Internal Revenue Service Strategic Plan

Department
of the
Treasury

**Internal
Revenue
Service**

Document 6941 (5-84)

Foreword

It is with a sense of considerable pride that I approve the Strategic Plan to carry out the Mission of the Service. The Plan consists of the Statements of Strategic Direction and the fifty—five initiatives to translate them into **action.** It is the product of a tremendous team effort by a large group of Service executives. Clearly without their effort and commitment we could not have achieved these results.

This Plan provides a strong foundation for directing tax administration efforts well into the **1990s** and lays the groundwork for the Service's entry into the **21st** century. Approval, however, is only the beginning. Still ahead are the major tasks of effectively implementing the approved initiatives and keeping the Plan current.

Our continued success requires a broad awareness and understanding of the Strategic Plan by **all** employees along with their managers and executives.

Each of us in the Service is therefore responsible for identifying new or alternative trends that impact on the Service's ability to carry out its Mission. In this way we will build on the solid start we have already made, while keeping the Plan current and ensuring that the Service remains the world's most effective tax administration agency.
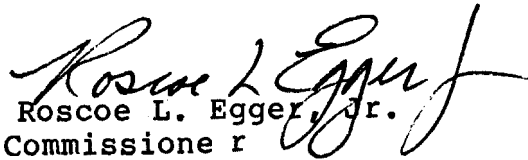
Roscoe L. Egger, Jr.
Commissione r
May 9, 1984

TABLE OF CONTENTS

TABLE OF CONTENTS

Subject   **Page**

TABLE OF CONTENTS

TABLE OF CONTENTS

Policy Statement P—i—i

The Mission of the Service

The purpose of the IRS is to collect the proper amount of tax revenues at the least cost to the public, and in a manner that warrants the highest degree of public confidence in our integrity, efficiency and fairness. To achieve that purpose, we will:

 — Encourage and achieve the highest possible degree of voluntary compliance in accordance with the tax law and regulations;

 — Advise the public of their rights and responsibilities;

 — Determine the extent of compliance and the causes of noncompliance;

 — Do all things needed for the proper administration and enforcement of the tax laws;

 — Continually search for and implement new, more efficient and effective ways of accomplishing our **Mission.**

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BALANCING EFFICIENCY AND EFFECTIVENESS

TRENDS

The environment and markets that IRS is operating in are becoming more dynamic due in part to increased mobility and rapidly advancing computer and communications technology. Moreover, there have been significant changes in tax law, tax avoidance tactics and tax evasion schemes. These changes can be expected to continue to occur at an increasing pace over the next decade.

In the past the environment was far more stable than it is today or will be tomorrow. Organizations functioning in a stable environment were able to improve their operations by doing the same job more efficiently, i.e., producing more output at a desired level of quality at a lower cost. However, in periods of rapid change, effectiveness, i.e., ensuring that the job being done is producing the desired result, becomes a more difficult and important concern. Therefore, in accomplishing our mission in the coming years, the pursuit of efficiency — ensuring that the job is done as economically as possible — that characterized our operations in the past decade must now be balanced by increased concerns for effectiveness   ensuring the right job is being done and that it is being done right.

We anticipate that productivity gains from technological advances — and the consequent freeing—up of human resources — will offer significant and growing opportunity to redirect resources to improving effectiveness. We should, however, seek to find the optimum balance of efficiency through the use of technology, training, staff support, etc., and effectiveness in terms of the impact of our programs on the integrity of the tax administration   system.

BALANCING **EFFICIENCY** AND **EFFECTIVENESS**

ISSUES

    (1)   Do existing information systems enable the Service to identify significant developments or trends promptly?

    (2)   Is the Service's organization structure capable of effectively and efficiently responding to rapid changes in the environment?

    (3)   Do we have adequate means of measuring the effectiveness of our programs?

STATEMENTS OF STRATEGIC DIRECTION

    1)   THE IRS WILL DEVISE WAYS TO IMPROVE ITS ABILITY TO IDENTIFY, PLAN FOR AND RESPOND TO **CHANGING** ENVIRONMENTAL TRENDS.

    2)   THE IRS WILL DESIGN ITS PROGRAMS AND PROCEDURES IN A WAY THAT EMPHASIZES FLEXIBILITY, PERMITTING RAPID REORIENTATION OR ELIMINATION OF PROGRAMS AS THE ENVIRONMENT CHANGES.

    3)   THE IRS WILL EXPAND ITS ATTENTION AND **COMMITMENT** TO PROGRAM EFFECTIVENESS (i.e., ACCOMPLISHMENT OF MISSION-RELATED GOALS), AND WILL IDENTIFY EFFECTIVE-NESS GOALS IN ALL FUNCTIONAL AND **PROGRAM** AREAS.

    4)   THE IRS WILL DEVELOP BETTER INFORMATION SYSTEMS TO TRACK PROGRESS IN MEETING EFFECTIVENESS GOALS AND WILL DEVELOP **CLEAR** AND, WHERE POSSIBLE, QUANTIFIABLE MEASURES OF PROGRAM EFFECTIVENESS AND EVALUATE ORGANIZATIONAL PERFORMANCE BASED ON THEM.

BALANCING EFFICIENCY AND **EFFECTIVENESS**

INTRODUCTION

The following eleven strategic initiatives recognize the need to balance efficiency and effectiveness. Both are important and must be pursued simultaneously; neither can produce success in isolation.

These initiatives provide many ways to facilitate greater **effectiveness** within the **Internal** Revenue Service. They include programs, procedures and measurements to ensure that we do not merely focus on doing a job as quickly and/or as inexpensively as possible but that we do the right job as well.

May 9, 1984

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ESTABLISH A STRATEGIC PLANNING SUPPORT GROUP

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE IRS WILL DEVISE WAYS TO IMPROVE ITS ABILITY TO IDENTIFY, PLAN FOR, AND RESPOND TO CHANGING ENVIRONMENTAL TRENDS.

o   THE IRS WILL DESIGN ITS PROGRAMS AND PROCEDURES IN A WAY THAT EMPHASIZES FLEXIBILITY, PERMITTING **RAPID** REORIENTATION OR ELIMINATION OF PROGRAMS AS THE ENVIRONMENT CHANGES.

o   THE IRS WILL EXPAND ITS ATTENTION AND COMMITMENT TO PROGRAM EFFECTIVENESS (I.E., ACCOMPLISHMENT OF MISSION—RELATED GOALS), AND WILL IDENTIFY EFFECTIVENESS GOALS IN ALL FUNCTIONAL AND PROGRAM AREAS.

o   THE IRS WILL DEVELOP BETTER INFORMATION SYSTEMS TO **TRACK** PROGRESS IN MEETING EFFECTIVENESS GOALS AND WILL DEVELOP CLEAR AND, WHERE POSSIBLE, QUANTIFIABLE MEASURES OF **PROGRAM** EFFECTIVENESS AND EVALUATE ORGANIZATIONAL **PERFORMANCE** BASED ON THEM.

II   INITIATIVE DESCRIPTION

In support of the Planning Council, designate the Assistant Commissioner (Planning, Finance and Research) and the chairmen of the four **Strategic Initiatives Teams to serve as members of a Strategic Planning Support Group responsible for ensuring follow—through on all initiatives approved** by the Commissioner.

III JUSTIFICATION

The Strategic Planning Support Group, composed of the chairmen of each of the four Strategic Initiatives Teams and chaired by the Assistant Commissioner (Planning, Finance and Research), have the pertinent background knowledge and understanding of the concepts and complexities that lie behind the strategic initiatives. Their cross—functional and field perspectives provide a level of input that could not be duplicated without organizing a new implementation team. This group will be an extension of the Policy and Strategic Planning Council to ensure follow—through on approved strategic

initiatives—they will serve a project management function. This will not affect the continued need for Regional and Assistant Commissioner input to the strategic planning process and review of issues slated for Council consideration.

The Strategic Planning Support Group will help reduce the load that the Planning Council has been carrying. Duties of the Planning Council members, both with respect to Council activity and with respect to their roles outside of the Council, demand great amounts of time. In providing executive support—as opposed to staff support—to the Council, the Strategic Planning Support Group will approve action plans (except for plans requiring Planning Council approval) and will monitor implementation of approved initiatives. The chairman will keep the Planning Council informed as to the progress of implementation.

Such executive attention is critical for the **implementation** and initial operational stages of approved **initiatives.** It will provide a means of assuring that initiatives will be timely accomplished and, when necessary, will enable changes to be made quickly; and, it will demonstrate further that the Service is making a long—term commitment to strategic management.

IV **PROGRAM CHANGES**

Provide for the continued participation of the Assistant Commissioner (PFR) and the four Strategic Initiatives Team chairmen, periodically convened as a Strategic Planning Support Group, to ensure follow—through on all initiatives approved by the **Commissioner.**

V RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

Immediate	Define the specific responsibilities of the Support Group
+ 1 month	Schedule and convene the Support Group
+ 8 months	Evaluate effectiveness of initiative, and modify modify as needed

VI   RESPONSIBLE OFFICIAL

Deputy Commissioner

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

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INCREASE AWARENESS OF AND COMMITMENT TO
STRATEGIC PLANNING PROCESS

I   STATEMENTS **OF** STRATEGIC DIRECTION

o   THE IRS WILL DEVISE WAYS TO **IMPROVE** ITS ABILITY TO IDENTIFY, PLAN FOR, AND RESPOND TO CHANGING **ENVIRONMENTAL** TRENDS.

o   THE IRS WILL DESIGN ITS PROGRAMS AND PROCEDURES IN A WAY THAT EMPHASIZES FLEXIBILITY, PERMITTING RAPID REORIENTATION **OR** ELIMINATION OF PROGRAMS AS THE ENVIRONMENT CHANGES.

o   THE IRS WILL EXPAND ITS ATTENTION AND **COMMITMENT** TO **PROGRAM** EFFECTIVENESS (I.E., ACCOMPLISHMENT OF MISSION—RELATED GOALS), AND WILL IDENTIFY EFFECTIVENESS GOALS IN ALL FUNCTIONAL AND PROGRAM AREAS.

o   THE IRS WILL DEVELOP BETTER INFORMATION SYSTEMS TO TRACK PROGRESS IN MEETING EFFECTIVENESS GOALS AND WILL DEVELOP CLEAR AND, WHERE POSSIBLE, QUANTIFIABLE MEASURES OF PROGRAM **EFFECTIVENESS** AND EVALUATE ORGANIZATIONAL PERFORMANCE BASED ON THEM.

II   **INITIATIVE DESCRIPTION**

Revise completely the procedural and organizational description of the IRS strategic planning **system** to insure that the system is **well—documented, understood, and committed to by managers and executives at all levels. Provide for a periodic reminder (cyclical) to develop, submit, and consider strategic** issues and initiatives.

III   **JUSTIFICATION**

For the strategic planning process to be effective, all Service personnel involved need a common appreciation of the goals and concepts involved, and must thoroughly understand their own roles and responsibilities.

The system—as it has developed thus far and as the strategic initiatives will further extend it—now needs to be documented comprehensively and disseminated to all Service personnel.

An established, recurring strategic planning timetable is nearly as valuable. Certainly, we must resist regimenting strategic planning to the extent that we risk short—circuiting one of its primary strengths—its innate receptiveness to environmental change and, when needed, flexibility in initiating a quick, well—targeted response. But the Service also gains considerably by having periodic benchmarks for reviewing long—term trends, trend implications, and related action alternatives that carry distant implementation dates. The system should require periodic reminders in a timely fashion to participants in the strategic planning process so that initiatives can be modified and incorporated in the Service budget.

IV PROGRAM CHANGES

Delete references to previously published planning procedures and develop new procedures in the Internal Revenue Manual that document in detail the strategic planning process and the responsibilities of each organizational component and level involved. Establish a periodic strategic planning reminder cycle, designed to lead into the budget cycle, to help synchronize planning efforts within the Service. Ensure however, that the system encourages change on a real time basis whenever conditions and events warrant doing so.

Publish all this information in the form of an IRM Handbook serve as a guide for all Service employees. A formal Continuing Professional Education (CPE) module (possibly associated with a module on the IRS mission) should be prepared in the National Office and issued to the field for use in conducting mandatory CPE for all managers during Fiscal Year 1984. Copies of the handbook should be given to all managers during these CPE classes. Top level district managers should conduct the CPE personally to communicate concern and commitment for strategic planning.

V RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

4 months	Issue revised IRM documenting the strategic planning process, the planning cycle, and the role required of each part of the organization.

TIME FROM
INITIATIVE

   5 months   Publish a handbook for all IRS employees discussing the IRS Strategic Planning System.

+ 6 **months**   Prepare and conduct during **FY** 1984 a 2—4 hour CPE module for all IRS managers and management officials.

   7 months   Use a cross—functional team approach to **implement** the published procedures that require **involvement** of their areas and functions.

+

+ 20 months   Evaluate sufficiency and effectiveness of procedures; **modify** as needed.

VI   RESPONSIBLE OFFICIAL

Director, Planning Division

VII   MULTI—YEAR BUDGET REQUIREMENTS

+   Requires use of existing resources.

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May 9, 1984

EXPAND **CONTRACTING** OF OA/DP SERVICES

I   STATEMENT OF STRATEGIC DIRECTION

o   THE IRS WILL DESIGN ITS PROGRAMS AND PROCEDURES IN A WAY
    THAT EMPHASIZES FLEXIBILITY, PERMITTING RAPID REORIENTATION
    OR ELIMINATION OF PROGRAMS AS THE ENVIRONMENT CHANGES.

II   INITIATIVE DESCRIPTION

Budget funds in all functional areas for
outside office automation **(OA) and other data**
processing (DP) applications and expertise to
**enable the Service to respond timely to
changes in the environment and shifts in
organizational direction.**

[Information Management Strategy Initiative 19, "Procurement
Delegation" also deals with increasing data processing
flexibility.]

III   JUSTIFICATION

An effective means of promoting responsiveness in large
organizations is to provide partially decentralized **mechanisms**
for responding to rapid environmental changes. While the Service
has provided a degree of administrative flexibility to the
functional and field components of the organization, that
latitude is more limited for office automation (OA) and other
automated data processing (DP) applications. As the degree of
automation within the Service increases, OA/DP rigidity could
become a more serious impediment to effective adaptation under
rapid environmental change.

A way to reduce rigidity is to provide funding for
contracting ad hoc OA/DP applications and consultations, making
such **changes** less dependent on the National—Office—based process
of computer application design, development, and implementation.
It would also be in addition to the contractual DP support
Computer Services uses to supplement its own workforce (e.g.,
with the Service Center **Replacement** System [SCRS]) and to
undertake major automation projects (e.g., the Automated
Examination and Collection Systems [AES and **ACS]).**

Use of such funds would be limited in one way: because close coordination with other computer systems would be absent, decentralized OA/DP applications could not be used to alter the Service's closely integrated systems — for example, the Master Files, Service Center systems, and Distributed Input System (DIS).

IV PROGRAM CHANGES

Reallocate resources to provide funds for outside ad hoc OA/DP services. Transfer OA/DP starter funds now (FY 1984) for use by Assistant Commissioners and Regional Commissioners.

V RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL   ACTION

Immediate   Identify and transfer OA/DP funding in FY 1984 and all subsequent budget proposals

VI RESPONSIBLE OFFICIAL

Director, Finance Division

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources:

STAFF YEARS	OTHER COSTS
1984	1,900*
1985	3,800*
1986–90	19,000**

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*   Existing ADP Funds
** Base Level ADP Funds ($3.8 million each year)

EXPAND FIELD LATITUDE IN USING RESOURCES

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE **IRS** WILL DESIGN ITS PROGRAMS AND PROCEDURES IN A WAY THAT **EMPHASIZES** FLEXIBILITY, PERMITTING RAPID **REORIENTATION** OR **ELIMINATION** OF PROGRAMS AS THE **ENVIRONMENT** CHANGES.

o   THE IRS WILL EXPAND ITS ATTENTION AND **COMMITMENT** TO PROGRAM EFFECTIVENESS (I.E., **ACCOMPLISHMENT** OF MISSION—RELATED GOALS), AND WILL **IDENTIFY** EFFECTIVENESS GOALS IN ALL FUNCTIONAL **AND** PROGRAM AREAS.

II   INITIATIVE DESCRIPTION

Provide district offices and service centers more flexibility and latitude to divert **resources and conduct tests they believe will make them more effective, even if such diversion modifies National Office work plans, procedures, and practices. Resource redirections would be limited to intra-functional and intra—appropriation shifts, with National Office notification to follow.**

III   JUSTIFICATION

Historically, work plans have been geared more towards efficiency goals. Offices are expected to examine a given number of returns or answer a prescribed number of telephone calls. While these goals are important for proper resource use and program management, they do not specifically address whether we are doing the right job in a specific geographical location or whether the **"right job"** is being done effectively and expeditiously.

The Service needs to maintain a balance in efficiency and effectiveness. Because field managers are in a position to address effectiveness **problems** at the local level, they should be given that flexibility in the work planning process. Encouraging creativity and innovation in this fashion is a change in the degree of autonomy permitted Service field executives rather than

an **"about** face" in current practices. We **anticipate,** however, that increased latitude, judiciously employed, can result not only in more effective programs at the local level but **also** in new ideas for national programs.

Field managers and staff are uniquely positioned to suggest ways to accomplish Service's mission. Their perspective needs to be considered more. For example, **Examination managers may** detect a local problem area, an emerging pocket of noncompliance, that they feel deserves immediate attention and increased resource emphasis. In cases such as these, the field should be **permitted** to pursue this situation even if the result is only partial achievement of the work plan.

IV   PROGRAM CHANGES

Develop a procedure to allow field offices to deviate from regional and National Office work plans. Each function should develop criteria for regional and National Office review of such requests that will assure that they are granted **timely** and are denied only under exceptional circumstances. As stated in the initiative description, this procedure should be sufficiently flexible that the field would make the resource shift and then notify the National Office of it. Similarly, **Regional** Commissioners need to **permit** this type of latitude among their directors.

V   **RECOMMENDED** ACTION PLAN

DATE **FROM**
INITIATIVE
APPROVAL

+ 3 **months**   **After** AC and **RC** review of a draft, issue
                     authorizing memorandum(s)

VI   RESPONSIBLE OFFICIAL

Regional Commissioner (Southwest)

VII **MULTI-YEAR** BUDGET REQUIREMENTS

Requires use of existing resources.

IDENTIFY AND MEASURE EFFECTIVENESS GOALS

ISTATEMENTS OF STRATEGIC DIRECTION

o   THE IRS WILL EXPAND ITS ATTENTION AND COMMITMENT TO PROGRAM
    EFFECTIVENESS (I.E., ACCOMPLISHMENT OF MISSION—RELATED
    GOALS), AND WILL IDENTIFY EFFECTIVENESS GOALS IN ALL
    FUNCTIONAL AND PROGRAM AREAS.

o   THE IRS WILL DEVELOP BETTER INFORMATION SYSTEMS TO TRACK
    PROGRESS IN MEETING EFFECTIVENESS GOALS AND WILL DEVELOP
    CLEAR AND, WHERE POSSIBLE, QUANTIFIABLE MEASURES OF PROGRAM
    EFFECTIVENESS AND EVALUATE ORGANIZATIONAL PERFORMANCE BASED
    ON THEM.

II   INITIATIVE DESCRIPTION

Through the Planning Council, identify
Service-wide effectiveness goals consonant
with the mission of the Internal Revenue
Service. Through the Assistant Commissioners
and through field line management organ-
izations, identify Service activities so
important that failure to accomplish goals
for an area will cause the function to not
accomplish its mission and the mission of the
Service. Through the Strategic Planning
Support Group's review of the adequacy of
proposed goals, identify goals that overlap
between functional areas or require coordi-
nation between functions. Define and
implement management information systems for
monitoring, in as objective a manner as is
feasible, program results relating to these
criteria.

III JUSTIFICATION

    Typical of indicators the Service uses to measure how well
it and its components are performing are: tax returns processed;
cost per thousand; notices issued; coverage; staff—hours per
case; cases closed; rulings issued. But these are almost
exclusively measures of efficiency or economy, rather than
measures of effectiveness. To balance the goal of Service

19   May 9, 1984

effectiveness with the equally critical goal of Service efficiency, managers must now focus on what effectiveness is and how it can be measured.

That focus must be unencumbered to the extent possible. The perspective of the Planning Council is needed to guide the functions and to guard against gaps for which no function, singly or in combination, is assigned responsibility. The perspective of each function is needed to develop the effectiveness goals critical to the success of that function and to develop useful, realistic, and measurable criteria. The approach taken by this initiative is designed to minimize blind spots that might occur if either the goals were developed solely by each function, or by the Planning Council without input from the functions. It is also designed to accommodate the reality that as situations change over time, so must the effectiveness criteria relating to those situations.

IV   PROGRAM CHANGES

Build, into the Service's planning and budgeting processes, reassessments of what effectiveness is and how it can be measured. Review existing performance indices to distinguish those that are effectiveness-oriented (e.g., doing the right job) from those that are efficiency-oriented (e.g., getting the most output for the least input). Identify and develop additional effectiveness measures (i.e., mission-based rather than workload-based). Identify and develop additional effectiveness improvements (e.g., programs, publicity, quality controls). Determine how to measure each goal in its operational context; monitor and evaluate based on those measurements.

Specifically, the process can be divided into five steps:

1   The Planning Council will identify rvice-wide effectiveness goals that are consonant with the mission of the Service, and provide illustrations of operationalized measurements. Couched in operational terms, the IRS mission statement will form for the Service the "core values" that are vital for highly successful organizations. Accompanying this set of core effectiveness criteria may be an outer set of Service-wide effectiveness goals. Two examples:

o   Fully resolving all problems associated with an account (or other work unit) rather than closing a case that is likely to reappear in another part of the Service or provide incomplete satisfaction for the taxpayer.

o   Encouraging, rather than limiting, lateral trans-
     fers and reassignments among Service employees.

2   Each function will identify basic **ongoing** program
     activities critical to accomplishing the overall
     mission of the Service and the mission of the function.
     Critical activities are those so **important** that failure
     to carry them out will cause the function to not
     accomplish its mission and the mission of the Service.
     Effectiveness goals and measurement criteria will then
     be set for those activities. Example: Accurately
     responding to a taxpayer inquiry **and** correcting any
     problem condition within an established, short period
     of time.

3   Each function will then review its basic program
     activities and directions in relation to the Service
     mission and the function's mission to determine **if new**
     efforts or directions would improve its overall
     effectiveness. This review will include all strategic
     initiatives approved for implementation. Criteria will
     be put in place to measure the effectiveness of those
     areas.

4   Before implementation, the effectiveness goals will be
     submitted through the Strategic Planning Support Group
     to the Planning Council. The Support Group will
     identify for the Council those goals that overlap
     functional areas or otherwise require coordination
     between functions. The Support Group may also direct
     the meshing of functional programs or the setting of
     cross—functional goals to be developed **among the**
     appropriate Assistant Commissioner areas.

5   To evaluate organizational effectiveness, information
     systems will be developed by each function to measure
     and evaluate **accomplishments.** Of course, some
     satisfactory measurements may already be in place.
     Sometimes they can be captured by modifying or
     extending existing systems, or by substituting new
     criteria for some of our existing measures. There will
     be situations as well where new systems or substantial
     modifications may be necessary.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 1 month   Identify IRS-wide effectiveness goals and
                 examples of specific measures.

+ 6 months   **Review** existing indices and identify functional
                 area effectiveness goals.

+ 9 months   **Review and approve effectiveness goals and
                 specific measurement** criteria.

+ 9 months   Initialize goals and develop monitoring

Ongoing   Identify effectiveness improvements and revise as
                 needed

VI   **RESPONSIBLE** OFFICIAL

Assistant Commissioner (Human Resources)

VII   MULTI—YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

INCREASE THE USE OF ON—LINE REVIEWS

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE IRS WILL DESIGN ITS PROGRAMS AND PROCEDURES IN A WAY
      THAT EMPHASIZES FLEXIBILITY, **PERMITTING** RAPID **REORIENTATION**
      OR ELIMINATION OF PROGRAMS AS THE **ENVIRONMENT** CHANGES.

o   THE IRS **WILL** EXPAND ITS **ATTENTION AND COMMITMENT** TO PROGRAM
      EFFECTIVENESS (I.E., **ACCOMPLISHMENT** OF MISSION—RELATED
      GOALS), AND WILL IDENTIFY EFFECTIVENSS GOALS **IN** ALL
      FUNCTIONAL AND PROGRAM **AREAS.**

II   INITIATIVE DESCRIPTION

> **Monitor program effectiveness,   making greater**
> use of on—line review as opposed to post—
> **review. This will,** in some cases, require
> **redesigning current management information**
> systems to provide timely and accurate
> reports information.

III JUSTIFICATION

To improve monitoring of program effectiveness adequately,
additional mechanisms are necessary to aid managers in keeping
attuned to their work operations.

The case for increased on—line (i.e., open—case) reviews is
that **quality** of **employee performance** as well as **quality** of the
can be identified and errors corrected before they
are made or before they adversely affect the public. In a post—
review situation, it is too late to affect the quality of
employee performance on the subject case, or to **timely** correct
work product errors. In many situations, cases (or other work—
units within the Service) are reviewed only after completion.

Several functions (e.g., Examination, Collection) are
currently studying the managers' span of control and analyzing
the duties and tasks performed by managers. It appears that the
span of control of many front—line Service managers needs
adjusting to insure that sufficient **time** is available for open—
case reviews.

IV   PROGRAM **CHANGES**

Management practices of reviewing work would be substantially altered by maximizing opportunities to perform on-line work reviews in addition to continuing post—reviews on a sampling basis. The increase in on—line review should be partially offset by a reduction in review by staffs performing post—review, where frequent use of strict sampling techniques is likely to predominate. The relative emphasis of open—case or closed—case reviews is a matter of balance, and we need both. The ultimate decisions belong to local **managers,** with functional areas and higher line managers encouraging a shift toward on—line reviews.

V   RECOMMENDED **ACTION** PLAN

TIME **FROM** INITIATIVE APPROVAL	ACTION
+ 3 **months**	Each Assistant **Commissioner** tentatively determines what operations are susceptible to on—line reviews and how the reviews would be conducted
+ 5 **months**	Circulate to Regional **Commissioners** for comment
+ 9 **months**	Implement on—line review concept nationwide
+ 21 months	Analysis conducted of viability of on—line **reviews**

VI   **RESPONSIBLE OFFICIAL**

District Director, Chicago

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of both existing and new resources:

OTHER COSTS

1984	20*
1985	200
1986—90	**1,000****

*   Timing precludes significant FY 84 impact
** Based on 200 SY each year—could vary up or down

This initiative can be funded in part within existing resource levels, and at least part of the data processing changes can be built in over a two—year period of routine annual changes. Although increased review time is necessary for managers, this should be partially offset by expending slightly less time in post—review.

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DECENTRALIZE TREND ANALYSIS

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE IRS WILL DEVISE WAYS TO **IMPROVE** ITS ABILITY TO IDENTIFY, PLAN FOR, AND RESPOND TO CHANGING ENVIRONMENTAL TRENDS.

o   THE IRS WILL DESIGN ITS PROGRAMS AND PROCEDURES IN A WAY THAT EMPHASIZES FLEXIBILITY, PERMITTING RAPID **REORIENTATION** OR ELIMINATION OF PROGRAMS AS **THE** ENVIRONMENT **CHANGES.**

II   INITIATIVE DESCRIPTION

Increase   the field and functional impact on research and planning activity through more **involvement in the process** by:

o   Decentralizing some of the Service's national   **research   and   planning** activities to selected trend—sensitive districts where a staff of skilled planners can assess trend conditions and feed better and more timely information into the strategic planning process.

o   Rotating   some field employees and National   Office functional employees into Research and Planning Divisions for extended (e.g., two year) assignments.

III JUSTIFICATION

Literature on strategic planning suggests that particular parts of the country are trend—setting areas. They undergo changes a few to several years before the rest of **the** country; seeds of change are thus discernible in these areas before national trends develop. A good **example** is the tax protest movement. When it first appeared in the western part of the country, it was assessed to be a local **problem.** However, it has developed into a problem of national significance.

27   May 9, 1984

Research and planning personnel in trend—sensitive districts could conduct research studies and trend analyses on a local level. This would help us identify emerging trends and, in turn, develop responses for dealing operationally with identified trends.

Rotating field employees into the National Office Research and Planning Divisions is simply the other side of the same coin. Field employees would provide cross—functional expertise. In addition, their presence at the National Office would make the strategic planning work product more operationally relevant. Similarly, temporarily exchanging analysts, entry—level managers, and mid—level managers between research and planning areas and other areas within the National Office could significantly improve not only research and planning activities but operational activities as well.

Although many excellent employees are reluctant to change their posts of duty, they would be more likely to accept rotational assignments if such employees knew their stay would be temporary and its duration assured beforehand (e.g., eighteen months), if they received reasonable reimbursement (as, for example, the recently improved moving expense compensation), and if the Service offered a "return rights" contract guaranteeing return to the original post of duty at the same or better job. If time showed that participants were able to gain professionally from rotational assignments, more employees would become interested in accepting such assignments.

Initiatives teams in other trend areas have also identified a need for trend identification and analysis in those areas—in particular, Initiative ERR-9, "Workforce Trends and Legislation," in Enhancing Recruitment and Retention of Employees," and, Initiative SVC-5, "Establish Compliance Coordinating Committees," in rengthening Voluntary mpliance. Those proposals strongly contribute to this one, differing only in that other teams envision centralized, special—purpose review groups and trend analysts.

IV   PROGRAM CHANGES

This initiative would require no program changes, but would require an organizational change because some planning and research functions, now centralized at the National Office, would be dispersed. Considering the novelty of this idea, it should be piloted to perfect the concept before full implementation.

Establish two pilot districts, each in a part of the country where events seem often to presage developments elsewhere. Detail a National Office professional from Planning or Research Division to conduct research studies or trend analyses at that

site. Concurrently, detail two field employees into the National Office. Establish the Regional Commissioner as the regional focal point for strategic planning. Also cross—detail two employees between Planning and another functional area within the National Office.

Evaluate the pilot after a year in operation, using the pilot to help determine the best method of district—based planning operation. The pilot may be done in conjunction with the pilot designated in Initiative BEE-8, "Improve Trend Reporting."

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 3 months	Identify trend—setting districts for tax administration purposes; secure concurrence of Regional Commissioners of districts involved
+ 6 months	Initiate pilot in the National Office and two districts
+ 18 months	Terminate pilots; evaluate effectiveness of initiative; report to Planning Council
+ 24 months	Modify where needed to improve process; expand to other districts

VI   RESPONSIBLE OFFICIAL

Assistant Commissioner (Planning, Finance and Research)

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires use of both existing resources (FY 1984 & 1985) and new resources (FY **1986-1990).**

	OTHER COSTS
YEARS	
1984	60*
1985	60*
1986-90	750*

* Costs are moving **expenses** estimated to be $30,000 for
  each reassigned employee.

IMPROVE TREND REPORTING

I   STATEMENT OF STRATEGIC DIRECTION

o   THE IRS WILL DEVISE WAYS TO IMPROVE ITS ABILITY TO IDENTIFY, PLAN FOR, AND RESPOND TO CHANGING ENVIRONMENTAL TRENDS.

II   INITIATIVE DESCRIPTION

Improve the current system for identifying trends by:

o   **Making greater use of outside expertise.**

o   **Developing trend reports at selected trend—sensitive district offices.**

III   JUSTIFICATION

Trend analysis involves four phases: (1) identifying trends, (2) gathering and organizing data, (3) interpreting trends as to their Service impact, and (4) formulating and analyzing alternative responses. Policy—makers then decide which response to implement.

The Service's mechanism for identifying and responding to trends ("environmental scans") includes all of these phases, but splits responsibility for them between staff and executives. The Assistant Commissioner (Planning, Finance and Research) is responsible for the first two phases, and the Planning Council and their designated executive teams are responsible for the latter two, as well as for decision—making. The decision to split responsibility in this way was deliberate, as it was felt that determining impact and formulating alternative responses were executive functions.

The system for identifying and responding to trends could be improved if the Service's research and planning staffs, with assistance from affected functions, did complete trend analyses, including interpreting trends as to Service impact, and then developing alternative responses. The Planning Council could identify alternative courses of action not presented by staff, and the Commissioner would decide which response to implement. To help cope with this increased responsibility, research and

planning components should make more frequent use of outside, field, and National Office functional expertise. This initiative has near parallels in Initiative **SVC-5**, "**Establish** Compliance Coordinating **Committees**," in <u>Strengthening</u> <u>**Voluntary**</u> <u>**Compliance**</u>, and Initiative **ERR-9**, "**Workforce** Trends and Legislation," in <u>**Enhancing**</u> <u>**Recruitment**</u> <u>**and**</u> <u>**Retention**</u> <u>**of**</u> <u>**Employees**</u>.

Outside expertise would be particularly valuable in the data—gathering and data—organizing phase of trend analysis. Using expertise—by-contract for some of the Service's trend scanning would **free** up planning personnel, along with repre- sentatives from affected functions, to concentrate on interpreting trends and developing responses. Service personnel would, of course, continue to be involved in trend identification and data **gathering**, but in directing rather than performing those time—consuming efforts.

Requiring field participation, especially from trend— sensitive **localities**, in trend analyses would serve the same goal. Field personnel would bring an operational perspective to the planning process. Their input would be especially valuable for identifying possible operational responses.

This approach accords with the concept that strategic planning should be a continuous process. It would lead to more **"action-oriented"** trend analyses, culminating in more timely policy **decisions**.

IV   PROGRAM CHANGES

For the pilot period, the Assistant Commissioner (Planning, Finance and **Research)** will, with concurrence of the Regional Commissioners **involved**, designate two districts in localities quick to **reflect** budding trends. Pilot districts will submit trend reports through Regional Commissioners to the Assistant Commissioner (Planning, Finance, and Research). Both PFR and the pilot districts will also be able to contract for trend analysis. Reports, once incorporated into trend analyses by PFR and reviewed by **Assistant** Commissioners, will be forwarded to the Planning Council for consideration and action.

The pilot will be evaluated after a year of operation. The pilot may be done in conjunction with the pilot designated in Initiative **BEE-7**, "Decentralize Trend Analysis." (Note: Trend reports may be prepared on occasion by staff in other districts, regions, and **service** centers.)

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE

ACTION

+ 3 months   Determine pilot districts; determine trend report
format; define scope of outside expertise needed

+ 6 months   Initiate pilot field trend reporting; award a
general contract that both N.O. and pilot
districts can tap into for trend studies

+ 18 months   Terminate pilots; evaluate effectiveness of
initiative; report to Planning Council

+ 24 months   Modify where needed to improve process; expand to
other districts in trend-sensitive localities

VI   RESPONSIBLE OFFICIAL

Assistant Commissioner (Planning, Finance and Research)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of both existing and new resources:

FISCAL YEAR	OTHER COSTS ($000s)
1984	50*
1985	50*
1986—90	250**

*   Existing R&D Funds
** Additional R&D Funds ($50K per year)

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DEVELOP **COMPUTER-SUPPORTED TREND EVALUATION**

I   **STATEMENTS OF STRATEGIC DIRECTION**

o   THE IRS WILL DEVISE WAYS TO IMPROVE ITS ABILITY TO
IDENTIFY, PLAN FOR, AND RESPOND TO CHANGING ENVIRONMENTAL
TRENDS.

II   **INITIATIVE DESCRIPTION**

> **Develop a computer-based system for organizing
> and integrating environmental trend data,
> including anticipated changes in tax law and
> administration.**

III   **JUSTIFICATION**

Such a system, properly designed and used, would provide a
valuable aid in assessing what external trends warrant the most
attention. It also could assist in discovering synergistic
effects among seemingly unrelated trends.

The proposed system would contain both historical and
projected future data concerning taxpayer characteristics, income
levels, economic and financial indicators, demographic patterns,
compliance trends and relationships, behavioral data from
attitude surveys, and Service activity indicators. This
initiative addresses capabilities in trend evaluation that could
be of some relevance to Initiative **ERR-9, "Workforce** Trends and
Legislation," in the trend area of **Enhancing R** **ruitment and**
of Employees.

The system might have multiple capabilities. It could
predict not only what trends might affect tax administration, but
also when and how. It could simulate alternative strategies for
responding to trends. It might even be tied to Treasury's tax
policy simulation work to improve understanding of the
interrelationships between tax policy and tax administration.

However, the process of integrating trend data, no matter how well it is computer assisted, can never be simply a mechanical one. With the proposed system in place, Service managers are expected to spend more time in trend interpretation, in examining alternative tax administration responses, and especially in probing potential links between available quantitative and non—quantitative trend data.

IV   PROGRAM CHANGES

No specific program change is required. However, the sys—
tem can probably best be implemented in increments, as it is unrealistic to expect it to come on—line all at once. Separate funding of this effort may also be required.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 6 months   Draft and release an RFP work statement (either for a new contract or under an existing, open-ended contract) that describes long—term goals and sets out operational criteria for the start—up system

+ 12 months   Award a contract for assistance in developing system

+ 24 months   System developed based on decision about overall size and effect

The system would not be static. As more is learned about tax administration factors and their interrelationships, this knowledge could be incorporated into the system. Thus, two years seems like a reasonable period to develop a "foundation system" that might be improved over time.

VI   RESPONSIBLE OFFICIAL

Assistant Commissioner (Planning, Finance and Research)

VII MULTI—YEAR BUDGET REQUIREMENTS

Requires use of both **existing** and *new* **resources:**

FISCAL YEAR	STAFF YEARS	OTHER COSTS ($000s)
1984	**0.5**	75*
1985	2.5	**175***
1986—90	2.0	1**,250****

*   Existing R&D Funds
** Additional R&D Funds **($250K** per year)

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MONITOR PUBLIC OPINION

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE IRS WILL DEVISE WAYS TO IMPROVE ITS ABILITY TO IDENTIFY, PLAN FOR, AND RESPOND TO CHANGING ENVIRONMENTAL TRENDS.

o   THE IRS WILL DEVELOP BETTER **INFORMATION** SYSTEMS TO TRACK PROGRESS IN MEETING EFFECTIVENESS GOALS AND WILL DEVELOP CLEAR AND, WHERE POSSIBLE, QUANTIFIABLE **MEASURES** OF PROGRAM EFFECTIVENESS AND EVALUATE ORGANIZATIONAL **PERFORMANCE** BASED ON THEM.

In addition to addressing the two statements of strategic direction for Balancing Efficiency and Effectiveness, this initiative also directly addresses two strategic directions for Strengthening Voluntary Compliance:

o   THE IRS WILL IMPROVE THE FAIRNESS, REASONABLENESS AND EFFECTIVENESS OF TAX ADMINISTRATION.

o   THE IRS WILL ATTEMPT TO ENHANCE THE PUBLIC'S AWARENESS OF THE SERIOUSNESS OF TAX CHEATING AND THE IMPORTANCE OF COMPLIANCE WITH THE TAX SYSTEM.

II   INITIATIVE DESCRIPTION

Improve the Service's ability to obtain and use feedback regarding concerns of the public, as well as public perceptions, attitudes, opinions, and experiences that appear to influence tax compliance.   Do this by:

o   **Applying trend analysis to correspondence from taxpayers and practitioners.**

o   **Including in tax packages a statement asking for taxpayer feedback.**

o   **Conducting public opinion surveys on a regular basis.**

III JUSTIFICATION

Because public attitudes directly affect voluntary
compliance with our self—assessment system, the Service must
closely monitor taxpayer opinion. This initiative, which
provides for biennial public opinion survey, will enable us to do
so.

Perhaps the single best measure of agency effectiveness is
how successfully an organization deals with the external
environment. Evaluating the Service's effect on the environment
must, therefore, include querying elements in that environment:

o   How does the Service appear to be performing?

o   Where does it need improvement?

o   What problems and possibilities are developing?

The Service has not established a fixed cycle for public
opinion surveys. Undertaking public opinion surveys on a
biennial basis will give all Service functions more informed
bases for making decisions.

The current General Purpose Public Opinion Survey concludes
with the completion of a results analysis in late 1984. By
following this effort with other surveys taken at regular
intervals, the Service will be able to accrue data to detect
trends in taxpayer compliance attitudes. Trend questions could
deal with public sympathy with tax protesters, penalties as a
deterent to tax cheating, etc. Such a data base would also build
a body of knowledge regarding taxpayers' needs for assistance.

To a large extent, the Ombudsman's Office, Taxpayer Service,
and **other** Service functions are oriented to solving a problem for
Taxpayer X or recognizing an internal defect in Program **Y;**
taxpayer correspondence is infrequently evaluated for trends in
the environment. Soliciting and analyzing feedback from the
public along the lines of this initiative will lead to earlier
identification of emerging trends.

IV   PROGRAM CHANGES

Under the responsibility of the Ombudsman's Office, add a
procedure that incoming Service mail (at service centers,
districts, and other posts of duty) be scanned on a specified
schedule, and that observations gleaned from this effort be
documented for further trend analysis.

For Service functions responsible for reading incoming mail from **taxpayers,** add formal procedures to be on the look—out for **correspondence** mentioning general **problems,** to photocopy **such** material, and to refer copies to Problem Resolution Officers.

In Tax Forms and Publications, design "comment" forms for each tax package.

In the Service's research function, undertake on a contractual basis biennial opinion surveys that sample the public at large and that, in addition, focus on specific, selected segments of the population. Each survey is to use the completed report of the previous survey as its starting point.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE

APPROVAL	**ACTION**
+ 4 months	Begin correspondence trend analyses
+ 6 **months**	Initiate a public **information** program aimed at increasing public awareness of available feedback mechanisms
+10 months	Begin preparing for the next opinion survey, focusing on selected subsets of the population as well as the general public
+11 months	Include comments form in tax **packages**

VI   RESPONSIBLE OFFICIAL

Service Center Director, Andover

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources:

FISCAL YEAR	STAFF YEARS*	OTHER COSTS ($000s)
1984		
1985	20+	
1986	20+	**250****
1987	20+	
1988	20+	**275****
1989	20+	
1990	**20+**	**305****

*   **Outside** the National Office, more than twenty staff years will be required each fiscal year for district and service center correspondence trend analysis. Within the National Office, **several** staff years would have to be devoted to this task in the Ombudsman's Office and in **PFR.**

** The funds would come from base level R&D funds. Current costs are approximately **$250K** for conducting a personal interview opinion survey with an area probability sample of 2,000 respondents and with 20 focus groups. We can reasonably expect this cost to rise.

REQUIRE USE OF **CROSS—FUNCTIONAL** IMPLEMENTATION TEAMS

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE IRS WILL DESIGN ITS PROGRAMS AND PROCEDURES IN A WAY
     THAT EMPHASIZES FLEXIBILITY, **PERMITTING** RAPID REORIENTATION
     OR ELIMINATION OF PROGRAMS AS THE ENVIRONMENT CHANGES.

o   THE IRS WILL EXPAND **ITS** ATTENTION AND **COMMITMENT** TO **PROGRAM**
     EFFECTIVENESS (I.E., ACCOMPLISHMENT OF MISSION—RELATED
     GOALS), AND WILL IDENTIFY EFFECTIVENESS GOALS IN ALL
     FUNCTIONAL AND PROGRAM AREAS.

II   INITIATIVE DESCRIPTION

**Employ cross—functional teams when implementing
multi—functional Service programs.**

III   JUSTIFICATION

The Service's present **program** development and **implementation**
process is not fully coordinated at times, despite efforts to
address anticipated cross—functional impacts.

As an across—the—board effectiveness goal, a team approach
should be used to improve **implementation** of programs. Such teams
should be comprised of all affected functional staffs, a
representative of the Ombudsman, as well as a selection of field
users principally represented by first and second—line managers.
Just before the point of implementation——when all elements come
together——is the time when a cross—functional team can best
identify and correct deficiencies of coordination. The team
approach will replace the current implementation process for
significant new implementations and for significant changes to
existing programs.

IV   PROGRAM CHANGES

Revise the Internal Revenue Manual to contain a section
specifying a team approach for multi—functional program
implementation and change. The same section must define criteria
for when to use such teams.

V   RECOMMENDED ACTION PLAN

TIME FROM INITIATIVE APPROVAL	ACTION
+ 3 months	Propose Manual changes to specify team approach
+ 6 months	Implement Manual changes
+ 18 months	Evaluate Manual changes

VI   RESPONSIBLE OFFICIAL

Assistant Commissioner (Support & Services)

VII MULTI—YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

TRENDS

External environmental indicators and internal compliance measures reflect a continuing decline in the extent to which taxpayers are willing or able to voluntarily comply with the federal tax laws.

Other significant trend factors include:

- Changes in tax avoidance **"sophistication."** Taxpayers are becoming better informed about the existence of tax abuses (tax shelters and the like), the extent of **tax** cheating (the "tax gap" has been widely publicized), and the difficulty for government to detect and deal with tax abuses. Consequently, taxpayers in general are becoming more inclined to avoid and evade taxes through such means as are available to them.

- Changes in attitudes toward authority, in some cases manifested as open hostility and organized resistance. Taxpayers are exhibiting a declining respect for and reliance on "the law" and government in general. A "decay in the social contract" is detectable; there is a growing feeling, particularly among middle—income taxpayers, that they are not getting back, from society and government, their money's worth for taxes paid. The tendency is for taxpayers to try to take more control of their finances, perhaps because they see an uncertain economic future for themselves; they exhibit a declining willingness to pay the share of governmental expenditures (including expenditures they may strongly disagree with) which government says is theirs to pay.

- Changes in recordkeeping practices, including check truncation and funds transfer techniques.

Trends (continued)

–   **Increased** complexity of tax law and
    reliance by more taxpayers upon tax return
    preparers and tax advisers.

–   Tax law changes are occurring with greater
    frequency, to deal with tax abuses and
    unintended results of prior legislation,
    and also to achieve national socio—economic
    goals through the tax system. These
    frequent changes have materially increased
    the complexity of tax administration, and
    may adversely affect voluntary compliance.

–   Increased availability to taxpayers of
    personal computers and information!
    communications technology for use in
    personal financial activities.

–   Likelihood that in the foreseeable future
    there will not be substantial increases in
    the enforcement staff.

    The Service recognized the importance of these
trends when earlier it identified the following three
issues to be developed for consideration: (1)
Employment Tax Enforcement, and (2) withholding and
Information Document Reporting.

ISSUES

1)   What steps can the IRS take to stem or
     reverse this decline in voluntary
     compliance?

2)   Are the problems posed by these trends
     the type which IRS can alone resolve?
     What is the responsibility of other
     institutions, e.g., Treasury (Tax
     Policy)?

STRENGTHENING VOLUNTARY COMPLIANCE

STATEMENTS OF STRATEGIC DIRECTION

1) THE IRS WILL IMPROVE THE FAIRNESS, REASONABLENESS, AND EFFECTIVENESS OF TAX ADMINISTRATION.

2) THE IRS WILL ATTEMPT TO ENHANCE THE PUBLIC'S AWARENESS OF THE SERIOUSNESS OF TAX CHEATING AND THE IMPORTANCE OF COMPLIANCE WITH THE TAX SYSTEM.

3) **THE IRS WILL SEEK ADDITIONAL WAYS TO** CREATE AND MAINTAIN A SENSE OF PRESENCE AND IMPROVE OUR ABILITY TO DETECT SOPHISTICATED NONCOMPLIANCE.

4) THE IRS WILL DESIGN PROGRAMS TO ADDRESS COMPLIANCE PROBLEMS RESULTING FROM THE INCREASING NUMBER OF SELF—EMPLOYED TAXPAYERS.

5) THE IRS WILL WORK WITH OTHER INSTITUTIONS IN AND OUT OF GOVERNMENT TO SEEK ASSISTANCE AND SOLUTIONS TO COMPLIANCE PROBLEMS.

6) THE IRS WILL MOVE TOWARD A BETTER AND EARLIER DEFINITION OF AREAS OF NONCOMPLIANCE, AND SYSTEMATICALLY PROVIDE DATA TO TREASURY SO THAT RESPONSIVE AND TIMELY LEGISLATION CAN BE DEVELOPED.

STRENGTHENING VOLUNTARY COMPLIANCE

INTRODUCTION

The tax gap for 1981 was **estimated** to be over $81 billion, with over two—thirds ($55 billion) attributable to unreported individual income taxes. The seriousness of this situation is underscored by estimates that in five years, the portion of the gap attributable solely to unreported income of individuals, will reach $98 billion, larger than all the components of the current tax gap combined.

The initiatives that follow are designed to translate the Strategic Directions on Strengthening Voluntary Compliance into action and concentrate particularly on the problem of non-compliance by individual income taxpayers. These include the **"nonfarm** business" or self—employed taxpayers, whose noncompliance stands out as a growing concern within the area of unreported income.

In all, fifteen initiatives will be pursued with the intent of strengthening voluntary compliance. Many recommend or support specific projects that concentrate on bolstering compliance through no—cost or relatively low—cost initiatives. These proposals look outside, as well as within IRS for solutions.

The Service will attempt to broaden its knowledge about taxpayers' attitudes and perceptions about tax laws and IRS' **administration** of laws in order to devise more pertinent and effective programs and communications. Expanded use of computer technology for tax assistance as well as more efficient enforcement programs will be explored. The need for adequate planning is stressed in order to be prepared for future technological changes expected to **impact** tax administration.

Externally, the Service will be looking to other federal agencies, state governments and non—government organizations to join in cooperative efforts to promote compliance with the tax laws. These efforts involve improved enforcement efforts and better tax education, particularly for self—employed taxpayers.

In summary, the Strategic Initiatives for Strengthening Voluntary Compliance recognize that the Service must look to diverse and innovative solutions that do not demand major staffing commitments. These initiatives should make substantial inroads against the compliance decline and, together with other projects planned or underway, will prove effective in strengthening voluntary compliance.

ESTABLISH A RESEARCH PROJECT ON WITHHOLDING NONCOMPLIANCE

I   STATEMENT OF STRATEGIC DIRECTION

o   THE IRS **WILL** IMPROVE THE FAIRNESS, **REASONABLENESS,** AND EFFECTIVENESS OF TAX ADMINISTRATION.

II   INITIATIVE DESCRIPTION

> **Establish a research initiative to determine the extent and causes of noncompliance with IRC withholding tax provisions; subsequently assemble a multifunctional task force to develop a Servicewide action plan to approach withholding problems in a unified and systematic manner.**

III   JUSTIFICATION

To identify the full scope of the problems which exist in the area of withholding, it is essential that the Service conduct a research study that will statistically measure the extent and various categories of noncompliance. Upon completion of such research, a task force composed of all affected functions should be convened to review the problems identified and **consider** a wide range of solutions, not just those involving increased enforcement activities.

In recent years, the Service has operated an enforcement program to deal with abuses in the filing of Forms W—4. During this time, many changes have been implemented, both regulatory and procedural, to deal with symptoms as they occurred. However, there **has** not been a **complete** assessment of the extent and nature of all the problems in the withholding area. Although considerable resources have been expended, the Service is not sure that the **W-4** program in place has the **maximum** positive impact on employee and employer compliance.

Changes specifically aimed at minimizing the impact of **W-4** protesters have resulted in a complex program and have increased the record keeping burden on employers. The Service **must** concentrate its limited resources not only on those who abuse the current withholding system but also on how the system itself could be made more effective, reaching those who do not comply out of ignorance and easing the compliance burden on employers.

IV   PROGRAM CHANGES

To be determined after completion of the research study and multi—functional task force review.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 90 days   Develop prospectus

To be determined   Write final report
in prospectus

A timetable for the task force cannot be determined until the research effort is concluded.

VI   RESPONSIBLE OFFICIAL

Director, Research Division

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

INCREASE COMPUTERIZED ASSISTANCE TO TAXPAYERS

I   STATEMENT OF STRATEGIC DIRECTION

O   THE IRS WILL IMPROVE THE FAIRNESS, REASONABLENESS, AND EFFECTIVENESS OF TAX ADMINISTRATION.

II   INITIATIVE DESCRIPTION

Use modern information technology to improve **effectiveness in assisting, educating, and serving the taxpaying public. This initiative envisions enlarging Taxpayer Service efforts to provide tax information through the use of computer terminals in Taxpayer Service walk—in areas. In addition to using computer technology to give taxpayers answers to tax questions, IRS should also explore the possibility of displaying 1040EZ and 1040A images that could be filled in by the taxpayer through the use of terminals. The computer would compute the tax, math—verify the return and print the completed return in duplicate for the taxpayer.**

III   JUSTIFICATION

The current taxpayer service operation is labor intensive and, therefore, expensive. It is common for the public to question the accuracy of answers to tax questions given by taxpayer service personnel. If a portion or most of this human resource could be replaced by comparatively error—free machines, the taxpayer service function will **provide** better service at a lesser cost.

Taxpayer Service is using 70 computer terminals in walk—in areas to answer tax questions during the 1984 filing season. This is a good beginning and innovations of this type must continue. Human/machine dialogues are **becoming** an accepted part of society. The Service should be in the forefront of using computer technology not only to modernize our tax processing operations but also to make it as easy as possible for taxpayers to comply. Having the taxpayer prepare simple returns with the help of a computer, rather than a Service employee, is the logical next step to explore.

May 9, 1984

IV PROGRAM CHANGES

No immediate program changes are recommended.

V RECOMMENDED ACTION PLAN

This initiative can be explored as an adjunct to a contract
now in effect. The objective of the contract is to develop less
costly alternatives (including less staff—intensive methods) for
providing taxpayers with technical tax law assistance in lieu of
the Service's current systems at comparable levels of assistance
and quality. The contractor should be asked to examine and
research this initiative during the course of contract
performance. If the initiative cannot be made an adjunct to the
existing contract, the Assistant Commissioner (Returns and
Information Processing) should assure that steps are taken, in
cooperation with affected functions, to fully explore this
initiative. The detailed action plan is to be determined after
initial research is completed by the contractor.

VI RESPONSIBLE OFFICIAL

Assistant Commissioner (Returns and Information Processing)

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources in FY 84 and 85. Non—
staff costs in FY 86 and beyond could be substantial.

May 9, 1984

CONDUCT A SURVEY OF NON-RESPONSIVE TAXPAYERS

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE IRS WILL IMPROVE THE FAIRNESS, REASONABLENESS AND
     EFFECTIVENESS OF TAX ADMINISTRATION.

o   THE IRS WILL ATTEMPT TO ENHANCE THE PUBLIC'S AWARENESS OF
     THE SERIOUSNESS OF TAX CHEATING AND THE **IMPORTANCE** CF __
     COMPLIANCE WITH THE TAX SYSTEM.

II   INITIATIVE DESCRIPTION

Conduct a survey exclusively among non— responsive taxpayers in an attempt to learn the causes of their unresponsiveness to IRS communications, to learn what type of communication is most effective in eliciting response, to ascertain whether they realize the consequences of their failure to respond and to determine appropriate corrective actions. The data obtained from this survey will be used to identify factors affecting taxpayer responsiveness. Functional areas will then use the data to consider changes to operating procedures, taxpayer communications, etc., to improve taxpayer responsiveness.

A survey research firm should be retained to conduct this survey. IRS would provide the contractor with lists of those taxpayers who have not responded to various letters and/or notices; and the contractor would then select a stratified random sample from these lists and interview respondents as in a standard opinion survey, with a series of focus groups.

III   JUSTIFICATION

A significant proportion of taxpayers fail to respond to all types of Service communications. A significant number who are sent an appointment letter for office audits neither call the phone number indicated in the letter, nor appear for their **appointment.**

To understand the factors that cause taxpayers'
unresponsiveness to IRS communications, we need a survey directed
specifically toward the population of unresponsive taxpayers,
rather than drawing assumptions from results of surveys directed
at the general taxpayer population.

An outside contractor will get more answers, higher response
rates, and thereby more representative results than if the
survey were conducted by the Service. Taxpayers who do not reply
to written **communications** from the Service most likely **would** not
respond to IRS personnel- over the telephone or in person.

IV PROGRAM CHANGES

Program changes will be determined by functional activities

after causes of taxpayer unresponsiveness have been determined.

V RECOMMENDED ACTION PLAN

The proposed survey may take upwards of 30 months, from

inception to final report, following initiative approval.

VI RESPONSIBLE OFFICIAL

Deputy Assistant Commissioner (Planning, Finance and Research)

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

FISCAL YEARS	STAFF YEARS	OTHER COSTS ($000s)
1984		
1985		625*
1986—90		

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* Existing R&D Funds

PURSUE A MORE PROACTIVE PUBLIC INFORMATION POSTURE FOR THE IRS

I   **STATEMENT OF STRATEGIC DIRECTION**

o   THE IRS WILL ATTEMPT TO ENHANCE THE PUBLIC'S AWARENESS OF
        THE SERIOUSNESS OF TAX CHEATING AND THE IMPORTANCE OF
        COMPLIANCE WITH THE TAX SYSTEM.

II   **INITIATIVE DESCRIPTION**

> **An executive level task force should be
> established to design a proactive role for
> Public Affairs that will provide an effective
> strategy to improve compliance. A public
> relations/marketing firm should be retained
> to work with the task force and to recommend
> a communications effort which would be
> effective in improving compliance.**

The executive group should review compliance activities and
programs and recommend items which could be used by Public
Affairs to broaden taxpayer knowledge of our activities in order
to heighten awareness of tax cheating consequences. Particular
attention should be given to the advisability of publicizing
information about the many enforcement sanctions available to the
Service, and how this information might be integrated into the
Taxpayer Education Program as a whole. The consultant
should work with the task force to help them recommend effective
ways of communicating the information about compliance activity.

The consultant will be asked to explore such ideas as
appealing to taxpayers' sense of responsibility and citizenship
relative to compliance with tax laws, more creative and extensive
use of the media to communicate the Service's mission, and
enhanced cooperative efforts with various professional
organizations and groups to underscore the seriousness and
consequences of tax cheating and the importance of compliance.

III JUSTIFICATION

There is a definite need to recognize the Public Affairs
function as a proactive link to the public, both within the
Service and the outside. Given that the IRS touches more lives
than any other agency in the Federal Government, i.e., the
94 million taxpayers in this country, it is important that Public
Affairs do more to assist in improving voluntary compliance, We
have not yet explored how effective it might be to channel Public

Affairs resources to highlight actions not currently publicized and activities which are underway or planned in compliance programs.

The media has a direct and dramatic impact on public **attitudes** and **behavior.** Using an outside **firm** to recommend an IRS communications effort to impact positively on compliance has not been previously attempted. It could prove to be a beneficial, relatively low-cost effort.

IV   PROGRAM CHANGES

Specific acticns to be identified after the task force and consultant complete their work.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 2 months	Convene task force.
+ 3-5 months	Contract with outside marketing firm.
	Appoint Regional Commissioner to oversee contractor's efforts and Service interaction with contractor.
+ 6 months	Submit task force report to Deputy Commissioner.
+ 9-12 months	Review contractor's recommendations and submit plans of action to Planning Council

VI   RESPONSIBLE OFFICIAL

Regional Commissioner (Mid-Atlantic)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

—— ——————

ESTABLISH COMPLIANCE COORDINATING COMMITTEES

——————

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE IRS WILL SEEK ADDITIONAL WAYS TO CREATE AND **MAINTAIN** A SENSE OF PRESENCE AND IMPROVE OUR ABILITY TO **DETECT** SOPHISTICATED NONCOMPLIANCE.

o   THE **IRS** WILL **BETTER** AND **EARLIER DEFINE AREAS** OF NONCOMPLIANCE, AND SYSTEMATICALLY PROVIDE DATA TO TREASURY SO **THAT** RESPONSIVE AND TIMELY LEGISLATION CAN BE DEVELOPED.

II   INITIATIVE DESCRIPTION

Provide an organizational structure and a system to facilitate the early identification and resolution of problems relating to (a) sophisticated noncompliance, and (b) technological advances in computer technology that will impact on tax administration.

Compliance Coordinating Committees, composed of high—level officials representing Operations functions and Counsel, will be organized in districts, regions and the National Office to identify emerging areas of noncompliance that cross functional lines and to recommend appropriate solutions. In addition, the Committee in the National Office will ensure that initiatives are pursued by the appropriate function(s) so that IRS operations are prepared to adjust to emerging technological changes in tax preparation and record keeping.

It is envisioned that regions will forward their input on emerging areas of abuse to the National Office, but will also take local compliance actions to address problems as appropriate. The National Compliance Coordinating Committee will coordinate data collection; develop a listing of emerging abuse areas and communicate these to field personnel; coordinate the development of inter—functional operational solutions; develop technical solutions; and recommend to the Commissioner legislative priorities for referral to Treasury.

III JUSTIFICATION

The Service has usually concentrated its resources on addressing compliance problems after they have become a significant threat to tax administration. While this approach has resulted in some sophisticated solutions to compliance problems, it can only work where there are sufficient resources to cope with the workload caused by taxpayers who choose to become a part of these noncompliance schemes. The Service is becoming less able to stop growing abuse through after-the-fact compliance solutions.

Also, sophisticated noncompliance has a tendency to spread across organizational lines and is not amenable to single-function solutions. Unfortunately, taxpayers do not segregate their noncompliance activities by organization — yet we have tended to respond that way. The increasing sophistication of computer technology is an an example of a new force to be reckoned with by many functions in their efforts to deal with noncompliance, especially with expected growth in the use of machine-sensible records and micro-computers by the business taxpayer.

Taxpayer and third-party records are the primary means for verifying tax returns and preventing fraud. If adequate plans are not made to ensure that the Service is ready to cope with the computer revolution in record keeping, individualized record evaluation and retention agreements will have to be pursued at a high cost.

The Service needs to identify problems before they take **hold;** it needs to provide interfunctional operating solutions quickly; and it needs to be more aggressive in seeking early legislative solutions. Also, establishment of Compliance Coordinating Committees should serve to bolster cross-functional relationships and support on the part of local operating personnel in seeking solutions to problems.

IV PROGRAM CHANGES

To make the Compliance Coordinating Committees effective, there must be a viable system for identifying and communicating information about noncompliance concerns to the Committee. The Service's ability to detect emerging areas of noncompliance will be enhanced by pursuing the following program changes:

o   encouraging and paying for employees' membership in appropriate professional organizations and attendance at conferences. (Each district director should determine the pertinence of an organization or conference to an employee's job.)

o establishing programs for employees to alert management and Compliance Coordinating Committees of emerging areas **of** abuse of which they become aware.

o establishing a reward system for employees for the detection and identification of emerging areas of abuse.

V RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 2 months   Establish a staff level task force to draft guidelines on how the National Committee **would** function and program changes regarding employee participation.

+ 6 months   Circulate guidelines to all functions and the union for comment.

+ 8 months   Review comments and finalize procedures.

   9 months   Establish Committees in districts, regions and the National Office.

o Associate Commissioner (Operations) maintains overall responsibility for the process, and chairs the National Compliance Coordinating Committee with the AC (Examination), AC (Collection), AC **(CI),** AC (EP/EO) and senior representatives of the Chief Counsel and the Associate Chief Counsel Technical as standing members, with other representation as required by the emergence of particular issues.

o Similar organizations in regions and districts with the Regional Commissioners and District Directors as Chairpersons, with representation from regional and district Counsel.

o The **multifunctional** task force drawing up guidelines on employee participation should include representatives from Personnel and Training, as well as the Operations functions.

VI RESPONSIBLE OFFICIAL

District Director, Philadelphia

VII MULTI-YEAR BUDGET REQUIREMENTS

+ Requires use of existing resources.

59   May 9, 1984

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EXPAND COMPUTER-GENERATED CONTACT PROGRAMS

I STATEMENT OF STRATEGIC DIRECTION

o   THE IRS **WILL** SEEK ADDITIONAL **WAYS** TO CREATE AND MAINTAIN A
    SENSE CF PRESENCE AND IMPROVE OUR ABILITY **TO DETECT**
    SOPHISTICATED **NONCOMPLIANCE.**

II INITIATIVE DESCRIPTION

**Expand our computer—generated contact
programs to increase presence. In addition
to the current efforts relating to the
Information Returns Program (IRP) Strategic
Review, IRP Management Information System,
Payer Master File, and the IRP resources
model, the Service should:**

o   **establish a computer contact program that
will advise taxpayers about the possible
need to amend prior or subsequentyears,
returns based on a compliance action taken
on the current year's return,**

o   **conduct a study to determine the Service's
ability to generate multi—year, multi—
issue contacts with taxpayers.**

The current study on IRS presence should be given a high
priority and be expanded to consider recommendations regarding
appropriate ways to publicize the full range and percentage of
compliance contacts that IRS has with the public, while taking
care to not create confusion between a full IRS audit and a
single—issue compliance contact. The recommendations of the
Presence Study should then be considered by the Public Affairs
Task Force recommended in another Strategic Initiative.

III JUSTIFICATION

There are many efforts underway that are designed to
enhance our computer contact capabilities. A "Taxpayer
Notification" program and a "multi—year! multi—issue" study
should begin as **soon** as possible. The latter effort is of
particular importance. With computer contact programs likely to
increase, plans must be made to coordinate our contact with
taxpayers. Otherwise we risk having too many separate contacts
with the same taxpayer on a number of different issues.

Adequate data on the marginal yield of the Information Returns Program (IRP) and other contact programs is limited until implementation of IRP Management Information System. Therefore, it is difficult to reach conclusions about how productive computer contact programs are, compared to traditional enforcement programs. However, since the Service cannot realistically expect to receive large increases in operations staffing to enhance traditional enforcement programs, expanding our relatively low-cost computer-generated contact capabilities is the logical approach.

IV   PROGRAM CHANGES

Some Examination program changes will eventually result, depending on the success of the recommended programs.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL   **ACTION**

A.   Notification Program

+ 3 months   Review prior tests and studies

+ 6 months   Design program

+ 12 months   Implement program

B   Multi-year/Multi-Issue Study

+ **6 months**   Research procedures and
                      methodology

+ 8 months   Develop contact form

+ **12 months**   Sample multi-contact taxpayers

+ 18 months   Tabulate results

+ 24 months   Write reports

VI   **RESPONSIBLE** OFFICIAL

District Director, Jackson

VII   **MULTI—YEAR BUDGET** REQUIREMENTS

Requires use of existing resources.

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IMPROVE THE EFFECTIVENESS OF IRS EXAMINATIONS

I   **STATEMENT** OF STRATEGIC DIRECTION

o   THE IRS WILL SEEK ADDITIONAL WAYS TO CREATE AND MAINTAIN A
     SENSE OF PRESENCE AND IMPROVE OUR ABILITY TO DETECT
     SOPHISTICATED NONCOMPLIANCE.

II   INITIATIVE DESCRIPTION

> **Improve the effectiveness of IRS examinations
> by exploring development of a system that
> would associate existing multi—year tax
> information for use in current year examina-
> tions and enforcement actions.**

Under this initiative the Service would explore development
of a three—year taxpayer profile that would include **information**
from existing data sources such as Master File, transaction
tapes, Information Returns **Program (IRP)** transcripts, Currency
Transaction Reports, Currency Monetary Instrument Reports, etc.
This information, which consists of items not shown on the
return, should be used as a supplement to the Discriminate
Function (DIF) in the selection of returns. Also, a transcript
of the information should be compiled and associated with each
return selected for examination or case subject to possible
enforcement action.

III   JUSTIFICATION

These data would be a substantial aid to an examiner
in auditing the current year's return. It would help on issue
identification, multi—year audits, and be of special value in
uncovering potential unreported income and possible fraud.
This initiative, together with a project Examination is pursuing
on issue tracking, would result in examinations of higher
quality and greater ability on the part of examiners to detect
unreported income. In this regard the initiative **team** also
supports Examination's attempts at computerized classification
and the Research/Examination initiatives to enhance the
Discriminate Function.

IV   PROGRAM CHANGES

This is not a simple issue. The data services requirements will be extensive and before commitments are made, a study should be conducted to determine the optimal point of trade—off between the high cost and the value of the additional data to examiners.

V   RECOMMENDED PLAN OF ACTION

Examination will develop a timetable in consultation with Research and Computer Services.

VI   RESPONSIBLE OFFICIAL

District Director, **Jacksonsville**

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of new resources.*

* Preliminary work on this initiative should be accomplished from existing resources. Multi—year budget requirements cannot be determined until after the Research Study recommends the extent to which the initiative should be pursued.

May 9, 1984

PURSUE COOPERATIVE EFFORTS WITH STATES TO ENHANCE TAX ADMINISTRATION

I   **STATEMENTS** OF STRATEGIC DIRECTION

o   **THE** IRS WILL WORK WITH **OTHER** INSTITUTIONS IN AND OUT OF
     GOVERNMENT TO SEEK ASSISTANCE AND SOLUTIONS TO COMPLIANCE
     PROBLEMS.

o   THE IRS WILL SEEK ADDITIONAL WAYS TO CREATE AND MAINTAIN A
     SENSE OF PRESENCE AND IMPROVE OUR ABILITY TO DETECT
     SOPHISTICATED NONCOMPLIANCE.

II   INITIATIVE DESCRIPTION

**Develop additional sources of information to
detect noncompliance through cooperative
programs with the states.**

**Formalize federal/state liaison in each
district to identify state information,
including state examinations and research
studies on compliance, which may support
federal tax administration. Develop
cooperative programs with states, to the
extent possible, to support compliance
efforts of common interest: for example,
joint compliance projects and dividing up the
audit workload with states which have
examination programs. Districts will refer
to the National Office those programs which
are suitable for national development and
take local action, as appropriate.**

III **JUSTIFICATION**

The IRS has tended to rely too much on its own compliance
programs in the identification and solution of complex tax
administration problems. There has not been maximum use
of other resources available to us.

Outreach programs such as envisioned here and in other
initiatives (such as those on educating business taxpayers and
developing an expanded public affairs program) will have the
effect of amplifying our resources and extending our presence
without **additional** staff.

May 9, 1984

IV   PROGRAM CHANGES

This initiative requires changes in our programs covering IRS relationships with states.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ **6—9 months**   Formalize federal/state relationships in each district, including development of program guidelines.

VI   RESPONSIBLE OFFICIAL

District Director, Boston

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

EVALUATE PENALTIES RELATING TO NONCOMPLIANCE BY THE SELF-EMPLOYED

I STATEMENT OF STRATEGIC DIRECTION

o THE IRS WILL DESIGN PROGRAMS TO ADDRESS COMPLIANCE PROBLEMS RESULTING FROM THE INCREASING NUMBER OF SELF-EMPLOYED TAXPAYERS.

II INITIATIVE DESCRIPTION

Review the current spectrum of penalties that are particularly applicable in cases of noncompliance by self—employed taxpayers (e.g., underpayment of estimated tax, substantial understatement situations, etc.). The objective of the review will be to evaluate the effectiveness of those penalties in promoting compliance by the self—employed.

III JUSTIFICATION

Tax compliance among self—employed persons is low in relation to other groups of taxpayers. This initiative will attempt to establish whether penalties are effective in increasing our ability to reach noncompliant small business taxpayers whose returns are not usually selected for examination because of a lack of resources.

Over the past four years, Congress has added some 35 penalties to the Internal Revenue Code and increased or expanded others. Eventually, a complete review of the entire universe of penalties should be undertaken to try to measure their impact on compliance. However, the question of how certain penalties might specifically influence compliance by self—employed taxpayers deserves prompt and separate attention.

IV PROGRAM CHANGES

None.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 6—9 months   Development and approval of prospectus.

+18 months   Submit study's conclusion and recommendations
                        to Associate **Commissioners** (Operations) and
                        (Policy and Management).

VI   RESPONSIBLE OFFICIAL

District Director, Denver

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

STRENGTHEN TRAINING FOR IRS EXAMINERS

I   STATEMENT OF STRATEGIC DIRECTION

o   THE IRS WILL DESIGN PROGRAMS TO ADDRESS COMPLIANCE PROBLEMS RESULTING FROM THE INCREASING NUMBER OF SELF-EMPLOYED TAXPAYERS.

II   INITIATIVE DESCRIPTION

Current examination practices should be strengthened in the area of detecting unreported income of Schedule C filers. A long—range training plan has been established to ensure that the appropriate skills are reinforced for both revenue agents and tax auditors. In concert with the long—range plan, the services of an outside contractor to develop course materials should be pursued and a Continuing professional Education (CPE) module on interviewing techniques for Probing unreported income (role plays) should be instituted during FY 1985.

III   JUSTIFICATION

The largest part of the tax gap from legal activities is represented by taxes due on unreported income of non—farm businesses. The Service must be assured of having a quality training program that will continually improve upon the auditing skills of its revenue agents and tax auditors. This endeavor would be a costly one, but needs to be pursued if the Service is to **aldress** this concern effectively.

IV   PROGRAM CHANGES

Develop training material oriented toward detection of unreported income.

Create high—level management emphasis in income detection, e.g., recognition of successful examiners in newsletters. Add a two—week program to revenue agent training and subsequently change tax auditor training to include a one—week income detection program.

V   RECOMMENDED ACTION PLAN

The CPE module should be developed during FY 1984 and the remaining improvements should be in line with the long—range training plan.

VI   RESPONSIBLE OFFICIAL

Assistant Commissioner (Examination)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of both existing and new resources.

OTHER COSTS

FISCAL_YEAR		
1984		Existing
1985	—	Resources
1986		3,750
1987—90		2,000**

_____   _____

* Only new resources estimated

** Based on 500,000 per year

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EXPAND TAX EDUCATION OF SELF-EMPLOYED TAXPAYERS

I   STATEMENT OF STRATEGIC DIRECTION

o   **THE** IRS WILL DESIGN **PROGRAMS** TO ADDRESS COMPLIANCE PROBLEMS RESULTING FROM THE INCREASING NUMBER OF SELF-EMPLOYED TAXPAYERS.

o   THE IRS WILL WORK WITH OTHER INSTITUTIONS IN AND OUT OF **GOVERNMENT** TO SEEK ASSISTANCE AND SOLUTIONS TO **COMPLIANCE** PROBLEMS.

II   INITIATIVE DESCRIPTION

The Service should sponsor **introductory** seminars and **r resher** tax clinics for the self—employed taxpayer, to provide instruction in tax requirements and responsibilities, including filing and depository requirements, record keeping, etc. Seminars would be coordinated by the Outreach Coordinator of Taxpayer Service and be conducted in conjunction with clubs and organizations outside IRS (e.g., Small Business Administration (SBA), local Chambers of Commerce, the American Institute of Certified Public Accountants (AICPA), etc.) which either have access to, or contact with, our target audience.

III   JUSTIFICATION

Many districts conduct informal small business seminars and distribute the business packet **tonew** self—employed taxpayers. However, the Service has no assurance that taxpayers either read the package or understand it. There is little follow—up with taxpayers who have been in business for some **time** to assure they have the information they need to comply with the tax laws.

A more innovative program is called for, one in which the IRS uses the resources of groups that are normally familiar and accessible to the taxpayer and perhaps have an existing **program** for supplying tax information to the self—employed. By seeking to cooperate with these organizations, and supporting their efforts with up—to—date materials, information, and some instructors, we can be more effective at communicating relevant tax training to those who need to know, at a **minimal** cost.

IV PROGRAM CHANGES

Expansion of the parameters of the Outreach Program.

V RECOMMENDED ACTION PLAN

TIME FROM
 INITIATIVE
APPROVAL   **ACTION**

+ 3 months   Establish a multi—functional task force to
                          identify and coordinate with catalyst agencies,
                          clubs, etc., in sponsoring training clinics.

+ 8 months   Prepare training materials and "course outlines"
                          to be used in the clinics.

+ 8 months   Establish procedures for assigning appropriate
                          personnel (by function) to participate in
                          specific segments of the clinics.

VI RESPONSIBLE OFFICIAL

Assistant Commissioner (Returns and Information Processing)

VII MULTI—YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

ESTABLISH A RETURNS COMPLIANCE PROGRAM FOR
SELF-EMPLOYED TAXPAYERS

I   STATEMENT OF STRATEGIC DIRECTION

o   THE **IRS** WILL DESIGN PROGRAMS TO BETTER ADDRESS COMPLIANCE
     PROBLEMS RESULTING FROM THE INCREASING NUMBER OF SELF—
     EMPLOYED TAXPAYERS.

II   INITIATIVE DESCRIPTION

> **Develop a Returns Compliance Project (RCP) geared toward reaching a greater number of self—employed individuals.**
>
> **The project should determine who the nonfilers are, why they do not file and assure their inclusion on the Master File. This can be accomplished by selecting a random sample from commercial lists of individuals who have high incomes but who are** not shown on the Individual Master File **(IMF)** or otherwise identified through the Information Returns Program **(IRP).** (This project would be separate from the Commercial List "test" being run in selected districts.) Using a "Reverse Lead" approach, **IMF** samples by ZIP code or Census Enumeration District would then be selected. Contact **would** be made at addresses **not** appearing **on** the Master File listing.

III   JUSTIFICATION

Noncompliance among self—employed individuals has been a traditional "soft spot" in our otherwise good compliance results in IMF filing. Those self—employed individuals who do not receive information documents escape the **"safety** net" of **IRP.** We are only identifying about 1.8 million of these individuals through **IRP.** The approaches described in the initiative are intended to improve coverage of self—employed taxpayers who fail to file.

May 9, 1984

IV   PROGRAM CHANGES

This initiative requires significant expenditure of staff. This staffing will be realized by redirecting staff—year savings and productivity enhancements realized from changes in the IMF **and BMF** Taxpayer Investigation programs.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL   **ACTION**

+ 7 months   Develop program prospectus.

+ 14 months   Obtain commercial lists and MF Extracts

+ 16 months   Complete procedures for program operation

+ 19—26 months   Conduct program

VI   RESPONSIBLE OFFICIAL

Assistant Commissioner (Collection)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of new resources.

FISCAL YEARS	STAFF YEARS *	OTHER COSTS **($000s)**
1984		
1985		
1986—90	3,750**	

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*   Due to the similarity of workload and case processing requirements, estimated program costs were based on figures from recent IRP program achievements.

**   Based on 750 Staff Years per year

DEVELOP GUIDELINES ON CHECK TRUNCATION AND ELECTRONIC BANKING STANDARDS

I   STATEMENT OF STRATEGIC DIRECTION

o   THE IRS WILL WORK WITH OTHER INSTITUTIONS IN AND OUT OF GOVERNMENT TO SEEK ASSISTANCE AND SOLUTIONS TO COMPLIANCE PROBLEMS.

II   INITIATIVE DESCRIPTION

The IRS will develop a Revenue Procedure covering record keeping acceptability criteria in cases involving check truncation, electronic transfer of funds, and other developments in the field of electronic banking. In preparing the Revenue Procedure, **the Service should** actively seek the advice and cooperation of the American Institute of Certified Public Accountants (AICPA), National Society of Public Accountants, other practitioner organizations, associations of software manufacturers, and other entities that should be interested in seeing a viable procedure developed. This initiative would allow the Service, practitioners and the financial industry to be prepared to operate effectively in a "paperless" economy.

III   JUSTIFICATION

Most credit unions and many savings and loans institutions are presently truncating checks, which means that bank customers no longer receive cancelled checks. Rather, records are kept on microfilm. In addition, a limited number of banks are conducting pilot studies of check truncation. It is likely that check truncation will eventually become widespread or even universal. Alternatively, various other forms of electronic banking, such as electronic fund transfers, may largely replace the use of checks.

In either case, the IRS faces a number of challenges. We will have to adapt our auditing methods if there is no access to the taxpayer's cancelled checks. In cases of check truncation, we will frequently have to rely on photocopies made from the bank's microfilm; it will be important, therefore, that the banks are able to make clear copies quickly and cheaply. Under one form of check truncation, the bank of first deposit will be responsible. Although this approach may not become popular, obtaining cancelled checks would become much more difficult.

Where electronic fund transfers are used, different problems will exist, but the Service will still need to adapt its auditing and investigative techniques and methods to efficiently and effectively conduct examinations and joint investigations.

IV   PROGRAM CHANGES

There are currently no programs to be changed. However, changes will occur in the enforcement process as criteria and standards are developed.

V   RECOMMENDED ACTION PLAN

To be developed by Examination. The initiative should begin within 90 days after approval.

VI   RESPONSIBLE OFFICIAL

Assistant Commissioner (Examination)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

ENCOURAGE STATE LEGISLATION TO ENHANCE FEDERAL TAX ADMINISTRATION

I   STATEMENT OF STRATEGIC DIRECTION

o   **THE** IRS WILL WORK WITH OTHER INSTITUTIONS IN AND OUT OF
     GOVERNMENT TO SEEK ASSISTANCE AND SOLUTIONS TO COMPLIANCE
     PROBLEMS.

II   INITIATIVE DESCRIPTION

> **The IRS will pursue, in cooperation with the
> National Association of Tax Administrators
> (NATA), the enactment of state statutes which
> will enhance both federal and state tax
> administration.**

Specifically, legislation should be promoted which would
generally require that

A)   any person providing goods or services to, or real
     estate space for, the state or any subdivision
     thereof, and

B)   any person applying to the state, or any subdivision
     thereof, for a right or license, or renewal thereof, to
     conduct a profession, trade, or business within the
     state

shall be required to establish or certify under penalty of
perjury that the person has filed all return(s) and paid any tax
required by the state. *

The focus of this initiative is to surface delinquent or
nonfiler taxpayers through matching the "certifications" with the
state's income tax records. The state's income tax records would
be made available to IRS through the Federal/State Exchange
Program.

* These provisions contain the thrust of the recently enacted
  (July 1, 1983) Revenue Enforcement and Protection Program
  (Chapter 233 of the Acts of 1983) of the Commonwealth of
  Massachusetts.

This initiative, when implemented, will likely prove of significant benefit only for those IRS districts in states that maintain the information in a format compatible with the needs of the Service. Consequently, implementation of this initiative should be in tandem with implementation of the recommendations in the Report of the Federal/State Exchange Task Force. Before pursuing this initiative, contact should be made with the National Association of Tax Administrators (NATA) to seek advice and cooperation. IRS districts in states without personal income taxation would not be affected by this initiative.

III JUSTIFICATION

The enactment of state statutes designed to ensure the filing of appropriate returns in connection with the pursuit of business activities clearly strengthens voluntary compliance, not only for the state but also for the federal Government through the Federal/State Exchange Program. Further, under this initiative, enforcement of the state statutes by state personnel, in effect, increases "coverage" at the federal level.

IV PROGRAM CHANGES

None.

V RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
<u>APPROVAL</u>

+ 3 months   Contact NATA

+ 6 months   Forward appropriate instructions, background
                              material including Mass, legislation to all
                              District Directors

+ 9 months   Initiate contact with state authorities

VI RESPONSIBLE OFFICIAL

District Director, Boston

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

May 9, 1984

USING **INFORMATION** FROM FEDERAL AGENCIES TO ENHANCE TAX ADMINISTRATION

I   STATEMENT OF STRATEGIC DIRECTION

o   THE IRS WILL WORK **WITH** OTHER INSTITUTIONS IN AND OUT OF GOVERNMENT TO SEEK ASSISTANCE AND SOLUTIONS TO COMPLIANCE PROBLEMS.

II   INITIATIVE DESCRIPTIONS

Establish a multifunctional task force to compile an index of investigatory activities conducted by other federal Government agencies that may be beneficial to the IRS. This information would enable the National Office to alert the field to possible avenues of investigation of which it was not aware. In some cases it may be possible to execute Interagency Agreements which would facilitate the securing of information.

The task force would identify, contact, and where appropriate, interview for purposes of developing a descriptive inventory of investigatory activities. A description of activities warranting further consideration would be provided to each affected Assistant Commissioner for study and pursuit of cooperative procedures to obtain tax information of a significant nature that is discovered by other federal agencies during the course of their respective investigations.

III JUSTIFICATION

With the decline in voluntary **compliance** in a period of budgetary constraints, IRS must find ways to increase "presence" and to selectively apply resources to produce effective results. This initiative should accomplish these purposes. We are aware that the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, the National Credit Union Administration, and the Office of the Comptroller of the Currency conduct examinations as part of their supervision of the institutions that they regulate. A descriptive listing of the investigatory activities performed by these and other federal agencies warrants consideration by Service officials for possible tax implications.

Through Interagency Agreements, tax information of a significant nature that is discovered during investigations or examinations by other federal organizations could be furnished to the Service. Since the information would be "significant in nature" (as defined in the Agreement), IRS could selectively pursue those items with potential for substantial compliance impact. Where it is not feasible to pursue an Interagency Agreement, the field could still benefit just by knowing about the existence of other federal activities which might be helpful to IRS investigations.

IV   PROGRAM CHANGES

None.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 2 months	Establish task force to draw up action plan.
+ 3 months	Submit action plan to Planning Council for approval.
+ 9—12 months	Submit report.

VI   RESPONSIBLE OFFICIAL

ARC Criminal Investigation (Mid—Atlantic Region)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

ENHANCING RECRUITMENT AND RETENTION OF EMPLOYEES

TRENDS

Retention of our best employees is becoming an increasingly serious problem in our organization. This is related to many factors encompassing economic conditions, the geographical locations of offices, as well as changes in skills required to cope with an increasingly complex workload and the introduction of new technology.

In general, federal employment is perceived as a less attractive alternative to private industry and no material improvement in incentives such as pay or benefits is likely in the near future. In addition, various proposals are being considered which would lessen the benefits of government employment.

The Service has been experiencing a loss of employees, particularly mid—managerial and senior executives, when they become eligible for retirement. There is a positive market value associated with IRS—trained professionals, managers or executives.

The impact of information technology will continue to precipitate changes within the workforce. We will have to deal with the fact that old occupations will disappear as new ones are created. As technology affords opportunities to centralize or decentralize, work will continue to be shifted among geographical locations.

We will not only face the need to train for, or acquire, the skills and knowledges needed, but will also have to deal with factors such as job dislocation, employee morale, changes in the work ethic, greater competition for fewer young people entering the workforce each year, and a generally aging population.

TRENDS (continued)

There may also be changes in the customary supervisor—employee relationships due to the methodology of information resource use and a heightened use of matrix organizations within the Service. The traditional leadership role and mode, as a result, may be expected to undergo significant change. As all of these changes occur, there will be substantial increases in the levels of anxieties and fears within the entire **workforce.**

Prior to retirement other forces come into play. There is executive frustration from the financial disclosure rules and such public attacks as the filing of frivolous lawsuits and the widespread disregard for public employees. Another **frustration** involves the unreimbursed moving expenses that managers and executives must bear **since** geographic relocation is required in these positions. High caliber mid—managerial level and professional employees are also confronted by salary compression and can be lured away to private industry by the potential of significant greater monetary rewards for outstanding performance.

Another trend is the shift from one career family to the two wage—earner family. The Service is finding that it has more two—income earning families (either both IRS employees or one with **IRS** and the other spouse not).

ISSUES

1) How can **the** Service operate its management and executive assignment systems to minimize the negative impact of unrealistic compensation systems that deter these employees from continuing their **IRS** careers beyond retirement eligibility, while at the same time fostering high **morale** and commitment to **excellence?**

ISSUES (continued)

    2)   What actions can the Service take to
          foster long—term careers for its
          professional and support staffs?

    3)   How do we attract the highest caliber
          people to seek employment with the
          Service?

STATEMENTS OF STRATEGIC DIRECTION

    1)   THE SERVICE, WORKING WITH OTHER AGENCIES
          AND INSTRUMENTALITIES OF GOVERNMENT, WILL
          ACTIVELY IDENTIFY AND ADVOCATE
          IMPROVEMENT OF THOSE FACTORS INFLUENCING
          THE ATTRACTIVENESS OF FEDERAL EMPLOYMENT.

    2)   THE SERVICE WILL DEVELOP NEW STRATEGIES
          FOR ATTRACTING, DEVELOPING, AND
          RETAINING PROFESSIONAL STAFF, MIDDLE AND
          SENIOR EXECUTIVE LEVEL MANAGEMENT.

    3)   THE SERVICE WILL TAKE THE NECESSARY
          STEPS TO ENHANCE OUR ABILITY TO PROTECT
          EMPLOYEES AND IMPROVE THE OVERALL
          QUALITY OF THEIR WORKLIFE.

    4)   THE SERVICE WILL DEVELOP A STRATEGY TO
          BETTER UTILIZE HUMAN RESOURCES SKILLS ON
          BOTH A SHORT-TERM AND LONG-TERM BASIS.

ENHANCING RECRUITMENT AND RETENTION OF EMPLOYEES

INTRODUCTION

The Service recognizes that its strength lies in its human resources. The interaction of people is what causes us to be successful. As an organization, it is imperative that we continue to do those things that will attract and help us retain the high quality individuals we have come to expect.

The following fifteen strategic initiatives are designed to accomplish this objective while continuing to instill in our workforce the pride in accomplishing our Mission through creativity, innovation, and hard work.

These initiatives will not in any way undermine the stringent standards to which we currently hold our employees. These standards encompass a code of conduct and degree of professionalism well above that stipulated for most public or private sector jobs. The initiatives are intended to provide benefits that are needed if the Service is to be competitive with other employers.

TREATMENT OF ALL EMPLOYEES - COUNSELING

I **STATEMENTS** OF STRATEGIC DIRECTION

o THE **SERVICE,** WORKING WITH OTHER AGENCIES **AND**
   INSTRUMENTALITIES OF GOVERNMENT, WILL ACTIVELY IDENTIFY AND
   ADVOCATE IMPROVEMENT OF THOSE FACTORS INFLUENCING THE
   ATTRACTIVENESS OF FEDERAL **EMPLOYMENT.**

o THE SERVICE WILL DEVELOP NEW STRATEGIES FOR ATTRACTING,
   DEVELOPING, AND RETAINING PROFESSIONAL STAFF, **MIDDLE** AND
   SENIOR EXECUTIVE LEVEL **MANAGEMENT.**

o THE SERVICE WILL TAKE THE NECESSARY STEPS TO ENHANCE OUR
   ABILITY TO PROTECT EMPLOYEES AND IMPROVE THE OVERALL QUALITY
   OF THEIR **WORKLIFE.**

II **INITIATIVE** DESCRIPTION

> **Provide counseling, assistance and information
> on subjects of personal concern to employees,
> such as relocation, career pathing, finances,
> etc.**

Begin with a task force to determine what forms the
counseling services should take. Initially, the task force
should at a minimum propose formal programs for relocation,
career **pathing,** and financial counseling, and explore ways the
present psychological counseling can be more effective to **more**
people.

The task force (comprised of employees from Personnel,
Training and functional areas) should first sample what is avail-
able in private industry and other government **agencies,** then
develop program proposals and recommend assignment of
responsibilities.

Following are possibilities to be pursued:

o Expand psychological counseling beyond supervisor—initiated

   counseling and referrals—out.

   IRS is typical of the government sector in that very
   little psychological counseling is available to
   employees. What is done is limited, often mandated by
   OPM, and often dependent upon the interest and concern
   of the employee's immediate manager. The **psychological**
   counseling available to IRS employees is mainly for

87   May 9, 1984

those whose problems affect work performance (e.g., alcohol or drug abuse) or need short—term counseling or referrals for personal problems. Many local offices have special employee assistance activities such as stress management workshops.

o   Routinely provide relocation counseling for all relocated employees.

Relocation counseling in IRS is primarily on travel and moving regulations, and is provided by analysts in Facilities Management and Fiscal.

Personnel and Facilities Management, working with local community resources, could establish a bank of information (or, better yet, tap into existing ones) on schools, housing, employment opportunities for spouses, etc., and provide direct assistance in making community contacts.

o   Formalize and publicize career counseling.

IRS has a very informal program of career counseling. The initiative for counseling it alternates between managers and employees. Significant effort has been placed on career opportunities, but little has been done to provide employees with one—on—one professional counseling. Better career counseling would enhance our chances of developing underutilized employees for professional positions and help employees make a more accurate assessment of their qualifications for various positions.

o   Provide financial counseling, both direct (tax—related information and help) and indirect (referral or contracting for budgeting, financial planning).

There is no financial counseling program in the Service at this time, although tax advice, IRA information, etc., could be provided. Liaison could also be established with banks and investment houses where much financial information is available at almost no cost.

III JUSTIFICATION

Workers are adjusting their values and the ways they view themselves. For the work context, this means a job is now viewed in terms not only of the job itself and pay but also in terms of the impact it has on the person and the person's family.

Private industry has taken steps to provide various counseling services to employees through company staff, or contracted or referral services. Services are provided for a multitude of subjects — relocation, career and financial counseling are the most common.

If the Service is to compete successfully with private industry, we must match or surpass them where we can. To attract and retain employees we need to provide some form of counseling program that meets the personal needs of **employees.** Firms in the private sector have recognized the need to view the person as a whole, as someone who brings to the job needs that directly and indirectly affect **performance.** While the government is not in a position to devote the **same** resources **as** private industry, there is much that can be clone.

The tangible and intangible benefits will outweigh the costs involved. As has been demonstrated where counseling services are available, IRS can expect a more productive, healthy and mobile **workforce.** The program would be an effective tool in the recruitment process, as IRS would be viewed as an employer that helps employees to cope with work and non—work problems. It will enable IRS to attract people who might otherwise consider only private industry. Employees in need of such services would spend less time off the job seeking advice and assistance. These **factors** culminate in a more effective and efficient organization.

IV PROGRAM CHANGES

Existing, though limited, formal counseling programs (e.g., IRS Alcoholism Program) would probably be subsumed by a broader, more responsive counseling program(s).

Supervisors would all need to receive a special, one—time orientation about the purpose and benefits of **new** IRS counseling services. All employees would also need orientation in order for the services to be properly used.

V RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 6 months   Task force determines counseling available in
                  private sector and other agencies

+ 7 months   Propose type(s) of programs and methods of piloting
                  them to Planning Council

VI RESPONSIBLE OFFICIAL

Assistant Commissioner (Human Resources)

May 9, 1984

VII. MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources:

FISCAL YEAR	STAFF YEARS	OTHER COSTS
1984	Existing Resources	
1985	Existing Resources	40 *
1986-90	To Be Determined	To Be Determined

* Existing HR contract funds

May 9, 1984

TREATMENT OF ALL EMPLOYEES – **PHYSICAL** FITNESS

I STATEMENTS OF STRATEGIC DIRECTION

o THE SERVICE, WORKING WITH OTHER AGENCIES AND **INSTRUMENTALITIES** OF GOVERNMENT, WILL ACTIVELY IDENTIFY AND ADVOCATE **IMPROVEMENT** OF THOSE FACTORS INFLUENCING THE **ATTRACTIVENESS** OF FEDERAL EMPLOYMENT.

o THE SERVICE WILL DEVELOP NEW STRATEGIES FOR ATTRACTING, DEVELOPING, AND RETAINING **PROFESSIONAL** STAFF, MIDDLE AND SENIOR EXECUTIVE LEVEL **MANAGEMENT.**

o THE SERVICE **WILL** TAKE THE NECESSARY STEPS TO ENHANCE OUR ABiLITY TO PROTECT EMPLOYEES AND **IMPROVE THE** OVERALL QUALITY OF THEIR **WORKLIFE.**

II INITIATIVE DESCRIPTION

Explore ways to provide physical fitness programs for employees.

A task force should be established, chaired by an executive, to explore the approaches used by other organizations and the costs and effects of various options.

III JUSTIFICATION

This is an area where IRS could compete effectively with private industry without incurring significant net cost. Start—up costs should be outweighed by the long term benefits of increased morale, reduced absenteeism and increased productivity.

The number of Americans who participate in personal or workplace physical fitness programs continues to increase. Four hundred major corporations with physical fitness programs (such as Exxon, Chase Manhattan, Xerox, Boeing and Pepsi) have found that such programs not only promote employee morale, but also make sense economically.

In FY 1983, IRS spent over $67 million for sick leave—770,857 staff days—and granted 300 job—related disabilities. In FY 1983, we also paid over $48 million for employee health benefits. These enormous costs could be reduced by **improving** the physical fitness of our **workforce.**

May 9, 1984

IRS has a small general fitness program — periodic medical examinations, periodic screening for high risk factors (blood pressure, cancer detection), and education about physical and emotional fitness subjects — and has limited counseling in areas such as drug and alcohol abuse. This general fitness program should continue, but be expanded substantially to include physical fitness activities similar to those provided in the private sector.

Studies indicate that physical fitness programs do result in reduced health costs, reduced absenteeism, and improved work performance, and that they will help to attract and retain employees.

IV   PROGRAM CHANGES

Existing general fitness program efforts should continue, pending consideration of task force report by Planning Council.

V   RECOMMENDED ACTION PLAN

The following major tasks need to be accomplished to implement this initiative:

TIME FROM
INITIATIVE
APPROVAL

+ 1 month   Task force formed to study and recommend programs

+ 3 months   Task force completes research of private and public sector programs

+ 4 months   Task force submits report to Council

VI   RESPONSIBLE OFFICIAL

Deputy Assistant Commissioner (Criminal Investigation)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources to complete task force report in FY 1984.

BACKGROUND INFORMATION

Congress enacted Title 5, Section 7901, United States Code, which provides that each federal agency may establish, within the limits of its appropriation, a health service **program** to promote and maintain physical and mental fitness of employees.

The Public Health Service strongly encourages public agencies to "provide their employees with tine **and** facilities for regular vigorous physical activities."

Executive Order 12345 invited federal agencies to participate in an inter—agency committee to coordinate physical fitness and sports activities. (IRS has not participated.)

Among the federal agencies that have formalized fitness programs are NASA, the Secret Service, Customs, the Postal Inspection Service, Department of Justice, National Institutes of Health, Department of Transportation and the Interstate Commerce Commission.

There are many factors that must be considered when establishing a physical fitness program. These include:

o Voluntary or mandatory **programs**

o Outside professional staff or in—house staff

o On—site **facilities** or off—site **facilities**

o Non—work hour programs or work hour **programs**

o **Programs** for targeted positions only or general

   employee programs

Costs vary with the nature of the fitness **program delivered.** The physical fitness program at **NASA's** headquarters **provides** some insight into the cost of such a **program.** **NASA** converted a sub-basement in a federal office building. The **cost** for renovating and equipping the facility was $24,000. The facility has a large variety of equipment, such as treadmills, barbells and **weights** and balance beams. Almost all the equipment has been replaced since 1976, at a cost of $7,500. In addition, the facility has dressing and shower rooms. It is staffed by two full—time physical education **instructors** and is available to the 1,540 headquarters employees.

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TREATMENT OF **ALL EMPLOYEES**   CHILD CARE

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE SERVICE, WORKING WITH OTHER AGENCIES AND INSTRUMENTALITIES OF GOVERNMENT, WILL ACTIVELY IDENTIFY AND ADVOCATE IMPROVEMENT OF THOSE **FACTORS INFLUENCING** THE ATTRACTIVENESS OF FEDERAL EMPLOYMENT.

o   THE SERVICE WILL TAKE THE NECESSARY STEPS TO ENHANCE OUR ABILITY TO PROTECT EMPLOYEES AND IMPROVE THE OVERALL QUALITY OF THEIR WORKLIFE.

II   INITIATIVE DESCRIPTION

> **Identify child care alternatives that are available to the Service; recommend alternnatives and roles the Service should adopt, and propose policies, tests, pilots, etc.**

Establish a study group to research methods of enhancing child care for IRS employees. The study group should be composed of an organizational cross—section of both male and female IRS employees, some married and some single parents. The study group should be chaired by an executive. A consultant should be used to support the study group.

It is unlikely that any one approach to child care will be universally appropriate for the Service. Pilot tests of selected ways of providing care for employees' children should be considered to determine workability, costs, and benefits.

Among the possible ways that are known **from** other organiza-tions' programs are: providing on—site day care **centers;** providing space to private **vendors;** identifying private child care centers and encouraging employees to use them; arranging special rates for private care; liberalizing leave usage or work schedules for child care purposes; permitting use of LWOP, part—time work, job sharing, **etc.,** for employees to perform parental responsibilities. None of these options is specifically recommended.

III JUSTIFICATION

The **workforce** is increasingly comprised of employees who either are single parents or are part of a household where both parents work. To work, these employees must obtain care for their children, and they regard assurance of acceptable child care arrangements as a critical element in their job decisions. The National Treasury Employees Union has expressed interest in **IRS** providing some form of child care.

While employer—provided or employer—facilitated child care has not been traditional, many private and public sector employers are now providing some child care assistance. As competition for skilled employees increases, particularly in the lower grades, acceptable child care alternatives will be instrumental in retaining high caliber employees.

Addressing the issues of child care will demonstrate sensitivity to the multiple, sometimes competing, needs of **employees.** The Service will be better able to attract and retain skilled employees.

IV PROGRAM **CHANGES**

None, pending consideration of task force report by Planning Council.

V RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 1 month   Task force appointed and research begun on
                     private/public employers' child care provisions

+ 4 months   Task force recommendations on Service philosophy
                     and action plans go to Council for approval

VI RESPONSIBLE OFFICIAL

Service Center Director, **Fresno**

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing **resources** to complete task force report in FY 1984.

BACKGROUND INFORMATION

This is a synopsis of two 1982 Department of Labor publications on day care in federal agencies.

Nine agencies in the greater Washington area provide child care services: HEW, NIE, NASA, NOAA, NIH, Agriculture (Beltsville), DOL, DMA AND HUD. The National Bureau of Standards was involved in setting up an on—site day care center; the facility was to be operational by September 1983.

Authority for establishing day care programs is both mission and non—mission related. A GAO ruling in 1976 held that an agency head could provide for a program if it was determined that such services are necessary for employee welfare and morale. HEW and HUD received special Congressional authorization for their centers when they were planning to establish their operations.

In HEW, NIE and DOL, management provided the impetus for the program, with assistance from employee and union groups. The Agriculture, NASA, HUD and NIH operations were employee-instigated and were operated by parent boards from the start. HEW and BUD both received strong initial support of their departments' secretaries. DOL, whose program was initiated by two assistant secretaries, had the first government—sponsored child care center and now provides an on—site facility for 100 preschool children.

Funding often has included seed money from the agency for equipment and start—up costs. Whatever the motives (experiment-ation, demonstration or other) the practice of continuing federal encouragement by providing space, maintenance and utilities seems to be constant. In most instances rental charges are absorbed by the agencies, or minimal charges have been negotiated.

Thus, the trend in federal day care appears to be toward parent operation and control after an initial period of substantial agency involvement. All the centers are now self—sustaining with independent boards of directors responsible for hiring, staffing, fiscal and operating policies. The government's role is primarily limited providing a facility for the center as it does for other employee activities.

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TREATMENT OF ALL **EMPLOYEES**   RULES **OF** CONDUCT

I   STATEMENTS OF STRATEGIC DIRECTION

 o   THE **SERVICE,** WORKING WITH OTHER AGENCIES AND
       INSTRUMENTALITIES OF GOVERNMENT,--WILL ACTIVELY IDENTIFY AND
       ADVOCATE IMPROVEMENT OF THOSE FACTORS **INFLUENCING** THE
       ATTRACTIVENESS OF FEDERAL EMPLOYMENT.

 o   THE SERVICE WILL DEVELOP NEW STRATEGIES FOR ATTRACTING,
       DEVELOPING, AND RETAINING PROFESSIONAL STAFF, MIDDLE AND
       SENIOR EXECUTIVE LEVEL MANAGEMENT.

 o   THE SERVICE WILL TAKE THE NECESSARY STEPS TO ENHANCE OUR
       ABILITY TO PROTECT EMPLOYEES AND IMPROVE THE OVERALL QUALITY
       OF THEIR **WORKLIFE.**

II   INITIATIVE DESCRIPTION

> **Review the rules of conduct and delete all but the absolutely essential constraints on employees' off—the—job activities. Also review and modify the constraints on IRS employment of family members.**

     The Service should reconsider the rules of conduct regarding employees' off—the—job activities and IRS employment of family members.

     For example: the Service might provide that when two IRS careers are involved, and one member of a household is relocated, we will help the other person find a position in the new location.

     Another example concerns the scope of outside employment options. This should be clarified to insure that Service management takes a consistent, progressive position Service—wide.

May 9, 1984

III JUSTIFICATION

The **Rules** of Conduct impose constraints that may no longer be appropriate. Today, many employees must maintain second and third jobs or other types of financial involvement to keep pace with the economy. Similarly, many **employees have several members** of their households in the **workforce.** In most instances, one family member has little or no control over the financial activities of other members of their families. Increasingly, IRS employees' spouses also work for IRS.

There is also a probability that the Service will need to accommodate a variety of alternate work styles (i.e., part time, job sharing, etc.). Employees engaged in such arrangements may hold other jobs or engage in other pursuits that would be, but perhaps should not be, restricted by the present Rules of Conduct.

Unless the Service eliminates all but the very essential constraints, it may lose employees who will move to other employers who place fewer restraints on their off—the—job conduct.

IV PROGRAM CHANGES

The rules of conduct would be revised.

V RECOMMENDED ACTION PLAN

The review and amendment of the current rules of conduct should be completed one year after approval of initiative.

VI RESPONSIBLE OFFICIAL

District Director, Milwaukee

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

TREATMENT OF ALL EMPLOYEES
EMPLOYEE PRIDE, INVOLVEMENT AND PRODUCTIVITY

I   **STATEMENTS OF STRATEGIC DIRECTION**

o   **THE** SERVICE, WORKING WITH OTHER AGENCIES AND
     INSTRUMENTALITIES OF GOVERNMENT, WILL ACTIVELY IDENTIFY AND
     ADVOCATE IMPROVEMENT OF THOSE FACTORS INFLUENCING THE
     ATTRACTIVENESS OF FEDERAL EMPLOYMENT.

o   THE SERVICE WILL DEVELOP NEW STRATEGIES FOR ATTRACTING,
     DEVELOPING, AND RETAINING PROFESSIONAL STAFF, MIDDLE AND
     SENIOR EXECUTIVE LEVEL **MANAGEMENT.**

o   THE SERVICE WILL TAKE THE NECESSARY STEPS TO ENHANCE OUR
     ABILITY TO PROTECT EMPLOYEES AND **IMPROVE** THE OVERALL QUALITY
     OF THEIR **WORKLIFE.**

II   **INITIATIVE DESCRIPTION**

> **Enhance employee pride, involvement and
> productivity by better recognizing the
> Service's investment in its workforce and
> employees' role in IRS accomplishments.**

     The Service recognizes the psychological contract that
exists between the organization and its employees. The work
force has in the past achieved the objectives set out by
management. This must continue. Specifically, this means that
the workforce is responsible and accountable for the Service
accomplishing its Mission.

     This initiative is aimed at fostering a climate which will
allow that enthusiastic dedication to the Mission of the Service
to continue to be nurtured and instilled in all employees. The
work force has a responsibility to put forward its best effort in
not only carrying out its assigned task but to suggest, propose,
and initiate new ideas and methods to increase the productivity
of the Service as a whole.

     The Service, for its part should make special efforts to
promote employee pride about working for IRS. Three specific
steps should be the minimum effort toward this end:

     o   Employee Involvement Techniques – Employ a consultant
          to help IRS increase use of employee involvement
          techniques.

o   Pride and Recognition — Assign a multifunctional study group to evaluate ideas, survey other agencies, and make recommendations on actions and program structure for identifying and publicizing accomplishments and for perpetuating the process.

o   Benefits — Assign a more specialized task force (Personnel, Finance, and Facilities) to evaluate ideas, study other agencies, and make recommendations on providing special benefits for working for IRS.

Employee involvement in certain workplace decisions should be encouraged. Some possible employee involvement techniques are: team building, quality circles, suggestion plans and involvement in task forces and committees. Where bargaining unit employees are involved, this participation would occur in cooperation with **NTEU.** To increase employee involvement, a consultant such as an organizational development specialist should be used.

A continuing campaign should be mounted to foster employee pride in their accomplishments within the IRS and to recognize their own roles in achieving them. Some examples of pride—worthy items are: carrying out the most effective tax administration system in the world; reputation as one of the most effectively managed government agencies; the extremely high level of integrity as evidenced by the low level of internal fraud; an **executive program that serves as a model for other agencies;** IRS' significant role in the economy and Presidential programs; being at the forefront in labor relations; and individual employees' **successes at making IRS work better.**

Efforts also should focus on identifying special benefits that can be provided within current regulations and that would make working for IRS special. A task force would identify such benefits and recommend what could be provided. Examples of benefits that might be arranged are: flexibility to pay for certain social gatherings and entertainment in connection with business—related functions; paying for memberships in professional associations; encouraging off—site meetings and conferences to build team work and improve communications; special or reduced rate parking; and allowing employees to influence the physical office environment.

III JUSTIFICATION

IRS esprit de corps   a spirit of devotion and enthusiasm among employees for one another, for their work and for the Service's mission   is an intangible asset that contributes to mission accomplishment; lack of pride hampers and increases costs of mission accomplishment.

High visiblity efforts are essential to counteract the effects on our employees of negative publicity about the federal **workforce.** The negative publicity directly affects our ability to obtain quality employees, and erodes the productivity of our present **workforce.** There are many positive attributes of the Service, which if publicized properly would have a favorable impact on employees and how they feel about working for the Government in general and the IRS in particular.

Recognizing employee contributions to the Mission of the Service will demonstrate the organization's pride in them and make them proud to be part of the organization. Private employers are increasingly recognizing the part their employees play in the success of their organizations, through company policy statements, employee liaisons with management, and advertising.

Providing special employee benefits is also an excellent method of promoting pride in the organization through satisfaction that one is important to the organization.

IV   PROGRAM CHANGES

Changes will be required to certain IRS policies and procedures (IRM 1218, Policies of the IRS).

Procedures will need to be developed for identifying, developing and communicating significant IRS accomplishments and program successes on an ongoing basis. Expectations must be established for executive and managerial commitment to this effort.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

Employee **Accomplishments,** Pride and Special Benefits

+ 1 month   Survey made of ACs & RCs for suggestions on
                   accomplishments and benefits to be considered

+ 3 months   Study groups established

+ 6 months   **Planning Council considers study group**
                   recommendations on recognizing accomplishments
                   and providing special benefits

oyee Involvement

+ 2 months	Develop and issue RFP for consultant to assess training and support needs for managers to use employee involvement
+ 8 months	Outside consultant's report submitted to IRS
+ 9 months	Planning Council review of recommendations
+ 10 months	Implement approved recommendations
+ **11 months**	**Issue memorandum or policy statement on use of** employee involvement techniques

VI   RESPONSIBLE OFFICIAL

District Director, Detroit

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources:

FISCAL YEAR	STAFF YEARS	OTHER COSTS
1984	Existing Resources	
1985	Existing Resources **	50 *
1986—90	To Be Determined	

*   Existing HR contract funds

**   There may be need for staffing for the Training function to support increased use of employee involvement techniques.   These costs will not be known until the study groups' and consultant's assessments are done.

TREATMENT OF MANAGERS AND EXECUTIVES

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE SERVICE WILL DEVELOP NEW STRATEGIES FOR **ATTRACTING,** DEVELOPING, AND RETAINING PROFESSIONAL STAFF, MIDDLE AND SENIOR EXECUTIVE LEVEL MANAGEMENT.

o   THE SERVICE WILL TAKE THE **NECESSARY** STEPS TO ENHANCE OUR ABILITY TO PROTECT EMPLOYEES AND IMPROVE THE OVERALL QUALITY OF THEIR **WORKLIFE.**

II   INITIATIVE DESCRIPTION

Develop and implement a plan to improve overall conditions under which managers and executives operate.

Engage an outside consultant to work with two executive study groups to assess the present managerial and executive cultures, and to help the Service assess the impact of any changes that are made.

Although analysis and recommendations could be done solely by an outside consultant, the process should not be "turned **over"** to a consultant because there are organizational philosophy questions that can only be answered within IRS. A consultant should be used to assist IRS in deciding on how to introduce the **changes.**

IRS **should** take actions that recognize that, while managers and executives deserve treatment equal to rank and file employees, sometimes the nature of their work justifies special **considerations.** There are a number of areas in which **managers** themselves have ideas about what can be done, and the organization would benefit from involving managers in the development of some of these initiatives for Board consideration. **Some** possibilities:

For All Managers:

o   Re—evaluate the role of mobility and specify a policy.

o   **Recommend** actions to strengthen the regional management careers programs.

o Identify possible "benefits" for managers appropriate to their rank and the demands placed on them; promote a greater sense of their importance to the organization.

o Remove from Merit Pay administration any disincentives that IRS has control over (e.g., strict adherence to 25% limitation on Outstanding/Distinguished Performers).

o Identify and use additional ways to increase managers' identification with the organization and with the "management team."

o **Increase interaction and recognition among all** management levels, on such subjects as Servicewide accomplishments, goals and expectations.

For Executives —

o Specify more of the policies of the Executive Resources Board.

o Increase communications between the Board and executives — encourage greater flow of information and input both up and down; actively use RCs and Associate Commissioners in the communication process.

o Consider adopting ERB policies in some of the following areas:

   o Retirement preparation

   o Sabbaticals — broaden the definition and expand their use.

   o Role of the **ERB** staff in relation to executives as well as to the Board.

o Provide for certain additional expenses for executives engaged in specialized training (e.g., Harvard) or other special assignments where they interact with private industry counterparts.

III JUSTIFICATION

In the past few years fewer capable employees have been willing to enter managerial ranks. While no single factor accounts for this trend, some of their reluctance must be a perception of management work as demanding and unrecognized. The initiative is aimed at making up for some of the necessary demands and providing some recognition of management's role in the organization.

Similarly, it has been some time since there has been a comprehensive review of ERB policies. While some subjects don't **lend themselves** to official policy statements, the overall environment would be greatly improved if there were special efforts to increase understanding of some of the **Board's** policies and operating assumptions.

Two study groups are proposed because the issues concerning executives and non—executive managers are different enough that separate analyses and recommendations will result in solutions more likely to be effective.

Pursuing this initiative and more clearly articulating Service policies toward managers will demonstrate top management's willingness to treat managers and executives well, create a managerial "esprit de corps", influence greater commitment to the organization, and may have a positive influence on rank and file employees by showing due respect to managers.

IV   PROGRAM **CHANGES**

Program changes will depend on the specific actions that are taken after study.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 90 days   **Consultant services secured**

+ 1 year   **Findings, recommendations** and action plans

       made to Deputy Commissioner

VI   RESPONSIBLE OFFICIAL

Regional Commissioner (Southeast)

VII.   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources:

FISCAL YEAR	OTHER COSTS
1984	25 *
1985	
1986-90	

* Existing HR contract funds

EMPLOYEE PROTECTION

I   STATEMENT OF STRATEGIC DIRECTION

o   THE **SERVICE** WILL TAKE THE NECESSARY STEPS TO ENHANCE OUR
      ABILITY TO PROTECT EMPLOYEES AND IMPROVE THE OVERALL QUALITY
      OF THEIR **WORKLIFE.**

II   INITIATIVE DESCRIPTION

**Improve the ability of the Service and its
employees to deal effectively with assault,
threat and harrasement activities, through
training, identification and legislation.**

There are several specific actions that need to be done to
better prepare the Service and its employees to deal effectively
with an environment that is becoming increasingly hostile to tax
administration. The actions deal with different manifestations
of that problem.

Training:

An expert in violence—prone behavior would study the nature
of our dealings with taxpayers and propose guidelines for
minimizing taxpayer hostility. The guidelines would be
incorporated into basic and CPE training for each IRS activity
whose principal duties involve dealing with taxpayers.

Collection recently developed revised training on assaults
and threats of assaults for continuing professional education.
This type of training should be available to all employees who
have extensive dealings, by phone or in person, with taxpayers.

Hostage contingency plans and training would be developed
for all IRS offices that are susceptible to hostage situations,
for executives and other employees who are in potential hostage
situations.

Identification:

The consultant and Inspection would also develop criteria
for, and profiles of, potentially dangerous taxpayers, to pre—
identify possibly dangerous situations. An automated system
would be developed for alerting all appropriate employees.

Legislation:

Legislation would be proposed to permit disclosure of return information to state and local prosecutors, and to make the filing of baseless liens a federal crime.

III JUSTIFICATION

Employee protection is of growing importance to employees who have been harassed, threatened or assaulted or who know of coworkers who have been. Even if they are not moved to leave their present positions, their performance is bound to be affected. To potential employees who may have heard of IRS employees' difficulties, evidence of constructive protective actions will be reassuring.

Training: There is concern that the behavior of employees can contribute to assault and threat situations, so analysis and training should avert some incidents. The Service's efforts in hostage training to date include informal briefings and contingency planning for executives. These efforts do not take care of other employees who may need to know what to do in a hostage situation.

Identification: Identification methods currently in effect involve only assaults and threats against Collection personnel and only Collection personnel are alerted. Also, little is being done to identify individuals who are members of tax protester groups that encourage violence in dealing with the administration of the tax system.

Legislation: Fifty percent of the physical assaults and almost all of the threats to and harassment of IRS employees are not accepted for federal prosecution. Prosecution is important as a deterrent to others contemplating violence or force against Service employees. Many of these cases could be successfully prosecuted at the state or local level, but current law prohibits disclosure of investigations containing tax return information to state and local authorities.

There are adequate sanctions on the books to protect against harassment activities by telephone or mail, but other harassment activities, such as the filing of baseless liens, are not addressed specifically by any criminal statutes. Legislation making the filing of baseless liens a federal crime would significantly improve the Service's ability to discourage this **growing** form of harassment.

IV   PROGRAM CHANGES

New **training programs** for all appropriate functions will be needed, plus a new (probably automated) program for identifying potentially dangerous taxpayers. There may be some additional workload with more local prosecutions of harassment activities and federal prosecution of filers of baseless liens.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE

ACTION

Assault and Threat **Analysis** and Training

+ 1 month   Prepare RFP to secure consultant who is expert in violence-prone behavior

+ **6 months**   Consultant completes report on effective ways to minimize hostility when dealing with taxpayers

+ 10 months   Develop assault and threat procedures and training modules for all appropriate employees; mandate modules in all future basic and CPE training

+ 18 months   Complete training for all appropriate on-board employees

Hostage Planning and Training

+ **3 months**   Develop contingency plans for IRS locations where the potential for a hostage situation is high

+ **4 months**   Establish requirements for hostage contingency planning and implement planning nationwide

+ **4 months**   Develop hostage training course

+ **5 months**   Establish hostage training as a mandatory part of CPE for IRS employees at high risk

Identification of Potentially **Dangerous Taxpayers**

+ 1 month   Begin to develop criteria to identify and evaluate potentially dangerous taxpayers; include information provided by consultant

+ 4 months   Develop procedures for systematically gathering and evaluating information, and for disseminating to affected employees

+ **6** months   Criteria and methods proposed to Planning Council for approval

+ 10 months   Implement automated system to alert employees to taxpayers who have been designated potentially dangerous.

Legislation

Completed   Formulate proposed legislation

+ 1 month   Review of proposed legislation

+ 2 months   IRS approval of proposed legislation

+ **3 months**   Forward to Assistant Secretary (Tax Policy) for review and consideration.

VI   RESPONSIBLE OFFICIAL

Deputy Assistant Commissioner (Inspection)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources:

FISCAL YEAR	OTHER COSTS
1984	75 *
1985—90	To Be Determined *

* Existing HR contract funds

OFFICE ENVIRONMENT

I STATEMENTS OF STRATEGIC DIRECTION

o   THE SERVICE, WORKING WITH OTHER AGENCIES AND
     INSTRUMENTALITIES OF GOVERNMENT, WILL ACTIVELY IDENTIFY AND
     ADVOCATE IMPROVEMENT OF THOSE FACTORS INFLUENCING THE
     ATTRACTIVENESS OF FEDERAL EMPLOYMENT.

o   THE SERVICE WILL TAKE THE NECESSARY STEPS TO ENHANCE OUR
     ABILITY TO PROTECT EMPLOYEES AND IMPROVE THE OVERALL QUALITY
     OF THEIR WORKLIFE.

II INITIATIVE DESCRIPTION

Increase the attractiveness and effectiveness
of the physical work environment.

The Service should clearly articulate criteria for the
esthetic appearance and operational effectiveness of IRS office
design, then devote time and resources to applying those
criteria.

Selected office sites should be identified to test
innovative layouts; work stations and technologies that are more
attractive, secure and designed for cost efficient work; and
space utilization. Special funds should be set aside for this
purpose. Industrial engineering, psychological and interior
design factors should all be considered.

III JUSTIFICATION

Although outstanding efforts by some IRS offices have
resulted in attractive and effective space utilization, physical
working conditions are a common source of dissatisfaction among
employees. Whatever the justification and contributing factors,
there are indeed many poor office configurations.

Future office environments will be directly affected by
increasing automation, requiring some non-traditional workspace
arrangements. While some guidelines and training have been drafted
concerning ergonomic features that will support productivity and
employee comfort at automated work stations, guidelines alone will
not achieve this initiative. Active endorsement of the philosophy
and commitment of resources are necessary.

Employees identify with their work surroundings. To the extent those surroundings are pleasant and allow them to do their jobs effectively, people will be attracted to IRS as an employer and take greater pride in the organization they represent. More customized work stations for our large variety of occupations will directly allow employees to be more effective in their work. What prospective employees see and what they hear from current employees will influence their willingness to work for IRS. However, improving the physical appearance of IRS offices will take a substantial long—term financial and time commitment that the organization has not provided before.

IV PROGRAM CHANGES

Program goals for improved office design must be developed and implemented, with some resultant shift in present program emphasis. Some present activities inconsistent with the new program goals may be discontinued.

V RECOMMENDED ACTION PLAN

TINE FROM
INITIATIVE
APPROVAL   **ACTION**

+ 3 months   Formulate proposed program goals

+ 7 months   Plan specific pilot tests and their funding

VI RESPONSIBLE OFFICIAL

District Director, Cincinnati

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources and some additional resources:

	STAFF YEARS	OTHER COSTS ($000s)
1984	Existing	—
1985	Existing	To Be Determined *
1986—90	16	To Be Determined **

_____ _____

* Existing R&D funds

** Not known at this time

May 9, 1984

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ANTICIPATION OF FUTURE CHANGES IN WORK — WORKFORCE TRENDS AND LEGISLATION

I   STATEMENTS OF STRATEGIC DIRECTIONS

o   THE SERVICE, WORKING WITH OTHER AGENCIES AND INSTRUMENTALITIES OF GOVERNMENT, WILL ACTIVELY IDENTIFY AND ADVOCATE IMPROVEMENT OF THOSE FACTORS INFLUENCING THE ATTRACTIVENESS OF FEDERAL EMPLOYNENT.

o   THE SERVICE WILL DEVELOP NEW STRATEGIES FOR ATTRACTING, DEVELOPING, AND RETAINING PROFESSIONAL STAFF, MIDDLE AND SENIOR EXECUTIVE LEVEL MANAGEMENT.

o   THE SERVICE WILL DEVELOP A STRATEGY TO BETTER UTILIZE HUMAN RESOURCES SKILLS ON BOTH A SHORT-TERM AND LONG-TERM BASIS.

II   INITIATIVE DESCRIPTION

> **Track demographics, worker attitudes, cultural trends, legislation and other key issues critical to the well—being of IRS employees; adjust personnel practices and policies.**

Develop a tracking system for a recurring environmental scan of internal and external demographics, worker attitudes and cultural trends that should trigger adjustment to IRS policies and procedures. This would be supplemental to the various existing data systems that already fill some of this need (such as Research Division's extensive demographics analyses).

There should also be a method for tracking and analyzing federal employment issues important to employees and for taking an active IRS position on them. These subjects should be systematically analyzed in relation to each other, and plans made that will maximize the quality of the IRS workforce.

To do this systematically, establish a standing executive committee on demographic, cultural and personnel legislation trends. Executives from regions with increasingly multi—cultural populations should be represented, plus EEO and Personnel. The committee would determine if any changes should be proposed in our personnel practices, based on projected trends.

An organizational unit should be created or assigned to support the executive committee, to track and identify employee issues, and make recommendations to IRS officials. The same unit would provide yearly projections and recommendations to the committee.

A consultant should be employed to help design a useful tracking system and advise on strategies for dealing with projected changes.

III JUSTIFICATION

Predicted changes in the makeup and attitudes of the U.S. **workforce,** plus rule changes and bad' press for the federal worker, all contribute to making government employment less attractive. Consequently our ability to attract and retain quality employees will be seriously impeded.

These issues should be addressed now so we can adjust our personnel tactics to meet our future needs and maintain IRS as a vital, productive organization.

IV PROGRAM CHANGES

An organizational unit in Human Resources and/or PFR will be assigned extensive new, continuing duties.

V RECOMMENDED ACTION PLAN

TINE FROM
INITIATIVE

APPROVAL	ACTION
+ 2 months	Assign responsibility(ies) for tracking employee issues or proposals; obtaining and analyzing demographic and cultural data; and providing reports to the committee
+ 3 months	Establish executive committee on workforce trends
+ 5 months	Hire consultant(s) to help design tracking system
+ **8 months**	Develop sources for demographic and cultural trend data
+ **8** months	Research/review methods available for use in influencing favorable changes to legislation and rules

V RECOMMENDED ACTION PLAN continued

TIME FROM
INITIATIVE   ACTION

+ 12 months   Establish tracking system(s) and procedures

+ 18 months   Interim reports to potential action—takers

+ 24 months   Provide first—year report to Planning Council

VI RESPONSIBLE OFFICIAL

- ARC Resources Management (Mid—Atlantic)

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources:

FISCAL YEAR   OTHER COSTS

   1984   25 *

   1985—90   To be determined

———————

* Existing R&D funds for consultant

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May 9, 1984

ANTICIPATION OF FUTURE CHANGES IN WORK — TECHNOLOGICAL DISPLACEMENT

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE SERVICE WILL TAKE THE NECESSARY STEPS TO ENHANCE OUR ABILITY TO PROTECT EMPLOYEES AND IMPROVE THE OVERALL QUALITY OF THEIR **WORKLIFE.**

o   THE SERVICE WILL DEVELOP A **STRATEGY** TO BETTER UTILIZE HUMAN RESOURCES SKILLS ON BOTH A SHORT—TERM AND LONG—TERM BASIS.

II   INITIATIVE DESCRIPTION

Require an employee placement plan which includes individual career planning and training for each major technology change (such as Automated Examination System).

Develop, for all major technological changes, action plans for accommodating displaced employees. These action plans should include extensive counseling and retraining of present **employees,** so the Service and the employees end up with the optimum arrangements.

Training plans could be developed to convert latent employee skills into active, selectable skills that permit **"bridging"** into other positions, whether in the new technology area or elsewhere in IRS. The cornerstone of this process is a strong career counseling program such as set forth in the Strategic Initiative on counseling.

Action plans must also be integrated with each other, i.e., technological changes do not occur in isolation from each other. Displaced employees may be offered an opportunity for new jobs created as well as the traditional professional jobs.

III   JUSTIFICATION

One way to pursue technology advances while conserving staffing and enhancing attainment of mission goals is to make an effort to assure that employees displaced by technology advances are placed in other jobs commensurate with their skills and/or potential, rather than losing or **improperly** placing the employee.

Incorporating an aggressive retraining program will help gain and keep employees' and their labor representatives' support in implementing technological changes. The Service will also be able to build on displaced employees' skills. Reassigned employees who might have been lost will mitigate the cost of the technological changes because they represent retained talents, replenished morale, and evidence to potential recruits that the Service is a progressive and compassionate employer.

IV PROGRAM CHANGES

To make adequate plans for the affected and future workforce, support organizations would have to be drawn into the early planning stages in order to prepare for the changes. The career counseling program would have to be strengthened and made more readily available.

V RECOMMENDED ACTION PLAN

TINE FROM
INITIATIVE
APPROVAL   **ACTION**

+ 6 months   Identify all current plans for technological change for which employees will need retraining or placement

+ 6 months   For AES, assign a special technical group to immediately evaluate employee impact and make plans to accommodate the change (includes working with NTEU)

+ 12 months   AES plans made and approved

As needed   AES plans implemented

VI RESPONSIBLE OFFICIAL

Regional Commissioner (Midwest)

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources.

May 9, 1984

RECRUITMENT PLANNING

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE SERVICE, WORKING WITH OTHER AGENCIES AND
     INSTRUMENTALITIES OF GOVERNMENT, WILL ACTIVELY IDENTIFY AND
     ADVOCATE IMPROVEMENT OF THOSE FACTORS INFLUENCING THE
     ATTRACTIVENESS OF FEDERAL EMPLOYMENT.

o   THE SERVICE WILL DEVELOP A STRATEGY TO BETTER UTILIZE HUMAN
     RESOURCES SKILLS ON BOTH A SHORT—TERM AND LONG-TERM BASIS.

II   INITIATIVE DESCRIPTION

**Develop   a   quality—oriented,   function—by—
function   recruitment   plan for filling   all
professional   and   technical   positions   for
which   college   recruitment   is   a   primary
source.**

     A five year plan will be developed for recruitment from
colleges, taking into account budget forecasts, attrition rates, and
technological and other such changes affecting staffing.

     The plan will include specific direction on the manner and
timing of filling positions, i.e., new recruits, mid—career,
crossover, management intern, part time, co-op, student trainee,
etc. Each function will provide direction on the appropriate mix
of such methods only after thorough study and analysis as to what
will produce the best qualified staffing. Decisions on timing
must recognize the budget situation and must also take note of
successful college recruitment periods. Varying labor market
conditions around the country will also be considered carefully.

     The Service will update the plan on a continuing basis and
automate its tracking, so that the ever—changing nature of the
Service's programs can be accommodated. The reporting system
will track not only the numerical results of recruiting, but also
recruiting time and costs, and training and early performance
data of new hires. This will provide a data base to assess
recruitment effectiveness.

III   JUSTIFICATION

A similar approach has been successfully used by the Service in the past. It represents an orderly approach to a quest—for—quality in filling positions.

The main reason for this initiative is to provide a sharp focus and direction for IRS resources and efforts. It provides continuity of planning and execution, regardless of the budgetary process. Perhaps the strongest point in its favor; however, is that it clearly establishes the concept of quality. Quality recruits provide the foundation on which all other IRS quality enhancement efforts can be based. An organization must have a quality workforce for quality operations.

Population shifts to the sunbelt and changes in types of tax activities result in high recruitment activity in some locations and virtually no activity in others. Technology and law changes are altering the ways we do our work, and therefore the kind of employees we need. The numbers now in college and the competition from other employers indicate we will have difficulty filling positions.

IV   PROGRAM CHANGES

The changes needed for this initiative are ones of emphasis and reorientation of the existing programs. The major change is an emphatically stated organizational commitment to quality recruitment of college—trained individuals. Recruitment efforts must be given major program status.

There will have to be designed and put into place an integrated planning process to tie together various functional needs.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE

	ACTION
+ 6 months	Functions complete studies identifying future needs; Human Resources completes plans for an integrated planning, operations and tracking system
+ 9 months	Implement system

VI   RESPONSIBLE OFFICIAL

Assistant Regional Commissioner Examination
      (Southwest)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources and some additional (non-staff) resources yet to be determined.

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COLLEGE RELATIONS

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE SERVICE WILL DEVELOP NEW STRATEGIES FOR ATTRACTING, DEVELOPING, AND RETAINING PROFESSIONAL STAFF, MIDDLE AND SENIOR EXECUTIVE LEVEL MANAGEMENT.

o   THE SERVICE WILL DEVELOP A STRATEGY TO BETTER UTILIZE HUMAN RESOURCES SKILLS ON BOTH A SHORT-TERM AND LONG-TERM BASIS.

II   INITIATIVE DESCRIPTION

Improve   college relations to attract   highly

qualified candidates to IRS employment.

The Service needs to completely rethink and refashion all aspects of its college recruitment program including co-ops, student trainees, and undergraduate and graduate student **recruiting.**

The Service should rethink completely the various college recruitment processes — recruiter selection, recruitment materials and advertising, campus visitations and faculty! administration relationships, etc. Particularly important is the use of appropriate role models as recruiters.

This initiative builds logically on the enhanced recruiting planning and processes called for in the Strategic Initiatives concerned with recruitment. The Service must plan a college recruitment program that is based not only on meeting immediate needs, but on year-after-year intake of quality candidates from schools where the Service has built continuing relationships.

The IRS recruitment message must reach all institutions of higher learning. Major resource commitments of Service recruiters, however, should focus on schools where involvement **with** faculty and professional study clubs and organizations produces relationships through which top students are attracted to IRS.

The Service should seek out not only those quality students wanting an IRS career, but also those who desire limited experience in tax administration before continuing with a career elsewhere. In the same non-traditional spirit, IRS should recruit those who, early in their outside careers, are seeking a **change.**

May 9, 1984

Included in this must be the early (sophomore and junior years) identification of candidates, whether they are in co—op programs or not. IRS recruiters would maintain contacts with these candidates, helping and advising them as they move through their scholastic programs, always encouraging them to be better qualified for (and more interested in) an IRS career. A **variation of this** idea is to support certain students in exchange for a commitment to work for IRS for a set number of years.

III JUSTIFICATION

Recruiting is more than just the locating and hiring of people who happen to be qualified. It must be a perpetual process that is done even when there are not specific jobs to offer, and with persons other than college seniors.

The tight budget years of the late 1970s reduced sharply the intake of recent graduates and caused IRS to get out of the habit of maintaining continuous, college relationships aimed at quality recruitment. The result has been a perception that we cannot aggressively recruit without positions to fill.

IV   PROGRAM CHANGES

National and local recruitment programs would be overhauled.

V   RECOMMENDED ACTION PLAN

Complete 12 months after initiative approval.

VI   RESPONSIBLE OFFICIAL

ARC Examination (Mid—Atlantic)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources and some resources in future years, to be determined.

RECRUITMENT PROCEDURES

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE SERVICE WILL DEVELOP NEW STRATEGIES FOR ATTRACTING, DEVELOPING, AND RETAINING PROFESSIONAL STAFF, MIDDLE AND SENIOR EXECUTIVE LEVEL MANAGEMENT.

o   THE SERVICE WILL DEVELOP A STRATEGY TO BETTER UTILIZE HUMAN RESOURCES SKILLS ON BOTH A SHORT-TERM AND LONG—TERM BASIS.

II   INITIATIVE DESCRIPTION

Sharpen and improve IRS recruitment processes and procedures.

Some recruitment processes and procedures are **within** agency control. Many, however, will require working with OPM to achieve flexibility that will enhance our ability to recruit quality personnel. Some examples of things that should be considered include expansion of the Special Examining Unit concept, for quick response to our needs; possible special standards or tests for IRS jobs; special salary rate provisions for certain hard—to—fill jobs; early (junior year) recruitment of quality students; tuition assistance for students who commit themselves to a certain tenure with the Service; and continuation of Schedule B hiring.

III   JUSTIFICATION

Service experience indicates that the most effective **recruitment** efforts involve agency—operated examining and screening processes. IRS can better control its recruiting destiny if it can convince OPM to delegate more examining authority and to permit greater latitude in the standards and tests area. Since OPM is now tending to pull back previously—expanded delegated authority, a concerted effort is required to ensure that we do not retrogress.

There **presently** is wide disparity between regions concerning the degree of examining authority delegated by **OPM.** Further, our increasing difficulty in reaching quality candidates in recent years argues strongly for this initiative.

May 9, 1984

IV PROGRAM CHANGES

The entire recruitment and selection program should be

revitalized as described above.

V RECOMMENDED ACTION PLAN

Major process improvements should begin in FY 1984. During
this time, we should aggressively negotiate with OPH our major
goals, as well as improve our internal recruitment processes.

VI RESPONSIBLE OFFICIAL

Service Center Director, Cincinnati

VII MULTI—YEAR BUDGET REQUIREMENTS

Requires use of both existing and new resources yet be
determined.   (Expanded examining authority would create some
staffing and support needs.)

DECENTRALIZATION AND CONTRACTING OF TRAINING

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE SERVICE WILL DEVELOP NEW STRATEGIES FOR ATTRACTING,
     DEVELOPING, AND RETAINING PROFESSIONAL STAFF, MIDDLE AND
     SENIOR EXECUTIVE LEVEL MANAGEMENT.

o   THE SERVICE WILL DEVELOP A STRATEGY TO BETTER UTILIZE HUMAN
     RESOURCES SKILLS ON BOTH A SHORT—TERM AND LONG-TERM BASIS.

II   INITIATIVE DESCRIPTION

Decentralize course development to the field and emphasize contracting—out; establish a contingency fund for developing new courses or revising primary technical courses for the latest law, technique, and technology changes; shift focus of the National Office training function from course development to program management and oversight.

IRS training courses will continue to be decentralized to regions and other field offices, and require training offices to provide customer functions with options that range from contracting out to internal **course** development, revisions, etc.

Courses would remain national in application, and some of necessity may still be developed or modified by the National Office, but the emphasis for the National Office training would shift toward program management and oversight. Annual reviews of all courses could be done to ensure they are current. An organizational study should be done by a study group co—chaired by an Assistant Commissioner and a Regional Commissioner, and staffed by representatives from several levels and functions.

In addition, the Service should establish a fund that could be used as needed to support timely training response to upcoming changes in technical specialization, technology or tax administration. Identification and use of ready—made delivery systems would be encouraged (for example, vendor training or existing software).

III   JUSTIFICATION

Maintenance of existing training courses is a massive undertaking. It is difficult to accurately and timely anticipate courses or revisions needed to meet new technology, law or administrative changes.

A fund for development of urgently needed training about new technology, law, or administration will allow timely development without sacrificing funds slated for other, more routine purposes.

Course development would take place closer to users, with potential travel cost savings. A simultaneous increase in use of contract training and delegation to field offices will encourage speedier course development. It would allow more opportunity and greater flexibility for National Office advice and oversight. Fresh ways to approach or teach subjects would be more likely to emerge, which could result in higher quality products for a minimum resource investment.

IRS's training and technical skills would be used more efficiently, supplemented by the best skills obtainable from outside IRS.

IV   PROGRAM CHANGES

These changes will generate a shift in the Training function's program emphasis and staffing. Detailed plans must be developed. Procedures and guidelines will have to be established to routinize and establish standards for course development and revisions.

V   RECOMMENDED ACTION PLAN

One year should be allowed for a comprehensive organization study which will result in a specific action plan for implementing the decentralization, shift in National Office emphasis, and more routine contracting out of training.

Decentralization and delegation to the field would be implemented over the next two years.

This three year period should provide time for a smooth transition from headquarters—centered to field—centered course development, maintenance and administration of contracts. It will permit planning for employee placement to assure the Service does not lose the skills and commitment of its highly professional training and development staff.

VI   RESPONSIBLE OFFICIAL

Assistant Commissioner (Human Resources)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources:

FISCAL YEAR	STAFF YEARS	OTHER COSTS
1984	—	
1985	—	30 *
1986-90		**

*   Existing HR contract funds

** One of the products of the one-year organization study should be detailed budget estimates. These costs cannot be estimated at this time.

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CONTINUING PROFESSIONAL EDUCATION FOR MANAGERS

I   STATEMENTS OF STRATEGIC DIRECTION

o   THE SERVICE WILL DEVELOP NEW STRATEGIES FOR ATTRACTING, DEVELOPING, AND RETAINING PROFESSIONAL STAFF, MIDDLE AND SENIOR EXECUTIVE LEVEL MANAGEMENT.

o   THE SERVICE WILL TAKE THE NECESSARY STEPS TO ENHANCE OUR ABILITY TO PROTECT EMPLOYEES AND IMPROVE THE OVERALL QUALITY OF THEIR WORKLIFE.

II   INITIATIVE DESCRIPTION

> **Prepare managers to face work environment changes; clarify IRS interpretation of the Government Employees Training Act; mandate technical/managerial continuing professional education; include, in managerial training, an awareness of diversity of cultures and values.**

This initiative is a multi—faceted approach to the need to continually develop and energize IRS managers. Following are specific actions that should be taken, but all are part of the goal of better management development.

o   Clarify IRS interpretation of GETA.

The Government Employees Training Act (GETA) can be interpreted several ways, some of which would allow IRS to expand the use of long—range training (e.g., Syracuse type) and to assist employees in obtaining degrees. This initiative is designed to result in a clear, official articulation of a broad interpretation of the Act.

In addition, IRS should decentralize to the regions and National Office functions the funding, selection and arrangements for long—range training and should assist employees in their quest for degrees.

o   Mandate continuing professional education for managers.

Recurring development of managers should be a critical training priority, on a par with training for new technical employees.

The type of CPE envisioned for managers at all levels would include technical updates, managerial skills training, seminars and conferences sponsored by The American Management Association, **AICPA,** and **TEI,** Senior Executive Service conferences, Senior Executive **Roundtables,** etc.

To achieve this, IRS should establish a certification process that will demonstrate progress. In addition, we should make development and maintenance of CPE programs a part of budget submissions, and include pursuit of CPE in SES and managers' performance expectations.

o   Prepare managers to deal with diversity in the **workforce.**

Another aspect of CPE for managers would serve specifically to prepare managers to effectively deal with an increasingly diverse **workforce.** Modules should be developed that will increase managers' understanding of social and ethnic cultures other than their own.

To train managers in cultural differences pertinent to IRS, an outside consultant should be hired to define the cultural makeup of IRS and identify the training needs. Then a task force of field and headquarters participants should be convened to prepare material for management training. The training material should be piloted in two of the more culturally—mixed regions.

III   JUSTIFICATION

CPE for managers, in general, will encourage employees to remain with IRS while continuing their professional development. Providing CPE throughout managers' careers can also be a powerful recruitment device to encourage employees to enter management jobs and remain in them, by promising continued opportunities for professional growth.

Mandated CPE in technical and managerial subjects will help emphasize the professionalism of IRS managers and underline the importance of their role. A CPE course on technology will help technology advances be integrated into the workplace and perceived as helpful.

Training in managing a workforce of different cultural groups and work attitudes will result in better employee relations and more effective management of the work.

Decentralizing funding, selection, and other arrangements for Syracuse—type training will provide a greater variety of courses, for more people, at less per diem and travel cost. Training could occur near the post of duty, so family life will be less disrupted, and relationships between academia and IRS can be developed for future recruitment and development benefits.

Current informal IRS interpretation of the Government Employees Training Act mitigates against degree—related course **work.** A more liberal interpretation **of** the **Act** is **possible and** may allow the Service to reach more people with development opportunities such as **after-hours** or intensive—semester courses.

IV **PROGRAM** CHANGES

All existing documents that refer to GETA will need to be reviewed and changed, and decentralized long—range training procedures will have to be planned. There is also a need to establish procedures under which some form of CPE certification for managers would occur.

V **RECOMMENDED ACTION** PLAN

TIME FROM
INITIATIVE
APPROVAL   **ACTION**
+ 4 **months**   Refine interpretation of GETA and announce it for active use Service—wide

Complete development of a certification process for managerial CPE

Communicate that managerial development shall be included in all SES and managerial performance expectations

Develop Training For Workforce **Diversity**

+ 2 months   Hire consultant

+ **6 months**   Consultant completes analysis

+ 7 months   Task Group is convened

+ 12 months   Policy statement issued

+ 16 months   Modules developed and piloted

+ 19 months   Revisions to courses completed

VI RESPONSIBLE OFFICIAL

Regional Commissioner (Western)

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources:

FISCAL YEAR		OTHER COSTS
1984	—	
1985		50 *
1986-90		

_____

* Existing HR contract funds

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DEVELOPING AN **INFORMATION** MANAGEMENT STRATEGY

TRENDS

The Service has made a good start in utilizing available hardware, software and communications technology to better process and manage information. The various systems that we have and are currently putting in place will put the Service on a path to achieving state—of—the—art hardware and communications technology, especially in the area of office automation. In cases where our computer hardware approaches state—of—the—art, our modes of use, **e.g.,** batch processing and application software concepts, while serviceable, are antiquated. This systemic obsolescence is being addressed by the Tax Processing System Redesign initiative, which will bring about massive upgrades to the Service's tax processing system.

Technology, in the area of data processing and telecommunications, is developing at a rapid pace. The Service, as well as other organizations, runs the risk that the systems that are being put in place today may be obsolete within a five to seven year period.

Within the next two years, computer and communications technology will allow creation of all—digital networks for transmission of voice, text, data and image media. Such networks could allow rapid data base access across widely scattered locations, facilitate the integration of a variety of IRS data processing **systems** and office automation systems on a common network, enable computer analysis at all levels and permit communication from alternative work sites.

DEVELOPING AN INFORMATION MANAGEMENT STRATEGY

TRENDS (continued)

The cost of storage will continue to decrease. Micro—chip technology developments will allow for higher efficiency and effectiveness from customized hardware. The costs — in terms of time and money — of developing all types of software can be expected to decline. With many powerful packages available, it is reasonable to assume that some will fit our operations. But most of the software packages available today are aimed at the smaller systems, where the computer industry is experiencing its greatest growth. It should be noted that our tax systems are extremely complex, owing to the volumes processed, and the nature of the tax laws. General software packages are largely unable to address the very specific needs of our processing, and we must **therefore continue to do much of our** own developmental work.

The volume of information readily available to Service managers is increasing dramatically. ACS, AES, Tax Processing System Redesign, DEMIS, the large numbers of office automation projects, and other automation efforts are creating an information explosion within the Service. In addition, the availability of outside information through public data bases, and increasing use of electronic recordkeeping and funds transfer, add to the potential sources of data. The result of this explosion is the growing recognition that the Service is not prepared to make the most effective use of the available information. Of growing concern are the dispersion of information and data bases, the lack of data compatibility, and the lack of a strategy for managing information resources.

Technological developments supporting the acquisition, transmission, storage, and processing of information are opening a myriad of opportunities to better manage information resources.

DEVELOPING AN INFORMATION MANAGEMENT STRATEGY

TRENDS (continued)

Organizations are recognizing that information is as valuable a resource as money, people, technology, and facilities. These organizations view information as a corporate resource that should be managed from an organization—wide perspective.

The Service had previously recognized a certain number of these trends; and as one of its original nine issues to consider, the development of the ADP Strategic Plan was assigned to the Automation Policy Board.

ISSUES

1) What actions can the Service take to ensure that computer technology purchased will suit our long—range purposes?

2) What changes can be made to the procurement cycles which would reduce or eliminate obsolescence that accrues during the period of equipment acquisition or soon thereafter?

3) What actions are we taking to properly balance cost savings concerns, with systems effectiveness concerns, in planning and acquiring computer systems?

4) **What programs** should we have for evaluation of systems effectiveness?

5) What technology should the Service pursue to ensure its goal of making it easier for taxpayers to comply with the tax laws?

6) What additional steps should be taken to assure that IRS staff has the operational and managerial skills needed to deal with this new technology?

May 9, 1984

DEVELOPING AN INFORMATION MANAGEMENT STRATEGY

ISSUES **(Continued)**

7) In light of projected tax legislation and
other environmental trends, what directions
should be considered over the balance of this
century to identify tax and other related
processing needs?

8) **What programs should we have for ensuring**
computer systems security?

STATEMENTS OF STRATEGIC DIRECTION

THE **SERVICE** WILL DEVELOP A FULLY COORDINATED
INTEGRATED INFORMATION MANAGEMENT STRATEGY
TO:

o   DELIVER CONTINUING STATE-OF-THE-ART
     TECHNOLOGY SUPPORT THROUGHOUT THE
     SERVICE, INCLUDING USE OF APPROPRIATE
     MANAGEMENT CONTROLS AND SYSTEMS
     SECURITY.

o   ESTABLISH AN INTEGRATED COMMUNICATIONS
     CAPABILITY TO TRANSMIT AND ACCESS
     INFORMATION THROUGHOUT THE SERVICE.

o   INTEGRATE THE USE OF **TECHNOLOGY** INTO THE
     ORGANIZATION AND THE WORK ENVIRONMENT.

o   IDENTIFY AND TAKE ADVANTAGE OF FUTURE
     TECHNOLOGY; ENCOURAGE TECHNOLOGICAL
     RESEARCH AND DEVELOPMENT OF POTENTIALLY
     COST-EFFECTIVE USE BY IRS.

o   DEVELOP AND IMPLEMENT A COMPREHENSIVE,
     INTEGRATED ADP PLAN.

INTRODUCTION

These initiatives are intended to facilitate a transition from a centrally controlled, mainframe based systems computing environment to one in which computers and information technology are pervasive. They also facilitate the shift in emphasis from the functionally oriented collection and management of data, to multi—functional selection and sharing of information.

All initiatives reflect one goal: Establish a comprehensive system of readily accessible information required by participants in the Service's tax administration processes.

These initiatives are designed to implement a new approach, for the Service, i.e., **Info nation Management.** This concept emphasizes the management of information as a resource. Recent rapid changes in information and communications technology demand both new management processes and, that new human resource needs be addressed. Therefore, many of the initiatives involve the re-examination or redesign of management processes and institutions.

The initiatives do not represent an operational plan, but rather a directional one, which provides a framework within which the necessary operational and implementation plans will be developed. These initiatives are designed to ensure the presence of three basic conditions critical to effective planning and execution of the Service's information management strategy:

o   First, the Service's information systems plan is mission driven, with the organizations and managers who are responsible for mission accomplishment are also responsible for the information systems used in their work. The use of information technology is an integral part of program design and management. In this way the Service ensures that information systems technology is optimally used in accomplishing the Service's Mission.

o   Second, the Service must have available current, accurate, and well structured information for use in management decision making. We are now involved in major efforts to improve the availability of information, such as **"product** line" based information systems, development of a resource allocation model, installation of data base management and decision support software, and expansion of functional information systems.

o   Finally, initiatives are designed to enhance the
     organizational infrastructure needed to support effective
     use of information processing technology. This means
     focusing on a tightly interwoven set of factors, including
     human resource related investments, the technical tools
     needed to support efficient information systems, and the
     institutional framework of organizational structures,
     policies, and procedures.

     These initiatives must fit within a context of certain
architectural strategies. Areas in which the Service will be
exploring the development of such architectural strategies
include:

o   Data architecture. This covers the range of data
     definition, data dictionary and data management decisions
     and standards. The goal is to provide a data management
     environment to support the MIS/DSS strategy, improve
     productivity in software development, and support user
     development of information systems.

o   The processor base architecture. This covers the processor
     systems and **communications** needed to support the **Service's**
     major systems. A major systems integration effort is
     currently addressing this area.

o   The telecommunications architecture. This deals with
     supporting the Service's voice, video, data and text
     transmission **requirements,** while reducing the impact of
     higher carrier   costs.

     A **taxpayer/practitioner** interface (filing media) strategy
     and architecture. The Tax Processing System Redesign
     project and several research projects are addressing this
     area.

o   An architecture, and strategy for the Office Automation/
     Personal Computer area, which deals with the probability of
     eventual mainframe linkages, and the place of these devices
     in the MIS/DSS plans of the Service.

o   An architecture or strategy for document and text
     management. The work being done in this area includes:
     converting   storage of paper documents to laser   disc,
     improving our use of microform storage and converting paper
     document information transfer processes electronic media
     based processes.

ESTABLISH DATA MANAGEMENT ENVIRONMENT TO
SUPPORT MANAGEMENT **INFORMATION** SYSTEMS

I   **STATEMENT OF STRATEGIC DIRECTION**

    o   DELIVER CONTINUING STATE—OF—THE-ART TECHNOLOGY SUPPORT
THROUGHOUT THE SERVICE INCLUDING USE OF APPROPRIATE
MANAGEMENT **CONTROLS** AND SYSTEMS SECURITY.

II INITIATIVE DESCRIPTION

**Establish a data management system that will
support the Management Information System
requirements of the IRS.**

This initiative brings the Service's data management and
Management Information Systems functions into one organization
that is responsible for the development of a data management
system for IRS. This would include, but is not limited to,
establishing standards and criteria for data management,
identifying responsibilities of users and support organizations,
and developing and establishing a central data dictionary and
data definition standards.

Recommended Action:

An organization should be established to be accountable and
responsible for establishing and enforcing data management and
management information system standards Service—wide, and for
ensuring that state—of—the—art database management tools are
available for systems development, management, and use. (While
this organization might be included within the Information
Resources Management function **recommended** separately, the need
for it stands on its own merits, and it should be established
regardless of action on other initiatives.)

This organization should be charged with a three—fold
responsibility. First, it should coordinate the definition of
data requirements for Service—wide Management Information Systems
(MIS). Second, it should set policy and standards for the data
management function generally, ensure that software tools which
can aid in the enforcement of data standards, such as active, on-
line data dictionaries, are made available to database managers,
and ensure that staff members charged with data management and
database administration functions are qualified and receive
appropriate training. Finally, it should be responsible for

ensuring that the technological tools, i.e., fourth generation programming. languages and **database** management systems are available to support increased participation of users in programming and systems design of user driven initiatives.

The Service should identify a senior executive as program manager for this function. Under this program manager's leadership, the Service should contract with a firm or individual to study, design, and implement a data management and Management Information System environment for the Service.

III JUSTIFICATION

Establishing an organization to provide management and technical support for the Service's management information systems is a very high priority need.

The **Service** has been at the forefront in developing automated data processing capabilities for returns processing activities. As our **operations** become more automated, and the technology becomes more versatile, the volume of information that could be made available to the Service's managers is increasing dramatically.

There are two **critical** organizational needs not yet fully met. At the lowest levels, first and second line managers frequently need information that should be provided as a by-product of the work processing systems, and maintain manual "cuff records" to control their operations. These managers need information on a current, as it happens, basis, to permit them to take prompt corrective action, and to provide employees with feedback and guidance.

Management information at this level needs to be developed as a by–product of the basic work processes of the function, and where the work processes are automated then management information should be a central part of the design of the automated system. The Service needs an organization with authority, **accountability,** and expertise sufficient to ensure that, as new systems are designed, they do incorporate this capability.

At the level of multi–functional managers, from District Directors to the National Office, the information needed is future oriented. These managers need to be able to assess the consequences of a wide range of decisions, especially resource allocation decisions. Information is required which relates performance in one function to resource needs or performance in another, or that considers overall organizational effectiveness at a multifunctional level. To solve one aspect of this problem we are developing a resources planning model. Operating such a model will require that certain data elements be available, and that data for the various functional areas be compatible.

The Service is in a good position to take advantage of current developments in database management technology and fourth generation languages, as well as in wide and local area computer networking. Greater emphasis on user driven systems initiatives, coupled with better use of currently available technology, could accelerate our progress in this area. Available technology could support vastly improved productivity in development of MIS reports, as well as decentralization of programming and systems design to users, through the use of fourth generation tools and database management technology.

One **factor** which would help our ability to meet all required management information needs is an establishment of one **organization** with program management responsibility for Management Information Systems and the database management/data administration functions to support them. There are now at least three different **organizations** in **IRS** responsible for data management and MIS.

Establishment of an effective management information **systems** environment is a large task, and it cannot be accomplished by the functions' acting individually. It has to be accomplished by a central organization with the authority, accountability, and skills needed.

The Service is not the first large organization to go through this process. United States Steel was involved in a major effort of this kind for seven years. Exxon Corporation developed a planning process, which they have since marketed, to assist them in their effort. We need, and should use the ideas and experience of private sector organizations.   .

IV   PROGRAM CHANGES

After the data management system has been defined, and management information requirements identified, existing information systems will have to be redesigned. This will **include the identification** of data elements needed for the Service at large as well as for individual functions. This change will require a major effort to bring the functional **information systems in line.**

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL   **ACTION**

+ 1 month   Establish the project manager and work group

+ 2 months   Develop detailed Implementation Plan

+ 9 months   Study and design data management and Management
                   Information Systems (MIS)

+ 31 months   Develop and implement data management and
                   Management Information Systems (MIS) throughout
                   the Service

+ 10 years   Complete redesign of functional MIS systems

VI   RESPONSIBLE OFFICIAL

Deputy Assistant Commissioner (Human Resources)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of both existing and new resources:

FISCAL YEAR	STAFF YEARS	OTHER COSTS
1984	4	425 *
1985	21	
1986 – 1987	21	

* Consultant fees – existing contract funds

ESTABLISH AN INFORMATION RESOURCES MANAGEMENT FUNCTION

I   STATEMENT OF STRATEGIC DIRECTION

   o   DEVELOP AND IMPLEMENT A COMPREHENSIVE, INTEGRATED ADP
        PLAN.

II   INITIATIVE DESCRIPTION

   **Conduct a comprehensive study to define an
   Information Resources Management (IRM)
   function for implementation by the Service.**

   This initiative will assess the Service's total information
resources management activity, to identify how it may best be
organized.   The objective is to rationalize the Service's **present**
organization, not **to** create a requirement for new staffing.   The
team has not defined, and does not imply, any particular form or
functional allocation for the IRM function.

Recommended Action:

   The Service should conduct a comprehensive review of its
information resources management activities, and define and
establish an IRM function.

   This study should be conducted by one or more outside
organizations having **up-to-date** knowledge of Information
Resource Management and information systems, and should be
governed by a steering group of one or more Regional
Commissioners, or the Strategic Planning Council.   It should
use expert resources from other Government agencies, and from
outside the Government, to assist in defining the appropriate
scope of the IRM function, and the extent of authority and
responsibility the function will exercise.

   This review should:

o   Define an organizational structure **and** allocation of
     responsibilities that supports user driven applications
     development, through providing the necessary framework of
     standards, ensuring availability of current technical
     capabilities, and supporting user staff in developing
     initiatives.

o   Define the functions and responsibilities that will be
     included within an IRM function in the Internal Revenue
     Service.   Possible functions include data processing,
     telecommunications, data communications, coordination of plans

and budgets for information resources, internal and external forms requirements (including tax returns in either paper or electronic media), office automation, mail and word processing, facsimile and telecopier processes, records storage, printing and copying, and research. This list of programs and duties for study is not intended to be all—inclusive.

o   Determine the specific areas over which the **IRM** function will exercise program **supervision** and those where its authority will be restricted to setting standards for other parts of the Service. The study should ensure that accountability for IRM related activities is sharply defined at all levels of the Service.

o   Define what policy and program authority the **IRM** function should exercise. The study should consider such areas as technological procurement strategies, data base **management,** MIS requirements, systems integration, and research activities in information processing technology. Authority to issue IRM program guidelines and to conduct program reviews at all organizational levels of the IRS should be considered.

o   Determine the appropriate relationship of the **IRM** function to multi—functional or Service—wide areas such as the master file data base, telecommunications and other data communications networks, and activities performed by the tax forms **committee.**

o   Identify the organizational structure needed to carry out the Information Resources Management mission, at all levels of the Service. The study should consider the extent to which the IRM function should be centralized at the National Office or decentralized in some form in regions, districts, and service centers. It should ensure that accountability for all IRM related activities is clearly assigned and that oversight authority over IRM activities is clearly placed within a functional organization.

o   Determine the staffing required to carry out the program accountability and oversight responsibilities assigned.

Finally, the Service should identify a panel of experts who deal with Information Resources Management processes and technologies in the private sector and scientific/academic organizations, and use this panel to increase its awareness of the potential of the technology, to assist in development of information systems plans, and to assess the Service's progress and provide ideas for further effort.

This group will be valuable in providing advice on the establishment of the **IRM** function, and in helping to guide and assess the Service's information resource management and information systems activities generally.

May 9, 1984

III JUSTIFICATION

In considering issues and trends related to automated data processing, the Planning Council recognized the need to provide for strategic planning in a wider context by redesignating the planning effort as "Information Management" planning.

Over the years, the Service has developed a strong, centralized control organization to exercise controls over systems concept approval, design, maintenance, and modification. This resulted from the need to control the design, implementation and update of primary mission systems, such as returns processing.

More recently it has become evident that much of the growth in the Service's data processing activities will originate from field initiatives in mission supporting systems. While some major mission supporting, work process oriented systems, such as ACS and AES will continue to originate in the National Office, the greatest growth potential is in the identification of work processes and office automation needs in the field offices.

We have also seen a proliferation of responsibilities within the National Office. This is not a phenomenon that is isolated to the Service, but is rather a growth pattern that has been experienced in the past in the private sector. We should attempt to gain the benefit of insights from the private sector's experience with information resources management to deal with these factors.

The Service's organizational structure needs to change to reflect changing needs, and current organization, policies, and procedures for information systems and resources should be strengthened. Areas which need attention include:

o   Database management technology, and data management and database administration principles should be applied to support management information, decision support, or applications development productivity.

o   The Service's budget for information systems initiatives has been set apart from users budgets. As a result, a decision as to whether to adopt a systems proposal is based on competition with other functions for existing ADP resources, rather than on the basis of comparison with the costs of other ways of accomplishing program objectives within a mission function.

o   Mission functions, which have been assigned responsibility for identification of information systems opportunities and requirements, need greatly expanded access to expert advice from within and outside the Service and access to training.

o Organizational responsibility and authority for automated **data processing and related** systems **should** more **clearly** define authority and responsibility for establishing policies, procedures, and standards in areas such as communications, data base management, and distributed processing.

o Any tendency to design, procure, and develop data **processing** systems using less than current state—of—the—art technology should be avoided. Coupled with a tendency to design functional data processing systems as adjuncts to the mainframe systems, this could preclude consideration of developing approaches to information processing, such as distributed processing.

o While the Service can estimate with some degree of accuracy the cost and benefit of developing and **implementing** a new information processing system, a corresponding ability to evaluate existing systems should be developed.

o Decisions about a model of the Service's environment at a given time in the future need to be made before functional and strategic planning decisions, including IRK issues, can be effectively dealt with. In the absence of such a model, a target is lacking and planning decisions will be ad hoc.

IV   PROGRAM CHANGES

Program changes are not needed until the proposed study recommendations are adopted.

V   RECOMMENDED ACTION PLAN

This study should begin as soon as the procurement process allows and should be completed during FY 1984 with a panel of experts in place by the end of FY 1984.

VI   RESPONSIBLE OFFICIAL

Assistant Commissioner (Computer Services)

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires the *use* of existing **resources:**

FISCAL YEAR	**STAFF YEARS**	OTHER COSTS ($000s)
1984	0	400*

* Consultant fees — existing contract funds.

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CLARIFY **RESEARCH** AND DEVELOPMENT ORGANIZATIONAL RESPONSIBILITIES

I   STATEMENT OF STRATEGIC DIRECTION

o   IDENTIFY AND TAKE ADVANTAGE OF **FUTURE TECHNOLOGY** AND ENCOURAGE TECHNOLOGICAL RESEARCH AND **DEVELOPMENT** OF POTENTIAL COST EFFECTIVE USE TO IRS.

II   INITIATIVE DESCRIPTION

Charge appropriate functions with responsibility to seek solutions to operational problems and enhancement opportunities through in—depth research of emerging information processing technology.

This initiative supplements applied research activities by providing a vehicle for conducting or funding research into technological solutions for problems when there is no currently available solution. This research would investigate areas beyond the application of currently available technology, to identify emerging technologies that may be of value, and encourage development of new approaches to the Service's operations.

Recommended Action:

To provide the level of expertise and coordinated effort needed to supply research and technical advice to decision makers, a function should be assigned responsibility for research into information technology and how that technology can be made available to the Service's operating functions.

Organizations responsible for information processing research will seek solutions through continued research of current technology or, where appropriate, through direct research funded by the IRS. The activity should be staffed with professionals with current field experience and from the various occupations related to information processing and communications. Responsibilities will include industry monitoring for new trends and technical changes; disseminating "new" information; participating in user groups, academic institutions and professional associations; and performing technology scans and forecasts.

III JUSTIFICATION

Responsibility for maintaining and disseminating information on technical trends must be clearly defined. Technology continues to change at an extremely rapid pace. To properly assess initiatives and systems acquisitions, and to develop specialized applications for the Service's needs, we must keep abreast of technology. The professional skills needed are not readily available within the industry. People with these skills must be encouraged to develop and to keep highly technical knowledge current by emphasizing this as a critical part of their job.

IV PROGRAM CHANGES

Existing resources and project work should be redirected.

V RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL   ACTION

+ 1 month   Develop detailed implementation plan.

+ 3 months   Identify the function that should be assigned the responsibility for research

+ 5 months   Draft the organization's charter and responsibilities.

                    Determine resources needs.

+ 6 months   Approve revised functional statement.

+ 22 months   Evaluate effectiveness.

VI RESPONSIBLE OFFICIAL

Assistant Commissioner (Planning, Finance, and Research).

VII MULTI—YEAR BUDGET REQUIREMENTS

Requires additional resources (to be determined)*

* The multi—year program costs of this initiative cannot be costed until a comprehensive implementation plan is available. Those costs would be offset by subsequent year savings.

ESTABLISH **AN** INFORMATION SYSTEMS PLANNING PROCESS

I   STATEMENT OF STRATEGIC DIRECTION

   o   DEVELOP **AND IMPLEMENT** A COMPREHENSIVE, INTEGRATED **ADP** PLAN.

II. INITIATIVE DESCRIPTION

> **Establish   an ADP/Information Systems**
> **Strategic Planning Process that periodically**
> **yields an ADP/Information Systems Strategic**
> **Plan.**

   This initiative   augments and makes more comprehensive the planning process started   by the Planning Council and the Automation Policy Board during FY 1983.   It provides a broader context for information systems planning than either the 'Systems Integration' effort, or Tax Processing System Redesign **(TPSR).**   It contemplates the development of a process that considers the future environment and goals of the Service and that relies heavily on user input in developing ways of achieving those goals.

Recommended Action:

   The Service should initiate   a planning process for information systems that will develop a strategy for growth of its information systems.   This process should be distinct from the overall strategic planning process, while closely tied to it. Neither the 'Systems Integration'   plan nor the TPSR effort can substitute   for a comprehensive information systems planning process.

   To accomplish this, several closely **related** actions are needed:

o   The Planning Council should direct the development of an information systems planning process that meets the standards and criteria outlined in Attachment B. **Developmen** of this process should provide for input from a number of private sector and academic sources about the design of the planning process,   and for the use of commercially available information systems planning methodologies and **software.**

o   To establish   a context within which effective strategic planning for information systems can occur, the Planning Council and the Automation Policy Board should adopt a formal statement of projected social, economic, and

technical conditions, and of the Service's related intentions or goals for information management systems in 1986 and 1990.

o   Service—wide goals need to be established to lay groundwork for better information management planning. The team has **identified** a series of such future conditions which they believe should be the cornerstone for future information management planning. These are expressed as **proposed** Statements of Future Environment and are shown in Attachment A. The results of the major environmental scan for **which** the Service has contracted can be useful in further **developing** these goals.

o   Identify one or more information management planning experts from the private sector to help keep the Statements of Future Environment realistic and up—to—date, **and to help Service** executives construct effective strategic planning initiatives.

o   Establish a Service—wide policy requiring all program and systems planning to take into account and be consonant with the Statements of Future Environment. This provides the top down, structured planning environment within which user driven development can occur.

o   Adopt the concept of "systems owner" to support and re— **emphasize** user—driven systems development, budgeting and implementation. Each system will have an "owner" to whom responsibilities and accountability accrue. Ownership of **data** in systems is separated from **system** ownership, **since** data must be **a Service resource.**

o   Provide that functional users are responsible for the development of systems initiatives that move toward achievement of the Service's overall goals.

o   Charter the internal ADP consulting support organization to provide user functions with the necessary expertise and advice, to ensure their program planning initiatives reflect the Service's goals.

III JUSTIFICATION

The Service must have a comprehensive view of and an integrated plan for its ADP systems. This need has been addressed in the past by the Office of Management and Budget and the Treasury Department in their review of our ADP budget requests. In addition to the impact on budget requests, an integrated plan increases the effectiveness with which functional users can develop systems initiatives which fit well with the Service's overall plans. It makes coordination of systems plans easier, and limits our ability to take advantage of newly emerging ADP related technologies as they become commercially available. Finally, it increases the Service's ability to ensure

that planned information systems reflect a coherent Service strategy for dealing with changes in the external and **organizational environment.**

To improve information systems planning, the Service's goals, economic and technological assumptions, and strategies must be identified and documented as a context within which IRS executives can develop integrated ADP and program plans and budgets.

The planning process must include more than new **systems** initiatives. It must be based on a strategic vision of how the Service will be doing business in the future, which considers changes in the external and organizational environment, including the range of technological options available.

The planning process must be user driven. Functions that will be using ADP/Information systems to accomplish their work must be responsible for the development of applications. The concept of user driven planning provides at least three important benefits:

o   It causes managers to consider ADP resource needs as an integral part of their total resource picture, rather than either an unobtainable or a free good under someone else's control. This provides incentive and opportunity to trade off ADP against other resources.

o   It reinforces the realization that there is action they are **personally** responsible for, in developing plans to reach the **Service's stated goals for information systems.**

o   It keeps them personally involved, and gives them a feeling of ownership or investment in the creation, implementation, and maintenance of systems.

IV   PROGRAM CHANGES

Program changes would flow from this initiative. One change is the decision of the Automation Policy Board to make users responsible for **systems,** which will add to the efforts that Assistant Commissioners and other users must devote to planning.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE

+ 1 month   Develop detailed Implementation Plan

```
TIME FROM
INITIATIVE
                    ACTION

+ 2 months      Contract for information management planning
                consultant from private sector.
                Assign responsibility for ADP project planning,
                budgeting and tracking system.

+ 6 months      Obtain results of environmental scan.

+ 7 months      Adopt preliminary environment/goals statements for
                1986 and 1990.

                Complete inventory of existing and planned ADP
                systems with resource requirements through 1990.

+ 10 months     Interpret 1986 and 1990 environment, decide on
                strategies for getting there.  Begin update of
                goals/environment statement based on new scan.

                Enhance ADP consulting support organization.
```

VI   **RESPONSIBLE** OFFICIAL

Deputy Assistant Commissioner (Human Resources)

VII   **MULTI-YEAR BUDGET REQUIREMENTS**

Requires use of existing resources.

FISCAL YEAR	STAFF YEARS	OTHER COSTS ($000s)
1984	4	315
1985	1	50
1986 – 1989	1	50

ATTACHMENT A

STATEMENTS OF FUTURE ENVIRONMENT

ELECTRONIC **FILING** — Furnishing
return information in machine readable
form.

1986

Most (60—70%) practitioner prepared
returns filed in OCR readable forms.

Most (85%) practitioner
prepared returns filed
electronically using
magnetic tape or computer
to computer links.

Some (15%) practitioner prepared
returns filed electronically using
magnetic tape and computer to
computer links.

Some (15—25%) taxpayer
prepared forms filed
electronically using
audio response systems,
home computers, and
filing services.

COMPUTER USE BY PROFESSIONALS —
use by IRS professional employees
of computers as an ordinary and usual
part of their daily work.

1986

Many professionals using shared
computers for local analysis, data
manipulation, and office automation
support.

Most (80%) IRS profes-
sionals currently using
computers as tools in
carrying out their daily
tasks.

Some (5—10%) using **individual**
computers as a tool for
accomplishing their daily tasks.

High speed backbone installed;
interim Data Center network
supporting 40 automated systems;
20 or more PABX's in place.
In place. Washington, Detroit Data
Center and all regions included.

Full network in place to
districts, service
centers and large POD's.
40—50 PABX's in place.
90% of systemic require-
ments on IRS sytem.

OPTICAL DISK CAPABILITY

1986

Fresno test completed. RFP for all service center needs completed.

Optical disk available in all service centers. Electronic filing might **reduce need for this** technology.

TEXT PREPARATION AND DISTRIBUTION

Most internal use forms prepared and distributed or printed on a terminal. Large scale text preparation and electronic mail usage.

Virtualy all text and forms prepared on a **terminal, distributed** by electronic mail. Hard copy available from on-line printers.

VIDEO TELECONFERENCING

A few sites being tested for operational effectiveness. Used for some meetings, some training, **NORP's,** etc.

National Office and regions linked. Possibility of other sites being included (Glynco, training centers).

SMALLER SERVICE CENTERS

1990

Some give—up of off—site space.

No off—site space; possible reduction in number of centers due to efficiency improvements, technology advances, less paper, fewer people.

May 9, 1984

COMPUTER BASED INSTRUCTION

1986

The computer based instruction system will be in place in districts and service centers. This will provide technical training for front—line operations in the Service. Major portions of Revenue Agent, Tax Auditor and Revenue Officer training will be on the system. Much of the training for pipe—line operations will be delivered by CET.

Fifty percent of all technical training for major technical occupations will be delivered by **CBT.** Eighty percent of technical training in service center will be delivered by **CBT.** Technical training for other occupations such as personnel, training, fiscal, facilities will be delivered by CBT. Some training for managers and executives will be delivered by CBT.

INFORMATION SYSTEMS FOR RESOURCE ALLOCATION. OPERATIONAL **CONTROL, RETURN** AND CASE DATA

1986

We will have in place the **McManis** model to allocate resources. Its major use will be at the headquarters. Existing functions' MIS will be **improved.** DEMIS will be implemented in all regions on a reduced basis.

1990

Major breakthrough in information available at all levels. Data will be compatible across most major front—line functions. Models will be in place to allocate resources at all levels. Return and case data will be available across functional lines. Data will be available on—line when necessary.

MULTI-YEAR APPROPRIATIONS AND MULTI-YEAR WORK PLANS

No change from present.

Service will have multi-year (3–5 years) capital appropriations covering all capital investments in equipment and facilities; operating appropriations (person-nel, travel, etc.) will be two—year appropria-tions.

All IRS programs will be managed at the district and service center level under multi-year work plans (3–5 years) and financial plans updated electronically on a continuous basis.

ELECTRONIC CASH MANAGEMENT

Medium and large corporations will make tax payments 'using electronic transfer of cash; IRS/Bureau of Government Financial Operations (BGFO) will make refunds to these same corporations using electronic transfer.

IRS and all other Government agencies will use electronic transfer of cash for most employee direct deposit pay-ments, e.g., retirement, insurance premiums, withheld taxes.

All Taxpayers with gross income of plus $100,000 will use electronic transfer of cash; IRS/ BGFO will make refunds to these same taxpayers using electronic transfer.

80% of all administra-tive payments made by IRS (e.g., payroll, vendor payments) will be by electronic transfer.

May 9, 1984

CENTRALIZED **ADMINISTRATIVE** PROCESSING

Lead agency concept being started for selected processing — e.g., IRS will be lead agency for personnel for all Treasury bureaus and for administrative payments for five smaller Treasury bureaus.

Lead agency concept in place, IRS provides most administrative processing in highly centralized location(s) for Treasury Department — including data base management for financial, personnel, capital **equipment** and property management information systems.

REDUCED INFORMATION FLOAT

(Information needed by internal IRS users will be available more quickly with less use of paper and more use of digital communications.)

1990

The implementation of optical disk technology and other computer technology and other computer technology will cause some reduction in the information float.

Major reduction in information float will occur. By this time optical disk technology, computer technology and data base management technology will have a major impact. The time **required from** the time the return is filed to the time the return is examined and finally, collection of tax will be dramatically **reduced. This will have** a dramatic impact on other processes such as refunds and any other adjustments to the **taxpayers'** tax obligations.

May 9, 1984

FEWER LARGE CENTRALIZED OFFICES

Probably no major shift by 1986.

Technology will allow for more decentralization of work including some functions to be performed in employee's homes. We probably will see some **breakup** of the large headquarters/district offices that exist at this time.

END—USER SYSTEMS – **Systems** de-signed, maintained, operated, and controlled by the individual or organizations which use them.

0

Single function and local multi-function systems controlled by end—users with technical support from computer specialists.

All systems, except masterfiles and main-line processing systems, designed, operated, and controlled by end—users.

Computer specialists occupied with large masterfile and processing systems or absorbed by end—user organizations.

VOLUNTARY COMPLIANCE PREDICTION
Use of mathematical models, surveys, sampling techniques, etc., to predict the impact of IRS actions, legis-lation, economic changes, etc., on voluntary compliance.

1986

1990

TCMP method still in use, perhaps accelerated to slightly improve timeliness.

Continually updated model in place allowing quick turnaround analysis of scenarios.

New techniques applied to specific interest areas such as tips, bar-**tering.**

ATTACHMENT B

STANDARDS AND CRITERIA FOR THE PLANNING PROCESS

The planning process should be designed under the Planning Council's direction and should meet the following standards and criteria:

o   It incorporates an assessment of the Service's future environment, developed through measures such as environmental scans, issue management systems, executive polls, and consultant advice.

o   It is based primarily on end user input about the most appropriate response to the environment, which informs the Service's intentions with respect to it.

o   It outlines an approach to reaching the Service's objectives, i.e., accomplishing the stated intentions.

o   It provides for maximum utilization of emerging technological **developments.**

o   It provides decision rules and criteria for selection **and** ranking of information system **initiatives.**

o   It is documented periodically, in a form that makes it a suitable tool to drive the budget process.

Input should be obtained from a number of private sector and academic sources about the design of the planning process, and for the use of commercially available information systems planning methodologies and software.

Issues which must be considered in developing a strategic **ADP/Information** Systems plan include:

o   Compatibility with mission driven (user—owned, user—developed) systems development concept.

o   Inclusion of more than new systems initiatives, dealing with the information content and flow within systems and with changes in the external and organizational environments, especially available technology.

o   The extent to which, when, and how the IRS and the tax community **should** implement electronic filing of tax data.

o   The extent to which the **IRS** should be investing in research efforts such as applying artificial intelligence to its work, and the place of research into emerging technologies in the **planning** process.

o   Organizational issues – including the impacts of
    information technology on geographic and functional
    allignments and allocations of work, organization for
    information resources management, and organizational
    responsibilities for development, monitoring, and
    execution of the plan itself.

o   Integration of and relationships of the planning
    process with the overall strategic planning process,
    the **'systems integration'** effort, **TPSR,** and Budget
    preparation.

o   Data management and management information needs   the
    place of information flow analysis in planning for
    information systems, and of advanced data base
    management technology, information centers, decision
    support, and executive decision support systems in the
    Services Management Information Systems strategy.

SOFTWARE PRODUCTIVITY

I   STATEMENT OF STRATEGIC DIRECTION

o   DELIVER CONTINUING STATE-OF-THE-ART TECHNOLOGY SUPPORT THROUGHOUT THE SERVICE, INCLUDING USE OF APPROPRIATE MANAGEMENT CONTROLS AND SYSTEMS SECURITY.

II   INITIATIVE DESCRIPTION

Shift certain software production (except Master File) workload to the private sector, acquire state of the art tools for use of the in—house development staff, and acquire database and fourth generation language tools.

This initiative would increase responsiveness and accelerate the delivery of mission and mission dependent software and new and revised programs. It supports the "user driven" concept by permitting user development and maintenance of some programs. (See note at end of initiative statement.)

Actions Required:

To accomplish the growing programming workload, the following actions will be required:

1.   Reduce the production work load in National Office.

o   Selectively contract out to private industry an increasingly significant amount (15% to 20%) of development and maintenance of software under the direction of IRS experts. Master file software would be excluded.

o   Enter into Basic Ordering Agreements with the

private   sector.

o   Acquire turn—key or custom systems.

o   Enter into specialized skills/studies   contract.

o   Enter into application—wide maintenance contracts.

2. Increase the productivity of National Office software development staff.

   o   Acquire fourth fourth Language products to assist in programming.

   o   Acquire and use programmer oriented Code Generators.

   o   Acquire and use documentation aids such as forms-based systems and front—end design aids.

   o   Acquire and use sub—second response **terminal** systems for mainframe programming.

   o   Use the new tools on existing and new applications, where effective.

3. Reduce the dependence of users on programming assistance by establishing a user oriented, **databased,** fourth generation language applications development environment, and providing for secure use with existing and new applications.

   o   Acquire relational, or relational—like database management **systems** capable of running on the Service's major computer systems.

   o   Acquire fourth generation user—oriented programming language products for use with these databases.

   o   Provide information to users about the availability of these tools, and establish procedures that make the information **available** in the Service's processing systems available for manipulation by them.

III JUSTIFICATION

From the beginning of ADP in the Service, **our** position has been that most changes to existing programs or additional programs had to be done by our own highly trained specialists. With **inceasing** workload volume, **it has become** more difficult to **timely** design software for new programs and to change and enhance existing software. Trained staff attrition is high, the development period for new hires is 2—3 years, and developing **sufficient** quantities of our own specialized programmer skills is no longer practical.

In addition, the cost of software **is** an **increasingly** large proportion of total systems costs. **While** technological advances dramatically reduce **the** cost of **processing hardware,** the cost of skilled programming labor skyrockets. The use of the tools proposed in this initiative has increased programming productivity 10 to 50 fold in some private sector applications. In the light of these changes, our traditional approach of **using** in—house Service resources almost exclusively should be modified to increase the productivity of the programming staff.

IV   **PROGRAM CHANGES**

    o   Establish a **program** to make available contracted resources.

    o   **Designate** a **group** to explore available technology and applications for use within programming staffs.

    o   Retrain and reorient programmers from doing to monitoring, contracting, overseeing, acting in liaison capacity

    o   Explore the problems to be addressed and solved with Federal agencies (eg., NASA) who **have** done extensive contracting with private industry.

V   **RECOMMENDED ACTION PLAN**

TIME FROM
INITIATIVE
APPROVAL

+ 1 month	Develop detailed **implementation** plan.
+ 6 months	Establish **program** to provide contracting—out resources.
+ 7 months	Reallocate FY 1985 funds and staff to explore **programming** technology and application.
	Determine types of work to be contracted—out.
+ 8 months	**Determine** best mechanism for contracting out based upon work to be accomplished and timely delivery of product.
+ 10 **months**	Reorient/re—educate programming staff in new manner of doing **business.**
+ 19 months	Determine hardware and software requirements for **programming.**
+ 22 months	Train programmers to **use** technology.

VI   **RESPONSIBLE OFFICIAL**

Regional Commissioner (Central)

VII **MULTI—YEAR BUDGET REQUIREMENTS**

Requires additional resources (to be determined) *

*   The multi—year **program** costs of this initiative cannot be determined until an implementation plan is completed. Those costs would be more than offset by savings in subsequent years, resulting from dramatically, measurably increased productivity in programming, a reduction in time spent on maintenance of programs, and efficiencies in operations resulting from availability of needed applications.

Note: "If the DBMS does provide a good fourth—generation language (and some do not), every effort should be made to move as much of the programming, and later on, system design function, as possible to the client areas. This process has to be planned, and most important, it has to be supported by **management** information services. If those criteria are followed, solid results can be obtained for all concerned." John P. Murray, Director of Management **Information** Services, Rayovac Corp., in **COMPUTERWORLD,** January 30, 1984, p. 43.

•••

SEPARATE APPLICATIONS DEVELOPMENT AND PROCESSOR PROCUREMENT

I   STATEMENT OF STRATEGIC DIRECTION

    o   DELIVER CONTINUING STATE—CF-THE—ART TECHNOLOGY SUPPORT THROUGHOUT THE SERVICE INCLUDING USE OF APPROPRIATE MANAGEMENT CONTROLS AND SYSTEMS SECURITY.

II   INITIATIVE DESCRIPTION

Separate development of applications from the acquisition of large scale processing resources, and establish a centralized function responsible for acquisition, allocation, and management of these resources.

In the past, procurement of processing capability has been application—driven, and implementatior of applications has been delayed by the procurement of processing resources.

This initiative separates procurement of processing resources from the specific applications they support by providing a cushion of processing capability, and focuses organizational responsibility for the procurement of computer systems. It would affect processing resources for mission systems, mission systems—dependent applications, and all other applications requiring large—scale systems.

Recommended Action:

To ensure that adequate processing resources are available, a specific organization should be charged with direct responsibility for development of plans for acquisition of processing resources for these systems.

This function will be responsible for the creation and continuation of a computer processing capability based upon the ▪revolving fund" concept. Large—scale systems would then be acquired with sufficient capacity to allow for growth of existing applications and the implementation of new applications in the future. As new applications are approved, they will be implemented using this additional capacity and further capacity will be acquired to replace that used. Thus, capacity is used and replaced much as is cash in an imprest fund. The bond between hardware procurement and applications development is broken, and important applications can be implemented on readily available processing resources.

    May 9, 1984

Large amounts of additional capacity need not be physically in place; but tbey would more likely be quickly available as enhancement options in major hardware contracts.

The function would produce formal needs projections, acquisition plans, and hardware integration strategies so that system users and top management would be aware of and have the opportunity to influence its actions.

The following responsibilities would be included:

Forecasting: Determining needs sufficiently in advance to permit orderly acquisition and installation.

Equipment Evaluation: Facilitating orderly transition to state-of-the-art systems, integration of existing and future hardware and continuous incorporation of new technology.

Acquisition: Providing for the specification, selection, procurement, installation, and acceptance of processing resources.

Allocation: Determining the availability and suitability of existing and planned processing capability to support a given application.

Evaluation: Continuing scrutiny of processing resources to assess their effectiveness and suitability.

Maintenance: Providing for the continuing operation of processing resources at an acceptable level of efficiency and reliability.

III JUSTIFICATION

The Service's present approach to acquisition of large—scale computer systems is based upon procurement of equipment to support specific, approved applications. This lengthens the time required for implementation of a system by imposing a 2—3 year procurement effort after the application is approved.

The Service must establish an approach which will encourage development of state—of—the—art systems, evaluation of the effectiveness or suitability of operational hardware, and proper allocation of processing resources. So long as the applications bring supported continue to receive adequate service there is little incentive to update hardware.

The current acquisition approach should be re—oriented toward a more comprehensive and forward—looking program, to facilitate timely implementation of newly approved systems and timely acquisition of state—of—the—art hardware with sufficent capacity to handle growth for the entire life—cycle of the equipment.

IV   PROGRAM CHANGES

o   Existing ADP equipment management program would be incorporated to the extent of its current involvement in large scale or mission/mission   dependent systems.

o   Existing computer performance evaluation (CPE) program would be incorporated.

o   Existing procurement program would not be incorporated but would supply expertise   as needed and detail   staff to program for large acquisitions.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 1 month   **Develop** detailed implementation plan.

+ **2** months   Develop program objectives   and general guidelines.

Define program scope in terms of existing   systems and future **enhancements.**

Define administrative action required for implementation.

Present plan for revised procurement strategy to Treasury and Office of Management and Budget.

+ 4 months   Issue short—term needs assessment, and acquisition plan.

+ **6** months   Present program plan to Automation Policy Board.

+ **8 months**   Issue first   need projections.

+ 11 months   Determine permanent staffing   and support funding levels.

Issue first   hardware integration   and acquisition plan.

VI   RESPONSIBLE OFFICIAL

District Director, Manhattan

175   May 9, 1984

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires **additional** resources (to be determined) *

* The multi—year **program** costs of this initiative cannot be costed until a comprehensive implementation plan is available. The primary resource needs are ADP requirements listed above.

Another cost would be in the initial funding of the revolving processing capability, or 'float'. This cost could be minimized by holding the added capacity as enhancement options in major hardware contracts. All costs would be offset in future years by accelerated access to new applications on these systems.

FORMALIZE PROCESSES FOR DEALING WITH HUMAN RESOURCE IMPACTS

I   STATEMENT OF STRATEGIC DIRECTION

   o   INTEGRATE THE USE OF TECHNOLOGY INTO THE ORGANIZATION AND THE WORK ENVIRONMENT.

II   INITIATIVE DESCRIPTION

   Assign specific responsibility and accountability for the development of programs to deal with the human resources impacts of new information systems and technologies.

   This initiative commits the Service to considering and dealing with the human implications of information systems, in their impact on those who use them, and in their effect upon the levels and kinds of skills needed to manage and operate them.

   See also **ERR-1** and **ERR-15.**

Recommended Action:

   The Service should consider the human resource issues raised by information technology, and clearly assign authority and accountability for:

   o   Development of procedures which will ensure that the design and **implementation** of new systems considers human resources needs. These procedures must include clear assignments of authority and accountability, to ensure these needs get adequate attention in the **design** process.

   o   **Design** and establishment of an organizational structure **providing** support for the consideration of human factors.

   o   Conduct of an occupational study to assess the effect of the technology on the Service's human resource needs. This study should consider:

   o   Occupational changes that can be **expected** to result

May 9, 1984

from planned automation initiatives, both near—term and future.

o The effect of these changes on the existing and future **workforce,** particularly major occupations (including managers at all levels).

o Anticipated changes in the plans and guidelines of all applicable support functions, such as facilities, security, position management, employment, labor relations, training, and finance for both new and revised occupations.

o Development of training programs as part of the planning/implementation **process** to deal with skills and needs of the emerging **workforce.** Additional modules on how to best accept and/or manage change in a dynamic **organization** seem appropriate for both managers and employees.

o Development of self help/classroom office automation and computer skills modules to meet the needs of managers and employees in our rapidly changing environment. These modules must range from general **familiarization/** orientation sessions **through** hands—on **technical** training for affected **people.**

III JUSTIFICATION

The new information processing and communications environment will likely result in significant changes to the Service's occupational structure. Likewise, the Service must be able to deal effectively with the physical and psychological impact of rapid change on its work force and managers. The Service already has dealt with problems brought about by the installation of new systems that replaced or modified existing work processes. However, this has been handled on an ad hoc basis. The identification and treatment of human resource needs should be systematically addressed as a part of project planning for all new initiatives.

IV PROGRAM CHANGES

None.

May 9, 1984

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
    OVAL

+ 1 month   Complete detailed action plan.

  2 months   Establish   study group for occupational   study.

+ 5 months   Develop procedures   and **organization.**

+ 6 **months**   Complete study.

+ 8 months   Review and approve results.

VI   RESPONSIBLE OFFICIAL

    Director, Personnel Division

VII   MULTI-YEAR BUDGET REQUIREMENTS

    Requires use of existing resources:

+

	OTHER COSTS
1984	100
1965	
1986 – 1990	

* Existing Human Resources contract funds.

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USER GUIDANCE FOR SYSTEMS DEVELOPMENT

I   STATEMENT OF STRATEGIC DIRECTION

o   INTEGRATE THE USE OF TECHNOLOGY INTO THE ORGANIZATION AND THE WORK ENVIRONMENT.

II   INITIATIVE DESCRIPTION

Develop and issue necessary procedures to support users in initiating and managing technological change.

This initiative supports the decision of the Automation Policy Board that user functions would have primary accountability for identifying and managing systems initiatives.

Recommended Action:

To meet the need for standards and guidance to users in the development of systems, responsibility for the following actions should be assigned to appropriate organizations.

o   Implement Treasury Directive 81—20, which prescribes preparation of comprehensive requirements analysis packages by the user organization. Provide supplementary guidelines as needed.

o   Establish or reconfigure support organizations to provide improved consultation and assistance to user organizations.

III JUSTIFICATION

Users need support and guidance in carrying out their responsibilities to plan for and implement information systems. Accountability for the adequacy of capacity planning and integration of user proposals which would require acquisition of processing capacity must be documented. Guidance is also needed about how to develop systems initiatives, implement them and perform follow—up evaluations. This will avoid overlooking areas of critical importance, e.g., impact on other parts of the Service, budget or facilities implications, human resource implications, etc., which could delay or reduce the effectiveness of a system.

While the current organization is conscientious in being responsive to users and meeting identified needs, the Service needs to strengthen its suport of users in their new kinds of involvement in information systems. The rapid growth of office technology, distributed processing concepts, the rise in the significance of user managed information systems, and the penetration of information processing technology into resources management and administrative support functions has resulted in a new kind of user involvement in, control over, and responsibility for systems. Procedures to support this new accountability are essential.

IV   PROGRAM CHANGES

This initiative covers program changes necessary to provide total support to user organizations.   Support functions should take inventory of those services now being provided, evaluate these services from the standpoint of adequacy and redundancy, establish functional responsibility,   and identify what **is** needed to provide the support.

Further analysis and study should be undertaken to determine the appropriate organizational configuration needed to support and assist users at all organizational levels.

V   RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

+ 2 months   Develop detailed action plan for conduct of study
                 and development of procedures and organizational
                 proposals.

+ 3 months   Secure required Planning Council approval of
                 detailed   action   plan.

+ 6 months   Study and recommend organizational changes needed
                 to provide appropriate support and assistance.

VI   RESPONSIBLE OFFICIAL

Assistant Commissioner (Support & Services)

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires use of existing resources *

* Additional staff years in this function will be necessary to provide support not now offered. However, restructuring of existing organizations should enable this need to be filled within present resources.

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May 9, 1984

PROCUREMENT DELEGATION

I   STATEMENT OF STRATEGIC DIRECTION

o   DELIVER CONTINUING STATE—OF-THE-ART TECHNOLOGY **SUPPORT** THROUGHOUT THE **SERVICE** INCLUDING USE OF APPROPRIATE MANAGEMENT CONTROLS AND SYSTEMS SECURITY.

II   INITIATIVE DESCRIPTION

Secure Treasury approval to raise the limit of ADP procurement delegation to the field from $50,000 to at least $100,000, and provide to the field the knowledge and skills required to implement the revised delegation.

Recommended Action:

Delegation Order #106 should be revised to authorize field offices to acquire data processing equipment and services up to $100,000, without National Office approval, and additional training should be provided to field staff to ensure the effective use of this authority.

A warranting program should be developed. This program will require ■earned **autonomy"** for any office with procurement authority. A certification program, related to experience and education of an   **ividual** (rather than a position), will ensure that the procurement authority delegated to any office is commensurate with the capability of the procurement officials servicing   that   office.

III JUSTIFICATION

If a field organization has the need for DP hardware or services in excess of $50,000, they are now required to go through the National Office acquisition process, notwithstanding that funds, qualified staff, and motivation exist locally.

IV   PROGRAM CHANGES

The only change would be to revise and issue a new version of Delegation Order #106.

V RECOMMENDED ACTION PLAN

TIME FROM
INITIATIVE
APPROVAL

To Be Determined	Send written request to Assistant Secretary (Administration) asking for approval to raise field ADP procurement authority to $100,000.
+ 30 days after Treasury approval	Issue necessary revision to Delegation Order #106.

VI RESPONSIBLE OFFICIAL

Assistant Commissioner (Support & Services)

VII MULTI-YEAR BUDGET REQUIREMENTS

This initiative entails no costs.

ESTABLISH EXPECTATIONS ENVIRONMENT FOR AUTOMATION

I   STATEMENT OF STRATEGIC DIRECTION

  o INTEGRATE THE USE OF TECHNOLOGY INTO THE ORGANIZATION AND WORK ENVIRONMENT.

II   INITIATIVE DESCRIPTION

  Establish an environment of expectations that communicates the importance of utilizing automated information processing technology to improve productivity as an evaluation factor for the Service's executives and managers.

Recommended Action:

The introduction and effective use of automation technology in the IRS is an effort of such importance, involving such a significant commitment of resources and holding such potential, that our best program management efforts and techniques must be brought to bear on it. At every organizational level and in all functions, accountability for the following functions should be clearly established.

  o Formulation and implementation of appropriate plans.

  o Review, coordination and approval of plans.

  o Provision of directions and controls to assure effective use of resources and, avoid unnecessary duplication.

  o Monitoring and evaluating efforts to effect program improvements and optimize resource use and program effectiveness, and broadcasting positive results to other offices.

Increasing efficiency and effectiveness through automation should be made a critical element for appropriate positions. SES and merit pay expectations should be designed to provide emphasis and commitment to increasing efficiency and effectiveness through automation.

Support staffs should be charged with responsibility for facilitating, encouraging, and promoting office automation.

    May 9, 1984

Technical assistance should be provided to managers to **assist them in carrying** out their automation responsibilities.

Training should be provided to equip managers, support personnel, and technical specialists to carryout their responsibilities.

III JUSTIFICATION

Introduction of technological improvements into the workplace is a responsibility shared among managers at all levels, support and staff organizations, and technical experts. The responsibility is inherent in the positions but also should be articulated in documents that guide personnel in discharging their responsibilities. Because of this "shared responsibility" for automation, clearly articulated statements of responsibility are essential to achievement of an optimum effort for automation in the Service.

The existing IRS structure, organizational and procedural, must be designed to provide systematic program management to information resources. Ad hoc approaches and confederations of users, Computer Services, and Resources Management staffs have been used necessary to cope with problems which would be better addressed systematically.

The normal functions of planning, coordinating, directing, controlling and evaluating need to be systematically applied to the introduction and use of automation techniques. Further, accountability must be clearly fixed or accepted for many aspects of program efforts. Clarity about who is responsible for which aspects of automation makes it easier to train or motivate personnel to improve their operations through automation.

IV PROGRAM CHANGES

o   National Office should publish clearly defined roles and responsibilities at all organizational levels.

o   Personnel Division should publish requirements for critical elements and expectation changes.

o   Appropriate training should be provided to managers, support staffs, and technical specialists in the area of automation.

V RECOMMENDED ACTION PLAN

Implementation could begin immediately and be completed in time for FY 85 expectations setting.

May 9, 1984

VI RESPONSIBLE OFFICIAL

District Director, St. Louis

VII MULTI-YEAR BUDGET REQUIREMENTS

Requires additional resources (to be determined)*

* The multi—year program costs of this initiative cannot be costed until a comprehensive implementation plan is available. Those costs would be offset by subsequent year savings, resulting from increased efficiencies in operations.

189   May 9, 1984

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May 9, 1984

ESTABLISH A TRACKING PROCESS FOR SYSTEMS PLANNING AND BUDGETING

I   STATEMENT OF STRATEGIC DIRECTION

o   DEVELOP AND IMPLEMENT A COMPREHENSIVE, INTEGRATED ADP PLAN.

II   INITIATIVE DESCRIPTION

Develop and implement an IRS project tracking system for planning and budgeting for information systems.

This initiative would either enlarge upon, or substitute for, existing systems, applications proposal tracking, and control processes. It would provide one, consistent data base from which all users of data about the status of the Service's information systems and system initiatives could draw.

Recommended Action:

If we are to plan and budget successfully for ADP over the next few years, IRS must have a single, comprehensive project planning, and budgeting and tracking system that (1) accounts for the cumulative budgetary impact of decisions when they are made and (2) is recognized by management as the official budgeting and cost accounting system for ADP in IRS.

The development and ordering of a standardized project planning, budgeting, and tracking system for the IRS will provide data critical to the ADP strategic planning process. The system recommended would have the following characteristics:

o Be one system for IRS that all users could access.

o Use standard format and data definitions.

o Be comprehensive. It would to include all projects, all costs, and all related benefits (savings).

o Be simple.

o Be multi—year. It should tie to 0MB requirement for 5 out— years of data.

o Be updated quarterly or after each budget process milestone, e.g., 0MB mark.

o   Apply standard costing factors, unless more precise

factors are known.

o   Be **applicable** to all three management levels in IRS.

o   Require a sponsor or owner of each project, planned and
    budgeted.

o   Be recognized by the ADP Policy Board and IRS executives
    as the official ADP planning, budgeting and tracking system.

o   Provide criteria for determining priorities.

o   Provide source of base funding in current year and
    identify new moneys needed in out years.

o   Provide benefits (savings), the organizational location of
    these savings, and the type of savings, e.g., staff years,
    rental of space, and the projected timing of these savings.

o   Identify proposed disposition of savings, e.g., give up
    in budget.

o   Provide milestones for project approval and
    implementation.

The data elements in this cost tracking system are to be
comprehensive, that is, include all costs related to developing,
implementing, and administering an ADP system (project). For
actual costs, the system would constitute or utilize the output
of a cost accounting system for ADP applications.

III JUSTIFICATION

For the next few years ADP and systems modernization
resource requirements will constitute an ever increasing part of
IRS annual budgets. At the same time, those organizations that
must review and approve our budget requests——Treasury, 0MB, and
the Congress——are and will be demanding more persuasive
justification for the huge annual ADP resource increases needed
by IRS over the next several years.

The Service needs timely, comprehensive and accurate cost
and benefit data about the ADP systems modernization efforts
being approved internally——particularly the cumulative effect of
these decisions on out—year budgets. We also need to redefine
our procedures and clarify responsibility for planning,
budgeting, and tracking ADP initiatives.

IV PROGRAM **CHANGES**

This recommendation would minimize redundant efforts by
Planning, Finance, Facilities Management, and Computer Services,
who are now each doing some aspect of the effort recommended **here,**

Clearly, however, all of these organizations have need to access this data. The major program change would be the designation of an organization to administer the system and establish communication channels for keeping the system updated.

V   RECOMMMENDED ACTION PLAN

This system needs to be in place by early spring 1984 to be effective in informing the FY 86 budget formulation process.

VI   **RESPONSIBLE OFFICIAL**

Director, Finance Division

VII   **MULTI-YEAR BUDGET REQUIREMENTS**

Requires use of existing resources.*

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*   The estimated cost of maintaining and continuously updating a comprehensive project planning, budgeting and tracking system is one existing staff year ($50,000). The staff year would be located in the organizational focal point assigned responsibility for the system. In addition, each project sponsor or owner would have to devote minimal staff time preparing and submitting quarterly updates against any projects they have initiated.

Priority of Project (   )
1. Commissioner/Legislat   nd
2. Significant Support of Current
3. Enhance current system for growth
4. Payback in same Fiscal Year
5. Payback in two Fiscal Years
6. Significant Staff Year Savings

DATE O _____ ROVED: _____

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May 9, 1984

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May 9, 1984

NON—PAPER DOCUMENT STORAGE AND RETRIEVAL

I **STATEMENT OF STRATEGIC DIRECTION**

o DELIVER CONTINUING STATE-OF—THE-ART TECHNOLOGY SUPPORT THROUGHOUT THE SERVICE INCLUDING USE OF APPROPRIATE MANAGEMENT CONTROLS AND SYSTEMS SECURITY.

II INITIATIVE DESCRIPTION

Commit the Service to shifting to non—paper storage of records, and support that commitment with a comprehensive analysis of and plan for non—paper storage media.

This initiative re—emphasises and formalizes the Service's movement toward non—paper information media.

Recommended Action:

To substitute informationally—dense storage media for paper the Service must identify the manner and extent to which records will be stored in various forms (microfilm, optical disk, paper, magnetic tape, etc.) and how best to access and move data from one medium to another. It must then install such storage media. A primary consideration in any conversion effort is electronic filing. Standards for hardware, software, and telecommunications will have to provide taxpayers and the Service with optimal flexibility and capability as electronic filing increases.

III JUSTIFICATION

Despite continued efforts to destroy or retire paper records, the Service's paper record holdings have increased in volume each year. In FY 1983, we eliminated 760,000 cubic feet of paper from IRS offices; nevertheless, our total holdings increased by 8% over FY 1982. The problem is exacerbated by the great quantities of computer print—outs occupying office space, and the length of time it can take to retrieve documents from Federal Records Centers. The information needed by people at all levels can be made easier to locate and retrieve by shifting to non—paper format while reducing the volume and expense of storage.

IV PROGRAM CHANGES

o Establish cross—functional task force to identify major records series used by the Service for conversion to non— paper format and track these series through their complete

May 9, 1984

life cycle. Include other information cycle data (such as number of copies, number of uses, actual utilization rate, etc.).

o   Use key records series as a test to employ new technologies to replace paper records. Selection of media dependent upon how documents used, by whom, dissemination within organization, activity **timeframes,** etc. The flexibility and **adaptability** of the selected technology should be a major factor in its selection.

V   **RECOMMENDED ACTION PLAN**

TIME FROM
INITIATIVE
ACTION

+ 1 month   Develop detailed action plan.

+ 2 months   Convene task force.

                 Identify proposed pilot(s).

+ 3 months   Assemble work group for pilot project(s).

+ **4 months**   Submit work plan to management.

+ **6 months**   Initiate   pilot(s).

VI   **RESPONSBILE** OFFICIAL

     Director, Facilities Management

VII **MULTI-YEAR BUDGET REQUIREMENTS**

     Requires additional resources (to be determined). *

*   The multi-year program costs of this initiative cannot be costed until a comprehensive implementation plan is available. However, those costs would be offset by savings, as described in the **justification.**

TELECOMMUNICATIONS

I   STATEMENT OF STRATEGIC DIRECTION

    o   ESTABLISH AN INTEGRATED COMMUNICATIONS CAPABILITY TO TRANSMIT AND ACCESS INFORMATION THROUGHOUT THE SERVICE.

II   INITIATIVE DESCRIPTION

> **Issue standards and install systems and equipment which vill establish an integrated, digital communications system for data, text, voice, and video throughout the Service.**

This initiative confirms the Service's commitment to the establishment of such a network, while emphasizing the need to define and issue standards for systems development which will ensure compatibility   with it.

Recommended Action:

This effort will involve setting telecommunications standards which will provide maximum flexibility   and minimal costs in transmitting   voice, data and video.   In the development of standards,   provision   must be made for the potential   use of electronic   filing   by taxpayers.

A backbone system,   analogous to superhighways,   will be installed.   The backbone will provide voice, data and video transmission   capability   to the National Office,   the regional offices   and the Detroit Data Center.   The backbone will include Private Automated Branch Exchange (PABX) switches which will provide standard switching functions   as well as protocol conversion,   centralized   modems and encryption (where necessary) of incoming and outgoing voice and data transmissions.   Local Area Networks will be encouraged as long as they conform to telecom standards.   The second phase will be to extend the backbone to districts,   service centers,   and PODs, assimilating existing   systems   and networks.

In summary, the action necessary is fourfold:

    o   First,   as soon as possible,   establish standards which provide maximum flexibility   in linking existing and planned DP systems.

    o   Second, decide how best to ensure that new systems will be compatible with telecommunications   systems and other DP systems in the IRS network;

May 9, 1984

o   Third, reduce, to the extent possible, the impact on our budget of the vagaries of public utilities commission tariff increases.

o   Fourth, provide necessary encryption for secured transmissions.

III   JUSTIFICATION

The Service is currently using a voice network (FTS) and leasing separate circuits for any data system requiring transmission over telephone lines. As more nationwide and local area networks are put in place, the redundancy in line usage and the inefficiencies of circuit management increase with each new system.

In addition, the AT&T divestiture will raise current cost dramatically. Our present budget for telecommunications is almost $100 million, split out at $95 million for voice and $5 million for data. This combination of events could double or even triple costs in just a few years.

IV   PROGRAM CHANGES

The new PABXs being installed in service centers will be the pilot for future installations. They will provide our first attempts at moving voice and data over the same lines, and they will provide small experience with small area networks, protocol conversion capabilities and a centralized modem function.

All new systems or systems undergoing significant modification must include, as part of the specifications, demonstrated capacity to operate effectively within the IRS network standard.

V   RECOMMENDED ACTION PLAN

1984

Interim network at DDC to support 27 systems.
Install 8—10 PABXs at 6 service centers,
San Jose and Austin D.O.

Install High Speed Backbone including Video Teleconferencing and General Document Processing System, Payroll Personnel System, and Centralized Inventory Distribution Systems

May 9, 1984

1st Phase of 3 Phases of Circuitry installation
Add 10 more systems – DORMS
Service–wide Mail Tracking System
Internal Management Document Distribution System
EP/EO Technical Time Reporting System
Collection Field Office Automation
OASIS
Training in the 80's
Expanded Human Resources Network
PRISM
CI Network

1987

2nd Phase of 3 Phases of Circuitry Installation
Automated Accounting & Budgeting System
Training Publications Distribution System
ERE Information System
Labor Relations Information System
Taxpayer Information Reporting System
D:R Office Automation
Centralized Services Planning & Control
Mail Accountability Tracking System
Foreign corp. Tax Credits

1988

Final Phase of 3 Phases
Phase Out Interim DDC Network
Statistics of Income
EO AIMS Reporting System
IRF Management Information System
Editing SOI corporate Returns

SCRS
Versabraille
Collection TECS
Credit Bureau Terminals
State Data Terminals

VI RESPONSIBLE OFFICIAL

Assistant Commissioner (Support & Services)

May 9, 1984

VII   MULTI-YEAR BUDGET REQUIREMENTS

Requires use of both existing and new resources:

FISCAL YEAR	STAFF YEARS	OTHER COSTS
1984		
1985		25,000*
1986-1990		148,300

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(All costs in millions of **$'s**)

	84	85	86	87	88	89
Detroit Data Center Cost	3.1	**.7**	.7	.7		
Independent Network Cost	40.5	40.5	45.9	54		
Network Costs		25.0	28.5	33.5	40.4	45.9
Total Costs	**43.6**	**66.2**	74.1	88.2	40.4	45.9
Savings		4.5	10.5	16.5	82.5	90.0

* Existing Resources.

May 9, 1984

Tax Processing System Redesign (TPSR)

I STATEMENT OF STRATEGIC DIRECTION

    o   DELIVER CONTINUING STATE—OF—THE—ART TECHNOLOGY SUPPORT THROUGHOUT THE SERVICE INCLUDING USE OF APPROPRIATE MANAGEMENT CONTROLS AND SYSTEMS SECURITY.

II INITIATIVE DESCRIPTION

    Accelerate the Tax Processing System Redesign (TPSR) effort that will oversee the design, acquisition and implementation of the Service's tax processing system for the twenty—first century.

This initiative would require additional attention by the Planning Council and ADP Policy Board to the progress and direction of the TPSR effort.

Recommended Action:

The schedule for completion of this study should be accelerated.

III JUSTIFICATION

The Service's Tax Processing System must take full advantage of state—of—the—art technology and the project (TPSR) intended to cause its redesign is not scheduled for completion until the 1990s. The TPSR effort should be reemphasized and accelerated. This initiative is a call for increased attention to and emphasis on the TPSR study by the Planning Council. No specific program changes, or other information in these categories was developed. Careful coordination of this effort with the Service's planning processes, and with any organizational studies, is essential.

IV PROGRAM CHANGES

Not Applicable.

V RECOMMENDED ACTION PLAN

Not applicable.

VI RESPONSIBLE OFFICIAL

Not Applicable

VII MULTI-YEAR BUDGET REQUIREMENTS

Not Applicable.

May 9, 1984