CAS Toll-Free	2003	2004	2005	2006
Automated Services Provided¹⁴	26.8	26.5	19.8	18.6
Assistor Services Provided	18.5	19.6	18.3	17.4
Totals	45.3	46.1	38.1	36.0

Source: IRS Enterprise Telephone Data Warehouse.

The decline in services made to the CAS Toll-Free telephone assistance lines is in part attributed to the continued increase in taxpayers' use of the Internet Refund Fact of Filing application, which allows taxpayers to check the status of their tax refunds. During the 2006 Filing Season, taxpayers made approximately 25.4 million attempts to access the Internet Refund Fact of Filing application. This represented a 16.5 percent increase from the 2005 Filing Season (from 21.8 million to 25.4 million).

The Level of Service was below that provided during the 2004 Filing Season

Each year, the IRS allocates FTEs to the Accounts Management function for operation of the toll-free telephone program. Based on these budgeted resources, the CAS function can plan for the number of taxpayer calls that will be answered by assistors and the numbers of services taxpayers may need during the calls. The CAS function has about 400 fewer FTEs for toll-free telephone operations than it had in Fiscal Year 2005. These data are used to set the Level of Service goal for the filing season.

IRS officials explained that there are various components of the Level of Service. To ensure the IRS provides taxpayers with the planned Level of Service, the IRS attempts to balance these components to reach its Level of Service goals. For example, it controls the number of taxpayer calls allowed into the toll-free telephone system to help improve the taxpayers' experiences once they connect to the system. In an attempt to reduce taxpayers' time spent waiting to speak to assistors, the IRS blocked more taxpayer calls in the 2006 Filing Season than in the 2005 Filing Season. A blocked call is one that cannot be connected immediately because either no circuit is available at the time the call arrives, (i.e., the taxpayer receives a busy signal) or the system is programmed to block calls from entering the queue when the queue backs up beyond a defined threshold

¹³ Due to changes in the methodology the IRS used to capture toll-free telephone data, the totals for previous filing seasons in Figure 4 may not equal the totals presented in previous TIGTA reports.

¹⁴ The Automated Services Provided category does not include the number of services provided by the Internet Refund Fact of Filing application.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

(i.e., the taxpayer receives a recorded announcement to call back at a later time). The IRS refers to the latter type of blocked call as a courtesy disconnect. Figure 5 shows a comparison of various components (workload indicators) the IRS uses to manage the Level of Service.

Figure 5: Comparison of CAS Toll-Free Telephone Level of Service Components for the 2003–2006 Filing Seasons¹⁵

CAS Toll-Free	2003	2004	2005	2006
Blocked Calls (millions)	.7	.5	.9	1.3
Primary Abandons (millions)¹⁶	5.7	7.1	5.5	6.2
Assistor Calls Answered per Toll-Free FTE	5,037	5,454	5,434	5,054

Source: IRS Enterprise Telephone Data Warehouse.

The IRS stated that being unable to reduce the toll-free telephone hours of operations while trying to maintain the same Level of Service during the 2006 Filing Season was not without costs. The CAS function's planning assumptions called for reducing toll-free telephone operating hours from 15 hours to 12 hours, thus requiring fewer assistors to answer toll-free telephone calls. However, Congress enacted legislation on November 30, 2005, restricting the IRS from reducing taxpayer services until the TIGTA had completed a study of the proposed changes. Congress further defined a reduction of taxpayer service to include limiting the hours of toll-free telephone taxpayer assistance on a daily, weekly, and monthly basis to those levels available during October 2005.

Funds made available by this or any other Act to the Internal Revenue Service shall be available for improved facilities and increased manpower to provide sufficient and effective 1-800 help line service for taxpayers. The Commissioner shall continue to make the improvement of the Internal Revenue Service 1-800 help line service a priority and allocate resources necessary to increase [tele]phone lines and staff to improve the Internal Revenue Service 1-800 help line service.

When the reduced operating hours were not implemented, it was too late for the CAS function to hire and train seasonal assistors. Therefore, there were fewer assistors available to answer the telephones.

¹⁵ Due to changes in the methodology the IRS used to capture toll-free telephone data, the totals for previous filing seasons in Figure 5 may not equal the totals presented in previous TIGTA reports.

¹⁶ The IRS refers to calls that disconnect before reaching the queue as primary abandons.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

More taxpayers calls were blocked during the 2006 Filing Season

Figure 6 shows the number of blocked calls for the last four filing seasons.

Figure 6: Comparison of Number of Blocked Calls for the 2003–2006 Filing Seasons¹⁷

CAS Toll-Free	2003	2004	2005	2006
Busy Signals	244,982	150,027	296,736	215,150
Courtesy Disconnects¹⁸	429,943	354,892	624,051	1,121,571
Selected Expanded Access¹⁹	56,732	9,650	0	0
Total Blocked Calls	731,657	514,569	920,787	1,336,721

Source: IRS Enterprise Telephone Data Warehouse.

Although blocked calls account for only 3 percent of the total call attempts for the CAS Toll-Free telephone assistance lines, total blocked calls increased in the 2006 Filing Season by 45.2 percent. This happened because the IRS made the business decision to increase the volume of taxpayers receiving courtesy disconnects. This allows taxpayers that do connect to wait less time to speak with an assistor, therefore decreasing the Average Speed of Answer.

More taxpayers abandoned (disconnected) their calls in the 2006 Filing Season

Primary abandons may occur when taxpayers (1) realize they input the wrong telephone number and immediately disconnect, (2) disconnect before completing an automated routing script, or (3) choose a menu option to use an automated service but disconnect before completing the service. For the 2006 Filing Season, the IRS experienced approximately 700,000 (12.7 percent) more primary abandons than in the 2005 Filing Season (see Figure 5).

The number of abandoned calls is directly related to the number of taxpayer calls attempted. Thus, the IRS compares the number of calls attempted to the number of calls abandoned. This percentage increased from 12.8 percent in the 2005 Filing Season to 14.2 percent in the 2006 Filing Season. Approximately 90 percent of the increase can be attributed to taxpayers disconnecting when asked to provide their Social Security Numbers when inquiring about the status of their refunds. Figure 7 shows the number of abandons and total attempts for the last four filing seasons.

¹⁷ Due to changes in the methodology the IRS used to capture toll-free telephone data, the totals for previous filing seasons in Figure 6 may not equal the totals presented in previous TIGTA reports.

¹⁸ Courtesy disconnects were introduced in Fiscal Year 2003.

¹⁹ The Selected Expanded Access is a system that allows a taxpayer to receive automated services in lieu of a busy signal during periods of peak demand. It was discontinued in Fiscal Year 2005 because network prompting now identifies upfront where to route the calls and sends them directly to assistors.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Figure 7: Comparisons of Abandons for the 2003–2006 Filing Seasons²⁰

CAS Toll-Free	2003	2004	2005	2006
Primary Abandons (millions)	5.7	7.1	5.5	6.2
Total Attempts (millions)	44.1	51.7	43.1	43.7
Percentage of Primary Abandons to Total Attempts	12.9%	13.7%	12.8%	14.2%
Secondary Abandons (millions)²¹	2.1	2.3	2.7	2.0

Source: IRS Weekly Enterprise Snapshot Reports.

Primary abandons can lead to taxpayers having to call back or possibly not receiving assistance at all because they find the toll-free telephone system too difficult to use. When taxpayers have these types of difficulties in navigating the automated menu before being placed in the queue to speak to an assistor, the IRS' strategic goal of improving taxpayer service is not being met. In completing customer satisfaction surveys during the 2006 Filing Season, taxpayers that called the IRS toll-free telephone system identified "finding the appropriate menu choice" and "time to get through to the IRS" as the top two improvement opportunities.²² Consequently, the continued identification and correction of causes for high levels of primary abandons is necessary.

Prior to November 22, 2004, the IRS did not have data on the taxpayers' experiences when navigating through the automated menu (i.e., the IRS could not determine where taxpayers disconnected). With implementation of the Internet Service Node, the IRS has detailed data about where and when taxpayers abandon calls. By analyzing these data, the IRS has information about taxpayer behavior while using the menu and can begin to deduce why taxpayers disconnected. Furthermore, changes to the automated menu, which in the past could take months, can now be completed internally within days.

²⁰ Due to changes in the methodology the IRS used to capture toll-free telephone data, the totals for previous filing seasons in Figure 7 may not equal the totals presented in previous TIGTA reports.

²¹ The IRS refers to calls that disconnect after reaching the queue as secondary abandons.

²² IRS Customer Satisfaction Survey, Toll-Free Wage and Investment Division National Report, Covering January through March 2006.

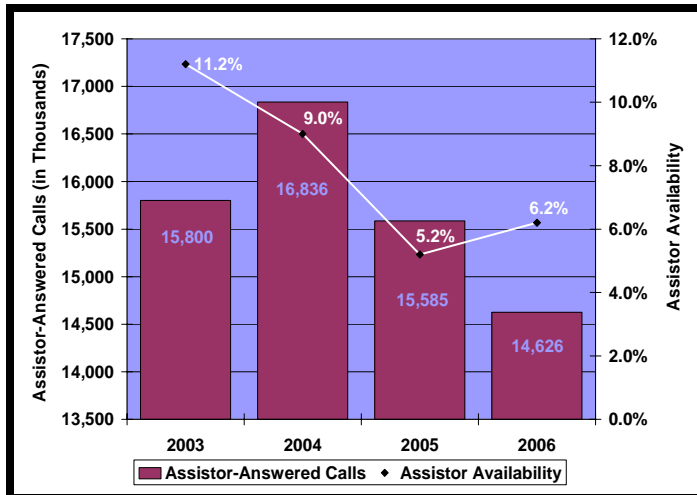


Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Assistors answered fewer calls per FTE than they did during the 2005 Filing Season

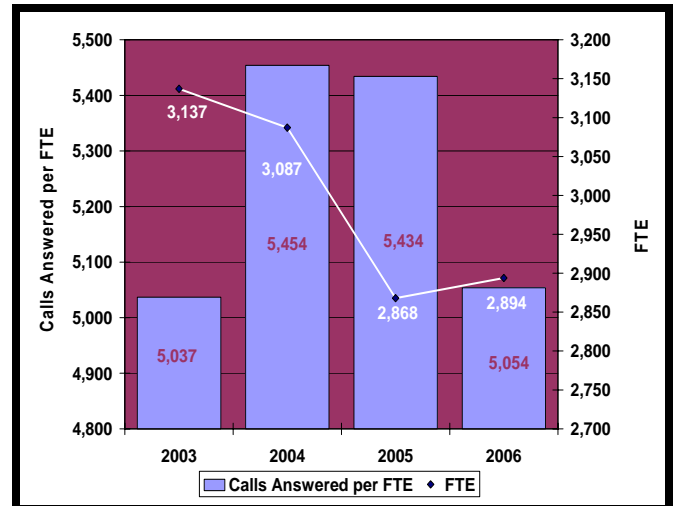
Assistors answered 5,434 calls per FTE in the 2005 Filing Season compared to 5,054 calls in the 2006 Filing Season (see Figure 5). In contrast, Assistor Availability, which measures the amount of time assistors are idle or available to answer calls, increased 1 percentage point (and by 19.2 percent overall) compared to the 2005 Filing Season. When Assistor Availability is low, assistors' time is being productively used and the cost of providing toll-free telephone services decreases. Figures 8 and 9 show a comparison of calls answered based on FTEs and Assistor Availability for the last four filing seasons.²³

Figure 8: Comparison of Calls Answered and Assistor Availability for the 2003–2006 Filing Seasons



Source: IRS Enterprise Telephone Data Warehouse.

Figure 9: Comparison of Assistor Calls Answered per Toll-Free FTE for the 2003–2006 Filing Seasons



Source: IRS Enterprise Telephone Data Warehouse.

Taxpayers seeking tax law assistance waited longer to speak with an assistor than those seeking tax account assistance

For the 2006 Filing Season, assistors answered 14.6 million calls; approximately 3.8 million were tax law calls and 9.7 million were account-related calls. The remaining 1.1 million calls answered were classified in other categories. While the IRS achieved its Level of Service goal, the average number of seconds taxpayers waited in the queue before receiving services (Average Speed of Answer) increased for taxpayers seeking answers to tax law questions. In addition, the Secondary Abandon Rate increased during the 2006 Filing Season. The Secondary Abandon

²³ The due date for the 2006 Filing Season ended on a weekend; therefore, there was a 2-day extension until April 17, 2006. The totals for the 2003–2005 Filing Seasons in Figures 8 and 9 may not equal the totals presented in previous TIGTA reports.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Rate is the rate at which taxpayers disconnected while waiting to speak to an assistor for answers to tax law questions after they had navigated the automated menu. Over one-half of the taxpayers with tax law questions received assistor service within 30 seconds of waiting (Assistor Response Level). According to the IRS Oversight Board²⁴ Survey conducted in 2004, individuals surveyed were willing to wait an average of 8 minutes to speak to an assistor.

During the 2006 Filing Season, 16.4 percent of all calls were transferred. This represents a 7 percent increase over the 2005 Filing Season. Over the last three filing seasons, the Transfer Rate²⁵ has remained fairly constant for calls from taxpayers seeking tax law assistance. However, the Transfer Rate for account-related assistance has increased during the last two filing seasons. Reducing call transfers lowers burden by having taxpayers spend less time on the telephone. The IRS' cost to handle a call is also lowered when the call is completed by the first assistor it is sent to and not transferred. Figure 10 shows a comparison of these measures for the last four filing seasons.

Figure 10: Comparison of Tax Law and Account Calls Performance Measures for the 2003–2006 Filing Seasons²⁶

CAS Toll-Free	Tax Law Calls				Account Calls			
	2003	2004	2005	2006	2003	2004	2005	2006
Average Speed of Answer (seconds)	194	163	188	223	139	203	299	215
Assistor Response Level	57.4%	64.2%	51.4%	55.5%	56.8%	44.6%	21.3%	38.6%
Secondary Abandons	10.2%	7.0%	8.5%	9.4%	6.8%	10.3%	13.9%	10.0%
Transfer Rate	30.0%	25.6%	25.5%	25.4%	11.0%	10.2%	10.7%	12.4%

Source: IRS Enterprise Telephone Data Warehouse.

Toll-Free Telephone Scripts Could Be Used to Inform and Educate Taxpayers

A review of telephone scripts²⁷ used for 6 of 16 CAS Toll-Free telephone product lines showed the IRS has opportunities to educate and inform taxpayers, either when taxpayers cannot connect to the toll-free telephone assistance lines or while they are on hold. For example:

²⁴ The IRS Oversight Board was created to improve the IRS so it may better serve the public and meet the needs of taxpayers.

²⁵ The Transfer Rate compares the number of calls transferred by assistors to the number of calls handled.

²⁶ Due to changes in the methodology the IRS used to capture toll-free telephone data, the totals for previous filing seasons in Figure 10 may not equal the totals presented in previous TIGTA reports.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

- When the IRS is experiencing a high call volume, the taxpayer is calling outside the toll-free telephone operating hours, or the IRS is having technical difficulties, the scripts do, where appropriate, refer taxpayers to available channels through which they could receive assistance or information, such as the IRS public web site IRS.gov.
- When callers are waiting to speak with assistors, they hear music when on hold. While they do hear an “appreciation delay” message informing them their calls will be answered in the order in which they were received, they do not hear any messages informing or educating them on the IRS, tax laws, or procedures. Also, they are not referred to other channels through which they might obtain self-help assistance.

Additionally, while taxpayers are on hold, the IRS does not provide an expected wait time or advise taxpayers what times are best to call the toll-free telephone lines.

There are opportunities within the toll-free telephone scripts for the IRS to educate the taxpayers or inform them of its self-help services. Taxpayers that call with a tax law question are referred to assistors trained in specific applications. For those applications, the IRS could provide taxpayers with information specific to their issues. For example, taxpayers calling about:

- The Earned Income Tax Credit could be directed to the “Earned Income Tax Credit Assistant” on IRS.gov or to the appropriate IRS publication(s).
- Their tax return refund could be directed to “Where’s My Refund?” on IRS.gov.
- How much they should withhold from their paychecks could be directed to the “Withholding Calculator” on IRS.gov.
- Whether the Alternative Minimum Tax applies to them could be directed to the “Alternative Minimum Tax Assistant” on IRS.gov.

When taxpayers call about account issues for which the IRS currently provides little self-help assistance, the IRS could provide them with other information about the IRS and its services, including information on new tax laws or upcoming filing deadlines or dates.

We discussed the scripts for the six CAS Toll-Free telephone product lines with IRS management. They stated the only toll-free telephone product line that could benefit from additional script analysis is the 1-800-829-1040 telephone line. Some CAS Toll-Free telephone product lines are response lines for taxpayers to call when responding to notices or other IRS communications. In addition, management explained that some taxpayers have attempted to use telephone automation to resolve their issues and were subsequently routed to the 1040 line.

However, some general information may be beneficial to all taxpayers, even if it is unrelated to why they are calling the IRS. For example, taxpayers could be informed that the deadline to file their returns this year was April 17, 2006, because April 15 fell on a Saturday. The General

²⁷ Scripts are used during menu selection and with recorded messages.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Services Administration and Citizen Service Levels Interagency Committee²⁸ issued a report in October 2005 with recommendations for service levels and best practices that are intended to serve as the basis for developing template “service level standards” for agency operations and performance-based Federal Government contracts.²⁹ The Committee considered it a standard that all agencies should provide to callers who call after contact center operating hours recorded information that includes the contact center’s hours of operation and a message encouraging callers to use any 24-hour/7 day-a-week option available for self-help in the interim, such as a web site.

In its report, the Committee also encouraged agencies to offer solutions to frequently asked questions (first preference) or music to callers on hold, to expand customer self-help opportunities and confirm for customers that there is a continuing connection, respectively. Further, callers that will be waiting for more than 30 seconds to speak to a customer service representative should be informed of the expected duration of their wait. The Committee believes these actions have a demonstrated impact on citizen satisfaction.

In addition, during a recent survey of IRS employees conducted for the Taxpayer Assistance Blueprint,³⁰ employees stated that taxpayers expect the IRS to inform them of the different communication channels available and which services can be accessed through each channel. Taxpayers are often unaware of other, possibly more convenient, channels they could have used to resolve their issues. Per the 2006 Taxpayer Assistance Blueprint Phase I April 24, 2006, report, one of the strategic improvement themes for improving taxpayer service is to improve and expand education and awareness activities.

²⁸ The Committee is comprised of 58 contact service representatives from 33 Executive branch agencies and the Smithsonian Institution, a trust establishment of the United States. The Committee’s mission is to develop and deploy Federal Government-wide guidelines to ensure citizens receive accurate, timely, and consistent service from the Federal Government.

²⁹ *Citizen Service Levels Interagency Committee (CSLIC) Report Proposed Performance Measures, Practices and Approaches for Government-wide Citizen Contact Activities.*

³⁰ The Taxpayer Assistance Blueprint is an IRS study to develop a 5-year plan to improve taxpayer services.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Recommendation

Recommendation: The Commissioner, Wage and Investment Division, should review all toll-free telephone English and Spanish Call Flow Scripts for opportunities to educate taxpayers or to inform them of self-help services on IRS.gov.

Management's Response: IRS management agreed with this recommendation, stating that reviewing English and Spanish telephone call flow scripts may identify opportunities to educate taxpayers or inform them of self-help services. The IRS currently reviews its call flow scripts on a regular basis and agreed that there is value in looking for additional instances in which such announcements might be appropriate. The IRS will also look closely at the costs of adding and maintaining such messages to determine the feasibility of doing so.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to evaluate the customer service toll-free telephone access during the 2006 Filing Season.¹ To accomplish this objective, we:

- I. Evaluated the IRS' preparation of the toll-free telephone system for the 2006 Filing Season.
 - A. Analyzed the IRS' planning documents for references to toll-free telephone access.
 - B. Identified any new tax law legislation passed during Calendar Year 2005.
 - C. Reviewed the U.S. Individual Income Tax Return (Form 1040) instruction booklet and *Your Federal Income Tax for Individuals* (Publication 17) to determine the accuracy of published toll-free telephone numbers.
 - D. Determined the process used to develop the workplans for the 2006 Filing Season.
- II. Determined whether the IRS implemented any new operational processes to improve taxpayer access to the toll-free telephone system for the 2006 Filing Season. We judgmentally selected a sample of 6 of 16 CAS Toll-Free telephone product line scripts to review for opportunities to educate and inform taxpayers of self-help services. We used this sampling methodology because we did not plan to project our results.
- III. Attended biweekly executive status meetings and reviewed toll-free telephone reports and workplans used to monitor call volumes and respond to any unanticipated changes in call patterns or problems taxpayers experienced accessing the toll-free telephone system.
- IV. Determined whether the toll-free telephone program achieved its 2006 Filing Season goals by reviewing the performance measures and indicators. This included comparing the 2006 Filing Season performance to that of prior filing seasons.
- V. Followed up on the IRS' planned corrective actions in response to recommendations made in prior Treasury Inspector General for Tax Administration filing season reports.
- VI. Determined whether the IRS decreased taxpayer services from the levels provided in Fiscal Year 2005.

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



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Appendix II

Major Contributors to This Report

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Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement SE
Deputy Commissioner, Wage and Investment Division SE:W
Director, Customer Account Services, Wage and Investment Division SE:W:CAS
Director, Strategy and Finance, Wage and Investment Division SE:W:S
Chief, Performance Improvement, Wage and Investment Division SE:W:S:PI
Director, Accounts Management, Wage and Investment Division SE:W:CAS:AM
Director, Joint Operations Center, Wage and Investment Division SE:W:CAS:JOC
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: Senior Operations Advisor, Wage and Investment Division SE:W:S



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Appendix IV

Customer Account Services Toll-Free Telephone Services Individual Product Lines for the 2005 and 2006 Filing Seasons¹

Product Lines	Assistor Answered Calls		Average Speed of Answer (Seconds)		Primary Abandons		Secondary Abandons		Level of Service (Percentage)	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
Individual Income Tax Services	7.3 M*	6.6 M	242	209	2.0 M	2.5 M	1.2 M	868,563	83.0	81.9
Business and Specialty Tax Services	2.0 M	1.7 M	196	190	458,389	336,724	323,484	235,131	84.6	83.9
Refund Hotline	778,981	1.1 M	344	249	1.6 M	2.1 M	191,849	177,758	77.1	80.3
Business Master File² Customer Response	676,338	617,461	221	180	55,101	100,163	109,017	52,624	85.4	91.2
Small Business/ Self-Employed Individual Master File³ Customer Response	816,849	811,387	257	206	182,644	184,554	121,651	102,654	84.6	84.2
Wage and Investment Individual Master File Customer Response	1.5 M	1.5 M	290	219	405,877	400,060	291,848	220,477	80.3	81.6
Refund Call Back	1.8 M	1.6 M	378	279	326,414	305,672	391,885	232,756	76.0	75.9
Special Services	22,112	65,853	138	169	455	14,383	1,515	9,352	91.7	85.7
Telecommunications/ Teletype	873	641	202	187	243,936	211,197	470	347	31.8	27.9

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

² The Business Master File is the IRS database that consists of Federal tax-related transactions and accounts for businesses. These include employment taxes, income taxes on businesses, and excise taxes.

³ The Individual Master File is the IRS database that maintains transactions or records of individual tax accounts.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Product Lines	Assistor Answered Calls		Average Speed of Answer (Seconds)		Primary Abandons		Secondary Abandons		Level of Service (Percentage)	
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
National Taxpayer Advocate	68,504	109,141	184	133	69,175	46,952	14,573	20,530	79.8	81.9
Criminal Investigation	178,410	0	274	0	55,058	0	30,889	0	63.1	0
Practitioner Priority Service	298,408	317,709	101	136	28,894	38,752	19,208	20,936	93.1	92.6
Taxpayer Assistance Center ⁴ – Customer Account Services	6,140	9,429	29	122	18	12	323	2,018	93.8	78.7
Volunteer Income Tax Assistance ⁵	15,263	15,564	145	137	553	683	1,822	1,849	87.6	88.6
International	56,088	56,295	176	267	23,468	26,347	4,128	7,785	91.0	86.5
International Employer Identification Number	13,250	13,875	189	191	6,709	5,391	1,393	1,283	89.5	91.1
Totals⁶	15.6 M	14.6 M	–	–	5.5 M	6.2 M	2.7 M	2.0 M	–	–

Source: IRS Enterprise Telephone Data Warehouse.⁷

*M = Million(s)

⁴ Taxpayer Assistance Centers provide taxpayers face-to-face assistance with interpreting tax laws and regulations, preparing certain individual tax returns, resolving inquiries on taxpayer accounts, accepting payments, and providing various other services designed to minimize the burden on taxpayers in satisfying their tax obligations.

⁵ The Volunteer Income Tax Assistance Program provides free tax return preparation assistance and electronic filing to underserved segments of individual taxpayers, including low-income, elderly, disabled, and limited-English-proficient taxpayers.

⁶ The individual product line totals will not sum to totals because of rounding.

⁷ The Enterprise Telephone Data Warehouse is the official source for all data related to toll-free telephone measures and indicators.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Appendix V

Joint Operations Center

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 centers and assistors who have the skills and are available to answer the calls. In addition, it monitors the call centers for abnormally high queue (wait) times and/or the 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.

The Joint Operations Center has the ability to trace one call from the time it is received to the time the call is terminated but does not do so because of the large volume of calls the IRS receives. The IRS does, however, monitor key segments in the life of a call; for example, from the time the call was answered by a screener to when it was transferred to an assistor, or from the time the call was answered by an assistor to the time the taxpayer was transferred or the call ended. The IRS believes this provides indications of the type(s) of service the average taxpayer receives.

Taxpayers that call the IRS can receive automated services or choose to speak to a live customer service representative (assistor). For taxpayers using a touchtone telephone, the automated services Telephone Routing Interactive System 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. For example, when calling 1-800-829-1040 with a tax law or account-related question, the taxpayer is provided, in English or Spanish, four touchtone main automated menu options with secondary options:

1. Preparing or filing individual income tax returns. This option provides the taxpayer with a second automated menu from which to choose the following options: (a) ordering tax forms or publications, (b) finding addresses to mail tax returns or payments to the IRS, or (c) getting help with other tax questions.
2. Requesting information on a tax refund or personal tax account. This option provides the taxpayer with a second automated menu from which to choose the following options: (a) questions concerning a refund or (b) questions concerning a personal account.
3. Using the business and specialty tax line or obtaining the address for the IRS Internet web site.
4. Repeating the above options.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

If the taxpayer does not select an option or is calling from a rotary telephone and is unable to select a touchtone option, the same script is repeated providing voice response options. If the taxpayer selects an invalid option, he or she is transferred to an IRS employee (screener), who screens and transfers the call to the appropriate assistor to answer the taxpayer's question. Assistors are trained and certified on specific "applications"¹ for each current filing season.²

¹ The CAS Toll-Free telephone assistance 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.

² The filing season is the period from January through mid-April when most individual income tax returns are filed.



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Appendix VI

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

RECEIVED
AUG 31 2006

AUG 31 2006

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Richard J. Morgante *Richard J. Morgante*
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than In Prior Years (Audit # 200640011)

I appreciate your recognition that we provided taxpayers with effective access to our toll-free telephone system and met our 2006 filing season toll-free performance measurement goals; Level of Service, Average Speed of Answer, and Assistor Calls Answered. These achievements are the result of the hard work and dedication of our employees, our managers' commitment to meeting our goals, and the realization of several initiatives to improve efficiency and planning. They are also a reflection of our long-range efforts to improve our telephone system hardware, software, and operating infrastructure. No two filing seasons are the same and each presents its own unique challenges, which must be weighed against the resources available to deliver our services.

You reported that the 2006 Level of Service performance measure was below what was provided during the 2004 filing season. However, the 2006 Level of Service was 82 percent, meeting the goal set for 2006 and exceeding the 2005 delivery of 81.8 percent. Additionally, customer satisfaction surveys continue to be positive with 94 percent of survey respondents rating the service received as a four (mostly satisfied) or five (completely satisfied) on a 5-point scale.

You also reported that more customer calls were blocked and more taxpayers disconnected (i.e., hung up) while navigating through automated scripts prior to being directed to an assistor. While more taxpayers disconnected (abandoned) their calls during the 2006 filing season, approximately 90 percent of that increase can be attributed to taxpayers disconnecting when asked to provide their Social Security number while inquiring about the status of their refunds through the automated system. Overall, customer service improved in that fewer customers hung up while waiting in the queue for an assistor after navigating through the automated system. Once in the



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

2

queue, customers waited less time to receive assistance as the Average Speed of Answer was 213 seconds, 42 seconds faster than in 2005.

We regularly review our English and Spanish telephone call flow scripts, and agree that there is value in identifying additional opportunities to educate taxpayers and inform them of self-help services. We will also look closely at the costs of adding and maintaining such messages to determine the feasibility of doing so. As appropriate, we will implement changes that educate and benefit our customers.

I appreciate your recommendation, and find that it is consistent with the efforts we currently have underway to enhance our customers' toll-free experience.

Our response to your recommendation is attached. If you have any questions, please contact me at (404) 338-7060, or members of your staff may contact Betsy Kinter, Director, Customer Account Services, at (404) 338-8910.

Attachment



Appropriate Actions Were Taken to Maintain Taxpayers' Level of Service, but Access Is Lower Than That in Prior Years

Attachment

RECOMMENDATION 1

The Commissioner, Wage & Investment Division, should review all telephone English and Spanish Call Flow Scripts for opportunities to educate the taxpayers or inform them of self-help services on irs.gov.

CORRECTIVE ACTION

We agree that reviewing English and Spanish telephone call flow scripts may identify opportunities to educate taxpayers or inform them of self-help services. We currently review our call flow scripts on a regular basis, and agree that there is value in looking for additional instances in which such announcements might be appropriate. We will also look closely at the costs of adding and maintaining such messages to determine the feasibility of doing so.

IMPLEMENTATION DATE

Not Applicable – We currently review telephone call flow scripts on a regular basis. As appropriate, we will implement changes that educate and benefit our customers.

RESPONSIBLE OFFICIAL

Director, CAS Accounts Management

CORRECTIVE ACTION MONITORING PLAN

We will monitor these corrective actions as part of our internal management control system.