



Treasury Inspector General for Tax Administration Office of Audit

EMBEDDED QUALITY IS AN EFFECTIVE MEASURE OF FIELD COLLECTION PROGRAM WORK, BUT IMPROVEMENTS COULD BE MADE

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Highlights

Highlights of Report Number: 2009-30-104 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

Embedded Quality measures employee performance on casework and identifies areas for organizational and individual improvement. Overall, Embedded Quality is an effective measure of the quality of Field Collection program work. Although group managers rated many of the attributes accurately in the employee performance review system of Embedded Quality, 64 (10 percent) of 651 quality attributes tested were rated inaccurately. Without appropriate employee performance feedback, errors in collection procedures could continue to occur and affect taxpayer rights and payment of tax liabilities.

WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether the Embedded Quality program in the Collection function is an effective measure of the quality of the function's work and how management uses the results to assess program performance. Embedded Quality consists of two distinct systems: the National Quality Review System (NQRS) for organizational case quality and the Embedded Quality Review System (EQRS) for employee case performance. Both systems rate how well employees are performing their work on cases by evaluating various attributes which are concise statements of expectations for quality on Collection function cases. This audit was included in TIGTA's Fiscal Year 2008 Annual Audit Plan under the major management challenge of Tax Compliance Initiatives.

WHAT TIGTA FOUND

Overall, Embedded Quality is an effective measure of the quality of Field Collection program work. In Fiscal Year 2008, Collection function management adequately aligned attributes with priorities, identified organizational deficiencies, and implemented improvement strategies. In 93 EQRS cases for which TIGTA reviewed 651 attributes, group managers rated

587 (90 percent) of the attributes accurately. However, group managers incorrectly rated 64 (10 percent) of the 651 attributes. Incorrectly applying attributes could affect the accuracy of quality results and individual employee performance evaluations. In addition, when deficiencies are not identified, managers may not take proper corrective action to improve them.

Internal Revenue Manual guidelines prohibit NQRS data from being used to evaluate individual employees or as a substitute for first-line managerial review responsibilities. However, individual NQRS case results were being provided to Territory managers, who share the results with group managers and staff. Collection function management informed us that the information is used only as an objective, educational tool at group meetings; however, some managers had shared NQRS data with employees individually. Sharing the information this way makes it possible for performance feedback to be given based on the results. Although TIGTA did not identify this happening, it could be considered a type of performance feedback, even if only by appearance. This practice is inconsistent within the Small Business/Self-Employed Division. Based on advice from Internal Revenue Service (IRS) Labor Relations, Examination function management does not request individual NQRS case results.

WHAT TIGTA RECOMMENDED

TIGTA recommended the Director, Collection, Small Business/Self-Employed Division, study alternative methods to ensure accuracy and consistency in EQRS reviews, such as requiring Territory managers, on a regular basis, to review a sample of EQRS case reviews performed by group managers for some revenue officers within each group. In addition, the Commissioner, Small Business/Self-Employed Division, should assess whether the risk is warranted for the process of sharing NQRS specific case information with group managers and set a consistent policy within the Division.

IRS officials agreed with our recommendations. The IRS plans to update the Territory Manager guidelines to include a review of a sample of cases previously reviewed by the group manager during operational reviews. The IRS has also discontinued the practice of sharing NQRS individual case review data (Data Collection Instrument) with the field function for both the Collection Field function and Offer-in-Compromise program.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2009reports/200930104fr.pdf>.

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