



*The Impact of the Frontline Leader
Readiness Program on Succession Planning
Should Be Determined*

March 15, 2011

Reference Number: 2011-10-015

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

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HIGHLIGHTS

THE IMPACT OF THE FRONTLINE LEADER READINESS PROGRAM ON SUCCESSION PLANNING SHOULD BE DETERMINED

Highlights

Final Report issued on March 15, 2011

Highlights of Reference Number: 2011-10-015 to the Internal Revenue Service Chief, Criminal Investigation, and the Internal Revenue Service Human Capital Officer.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) created the Frontline Leader Readiness Program (the Program) to identify and develop highly skilled nonmanagers interested in assuming leadership responsibilities. However, it is currently not possible for the IRS to determine whether the Program provides a pool of qualified candidates ready for promotion or the overall impact of the Program on succession planning. Evaluating the success of the Program would enable IRS management to make informed decisions to ensure that upcoming leadership vacancies are filled in a timely manner with qualified leaders who can address the challenges of the future, which will help to preserve public confidence in the IRS's ability to fulfill its mission.

WHY TIGTA DID THE AUDIT

This review was requested by the IRS Oversight Board and addresses the major management challenge of Human Capital. The overall objectives were to determine whether the Program provided the IRS with a pool of qualified candidates ready for promotion into management positions and whether the IRS measured the impact of the Program.

WHAT TIGTA FOUND

The IRS began the Program in Calendar Year 2000 to identify and develop high-potential, motivated employees for frontline manager positions. The Program takes 9 months to complete and includes classroom training sessions, outside reading assignments, online

training courses, a shadow manager assignment, and an acting assignment.

The IRS is taking action to obtain feedback from Program graduates and their managers. Overall, participants and managers generally believe the Program is beneficial in helping employees prepare for frontline management.

However, the IRS does not generally assess graduates' readiness for promotion upon completion of the Program or measure the impact the Program has on succession planning. If the IRS assessed the promotion potential of Program graduates and measured the impact of the Program, it could better determine its bench strength (the relationship between the number of employees ready for management and the number of critical management positions) at the frontline manager position and provide valuable feedback to graduates.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS Human Capital Officer require an assessment of readiness for promotion for Program graduates interested in management. In addition, the Chief, Criminal Investigation, and the IRS Human Capital Officer should analyze these assessments to determine whether changes are needed to the Program and develop goals and measures to determine the Program's impact on succession planning. The IRS Human Capital Officer also should develop a data collection process to capture all necessary information from the operating divisions/functional offices to accurately measure the impact of the Program.

In their response to the report, IRS officials agreed with our recommendations. IRS officials plan to require an assessment of readiness for management at the end of the Program for those Program graduates interested in a frontline manager position, and stated that they will develop plans of what measures are needed to determine the Program's impact on succession planning. The IRS also plans to establish a data collection process to capture all necessary information from the operating divisions/functional offices related to the number of their graduates and the number of promotions on a fiscal year basis to accurately measure the impact of the Program on frontline management.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 15, 2011

MEMORANDUM FOR CHIEF, CRIMINAL INVESTIGATION
INTERNAL REVENUE SERVICE HUMAN CAPITAL OFFICER

Michael R. Phillips

FROM:

Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report – The Impact of the Frontline Leader Readiness
Program on Succession Planning Should Be Determined
(Audit # 201010018)

This report presents the results of our review to determine whether the Frontline Leader Readiness Program provided the Internal Revenue Service (IRS) with a pool of qualified candidates ready for promotion into management positions and whether the IRS measured the impact of the Program. This review was requested by the IRS Oversight Board and addresses the major management challenge of Human Capital.

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 Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations), at (202) 622-8500.



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The Impact of the Frontline Leader Readiness Program on Succession Planning Should Be Determined

Background

Leadership development is essential to the health of an organization. Highly effective organizations have leadership development systems, as well as tools and processes designed to assess supply and demand for leaders, enable career paths, select and develop leaders, and match individuals to opportunities.

Leadership development for frontline managers is of particular importance because many employees entering frontline management positions may not have management experience. In May 2010, the Merit Systems Protection Board issued a report on frontline managers in the Federal Government.¹ In part, it concluded that it is essential for agencies to have valid selection criteria and comprehensive training programs for frontline managers. However, it found most agencies lacking in these essentials. Instead, the Board found more emphasis is placed on technical competencies than supervisory skills when filling frontline manager positions.

The Internal Revenue Service (IRS) began the Frontline Leader Readiness Program (hereafter referred to as the Program) in Calendar Year 2000 to identify and develop high-potential, motivated employees for frontline manager positions. The Program is designed to prepare employees for entry into frontline leadership positions. In Calendar

The purpose of the Frontline Leader Readiness Program is to identify and develop high-potential, motivated employees interested in frontline manager positions.

Year 2009, the Workforce of Tomorrow Task Force² reviewed manager training programs and the development of future leaders. It worked with the IRS Human Capital Office to improve the Program's curriculum. Many changes were made as a result of this partnership, including streamlining the content to eliminate redundancies, adding courses on coaching and time management, and incorporating a shadow manager³ program. The entire Program takes 9 months to complete and includes 2 separate week-long classroom training sessions, outside reading assignments, online training courses, a shadow manager assignment, and an acting assignment. These changes were formally implemented in Fiscal Year 2010.

Responsibility for the Program rests with the IRS Human Capital Office and the IRS individual operating divisions/functional offices. Generally, the IRS Human Capital Office develops the

¹ *A Call to Action: Improving First-Level Supervision of Federal Employees*, dated May 2010.

² *Workforce of Tomorrow Task Force Final Report*, dated August 2009. The IRS Commissioner established the Workforce of Tomorrow Task Force in July 2008 with the goal to make the IRS the best place to work in Government and ensure that within 5 years it has the leadership and workforce ready for the next 15 years.

³ Program participants observe a manager and practice administrative tasks to obtain hands-on experience prior to their own acting assignment.



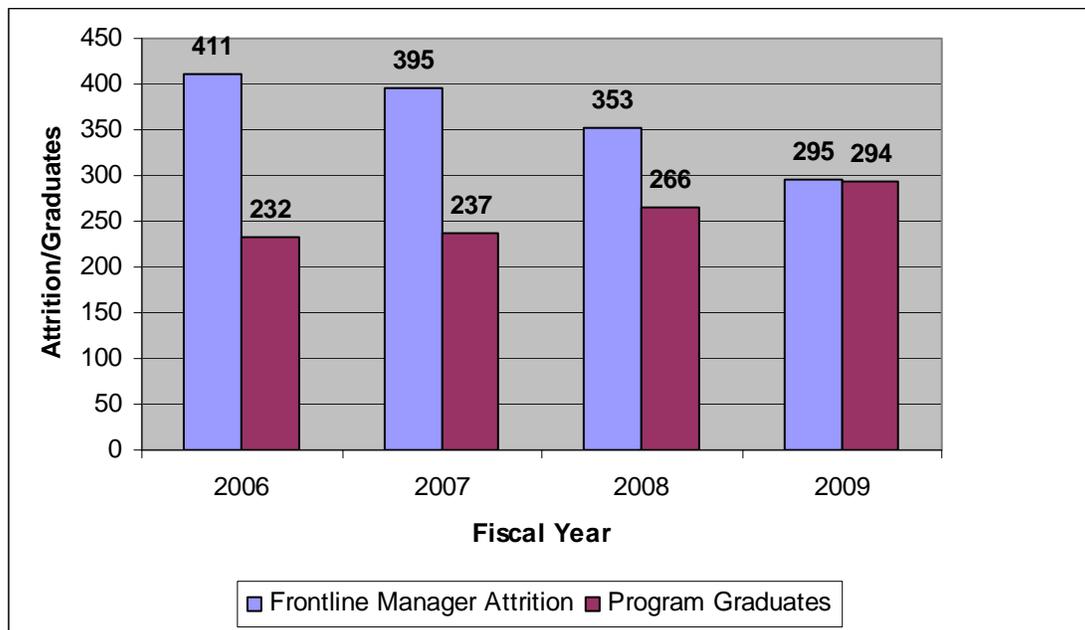
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Program curriculum and the individual operating divisions/functional offices determine who should attend the Program.⁴

The Program is important because the IRS will need potential leaders available to take on the critical role that frontline managers play in transforming strategies and policies into results. IRS future frontline leaders will need to sustain and build on the results of their predecessors.

According to the IRS, it employs more than 6,900 frontline managers. Over the last several fiscal years, the number of frontline managers leaving their positions has decreased from a high of 411 in Fiscal Year 2006 to a low of 295 in Fiscal Year 2009. In contrast, the number of Program graduates has been increasing over the last several fiscal years. Figure 1 shows, by fiscal year, the number of Program graduates and the number of frontline managers who have left their positions.

Figure 1: Comparison of Frontline Manager Attrition and Program Graduates



Source: *The Enterprise Learning Management System*⁵ and the *Human Resources Reporting Center*.

According to IRS Human Capital Office management, as the United States economy improves and the unemployment rate falls, the attrition rate may increase. Over the next 5 calendar years,

⁴ In a few instances, the operating divisions/functional offices have developed their own Programs and do not follow the IRS Human Capital Office's curriculum. For example, Criminal Investigation has created its own Frontline Leader Readiness Program.

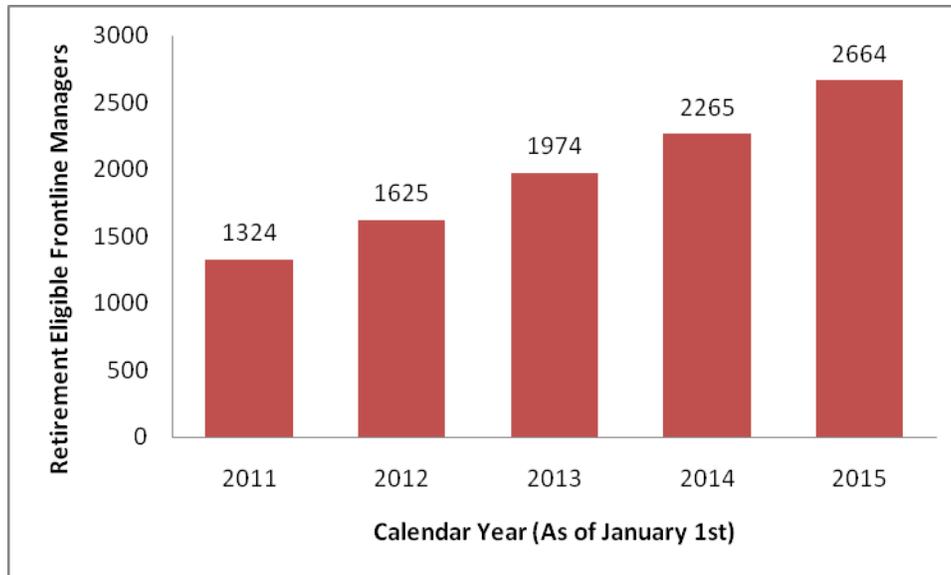
⁵ These figures represent the number of Program participants who completed the classroom training. They do not capture if all other Program components, such as the acting assignment, were completed.



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the number of frontline managers who are eligible to retire will double. By Calendar Year 2015, 38 percent of frontline managers will be eligible to retire. Figure 2 shows the number of frontline managers eligible for retirement in the next 5 calendar years.

Figure 2: Number of Retirement Eligible Frontline Managers



Source: *The Human Resources Reporting Center.*

In its 2008 annual report,⁶ the IRS Oversight Board recommended that the IRS place more emphasis on employee career development and succession planning.⁷ It also recommended that the IRS expand the availability of high-quality training and mentoring and develop measurements for training programs to determine the effectiveness of the training. The IRS Oversight Board requested that we perform this review.

This audit was conducted while changes were being made to the Program. The Program's curriculum was changed beginning in Fiscal Year 2010, and additional changes for evaluating the Program are planned during Fiscal Year 2011. Any changes that have occurred since we concluded our analyses in October 2010 are not reflected in this report. As a result, this report might not reflect the most current status of the Program.

This review was performed at the IRS Human Capital Office Leadership, Education, and Delivery Division in Washington, D.C.; the Wage and Investment Division Leadership Development Succession Planning Office in Atlanta, Georgia; the Wage and Investment Division Atlanta Campus Site Coordinator's Office in Atlanta, Georgia; the Wage and

⁶ *IRS Oversight Board Annual Report to Congress 2008*, dated March 2009.

⁷ Succession planning is the ability to identify qualified candidates for a position prior to the position becoming vacant.



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Investment Division Austin Campus Site Coordinator's Office in Austin, Texas; the Wage and Investment Division Kansas City Campus Site Coordinator's Office in Kansas City, Missouri; the Wage and Investment Division Fresno Campus Site Coordinator's Office in Fresno, California; the Wage and Investment Division Media and Publications Office in Washington, D.C.; the Small Business/Self-Employed Division Strategic Management of Assets, Resources, and Talent Human Capital Office in New Carrollton, Maryland; the Tax Exempt and Government Entities Human Resources Division in Washington, D.C.; and the Criminal Investigation Office of Strategy in Washington, D.C., during the period March through October 2010.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Detailed information on our audit objectives, 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

The ability of an organization to deliver business results often depends on the strength of its frontline managers. For the IRS, frontline managers play a critical role in carrying out tax administration for the country as well as individual taxpayers. To help ensure success in fulfilling its mission, the IRS created the Program to identify and develop highly skilled nonmanagers interested in assuming leadership responsibilities. Participants and managers generally believe the Program is beneficial; however, it is not possible for the IRS to determine whether the Program provides a pool of qualified candidates ready for promotion into frontline manager positions or the overall impact of the Program.

The IRS is taking action to obtain feedback from Program graduates and their managers to improve the Program. In Fiscal Year 2010, the IRS Human Capital Office began holding conference calls with participants to obtain feedback on the Program. In addition, it plans to survey Program graduates and their managers to assess how the graduates applied what they learned. This feedback will be important to evaluating the success of the Program in preparing participants for management positions.

However, the IRS does not generally assess graduates' readiness for promotion upon completion of the Program or measure the impact the Program has on succession planning. If the IRS assessed the promotion potential of Program graduates and measured the impact of the Program, it could better determine its bench strength⁸ at the frontline manager position and provide valuable feedback to graduates. This would enable IRS management to make informed decisions to ensure that upcoming leadership vacancies are filled in a timely manner with qualified leaders who can carry out increasingly complex tax administration duties and interact with taxpayers, which will help to preserve public confidence in the IRS's ability to fulfill its mission. In addition, if the IRS determined the training is successful, it could expand the Program to more participants to create an even greater impact on frontline management.

Feedback From Program Graduates Is Now Being Obtained

The primary purpose of training evaluations is to gather credible data for improving training which should, in turn, lead to improved job performance. Evaluating the link between training and subsequent job performance establishes the accountability of the training to the organizational mission.

⁸ Bench strength is the relationship between the number of employees in the leadership pipeline who demonstrate the required level of performance on leadership competencies and the number of critical leadership positions.



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Historically, the IRS Human Capital Office has not requested feedback from promoted graduates or their second-line managers⁹ to determine whether changes to the Program could help improve the curriculum or if participants thought the Program adequately prepared them for management. However, beginning in Fiscal Year 2010, the Program was changed to include requesting feedback from Program graduates.

In Fiscal Year 2010, the IRS Human Capital Office began obtaining feedback from Program graduates.

Each of the four offices we sampled requests feedback at the end of classroom training sessions. However, only two of the four offices request feedback from the participants at the conclusion of the entire Program. One office conducts an exit interview with most of its Program participants. In another office, an exit survey is sent to participants, but few responses are received. Prior to Fiscal Year 2010, none of the four sampled offices or the IRS Human Capital Office requested feedback from participants after they were promoted to a frontline manager position to determine whether the Program was helpful in preparing them for a manager position or if changes to the Program would be beneficial. Beginning in Fiscal Year 2010, the IRS Human Capital Office began holding a conference call with all participants 2 months after the final classroom training was held to, in part, obtain feedback on the Program.

To obtain independent feedback on the Program from participants, we issued a questionnaire to a sample of 201 participants accepted into the Program during Fiscal Years 2008, 2009, and 2010 (through February 28, 2010) from our 4 sampled offices and received 150 responses (75 percent response rate). Of the 60 respondents that received a permanent or temporary promotion since participating in the Program, 41 (68 percent) believe the Program adequately prepared them for a manager position. The most common reasons for feeling inadequately prepared were the lack of day-to-day administrative and information system training and too much focus on dealing with different personalities. However, beginning in Fiscal Year 2010, additional topics, such as dealing with labor relations issues and preparing performance appraisals, were added to the Program's curriculum, which may address some of the participants' concerns.

We also spoke with eight second-line managers who have Program participants working for them as frontline managers. Seven of the eight second-line managers believe that the Program is successful in preparing employees for frontline management. The eighth second-line manager believes that the Program does a good job with the topics covered in the training, but also believes that day-to-day administrative issues need to be included in the Program.

The IRS Human Capital Office plans to obtain formal, written feedback from Program graduates in Fiscal Year 2011. The IRS Human Capital Office has adopted a four-level evaluation process for its training programs. Each level assesses a different aspect of training: 1) reaction to the training by participants, 2) achievement of goals for the training, 3) performance changes based upon the training, and 4) the effect of the training on achieving organizational goals.

⁹ Second-line managers are managers with frontline managers working for them.



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Beginning in Fiscal Year 2011, the IRS Human Capital Office plans to begin conducting Level 3 evaluations¹⁰ of Program participants and their managers to assess how participants applied what they learned in the Program. These improvements should help the IRS better determine whether changes to the Program could generate greater impact on frontline management by identifying areas where graduates believe they need additional training to either obtain a frontline manager position or help them in their new frontline manager position.

Few Formal Assessments of Program Graduates' Readiness for Management Are Completed

Program graduates' readiness for management is not generally assessed at the end of the Program and such an assessment is not required by the IRS. Only one of the four offices we reviewed voluntarily assessed graduates' readiness for management. Without determining whether Program graduates are ready for promotion into management, the IRS cannot ensure that the Program successfully provides a pool of qualified candidates for future management positions or if the Program helps improve the IRS's bench strength at the frontline manager position.

The Program includes many requirements for completion, including classroom training, online courses, and an acting assignment. Prior to Fiscal Year 2010, the Program did not include a required certification process to ensure all Program components were completed. Instead, once participants completed the classroom training, they were considered graduates, even if not all the other components, such as the acting assignment, were completed. Beginning in Fiscal Year 2010, second-line managers were required to provide written feedback to Program participants after they complete a minimum 60 calendar day assignment as an acting manager. In addition, the IRS Human Capital Office required managers to certify that Program participants completed the required assignments. However, this new IRS certification process does not include an assessment of the participants' readiness for management. Some Program graduates may not be ready for a management position and need further development before being considered for a promotion. These data would help the IRS in its succession planning efforts.

Assessing Program graduates' readiness for management would allow the IRS to better plan for its future management needs.

Outside of the Program, the IRS has a separate process to determine the available pool of qualified managers ready for promotion. The Leadership Succession Review process provides an opportunity for all managers and for employees interested in becoming managers to become actively involved with their development while offering the IRS a standardized, repeatable process to identify potential leaders at all management levels. Since Calendar Year 2009, one of

¹⁰ This will only encompass the third level of the four-level evaluation process.



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the sampled offices has required employees participating in the Program to go through the Leadership Succession Review as part of the curriculum. Neither the other three sampled offices nor the IRS Human Capital Office required nonmanagers to go through the process. We sampled 206 Program participants from our 4 sampled offices during Fiscal Years 2008, 2009, and 2010 (through February 28, 2010) and determined whether they had gone through the Leadership Succession Review process. Only 34 (17 percent) of 206 Program participants completed the Leadership Succession Review process. Twenty-six of the 34 participants were from the one office that requires all Program participants to go through the Leadership Succession Review process.

The Office of Personnel Management published the *Human Capital Assessment and Accountability Framework* in 2002 to provide Federal Government agencies with human capital best practices. One critical success factor is the need for leadership planning and implementation. A successful leadership plan identifies key position talent and provides for assessing, developing, and managing the identified talent.

The IRS does not have a corporate requirement for frontline employees interested in management to participate in the Leadership Succession Review. Each operating division/functional office determines who participates in the process. We previously reported¹¹ that the Leadership Succession Review process would be extremely important for IRS staff below the frontline manager level so the IRS could assess its entry-level management needs. Although the IRS has not required all frontline employees to participate in the Leadership Succession Review, evaluating those who have completed the Program and have an interest in management would allow the IRS to better plan for its future management needs. Feedback to the graduates on their management readiness would also help them determine the next steps in their own career planning.

Moreover, if assessments of readiness for management were completed at the end of the Program, analyses of the results could be completed to determine potential areas where the curriculum may need to be changed. This would be in addition to the informal conference calls begun in Fiscal Year 2010 or the planned Fiscal Year 2011 Level 3 evaluations to help better focus the Program on areas where participants are having difficulty. If these analyses indicate that many Program participants are still not ready for management after completing the training, it could indicate that the application process may not be effectively selecting the best candidates to participate in the Program.

¹¹ *Progress Has Been Made, but Important Work Must Be Completed to Ensure Timely Identification of Future Leaders* (Reference Number 2008-10-132, dated June 26, 2008).



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Recommendations

The IRS Human Capital Officer should:

Recommendation 1: Require an assessment of readiness for management, such as the Leadership Succession Review, at the end of the Program for those Program graduates interested in a frontline manager position.

Management's Response: The IRS agreed with the recommendation and will require an assessment of readiness for management, Leadership Succession Review, at the end of the Program for those Program graduates interested in a frontline manager position. The post-assessment will be taken 6 months or later after the conclusion of the Week Two classroom session as part of the graduate's Business Unit Leader Succession Review cycle.

The Chief, Criminal Investigation, and the IRS Human Capital Officer should:

Recommendation 2: Analyze the results of the readiness assessments to determine whether the Program needs to be changed to better prepare participants for frontline management or whether the application process needs to be revised.

Management's Response: The IRS agreed with the recommendation and will analyze the results of the current Leadership Succession Review cycle in association with post-class survey results (Level 3 evaluations) to determine if overall competency and supporting behavior gaps warrant modification to the Program or application process.

Measures Have Not Been Established to Determine the Impact of the Program

The IRS has not developed formal performance measures to assist management in assessing whether the Program provides qualified candidates for frontline manager positions. Until measures are developed, the IRS cannot determine the Program's impact on succession planning or if it is efficiently using the resources expended on the Program.

Employees from several offices we spoke with stated that the goal of the Program is to prepare employees for management. Since many Program participants are now managers, they believe the Program is successful. However, data used to formally assess the success of the Program are limited. For example, the IRS does not track the percentage of new frontline managers who participated in the Program. In addition, the IRS does not track the number of promoted Program participants by graduating class on a fiscal year basis. Instead, it tracks the number of participants promoted in a fiscal year, regardless of graduating class. As a result, the IRS cannot determine a measurable placement rate, such as the percentage of participants who complete the Program and were promoted in a given fiscal year.



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For example, in Fiscal Year 2008, 266 employees completed the Program. Available data showed that 127 Program graduates received permanent promotions to frontline manager positions during that same fiscal year. However, some of those that received a promotion in Fiscal Year 2008 may have graduated from the Program in prior fiscal years; therefore, the IRS does not know what percentage of the 266 graduates actually were promoted either in the same year they graduated or in future years. This makes it difficult to develop an accurate measure of the Program's placement rate on a fiscal year basis or whether the placement rate is improving from year to year.

Further, data reported to the IRS Human Capital Office are not always accurate. Each office tracks its promotions separately and reports the figures to the IRS Human Capital Office. However, not all offices track or report the data consistently. For example, one office reported to the IRS Human Capital Office that no participants were promoted during Fiscal Year 2009, but the data we received from this same office showed seven participants were promoted during this same time period.¹² Another office informed us that each function within the office is responsible for providing the promotion data, but not all of them consistently provide this information.

The IRS also does not track the costs associated with the Program. We attempted to obtain the costs of the Program from the four sampled offices and the IRS Human Capital Office; however, not all offices tracked the costs of the Program. Two offices could not provide us with any cost data. Others provided us with travel and supply costs, but could not provide any labor costs associated with the amount of time participants spent on the Program. Using available cost data, we conservatively estimate that more than \$4.9 million was spent on the Program in Fiscal Year 2008 and more than \$3.7 million was spent in Fiscal Year 2009 by our sampled offices and the IRS Human Capital Office.¹³

While the IRS has created curriculum and invested time and resources to develop training programs for frontline managers, senior managers, and executives, IRS Human Capital Office management stated that the IRS has focused on training for future executives and has not had the same corporate focus on senior and frontline manager readiness training.

One of the critical success factors identified in the Office of Personnel Management's *Framework* is the need for agencies to evaluate the impact of investment in continuous learning and development on individual performance and mission accomplishment. One suggested measure is to perform a cost-benefit analysis to determine the benefits derived in individual or organizational performance. Another suggested measure is to determine the impact of training in terms of workplace performance, process improvements, and achievement of organizational and/or employee goals. In addition, the United States Code¹⁴ states that each Agency head

¹² See Appendix IV for additional information.

¹³ See Appendix V for further explanation.

¹⁴ 5 U.S.C. Section 4103 (2009).



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should evaluate training programs with respect to accomplishing specific performance plans and strategic goals in performing the Agency mission and modify such program or plan as needed.

The IRS has not established formal goals or measures for the Program. Without these, the IRS cannot measure the Program's impact on succession planning, the costs and benefits of the Program, whether changes are needed to the curriculum, or if the Program should be expanded to more participants for greater impact on frontline management.

Recommendations

The Chief, Criminal Investigation, and the IRS Human Capital Officer should:

Recommendation 3: Develop a plan of what measures are needed to determine the Program's impact on succession planning and how to best collect the data necessary to quantify those measures. This plan should include, but not be limited to, measures such as:

- a) Promotions of Program graduates to frontline manager positions on a fiscal year basis, in order to determine a measurable placement rate for the Program from year to year.
- b) Costs associated with the training, including estimated time expended and all travel costs, to aid in determining the costs versus benefits of the Program.

Additionally, the IRS Human Capital Officer should include in his plan:

- c) The percentage of newly selected permanent frontline managers who participated in the Program compared to the percentage who did not participate in the Program.

Management's Response: The IRS agreed with the recommendation and Criminal Investigation and the Human Capital Office will each develop plans of what measures are needed to determine the Program's impact on succession planning and how best to collect the data necessary to quantify those measures.

The IRS Human Capital Officer should:

Recommendation 4: Establish a data collection process to capture all necessary information from the operating divisions/functional offices related to the number of their respective graduates and the number of promotions on a fiscal year basis to accurately measure the impact of the Program on frontline management.

Management's Response: The IRS agreed with the recommendation and will establish a data collection process to capture all necessary information from the operating divisions/functional offices related to the number of their graduates and the number of promotions on a fiscal year basis to accurately measure the impact of the Program on frontline management.



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Appendix I

Detailed Objectives, Scope, and Methodology

The overall objectives of this review were to determine whether the Frontline Leader Readiness Program (hereafter referred to as the Program) provided the IRS with a pool of qualified candidates ready for promotion into management positions and whether the IRS measured the impact of the Program. To accomplish these objectives, we:

- I. Assessed the requirements for admittance into the Program and how successfully completing the Program relates to the promotion process.
 - A. Interviewed a judgmental sample¹ of management from three IRS operating divisions and one functional office to determine:
 1. The requirements for selection into the Program.
 2. Whether participants receive written evaluations assessing their readiness for promotion at the end of the Program.
 - B. Obtained procedures related to the selection and completion processes for the Program for each of the sampled offices.
 - C. Interviewed IRS Human Capital Office management to determine their role in the overall IRS frontline readiness process.
 - D. Obtained Program participant lists for the sampled offices for Fiscal Years 2008, 2009, and 2010 (through February 28, 2010).
 - E. For the sampled IRS offices, determined whether employees interested in the Program were included in the Leadership Succession Review process and whether the Review results were used when determining acceptance into the Program during Fiscal Years 2008, 2009, and 2010 (through February 28, 2010).
 1. Obtained statistics on the results of the Leadership Succession Reviews for Fiscal Years 2008, 2009, and 2010 (through February 28, 2010) for employees interested in a frontline manager position.
 2. Assessed the Leadership Succession Review ratings of employees who were accepted into the Program during Fiscal Years 2008, 2009, and 2010 (through

¹ We selected a judgmental sample of offices because the number of participants for the entire IRS would be too large for us to review. Our sample included two offices with the largest number of participants and two offices with a small number of participants.



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February 28, 2010). We selected a 20 percent judgmental sample² of 197 of the 989 Program participants from lists received in Step I.D. to assess their promotion status and obtain feedback on the Program. We also selected a 100 percent sample of 9 participants from the fourth office for a sample size total of 206 participants.

- II. Determined whether the IRS had measures in place that assessed the Program and whether the Program assisted the IRS in preparing potential future leaders.
 - A. Assessed whether the IRS or the sampled offices had sufficient measures in place for the Program.
 - B. Obtained any data used to measure the Program for Fiscal Years 2008 and 2009.
 - C. Obtained all available cost data from the IRS Human Capital Office and the sampled offices for the Program during Fiscal Years 2008 and 2009 to determine the resources used to develop potential future leaders.
 - D. Interviewed a judgmental sample of eight second-line managers from an unknown population to determine whether they considered the Program a successful training program that adequately prepared participants for becoming frontline managers.³
- III. Assessed the impact of the Program on an employee's promotion potential for a frontline manager position by administering a questionnaire to Program participants.
 - A. Selected a 20 percent judgmental sample² of 197 of the 989 Program participants from 3 lists received in Step I.D. to assess their promotion status and obtain feedback on the Program. We also selected a 100 percent sample of 9 participants from the fourth office for a sample size total of 206 participants.⁴
 - B. Assessed the responses to the questionnaire to determine if additional information was required and followed up as necessary to obtain all needed information.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objectives: the IRS Human Capital Office's policies, procedures, and practices for administering and monitoring the Program to provide a group of

² We used judgmental sampling to select participants because we did not plan to project the results.

³ We used judgmental sampling to select second-line managers because we did not plan to project the results.

⁴ We could not locate 5 employees on the IRS email system or the employee directory; therefore, we issued 201 questionnaires to Program participants.



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qualified candidates for frontline manager positions, as well as the sampled offices' policies, procedures, and practices for selecting Program participants. We evaluated these controls by interviewing management, administering a questionnaire, and reviewing applicable information.



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Appendix II

Major Contributors to This Report

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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations and Support OS
Deputy Commissioner for Services and Enforcement SE
Commissioner, Small Business/Self-Employed Division SE:S
Commissioner, Tax Exempt and Government Entities Division SE:T
Commissioner, Wage and Investment Division SE:W
Chief Counsel CC
National Taxpayer Advocate TA
Director, Leadership, Education, and Delivery Services OS:HC:LE
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 Liaisons:
 Chief, Criminal Investigation SE:CI
 Commissioner, Small Business/Self-Employed Division SE:S
 IRS Human Capital Officer OS:HC
 Director, Communications and Liaison, Tax Exempt and Government Entities Division
 SE:T:CL
 Senior Operations Advisor, Wage and Investment Division SE:W:S



*The Impact of the Frontline Leader Readiness Program
on Succession Planning Should Be Determined*

Appendix IV

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective action will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Reliability of Information – Actual; information related to seven employees affected (see page 9).

Methodology Used to Measure the Reported Benefit:

We obtained promotion information from the sampled offices on the number of Frontline Leader Readiness Program participants who received promotions to frontline management. We received similar information from the IRS Human Capital Office. A comparison of the two lists for one of the operating divisions showed that the number of promoted Program participants was not the same. The operating division indicated that seven participants were promoted to frontline management in Fiscal Year 2009, but the IRS Human Capital Office data showed that no participants from this same operating division were promoted during the same time period.



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Appendix V

*Frontline Leader Readiness Program
Cost Computations*

We requested cost data for the Frontline Leader Readiness Program (hereafter referred to as the Program) from our four sampled offices as well as the IRS Human Capital Office. Available information was limited.¹ Figure 1 provides the estimated Program costs for Fiscal Years 2008 and 2009.

Figure 1: Total Estimated Program Costs – Fiscal Years 2008 and 2009²

	Travel and Supplies	Estimated Time Charges	Total
IRS Human Capital Office and Sampled Operating Division Program Costs (Fiscal Year 2008)	\$690,551	\$3,332,292	\$4,022,843
Criminal Investigation Program Costs (Fiscal Year 2008)	\$201,416	\$731,831	\$933,247
		2008 Total	\$4,956,090
IRS Human Capital Office and Sampled Operating Division Program Costs (Fiscal Year 2009)	\$343,821	\$2,344,849	\$2,688,670
Criminal Investigation Program Costs (Fiscal Year 2009)	\$263,383	\$811,257	\$1,074,640
		2009 Total	\$3,763,310
		Grand Total	\$8,719,400

Source: Travel and supply charges were provided by the IRS Human Capital Office and the sampled offices. Estimated time charges were computed using the average IRS salary and the amount of time the IRS estimates it takes for an individual to complete required Program work.

¹ We received travel costs from two of the four sampled offices; therefore, our estimated cost of the Program is conservative. We did not receive actual time charges from any office. Instead, we used estimated times for completion of the various components of the Program to calculate the cost of time expended on the training. Criminal Investigation has its own Program; therefore, its estimated costs were computed separately.

² Amounts were rounded to the nearest dollar.



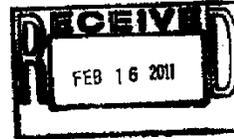
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Appendix VI

Management's Response to the Draft Report¹



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



February 11, 2011

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: James P. Falcone *James P. Falcone*
IRS Human Capital Office
Victor S.O. Song *Victor S.O. Song*
Chief, Criminal Investigation

SUBJECT: Draft Audit Report – The Impact of the Frontline Leader
Readiness Program on Succession Planning Should Be
Determined (Audit # 201010018)—e-trak # 2011-18017

The Human Capital Office (HCO) and Criminal Investigation (CI) have received TIGTA's recommendations concerning the Frontline Leader Readiness Program (the Program) and agree with them. Both HCO and CI will take the necessary steps to restructure both the Program and our data-gathering systems to ensure we can measure Program participant readiness to advance to front line management and the impact the program is having on our leadership selections.

It is important to note that participation in the Program does not require a commitment to compete for a leadership position but rather for individuals to determine if management is the right career path. Indicators of success include factors other than numbers of individuals selected for management positions after completing the Program. However, by implementing TIGTA's recommendations, both HCO and CI anticipate strengthening the Programs and better accounting for the benefits the Programs are delivering to the Service.

If you have any questions, please contact Susan Greer for HCO at (202) 822-1420 and Maurice Acuate for CI at (313) 234-2427.

Attachment

¹ LSR = Leadership Succession Review.



*The Impact of the Frontline Leader Readiness Program
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Attachment

Recommendation 1: Require an assessment of readiness for management, such as the Leadership Succession Review, at the end of the Program for those Program graduates interested in a frontline manager position.

Corrective Action: The IRS Human Capital Officer will require an assessment of readiness for management, Leadership Succession Review, at the end of the Program for those Program graduates interested in a front line manager position. The post-assessment will be taken six months or later after the conclusion of the Week Two classroom session as part of the graduate's Business Unit LSR cycle.

Implementation Date: June 15, 2011

Responsible Official: IRS Human Capital Officer

Corrective Action Monitoring Plan: This corrective action will be monitored on JAMES.

Recommendation 2: Analyze the results of the readiness assessments to determine whether the Program needs to be changed to better prepare participants for frontline management or whether the application process needs to be revised.

Corrective Action: The Chief, Criminal Investigation Division and the IRS Human Capital Officer will analyze the results of the current Leadership Succession Review cycle in association with post-class survey results (Level 3 evaluations) to determine if overall competency and supporting behavior gaps warrant modification to the Program or application process.

Implementation Date: June 15, 2011

Responsible Official: Chief, Criminal Investigation and IRS Human Capital Officer

Corrective Action Monitoring Plan: This corrective action will be monitored on JAMES.



*The Impact of the Frontline Leader Readiness Program
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Recommendation 3: Develop a plan of what measures are needed to determine the Program's impact on succession planning and how to best collect the data necessary to quantify those measures. This plan should include, but not be limited to, measures such as:

- a) Promotions of Program graduates to frontline manager positions on a fiscal year basis, in order to determine a measurable placement rate for the Program from year to year.
- b) Costs associated with the training, including estimated time expended and all travel costs, to aid in determining the costs versus benefits of the Program.
- c) The percentage of newly selected permanent frontline managers who participated in the Program compared to the percentage who did not participate in the Program.

Corrective Action: The Chief, Criminal Investigation Division and the IRS Human Capital Officer will each develop plans of what measures are needed to determine the Program's impact on succession planning and how to best collect the data necessary to quantify those measures. The plan will include, but not be limited to, measures such as:

1. Promotions of Program graduates to frontline manager positions on a fiscal year basis, in order to determine a measurable placement rate for the Program from year to year.
2. Costs associated with the training, including estimated time expended and all travel costs, to aid in determining the costs versus benefits of the Program.

In addition the IRS Human Capital Officer will include in his plan:

3. The percentage of newly selected permanent frontline managers who participated in the Program compared to the percentage who did not participate in the Program.

Implementation Date: October 15, 2011

Responsible Official: Chief, Criminal Investigation (1 & 2) and IRS Human Capital Officer (1-3)

Corrective Action Monitoring Plan: This corrective action will be monitored on JAMES.



*The Impact of the Frontline Leader Readiness Program
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Recommendation 4: Establish a data collection process to capture all necessary information from the operating divisions/functional offices related to the number of their respective graduates and the number of promotions on a fiscal year basis to accurately measure the impact of the Program on frontline management.

Corrective Action: The IRS Human Capital Officer will establish a data collection process to capture all necessary information from the operating divisions/functional offices related to the number of their graduates and the number of promotions on a fiscal year basis to accurately measure the impact of the Program on frontline management.

Implementation Date: October 15, 2011

Responsible Official: IRS Human Capital Officer

Corrective Action Monitoring Plan: This corrective action will be monitored on JAMES.