



*Embedded Quality Is an Effective Measure of
Field Collection Program Work, but
Improvements Could Be Made*

August 13, 2009

Reference Number: 2009-30-104

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



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

August 13, 2009

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION

FROM: *Michael R. Phillips*
Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Embedded Quality Is an Effective Measure of
Field Collection Program Work, but Improvements Could Be Made
(Audit # 200830020)

This report presents the results of our review to determine whether the Embedded Quality¹ 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. This review was included in our Fiscal Year 2008 Annual Audit Plan under the major management challenge of Tax Compliance Initiatives.

Impact on the Taxpayer

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, our review determined that 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.

¹ See Appendix IV for a glossary of terms.



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Synopsis

Recent Collection function operational priorities emphasize improving customer service to taxpayers by conducting continuous reviews of quality and ensuring consistency and accuracy of review systems. 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. Both systems rate most of the same attributes.

Our review of Embedded Quality determined that it is an overall effective measure of the quality of Field Collection program (Collection Field function and Offer-in-Compromise program) work. In Fiscal Year 2008, the attributes were adequately aligned with Collection function priorities, Collection function management identified deficiencies and implemented improvement strategies, and NQRS results were statistically valid. Our review of 93 NQRS cases showed that NQRS reviewers accurately rated 97 percent of attributes tested. In addition, Collection function management analyzed and used the quality results regularly to assess the program and help identify problems that required changes in such areas as collection procedures and training.

Our review of 93 EQRS cases for which we reviewed 651 attributes showed that 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. We determined that 1) frequent revisions to the guidance used by reviewers and 2) managers not performing all required consistency reviews may have impacted the accuracy of reviews.

Internal Revenue Manual guidelines prohibit NQRS data from being used to evaluate individual employees or used as a substitute for first-line managerial review responsibilities. However, individual NQRS case results are being provided to Territory managers, who share the results with group managers and staff. Sharing NQRS Data Collection Instrument information with group managers and individual employees makes it possible for performance feedback to be given based on the results. Although we did not identify this happening, it could be considered a type of performance feedback, even if only by appearance.

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. Further, if EQRS attributes are rated accurately, they should provide similar results as the NQRS and be the basis for individual case examples, rather than being used in conjunction with specific case results from the NQRS. The Internal Revenue Service (IRS) Labor Relations function



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advised Collection function management that they should discontinue this practice so the information cannot be misused. In addition, we noted that this practice is not consistent within the Small Business/Self-Employed Division. Small Business/Self-Employed Division Examination function management requested advice on this same issue from the IRS Labor Relations function and followed their advice to not request NQRS Data Collection Instrument information.

Recommendations

We recommended that 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.

Response

IRS management agreed with our recommendations. The Director, Collection, will update the Territory Manager guidelines to include a review of a sample of cases previously reviewed by the group manager during operational reviews. The review data will be captured in the EQRS, allowing systemic comparison of case review attribute ratings. This change, coupled with existing expectations that are included in the Territory Manager Operational Review Template, will contribute to continued improvement in rating accuracy and consistency. In addition, policy has been established that individual NQRS case review information will not be shared with field personnel including managers and front-line employees. The Director, Collection has discontinued the practice of sharing NQRS individual case review data (Data Collection Instrument) with the field function for both the Collection Field function and the Offer-in-Compromise program. Management's complete response to the draft report is included as Appendix VI.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Margaret E. Begg, Assistant Inspector General for Audit (Compliance and Enforcement Operations), at (202) 622-8510.



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Abbreviations

CFf	Collection Field function
EQ	Embedded Quality
EQRS	Embedded Quality Review System
FY	Fiscal Year
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
NQRS	National Quality Review System
OIC	Offer-in-Compromise
SB/SE	Small Business/Self-Employed



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Background

Embedded Quality (EQ)¹ is a quality review program that allows Internal Revenue Service (IRS) Small Business/Self-Employed (SB/SE) Division management to measure employee performance on casework and identify areas for organizational and individual improvement. The data from the EQ are used to evaluate case quality and determine the effectiveness of its programs. The SB/SE Division Collection function uses the EQ in its Field Collection program including the Collection Field function (CFf) and Offer-in-Compromise (OIC) program.

The SB/SE Division Strategic Plan and Collection function's strategies and operational priorities for Fiscal Year (FY) 2008 reflected the EQ and its significance in affecting casework quality. Strategies emphasized improving customer service to taxpayers by conducting continuous reviews of quality and ensuring consistency and accuracy of review systems. In FY 2009, Collection function management continued to emphasize quality.

The EQ is comprised of two distinct systems: the National Quality Review System (NQRS) to measure organizational case quality and the Embedded Quality Review System (EQRS) to measure employee case performance. Reviewers in both programs evaluate collection cases using various attributes. Attributes are concise statements of expectations for quality relating to appropriate and timely case activity, and are based on Internal Revenue Manual (IRM) guidelines for CFf and OIC program casework. Both systems rate most of the same attributes. The attributes are grouped into five key categories that measure customer accuracy, regulatory accuracy, procedural accuracy, professionalism, and timeliness.

The CFf and OIC program have their own group of NQRS reviewers that independently rate case actions on closed cases based on the attributes. Collection function managers can analyze the results of NQRS reviews at various organizational levels such as national, Area Office, and Territory. NQRS results are statistically valid to the Area Office level on a quarterly basis.

The EQRS replaced various paper-based review systems in April 2007. Group managers rate individual employee performance on case actions in the EQRS and use the results to generate feedback and documentation for performance reviews. The attributes are linked to performance standards to allow managers to provide employees with specific examples of what they need to do to sustain or improve their performance. Managers choose from a list of reasons and/or explain in narrative form why attributes were met or not met.

This review was performed at the SB/SE Division Collection function offices in Oakland, California; Sacramento, California; Plantation, Florida; Atlanta, Georgia; and New Carrollton, Maryland, and at the Philadelphia Campus in Philadelphia, Pennsylvania,

¹ See Appendix IV for a glossary of terms.



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during the period August 2008 through March 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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Results of Review

Embedded Quality Is an Overall Effective Measure of the Quality of Field Collection Program Work

To assess CFf and OIC program work quality, NQRS reviewers evaluate actions on closed collection cases. NQRS reviewers are required to rate 30 CFf or 24 OIC program attributes for each case and choose from a list of reasons and/or explain in a narrative why a specific attribute was not met. It is important that reviewers rate attributes accurately to produce reliable results.

To determine if NQRS reviewers were rating cases accurately, we reviewed 93 NQRS cases (56 CFf and 37 OIC).² Our review of 8 CFf and 5 OIC attributes³ from each case showed that, based on the criteria for rating the attributes, NQRS reviewers in both the CFf and OIC program accurately rated 97 percent of the attributes tested.

The EQ is effective for measuring quality because samples are statistically valid, NQRS reviewers rate attributes accurately, and management uses the results to assess the program and make improvements.

IRM guidelines state that NQRS results are statistically valid and reliable measurements of the overall quality of casework completed by the CFf and OIC program at the Area Office level. The Collection Planning and Analysis Office is required to update sample plans annually. Our analysis of Area Office populations and recalculation of sample sizes for FY 2008 showed that sampling plans were valid and an adequate number of NQRS cases were reviewed.

All levels of Collection function management use EQ review findings to help identify problems that require changes in such areas as collection procedures and training. In the three field offices visited, our interviews of all levels of Collection function management showed that they analyzed EQ results regularly to assess the program and used the results to create and implement plans for improvement. For example:

- Collection function management 1) emphasized EQ attributes in the Collection function's FY 2008 strategic priorities, 2) analyzed EQ reports and provided detailed analysis to Area Offices on a quarterly basis, 3) participated in manager and group staff meetings and consistency review discussions, and 4) held periodic meetings to improve the

² Cases were reviewed by NQRS reviewers between July 26, 2008, and October 16, 2008, for the CFf and between August 18, 2008, and October 3, 2008, for the OIC program.

³ See Appendix V for the attributes reviewed.



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EQ system by clarifying attributes and making revisions to the Attribute Job Aids and the EQ reporting system when necessary.

- Area Directors 1) included EQ issues in their FY 2008 Area Office Business Plans, 2) analyzed EQ quarterly reports as a starting point for improvement plans, 3) identified best practices and created presentations for field managers and staff on specific attributes, and 4) expected field managers to use EQ results to develop local action plans for improvement.
- Territory managers analyzed EQ results in more detail to look for specific trends and to help identify deficiencies and implement improvement plans.
- Group managers developed presentations and discussed at group meetings specific attributes that needed improvement.

Managers Rated Most Attributes Accurately, but We Identified Some Inaccuracies

The EQRS is a tool used by managers to rate how well employees are taking actions on their casework by evaluating certain case attributes. The case attributes, which are linked to employee performance standards, are based on IRM guidelines for working CFf and OIC program cases. Group managers use an Attribute Job Aid, along with the IRM, when performing EQRS reviews. Although these scores are not statistically valid to measure overall quality, the EQRS provides a structured basis for evaluating employee performance in relation to attribute scores and providing appropriate feedback. Managers provide results to employees via the EQRS Employee Individual Feedback Report.

Although managers accurately rated many attributes based on the criteria, our review of 93 cases involving 651 attributes showed that 10 percent of the attributes were rated incorrectly.

Our review of 93 EQRS cases (62 CFf and 31 OIC cases) in 3 Area Offices during FY 2008 showed that improvements are needed to ensure more accurate results. We reviewed 8 of the 32 CFf attributes and 5 of the 26 OIC program attributes in the EQRS.

Managers rated 587 (90 percent) of the 651 attributes in the 93 cases accurately according to the criteria; however, our review showed that managers incorrectly rated 64 (10 percent) of 651 attributes. In approximately half the cases we reviewed, there was at least one error. Figure 1 shows the number of cases, total attributes reviewed, and the number of errors identified for both CFf and OIC program cases.



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Figure 1: Analysis of EQRS Cases

Collection Program	Number of Cases Reviewed	Number of Cases With Errors	Percent of Cases With Errors	Number of Attributes Reviewed	Errors	Percent of Attribute Errors
CFf	62	30	48%	496	48	10%
OIC	31	13	42%	155	16	10%
Total	93	43	46%	651	64	10%

Source: Treasury Inspector General for Tax Administration case review results.⁴

Although Figure 1 shows that we identified rating errors in 10 percent of the total attributes reviewed, 55 (86 percent) of the 64 errors favored the employee. Specifically:

- 45 attributes were rated as having met the attribute requirement or as “not applicable” when the attribute should have been rated as “not met.”
- 10 attributes were rated as having met the attribute requirement when the attribute should have been rated as “not applicable.”

Incorrectly applying the attributes in EQRS case reviews could affect the accuracy of quality results and employee performance reviews. In addition, when deficiencies are not identified, managers may not take proper corrective action to improve them. Without appropriate employee performance feedback, errors in collection procedures could continue to occur and affect taxpayer rights and payment of tax liabilities.

One contributing factor to the errors may be that consistency reviews were not being conducted as required by the IRM, which states that Territory managers will schedule and conduct EQRS consistency reviews with group managers on a quarterly basis. Consistency reviews involve all group managers within a Territory reviewing the same case and comparing and discussing attribute results on a quarterly basis. This is useful to help achieve consistent understanding and accurate scoring of attributes. The Territory managers we interviewed did not perform the required consistency reviews of one per quarter with their group managers. During FY 2008, most of the Territory managers had performed only one consistency review and participated with their group managers in one national consistency review.

Another possible cause of rating errors is that in an effort to improve the EQ system, Collection function management has made continual changes in the attribute definitions since the EQRS was implemented in April 2007. Specifically, there have been four CFf and two OIC program major Attribute Job Aid revisions since the implementation. The managers we interviewed indicated that it is sometimes confusing and burdensome for employees, managers, and NQRS reviewers to keep up with learning new attribute rating guidance and that if one attribute is

⁴ Our analysis consisted of closed cases reviewed in the EQRS between April 1, 2008, and June 27, 2008, for the CFf and between October 5, 2007, and June 30, 2008, for the OIC program.



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missed, the next few may also be missed if they are closely related. Until attribute definitions and Attribute Job Aids are firmly established, it will be more difficult for reviewers to understand the definitions and consistently rate the attributes.

Recommendation

Recommendation 1: The Director, Collection, SB/SE Division, should 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.

Management's Response: IRS management agreed with this recommendation. The Director, Collection, will update the Territory Manager guidelines to include a review of a sample of cases previously reviewed by the group manager during operational reviews. The review data will be captured in the EQRS allowing systemic comparison of case review attribute ratings. This change, coupled with existing expectations that are included in the Territory Manager Operational Review Template, will contribute to continued improvement in rating accuracy and consistency.

National Quality Review System Data Are Being Shared In a Different Way Than Intended

Prior to the EQ, the Collection Quality Management System was used to rate only organizational quality based on closed cases. The EQ was created to allow for two separate but related systems: the NQRS for organizational case quality and the EQRS for employee case performance. Both systems rate most of the same attributes, and the EQRS is also linked to employee performance standards. The idea is that as employee performance improves by following the same attributes, overall NQRS scores would also improve. IRM guidelines state that NQRS data are to be used as measures of organizational quality and not to evaluate individual employees, and the NQRS is not a substitute for first-line managerial review responsibilities.

Providing individual case results from the NQRS to group managers and employees is not using NQRS results as intended.

In FY 2008, Collection function management implemented a process to provide individual NQRS reports (known as Data Collection Instruments) to Territory managers on a regular basis. The results can then be shared with group managers and their employees. The process began in response to requests from Field Collection program managers who wanted an independent, third-party review or backup for EQRS attribute ratings and NQRS Area Office results. Our discussions with Field Collection program managers showed that some agreed that reviewing employee casework in the EQRS provides more specific results for feedback and more objectivity than the prior paper-based system. However, some managers explained that the



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transition has not been easy for some employees, and the employees do not always agree with managers' ratings on specific attributes. In addition, when NQRS Area Office scores show downward trends, group managers do not always think their groups are responsible for the downward trends. Collection function management informed us that the Data Collection Instrument is used only as an objective, educational tool at group meetings and is not usually shared with individual employees. However, some of the managers informed us that they have discussed results with individual employees.

Sharing the NQRS Data Collection Instrument information with group managers and individual employees makes it possible for performance feedback to be given based on the results. Although we did not identify this happening, it could be considered a type of performance feedback, even if only by appearance. The sharing of NQRS information with groups and individual employees suggests that the EQRS process may not be providing managers with sufficient information to effectively provide feedback to employees. If EQRS attributes are rated accurately and consistently, they should provide similar results to the NQRS at the individual level and be the basis for individual case examples, rather than being used in conjunction with specific case results from the NQRS. Further, NQRS data are not statistically valid at the group level and should not be considered representative of the group's performance.

An agreement between the National Treasury Employees Union and the SB/SE Division Field Compliance function states that NQRS data will not be used as individual employee performance feedback. IRS management made assertions during negotiations with the National Treasury Employee Union that NQRS data would not be shared with first-line supervisors and there was supposed to be no direct link to individual employees or groups.

The IRS Labor Relations function has advised Collection function management that they should discontinue this practice so the information cannot be misused. Further, we noted that this practice is not consistent within the SB/SE Division. SB/SE Division Examination function management requested advice on this same issue from the Labor Relations function. Unlike Collection function management, Examination function management followed the Labor Relations function advice to not request NQRS Data Collection Instrument information.

Recommendation

Recommendation 2: The Commissioner, SB/SE Division, should assess whether the risk is warranted for the process of sharing NQRS specific case information (through the Data Collection Instrument) with group managers and set a consistent policy within the SB/SE Division.

Management's Response: IRS management agreed with this recommendation. Policy has been established that individual NQRS case review information will not be shared with field personnel including managers and front-line employees. The Director,



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Collection, has discontinued the practice of sharing NQRS individual case review data (Data Collection Instrument) with the field function for both the CFf and OIC program.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the EQ¹ 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. To accomplish our objective, we:

- I. Determined the effectiveness of EQ program controls, procedures, and sampling process.
 - A. Identified NQRS and EQRS IRM procedures and key controls for the CFf and OIC program.
 - B. Compared NQRS/EQRS quality attributes with CFf and OIC program management priorities such as taxpayer rights, timeliness of work, and professionalism to determine if they are adequate. We also compared the EQRS quality attributes to employee performance standards to determine adequacy.
 - C. Determined whether the number of cases reviewed by NQRS reviewers in the CFf and OIC program were statistically valid at the Area Office level during FY 2008. We duplicated sample plan populations by pulling the first 3 quarters of FY 2007 closed cases from Integrated Collection System archived records and Automated OIC records using the Treasury Inspector General for Tax Administration Data Center Warehouse. We relied on the Data Center Warehouse validations of IRS data.
- II. Determined whether reviewers accurately assessed and scored quality attributes.
 - A. Obtained a judgmental sample of 93 NQRS closed cases (56 CFf and 37 OIC program cases from all Area Offices nationwide) at the Oakland, California, and Atlanta, Georgia, NQRS review sites that were reviewed between July 26, 2008, and October 16, 2008, for the CFf and between August 18, 2008, and October 3, 2008, for the OIC program. We do not have a population size since these were cases we asked management to hold for us as NQRS reviews were being completed during those time periods and we did not count them when we chose our sample. We reviewed a judgmental sample of eight CFf and five OIC program attributes² on each case. We used judgmental sampling for the cases due to the availability of cases at the review sites and for the attributes because of limited resources and time available to complete the audit in a reasonable time period. Also, we did not anticipate being able to project the results.

¹ See Appendix IV for a glossary of terms.

² See Appendix V for the attributes reviewed.



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- B. Obtained a download from IRS management of closed CFf cases (population of 721 CFf and 292 OIC cases) from 3 Area Offices reviewed by group managers in the EQRS between April 1, 2008, and June 27, 2008, and closed OIC cases reviewed by group managers in the EQRS between October 5, 2007, and June 30, 2008. We reviewed a judgmental sample of 8 CFf and 5 OIC program attributes for a judgmental sample of 93 EQRS (62 CFf and 31 OIC program) cases. Due to the large number of EQRS reviews, we used judgmental sampling for both attributes and cases because of limited resources and time available to complete the audit in a reasonable time period. Also, we did not anticipate being able to project the results. We relied on the data provided by the IRS and only validated the data by ensuring the reviews were within our time period and the dates matched the dates on the actual Employee Individual Feedback Report.
- III. Determined how EQ results are used to assess the Collection function program.
- A. Analyzed NQRS and EQRS reports to determine if any trends or common variables are present for the 9 quarters beginning October 1, 2006, through December 31, 2008. We relied on the data provided by the IRS.
- B. Identified the top 10 NQRS and EQRS defects and successes for the same period as stated in Step III.A. and compared past top 10 lists to determine the progress of particular attribute ratings. We relied on the data provided by the IRS.
- C. Interviewed various levels of Collection function managers to ascertain:
1. Management expectations and responsibilities for the EQ.
 2. Reviewer responsibilities, qualifications, and training requirements.
 3. Consistency review requirements.
 4. How EQRS cases are selected for review.
 5. How NQRS/EQRS results are used in the field offices.
 6. How management analyzed results, identified trends, disseminated information, and created and implemented improvement plans.



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Appendix II

Major Contributors to This Report

Margaret E. Begg, Assistant Inspector General for Audit (Compliance and Enforcement Operations)
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Janis Zuika, Senior Auditor
Frank O'Connor, Program Analyst
Matthew Schimmel, Program Analyst



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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement SE
Deputy Commissioner, Small Business/Self-Employed Division SE:S
Director, Collection, Small Business/Self-Employed Division SE:S:CCS
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: Commissioner, Small Business/Self-Employed Division SE:S



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Appendix IV

Glossary of Terms

Term	Definition
Area Office	A geographic organizational level used by IRS business units and offices to help their specific types of taxpayers understand and comply with tax laws and issues. Area Offices consist of Territory offices which consist of groups.
Attributes	Concise statements of expectations for quality relating to appropriate and timely case action on Collection function cases.
Attribute Job Aid	A reference tool providing support for NQRS and EQRS reviewers in rating EQ attributes in a uniform and consistent manner.
Campus	The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.
Collection Field Function	The unit in the Area Offices consisting of revenue officers who handle personal contacts with taxpayers to collect delinquent accounts or secure unfiled returns.
Collection Planning and Analysis Office	The office that oversees the strategic and business planning process for the Field Collection program in the SB/SE Division.
Consistency Reviews	Reviews that involve all group managers with a Territory reviewing the same case and comparing and discussing attribute results on a quarterly basis.
Data Center Warehouse	A centralized storage and administration of files that provides data and access services to IRS data.
Data Collection Instrument	The tool used by reviewers, both managers and quality reviewers, to input item-by-item quality review results.
Embedded Quality	The program comprised of two distinct systems: the NQRS for organizational casework quality and the EQRS for employee casework performance. Reviewers use this program to evaluate quality of the actions taken on collection cases.
Embedded Quality Review System	A web-based system used by managers to rate employee collection case actions against EQRS attributes.



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Term	Definition
Employee Individual Feedback Report	The report that provides a printed record of manager ratings and narrative comments in which the employee's performance, in relation to specific EQRS attributes, is summarized.
Field Collection Program	A program that includes the CFf and OIC program in the SB/SE Division (for the purposes of this audit).
Field Compliance Function	The IRS function that includes the Field Collection and Field Examination programs in the SB/SE Division.
Integrated Collection System	An automated system used to control and monitor delinquent cases assigned to revenue officers in the field offices.
IRS Labor Relations Function	The IRS function that provides guidance and representation to IRS management in areas such as collective bargaining and interactions and contractual obligations with the National Treasury Employees Union.
National Treasury Employees Union	The Federal employee union representing IRS employees.
National Quality Review System	A web-based system used by national reviewers to rate employee collection case actions against NQRS attributes.
Offer-in-Compromise	An agreement between a taxpayer and the Government that settles a tax liability for payment of less than the full amount owed.



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Appendix V

Attributes Included in the Case Review

Collection Field function

202 - Compliance on Initial Contact
203 - Request/Secure Financial Information
204 - Trust Fund Recovery Penalty Process
410 - Lien Determination/Filing
505 - Timely Employee Actions
506 - Timely Closing Actions
600 - Clear Action Dates
602 - Advised of Consequences

Offer-in-Compromise Program

106 - Initial Offer Actions
504 - Timely Followup Actions
505 - Timely Employee Actions
602 - Advised of Consequences
703 - Closing Reports and Supporting Documents



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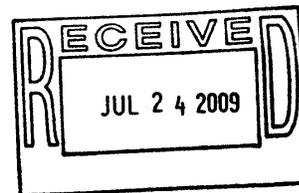
Appendix VI

Management's Response to the Draft Report



COMMISSIONER
SMALL BUSINESS/SELF-EMPLOYED DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224



July 22, 2009

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Christopher Wagner
Commissioner, Small Business/Self-Employed Division

SUBJECT: Draft Audit Report – Embedded Quality Is an Effective Measure of Field Collection Program Work, but Improvements Could Be Made (Audit No. 200830020)

Thank you for the opportunity to review the draft report entitled "Embedded Quality Is an Effective Measure of Field Collection Program Work, but Improvements Could Be Made."

We appreciate that you recognized the effectiveness of the Embedded Quality (EQ) System, and the accuracy of both managers as well as National Quality Review System (NQRS) reviewers when reviewing casework. Collection managers and employees have worked diligently since implementation to use EQ data to effect organizational, group and individual improvement and will continue to do so as EQ matures. While the accuracy and consistency of case reviews is an area of constant emphasis, it continues to be a challenging area due to the complexities of field casework. One of the benefits of EQ is our ability to more readily monitor accuracy and consistency than under past processes, and we are confident that we will continue to see improvements in this area.

We agree with the recommendations outlined in the report and have already taken corrective action to address them. In order to maintain consistency across Small Business/Self-Employed, the Director, Collection has determined that the practice of sharing individual NQRS case reviews with the field will be discontinued.

Attached is a detailed response outlining our corrective actions. If you have questions, please call me at (202) 622-0600 or David Alito, Director, Collection at (202) 283-7660.

Attachment



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Attachment

Recommendation 1

The Director, Collection, SB/SE Division, should 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.

Corrective Action

We agree with this recommendation. The Director, Collection will update the Territory Manager guidelines to include review of a sample of cases previously reviewed by the group manager during operational reviews. The review data will be captured in the Embedded Quality Review System allowing systemic comparison of case review attribute ratings. This change, coupled with existing expectations that are included in the Territory Manager Operational Review Template, will contribute to continued improvement in rating accuracy and consistency.

Implementation Date

June 15, 2010

Responsible Official

Director, Collection Policy, Small Business/Self Employed Division (SB/SE)

Corrective Action Monitoring Plan

The Director, Collection Policy, will monitor the status and advise the Director, Collection, SB/SE of any delays in implementation.

Recommendation 2

The Commissioner, SB/SE Division, should assess whether the risk is warranted for the process of sharing NQRS specific case information (through the Data Collection Instrument) with group managers and set a consistent policy within the SB/SE Division.

Corrective Action

We agree with this recommendation. Policy has been established that individual NQRS case review information will not be shared with field personnel including managers and front line employees. The Director, Collection has discontinued the practice of sharing NQRS individual case review data (Data Collection Instrument – DCIs) with the field function for both the Collection Field Function (CFf) and Offer in Compromise (OIC) programs.

Implementation Date

Completed



*Embedded Quality Is an Effective Measure of Field Collection
Program Work, but Improvements Could Be Made*

Responsible Official

N/A

Corrective Action Monitoring Plan

The Director, Collection will advise the SB/SE Commissioner of any delays in implementing the corrective action.