

May 1992

**TAX
ADMINISTRATION**

**IRS' Executives' Views
on the Business
Review Process**



146767

■



General Government Division

B-248667

May 29, 1992

The Honorable Shirley Peterson
Commissioner of Internal Revenue

Dear Mrs. Peterson:

As we testified in April 1992 before the Senate Committee on Governmental Affairs, the Internal Revenue Service (IRS) has made significant progress in implementing its strategic management process.¹ As part of that process, IRS does annual business reviews to assess field office accomplishments in achieving the goals set out in its Strategic Business Plan. We have been assessing the business review process because of our continuing interest in strategic management at IRS. In conjunction with that assessment, we surveyed 55 senior IRS executives (assistant commissioners, regional commissioners, and assistant regional commissioners) to obtain their opinions on how the process worked in fiscal year 1991 and how it might be improved.

This fact sheet presents the results of that survey. More information on our objectives, scope, and methodology is in appendix I.

Fifty senior IRS executives (91 percent) responded to our survey. As can be expected with a new and evolving process, the respondents identified several things they liked about the fiscal year 1991 process and several other things they felt needed improvement.

On the positive side, the executives commented, among other things, on the commitment of IRS' top executives to the business review process, and many specifically cited the former Commissioner's personal involvement in the process. The executives also said that the business review process had (1) improved communications between senior IRS executives and the Commissioner and (2) helped to focus attention on IRS' most important activities. As for needed

¹Tax Administration: An Update on IRS' Progress on Accounts Receivable and Strategic Management (GAO/T-GGD-92-26, Apr. 2, 1992).

improvements, the senior executives said, among other things, that new and/or revised performance measures were needed, business reviews could be better focused, business review reports could be revised to better indicate what the review results mean, and paperwork could be reduced.

Appendix II is a copy of our questionnaire and a summary of the senior executives' responses to individual questions. Highlights of those responses follow:

- Twenty-nine of the executives (58 percent) rated the business review process as good and seven (14 percent) rated it as poor. The remaining 14 were uncertain.
- The executives' responses seemed to indicate that the business review process is improving as it evolves. Of the 45 executives who said they had a basis to judge, 37 (82 percent) said that the 1991 process was generally better or much better than the 1990 process. In that same vein, 31 of the 50 executives (62 percent) said that on the basis of what they knew about the 1992 process, they expected the 1992 process to be better than the 1991 process. Eighteen (36 percent) said they expected 1992's process to be about the same as 1991's. One executive expected 1992 to be worse.
- If business reviews are to be effective, top management commitment is essential. Of the 49 executives who said they had a basis to judge, 36 (73 percent) said that IRS' senior executives were very committed to making the business review process work. Another 12 (24 percent) said that executives were somewhat committed, while 1 executive felt they were somewhat uncommitted. While we did not ask the question specifically, 15 executives in their narrative responses mentioned the involvement of the former Commissioner and other top executives as one of the most positive aspects of the 1991 business review process.
- Of the 49 executives who answered the question, 47 (96 percent) said that they understood "to a very great or great extent" the purpose of the business review process. They felt, however, that the purpose of the process was less understood by middle level managers and even less understood by line employees.
- The fiscal year 1991 business reviews measured a number of activities called corporate or functional critical success factors. We asked the executives to what extent, if at all, these critical success factors were the most appropriate considering IRS' business objectives. Of the 50 executives, 19 (38 percent) said that the 1991 factors were appropriate to

a great or very great extent and 26 (52 percent) said they were appropriate to some, little, or no extent. Five were uncertain.

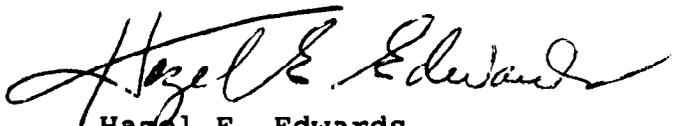
- In response to a related question, 40 (82 percent) of the 49 executives who responded to the question said that the fiscal year 1991 business reviews covered too many corporate/functional critical success factors. Four (8 percent) of the executives said there were too few critical success factors, and five (10 percent) said the number was just about right.
- Of the 49 executives who said they had a basis to judge, 39 (80 percent) said that the fiscal year 1991 business review process required too much paperwork. Many respondents suggested that reducing the number of corporate and functional success factors would reduce the paperwork burden.

- - - - -

We are sending copies of this fact sheet to various congressional committees, the Secretary of the Treasury, the Director of the Office of Management and Budget, and other interested parties. We will also make copies available to others upon request.

The major contributors to this effort are listed in appendix IV. If you have any questions, please call me at (202) 272-7904.

Sincerely yours,



Hazel E. Edwards
Associate Director, Tax Policy
and Administration Issues

OBJECTIVES, SCOPE, AND METHODOLOGY

Using a mailed questionnaire, we surveyed 55 senior IRS executives to obtain their opinions on how the fiscal year 1991 business review process worked and how, if at all, it might be improved.

Those surveyed included each of the assistant commissioners in IRS' National Office and the regional commissioner and assistant regional commissioners in each of IRS' seven regional offices. Where we were aware that the person occupying one of the above positions at the time we sent out the questionnaire (February 1992) was different from the person who was in the position during the events being covered by the questionnaire, we sent the questionnaire to the latter person.

We developed, administered, and analyzed the questionnaires from November 1991 through April 1992. Our work was done in accordance with generally accepted government auditing standards.

Questionnaire Validation and Verification

To validate the questionnaire, we pretested it with two officials in IRS's National Office. During pretests, we timed and observed respondents while they completed the questionnaires, watching for difficulties with specific questions. Upon completion, we reviewed their answers with them to determine whether they understood the questions. We also asked them to point out any parts of the questionnaire that were unclear and to give us comments on the questionnaire. We revised the questionnaire to reflect their comments as appropriate and then mailed it to the senior executives.

We received responses from 50 (91 percent) of the 55 executives. We reviewed and edited each returned questionnaire for completeness and consistency and entered the responses into a computer database. We then verified the key punch file with employee responses using a 20-percent sample of the completed questionnaires.

QUESTIONNAIRE

U.S. General Accounting Office



Survey on IRS' Business Review Process

Introduction

The U.S. General Accounting Office (GAO), an investigative agency of Congress, is conducting a study of IRS' business review process. The purpose of this evaluation is to collect information on how the process worked in fiscal year 1991 and to identify opportunities to improve it. An important part of this study is to seek reactions to the process from each of IRS' regional commissioners, assistant regional commissioners, and assistant commissioners.

Your individual response is important to us. Please complete this questionnaire yourself. Please do not ask other staff to complete this questionnaire on your behalf.

This questionnaire should only take about 20 minutes to complete. Most of the questions require you to simply check off a box. Your responses are confidential and will be revealed only in aggregate form.

We would appreciate your response within 10 working days. If you have any questions concerning this questionnaire, please call David Attianese in Washington, D.C. at (202) 272-7904 or Daniel Meadows in Cincinnati, OH at (606) 292-5484.

If you should misplace the outside envelope, please send the completed survey to:

U.S. General Accounting Office
 Mr. Daniel Meadows
 Cincinnati Commerce Center
 600 Vine Street, Suite 2100
 Cincinnati, Ohio 45202-2430

Thank you very much for your help.

* * * * *

1. What was your job title at IRS on September 30, 1991?

N=50

- 1. I was a regional commissioner 7
(Continue to question 2)
- 2. I was an assistant regional commissioner 31
(Continue to question 2)
- 3. I was an assistant commissioner 12
(Continue to question 2)
- 4. I was in a position other than the above three *(Do not continue. Please return the questionnaire.)*

2. As of September 30, 1991, how long had you been employed in the job you listed above? *(Write number on line.)*

_____ (Years) _____ (Months)

3. Did you occupy any positions in FY 1991 other than the one listed in Question 1? *(Check one. If "Yes," enter title(s).)*

N=49

- 1. No, I did not have a different job in FY 1991 38
- 2. Yes. What were they? 11
(Please specify.)
 - 1. _____
 - 2. _____
 - 3. _____

If you were a Regional Commissioner on September 30, 1991, please continue to Question 4. If you were an Assistant Commissioner or Assistant Regional Commissioner on September 30, 1991, please skip to Question 5.

4. In your opinion, how successful or unsuccessful was the FY 1991 Business Review process at producing a good indicator of the following? (Check one box in each row.)

	Very Successful (1)	Somewhat Successful (2)	Uncertain (3)	Somewhat Unsuccessful (4)	Very Unsuccessful (5)	No basis To judge (6)
1. Your region's performance N=7	3	4				
2. Your region's performance in relation to IRS' most important goals N=7	2	5				
3. IRS' overall performance N=7		2	5			
4. IRS' performance in relation to IRS' most important goals N=7		3	4			

(Skip to Question 6)

5. In your opinion, how successful or unsuccessful was the FY 1991 Business Review process at producing a good indicator of the following? (Check one box in each row.)

	Very Successful (1)	Somewhat Successful (2)	Uncertain (3)	Somewhat Unsuccessful (4)	Very Unsuccessful (5)	No basis To judge (6)
1. Your function's overall performance N=43	4	26		9	4	
2. Your function's performance in relation to IRS' most important goals N=43	5	22	7	6	3	
3. IRS' overall performance N=43		21	15	6	1	
4. IRS' performance in relationship to IRS' most important goals N=43	1	24	12	4	2	

6. In general, how would you rate the FY 1991 Business Review process? (Check one.)

N=50

- 1. Excellent 29
- 2. Good 14
- 3. Uncertain 7
- 4. Poor
- 5. Very poor
- 6. No basis to judge

7. In general, how would you compare the FY 1991 Business Review process to the following? (Check one box in each row.)

		1991 was much better (1)	1991 was generally better (2)	About equal (3)	1991 was generally worse (4)	1991 was much worse (5)	No basis to judge (6)
1. <u>1990</u> Business Review process	N=49	9	28	7	1		4
2. NORPs	N=49	15	19	9	3	1	2
3. RORPs	N=47	7	18	9	4	2	7

8. In your opinion, how committed or uncommitted are senior IRS executives to making the Business Review process work? (Check one.)

N=50

- 1. Very committed 36
- 2. Somewhat committed 12
- 3. Uncertain
- 4. Somewhat uncommitted 1
- 5. Very uncommitted
- 6. No basis to judge 1

9. In your opinion, to what extent do the following people understand the mechanics of the Business Review process and the purpose of the process? (Check one box in each row.)

		EXTENT OF UNDERSTANDING					
		Very great extent (1)	Great extent (2)	Moderate extent (3)	Some extent (4)	Little or no extent (5)	No basis To judge (6)
A. The mechanics of the Business Review process							
1. You	N=50	19	27	4			
2. Middle level managers	N=50	1	12	27	10		
3. Line employees	N=49		1	6	20	22	
4. Functional/Regional Review Coordinators							
B. The purpose of the process							
1. You	N=49	28	19	1	1		
2. Middle level managers	N=50	2	14	28	5	1	
3. Line employees	N=49		1	12	21	15	
4. Functional/Regional Review Coordinators	N=48	20	15	11			2

10. How clear or unclear do you think your role or the role of others was in the FY 1991 Business Review process? (Check one box in each row.)

		Very clear (1)	Generally clear (2)	Uncertain (3)	Generally unclear (4)	Very unclear (5)	No basis to judge (6)
1. Your role	N=50	17	33				
2. Functional/Regional review coordinators' role	N=50	13	35	1			1
3. Middle level managers' role	N=49		19	16	12		2
4. Line employees' role	N=50		5	17	15	8	5

11. In your opinion, was the amount of paperwork required in the FY 1991 Business Review process too much or the right amount? (Check one.)

N=50

- 1. Too much paperwork (Continue to question 12.) 39
- 2. The right amount of paperwork (Skip to question 13.) 6
- 3. Uncertain (Skip to question 13.) 4
-
- 4. No basis to judge (Skip to question 13.) 1

12. What suggestions, if any, do you have for reducing the amount of paperwork? (Explain briefly.)

THIRTY-FIVE OFFERED SUGGESTIONS. SEE APPENDIX III FOR SOME OF THEIR COMMENTS.

13. In 1991, the Business Review closeouts were based on less than a full year's data.

In your opinion, to what extent, if at all, did basing the closeouts on less than a full year's data cause the results to be distorted? (Check one.)

N=50

- 1. Very great extent 2
- 2. Great extent 7
- 3. Uncertain 4
- 4. Some extent 21
- 5. Little or no extent 16
-
- 6. No basis to judge

14. The FY 1991 reviews measured a number of activities called corporate/functional critical success factors.

To what extent, if at all, do you feel that these critical success factors were the most appropriate considering IRS' business objectives? (Check one.)

N=50

- 1. Very great extent (skip to question 16) 4
- 2. Great extent (skip to question 16) 15
- 3. Uncertain (skip to question 16) 5
- 4. Some extent (continue to 15) 24
- 5. Little or no extent (continue to 15) 2
-
- 6. No basis to judge (skip to question 16)

15. Why? (Please explain your answer to Question 14.)

TWENTY-FIVE EXPLAINED WHY. SEE APPENDIX III FOR SOME OF THEIR COMMENTS.

16. In your opinion, were the number of corporate/functional critical success factors covered by the FY 1991 Business Reviews too many, about right, or too few? (Check one.)

N=49

- 1. Too many activities 40
- 2. The right number of activities 5
- 3. Too few activities 4
-
- 4. No basis to judge

17. The FY 1991 Business Reviews used several performance measures. In your opinion, how adequate or inadequate were the performance measures used in the 1991 reviews? (Check one.)

N=50

- 1. Very adequate 2
- 2. Somewhat adequate 27
- 3. Uncertain 2
- 4. Somewhat inadequate 16
- 5. Very inadequate 3
-
- 6. No basis to judge

18. Do you think new and/or revised performance measures are needed at IRS? (Check one. If "Yes," please explain.)

N=48

- 1. No 7
- 2. Yes (Please explain.) 41

SEE APPENDIX III FOR SOME OF THEIR COMMENTS.

19. Was your SES performance evaluation for fiscal year 1991 linked to that year's Business Review results? (Check one.)

N=49

- 1. Yes (Continue to Question 20.) 41
- 2. No (Skip to Question 21.) 8
- 3. Uncertain (Skip to Question 21.)

20. How effectively or ineffectively do you think your SES performance evaluation for FY 1991 was linked to that year's Business Review results? (Check one.)

N=39

- 1. Very effectively 10
- 2. Somewhat effectively 23
- 3. Uncertain
- 4. Somewhat ineffectively 6
- 5. Very ineffectively
-
- 6. No basis to judge

21. In your opinion, to what extent did the 1991 business Review Process accomplish each of the following? (Check one box in each row.)

	Very great extent (1)	Great extent (2)	Moderate extent (3)	Some extent (4)	Little or no extent (5)	No basis To judge (6)
1. Focused attention on the most important IRS activities N=50	5	23	18	3	1	
2. Provided a vehicle for objectively assessing field office operations N=50	2	9	22	13	4	
3. Provided an effective basis for holding managers accountable N=50	1	8	12	20	9	
4. Measured results more than process N=49	3	13	16	14	3	

22. Based on what you know about the 1992 Business Review process, do you expect the 1992 process to be better than, about the same as, or worse than the 1991 process? (Check one.)

N=50

I expect the 1992 process to be . . .

- 1. much better than the 1991 process (Continue to question 23.) 7
- 2. generally better than the 1991 process (Continue to question 23). 24
- 3. about the same as the 1991 process (Skip to question 24) 18
- 4. generally worse than the 1991 process (Skip to question 23). 1
- 5. much worse than the 1991 process (Skip to question 23.)
- 6. No basis to judge (Skip to question 24.)

23. Why? (Please explain your answer to Question 22.)

THIRTY-TWO PROVIDED WRITTEN RESPONSES. SEE APPENDIX III FOR SOME OF THEIR COMMENTS.

24. Based on your experience, what were the most positive aspects of the 1991 Business Review process?

FORTY-NINE PROVIDED COMMENTS. SEE APPENDIX III FOR SOME OF THEIR COMMENTS.

25. Based on your experience, what were the most negative aspects of the 1991 Business Review process?

FIFTY PROVIDED COMMENTS. SEE APPENDIX III FOR SOME OF THEIR COMMENTS.

26. What changes, if any, would you make to the Business Review process in 1992? Please explain why you would make these changes.

FORTY PROVIDED COMMENTS. SEE APPENDIX III FOR SOME OF THEIR COMMENTS.

27. If you have any additional comments please add them in the space below. You may add additional sheets of paper, if necessary.

TWELVE PROVIDED COMMENTS. SEE APPENDIX III FOR SOME OF THEIR COMMENTS.

THANK YOU FOR YOUR ASSISTANCE!

GGD/CG/5-92

EXAMPLES OF COMMENTS MADE BY SENIOR EXECUTIVES

The following are examples of responses by senior IRS executives to various questions in our survey.

Question #12: What suggestions, if any, do you have for reducing the amount of paperwork?

1. Limit the number of corporate critical success factors.¹
2. Limit the number of functional success factors that must be reported on.²
3. Concentrate on a vital few success factors.
4. Make sure review teams properly document results so functions do not have to do additional paperwork.
5. Reduce the number of rewrites.
6. Only report on corporate critical success factors on an exception basis.
7. Better automate data to eliminate data provided on paper.

Question #15: The executives had been asked to what extent they felt the critical success factors were the most appropriate considering IRS' business objectives. Those who responded "some extent" or "no extent" to that question were asked in question #15 to explain their answers.

1. There are too many corporate and functional critical success factors.
2. IRS has not clearly identified its objectives.
3. IRS is struggling with what it should measure and how.
4. Only a few issues relate to overall success.

¹Corporate critical success factors are those "vital few" activities IRS must accomplish to make progress on its long-term goals.

²Functional success factors are those "vital few" activities that an IRS function, such as examination, decides it must accomplish to make progress on its long-term goals.

5. Corporate critical success factors were irrelevant to major issues.
6. Corporate critical success factors should tie to mission and objectives of IRS.
7. IRS needs to find a way to measure the numbers.
8. IRS is going through a period of adjustment to determine appropriate corporate critical success factors.

Question #18: Executives were asked whether new and/or revised measures are needed at IRS. Those who said "yes" were asked to explain.

1. Measures need to address entire tax system.
2. Measures should focus less on functions and more on service objectives.
3. Working towards new measures that will be more comprehensive.
4. Process is evolving.
5. Measures do not measure what they are intended to measure.
6. Existing measures are of process not results.
7. Need continuity and confidence in measures.
8. Need baseline measures.
9. Need cross functional measures.

Question #23: Why do you expect the 1992 business review process to be better or worse than the 1991 process?

1. Objectives and strategies have been refined and reduced.
2. Commitment on part of top executives to make the process work.
3. Learning from prior years.
4. Gaining experience.
5. Improved focus.

6. Less certain what I am accountable for this year than last year and process is moving slower than last year.

Question #24: Based on your experience, what were the most positive aspects of the 1991 business review process?

1. Participation of the Commissioner in the process.
2. Questions about improving, not just a discussion of numbers by the Commissioner.
3. Involvement by top IRS executives.
4. Communication about operational progress.
5. Focused IRS activities on key business objectives.
6. Focused attention on things that needed to be accomplished.
7. Closeout conference gave chance to discuss issues and concerns.
8. Mechanics of program improved.

Question #25: Based on your experience, what were the most negative aspects of the 1991 business review process?

1. Too many corporate critical success factors or issues looked at.
2. Too much focus on bottom line versus objectives.
3. Report did not indicate how well regions or functions had done.
4. No review of national office.
5. Report did not measure overall performance.
6. Did not know where office or function stood after the business review process.
7. Excessive paperwork and documentation.

Question #26: What changes, if any, would you make to the business review process in 1992?

1. Reduce the number of goals and corporate critical success factors.

2. The report needs a closing statement on how well regions or functions had done.
3. The process needs to be more stable in terms of methodology and measurements.
4. More stability is needed in people who support the process.
5. The facts in the report need to be agreed upon prior to the closeout conference.
6. The focus of the business review should include taxpayer attitude and employee morale.
7. Allow more time in closeout conferences for the regional staffs to provide feedback to the Commissioner.
8. The business review process should only review and measure IRS' most important issues.
9. The business review process should look at how regions brought about changes.
10. Develop a clear linkage between what IRS measures in the business review process and how IRS rewards employees.
11. There needs to be an agreement up front on what measures will be used.

Question # 27: Space was provided for any additional comments. Comments made included the following:

1. The business review process has improved dramatically since 1989 and I expect it will continue this trend.
2. The business review should be every 2 years or at least after a full year of performance.
3. National office does not have an ongoing awareness of regional operations. Primary contact is limited to their 1 week visitation to gather information for the business review report.
4. IRS leaps from goal to goal depending on where perceived heat is coming from.
5. The business review process was difficult and time consuming. Also, regions and districts were defensive about the process.

MAJOR CONTRIBUTORS TO THIS REPORT

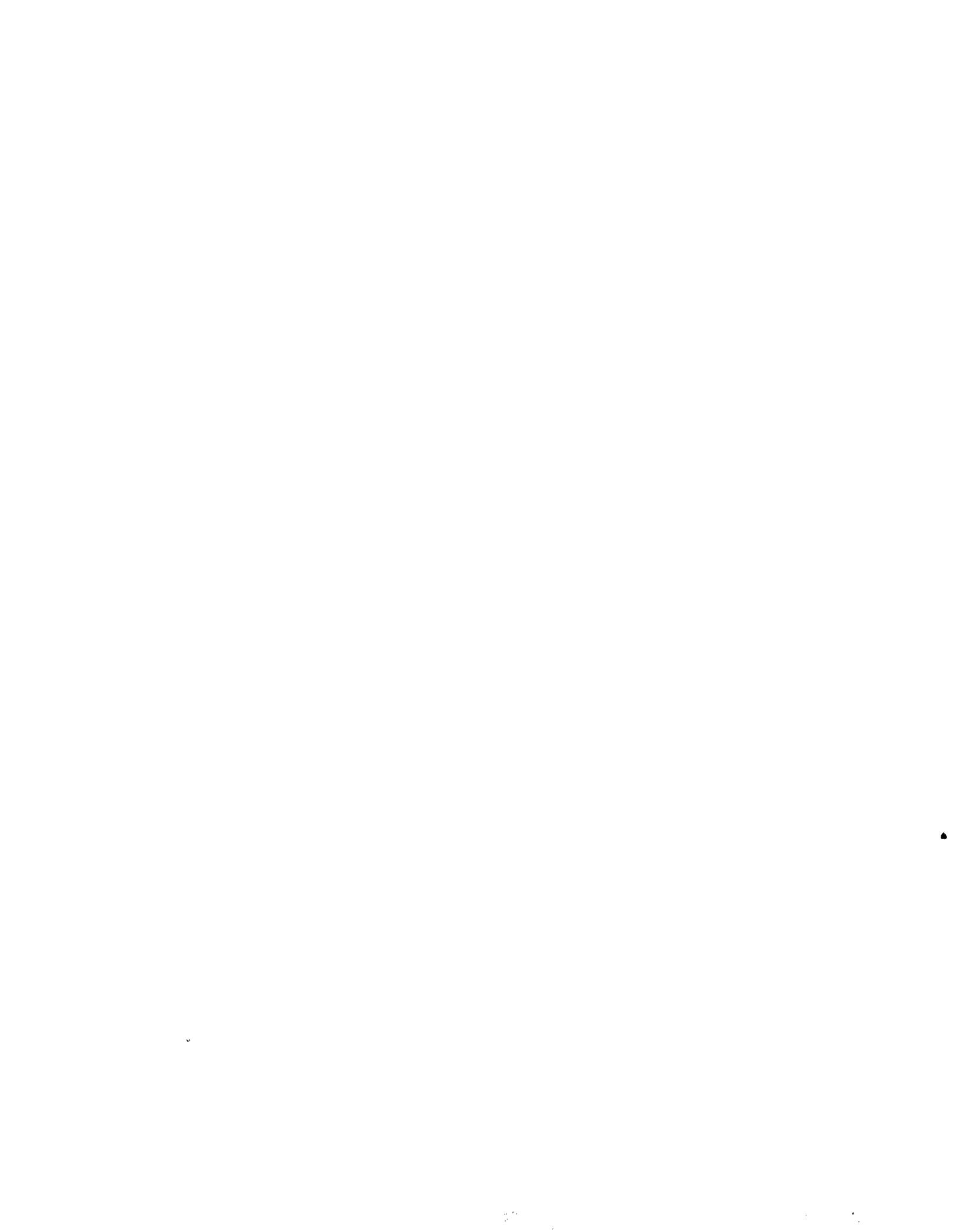
General Government Division, Washington, D.C.

David J. Attianese, Assistant Director
John Lesser, Evaluator-in-Charge
Charity Goodman, Social Science Analyst

Cincinnati Regional Office

Daniel J. Meadows, Assignment Manager
Lori A. Williams, Evaluator

(268562)



Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20877**

Orders may also be placed by calling (202) 275-6241.

**United States
General Accounting Office
Washington, D.C. 20548**

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**
