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IRS OVERSIGHT BOARD FOCUSES ON IRS PERFORMANCE MANAGEMENT

(Washington, DC) The IRS Oversight Board met December 9 and 10, 2002. A major meeting theme was to review IRS performance in FY2002, and compare results with goals established at the beginning of the fiscal year. As part of its focus on performance, the Board also reviewed several IRS programs of interest. A second topic was review of FY2003 and FY2004 budget issues. Details of the presentations include:

- Bob Tobias, Performance Management Committee Chair, led a review of the IRS FY2002 performance. Todd Grams, IRS Chief Financial Officer, provided the Board with a report on IRS critical measures, planned FY2002 performance levels, and the results achieved. Mr. Grams reported that in FY2002 the IRS reached or exceeded most of its key performance goals. The Board decided to review and approve an integrated budget and performance plan as part of its budget approval process and approve the IRS annual performance plan at the start of each fiscal year.

According to Mr. Tobias, "The IRS is following through on its commitment to create systems that can measure progress and set meaningful goals that can benefit taxpayers and IRS employees. I am pleased that the IRS is aggressively implementing a plan to develop long-term strategic goals, as previously recommended by the Board. Creating such goals will give the IRS, Congress, and the Board the tools to measure IRS' ability to meet taxpayers' actual needs."

- Steve Nickles, Human Capital Committee Chair, led a discussion of the evaluation process used to measure the performance of IRS senior executives. He noted that the committee's recently completed evaluation of IRS senior executives focused on the use of measures to ensure the alignment of organizational and executive goals. Representatives of the General Accounting Office, who recently completed a report of best practices used by US and international organizations to evaluate senior executives, provided their insights on effective executive performance management systems.

The Board also discussed several key programs, including:

- IRS Offers in Compromise (OIC) program performance, led by Martha Sullivan, Director, Compliance, Small Business and Self-Employed (SBSE) Operating Division. The Board is concerned that some aspects of this critical program intended to collect unpaid taxes may be subject to abuse by tax preparers to the detriment of taxpayers with real needs. The Board intends to continue to review OIC over the coming year to ensure that taxpayers' needs are being met.

- K-1 Matching, led by Joseph Brimacombe, IRS Deputy Director for Compliance Policy. The Board received an update on the program. After a recent meeting with stakeholders, the IRS is evaluating program changes. The IRS intends to resume a modified program next year incorporating changes based on stakeholder input.
- Potentially Collectible Income (PCI) led by Todd Grams, IRS Chief Financial Officer. The PCI program is an effort for the IRS to understand its collection inventory better so it can develop a more realistic estimate of its ability to collect unpaid taxes. This effort for the first time creates real transparency and ongoing measurement of collectibles and will allow the IRS to align resources in collections to those areas with the greatest impact.
- The “embedded quality” effort underway at the IRS Wage and Investment (W&I) Operating Division, led by John Duder, Wage and Investment Deputy Commissioner and Ron Rhodes, Director, Customer Account Services. The effort is a new quality program built on timeliness, accuracy and professionalism that was very successfully piloted with 22,000 W&I employees earlier this year, and is being rolled out to additional programs in FY2003.
- Business Systems Modernization (BSM), led by John Reece, Deputy Commissioner for Modernization, and Fred Foreman, Associate Commissioner of BSM. Also participating were two representatives from Computer Science Corporation, the IRS prime contractor for the BSM program. The Board reviewed problems encountered and the progress made with the BSM program, and was pleased that the IRS has recently been rated as level 2 of the Software Acquisition-Capability Maturity Model, the first federal civilian agency to receive this rating. Despite the problems encountered this year with late deliverables and unexpected cost increases, the Board believes that the BSM program is critical to transforming the IRS into an agency that fully meets taxpayers’ needs, and that the management improvements made by the IRS and contractor establish a realistic expectation of future progress.

The Board reviewed funding requirements for both FY2003 and FY2004. Currently, IRS spending is limited by a continuing resolution to FY2002 budget levels. The Board discussed unexpected cost requirements that put pressure on planned FY2003 resource allocations, and identified potential actions to ameliorate problems. Of particular concern in light of the lack of Office of Management and Budget approval of the FY2003 BSM expenditure plan were the program priorities for FY2003 and beyond. The Board reiterated its support for projects that address taxpayer needs and deliver benefits to taxpayers.

“Modernization is a long-term initiative and is a linchpin in transforming the tax administration system for taxpayers,” said Board Chair Nancy Killefer. “The Board is monitoring the progress in the FY2003 and 2004 budgets, and is extremely concerned at changes that could undermine the program’s long-term goals.”

The Board will hold its next meeting January 27-28 in Washington, DC. The Board will hold a public meeting on January 27 at which it will hear from IRS stakeholders regarding their insights in the future of e-filing, enforcement challenges, effective collections strategies, and workforce empowerment. Details regarding the meeting will be made available soon.