



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.1.21

JANUARY 21, 2022

EFFECTIVE DATE

(01-21-2022)

PURPOSE

- (1) This transmits revised IRM 4.1.21, Planning and Special Programs (PSP), LB&I Planning, Reporting and Monitoring.

BACKGROUND

- (1) This IRM addresses the development and reporting of the LB&I compliance workplans.

MATERIAL CHANGES

- (1) IRM 4.1.21 was renamed from LB&I Planning and Monitoring to LB&I Planning, Reporting and Monitoring
- (2) IRM 4.1.21.1.5: Removed separation of duties under Program Controls because the plan development team is not involved in workload selection activities. Also added more areas of approvals and governance.
- (3) IRM 4.1.21.1.7: Added reference to the new LCC IRM 4.50.3, Large Corporate Compliance Program.
- (4) IRM 4.1.21.2: Removed the entire section for Strategic Examination Planning Process as it is no longer applicable and renumbered sections accordingly.
- (5) IRM 4.1.21.2.1: Removed Direct Non-Return as a compliance program. Also added High Income Individual to the Global High Wealth and Pass-Through Entities compliance program.
- (6) IRM 4.1.21.2.2: Added new subsection Direct Non-Return Time with clarification that the Direct Non-Return component of Direct Examination Time (DET) is not a compliance program.
- (7) IRM 4.1.21.2.3: Added new subsection Direct Non-Return Time with clarification that the Direct Non-Return component of Direct Examination Time (DET) is not a compliance program.
- (8) IRM 4.1.21.3: Removed LB&I TEFRA/Non-TEFRA Investor Closure Plan as it is no longer needed.
- (9) IRM 4.1.21.3: Added new subsection Direct Non-Return Time with clarification that the Direct Non-Return component of Direct Examination Time (DET) is not a compliance program.
- (10) Editorial changes made throughout.

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EFFECT ON OTHER DOCUMENTS

IRM 4.1.21 dated July 20, 2020 is superseded.

AUDIENCE

All LB&I employees

Theodore D. Setzer
Assistant Deputy Commissioner Compliance Integration
Large Business and International Division

4.1.21

LB&I Planning, Reporting and Monitoring

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4.1.21.1
(01-21-2022)
Program Scope and Objectives

- (1) **Purpose:** This IRM provides an overview of the Resource Allocation Plan (RAP) developed by the Plan Development team and guidance for project and tracking codes involving multiple programs.
- (2) **Audience:** LB&I employees.
- (3) **Policy and Program Owner:** LB&I Assistant Deputy Commissioner Compliance Integration (ADCCI).
- (4) **Primary Stakeholders:** All LB&I employees.
- (5) **Program Goals:** The overall program goal is to develop compliance workplans for LB&I management to direct and apply resources in support of LB&I mission, goals and objectives.

4.1.21.1.1
(01-21-2022)
Background

- (1) LB&I compliance planning processes continue to evolve to meet the needs of a rapidly changing tax administration environment. LB&I has implemented a resource driven workplan to determine how staffing is used by compliance programs through application of portfolio management concepts. This type of planning involves thorough review and analysis of work-in-process inventory and staff hours applied. LB&I uses flexibility in how resources are applied to its work due to changes in workload selection, use of non-examination compliance tools, hiring, training and attrition.

4.1.21.1.2
(07-20-2020)
Authority

- (1) This IRM provides the authority to conduct research necessary to prepare various compliance plans for LB&I. The planning process includes review and analysis of data from various management information systems, including, but not limited to, tax return related data and input from management.

4.1.21.1.3
(01-21-2022)
Responsibilities

- (1) The primary responsibility of the Plan Development team is to prepare a Resource Allocation Plan (RAP). This plan allocates staff year resources to the seven compliance program areas.
- (2) The Plan Development team provides management with other types of compliance plans, such as: closure plans, new starts plans, etc.

4.1.21.1.4
(01-21-2022)
Program Objectives

- (1) **Program Objectives:** The business objective for the Plan Development team is to provide management the tools and products necessary to take actions and direct resources to align with LB&I's Strategic Goals as identified in the Focus Guide. The accuracy of any plan is highly contingent upon the accuracy of the data contained within the various management information systems.

4.1.21.1.5
(01-21-2022)
Program Controls

- (1) The Plan Development team complies in all respects to fairness and integrity standards established in IRM 1.2.1.2.36, Policy Statement 1-236, Fairness and Integrity in Enforcement Selection.
- (2) **Internal Control:** Compliance workplans developed by the Plan Development team rely on data from various management information systems and includes documented assumptions/methodologies. The workplans go through a robust peer review process to ensure accuracy and reasonableness. Each workplan and workplan component are the primary responsibility of one or more

dedicated Plan Development team member(s), as well as a backup team member who performs a review of the accuracy and reasonableness of the work product.

(3) **Approvals / Governance:**

- a. The compliance plans prepared by the Plan Development team are approved by the Assistant Deputy Commissioner Compliance Integration (ADCCI) management; Compliance Planning and Analytics (CP&A) Director and the ADCCI.
- b. LB&I prepares an Annual Program Plan (APP) prior to the start of the fiscal year to plan for allocation of resources by compliance program. The Compliance Strategy Council (CSC) provides strategic guidance, oversight, and final approval authority for the APP. The APP approval process includes the Compliance Integration Steering Committee (CISC), Strategy, Policy & Governance (SPG), and a designated compliance program point of contact.

4.1.21.1.6
(01-21-2022)

Terms and Acronyms

- (1) The table below provide some acronyms, terms and definitions pertaining to plan development.

Term / Acronym	Definition
Activity Code (A/C)	Direct Examination Time activity codes are used to identify resource hours charged. This includes activity codes for return examinations and Direct Non-Return compliance activities. Refer to Document 6209, IRS Processing Codes and Information, and Document 6036, Examination Division Reporting Codes Booklet, for codes and definitions.
ADCCI	Assistant Deputy Commissioner Compliance Integration
Annual Program Plan (APP) Process	The processes and oversight required to identify, prioritize, approve and allocate resources by the various compliance programs to monitor and report on progress.
Campaigns	LB&I process for identifying and deciding which issues to pursue to achieve its compliance objectives. Refer to IRM 4.50.1, Campaign Development Process, for details.
CAP	Compliance Assurance Process
CIC	Coordinated Industry Case (legacy term)

Term / Acronym	Definition
CP&A	Compliance Planning and Analytics
Direct Examination Time (DET)	Direct examination time represents the time charged in SETTS to the seven compliance programs above. This time is for activity codes 001–599. Refer to Document 6209 and Document 6036 for codes and definitions.
Direct Non-Return (DNR)	Direct Non-Return (DNR) time is an additional category of DET included in the Resource Allocation Plan. DNR represents all time charged to activity codes 500-599 (with some exceptions), plus time reported under regular return activity codes < 500 charged to returns controlled in other Business Operating Divisions (BOD). Refer to Document 6209 and Document 6036 for codes and definitions.
Discretionary	This compliance program includes general types of work that are not included in the other six compliance program categories.
FPP	Foreign Payments Practice. Refer to IRM 4.50.2.2.3 for details.
GHW, HII & Pass-Through Entities	Global High Wealth (GHW) Program, High Income Individual (HII) and Pass-Through entities (PTE). Refer to IRM 4.52.1, Global High Wealth Processes and Procedures, for details about the GHW program.
Large Corporate Compliance (LCC)	Large Corporate Compliance program is the program responsible for large corporate taxpayers. LCC replaces the Coordinated Industry Case (CIC) Program. Refer to IRM 4.50.2 and IRM 4.50.3 for details.

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Term / Acronym	Definition
Mandatory	This compliance program is for mandatory type work and includes the following types of return examinations: Joint Committee, tax shelters and National Research Projects.
Portfolio Management	Portfolio Management is a structured approach to balance resources across several types of compliance work and other competing priorities. LB&I leadership makes decisions evaluating the resource requirements of different compliance activities across the division.
RAP	Resource Allocation Plan
Resource Allocation Plan	This is a plan prepared by the Plan Development Team, and an integral part to support management with the APP development. This is used to assist in decisions about how resources (i.e., available staffing) should be allocated among the identified compliance programs for a given fiscal year.
Resources	Resources represent the technical staff (e.g., revenue agents, specialists, subject matter experts) involved in direct compliance related activities, and charge time in SETTS to activity codes 001 – 599. Refer to Document 6036 for details. These activities include, but are not limited to, examinations, soft letters, post-filing reviews, pre-filing agreements, etc.
SETTS	Summary Exam Time Transmittal System. Refer to IRM 4.9.1 for information on SETTS.
Work in Process (WIP)	WIP refers to returns under examination still in process at the beginning of the fiscal year, including CAP cases. The DET hours needed to close all in-process inventory at the beginning of a plan fiscal year would reduce the amount of resources available for starting new work.

#4.1.21.1.7
(01-21-2022)**Related Resources**

- (1) See IRM 4.50.1, Campaign Development Process, for information about campaign-sourced workload selection.
- (2) See IRM 4.50.2, Other Workload Selection and Research – Non-Campaign Compliance Programs, for information pertaining to all workload selection, other than campaign-sourced inventory.

- (3) See IRM 4.50.3, Large Corporate Compliance Program, for detailed information about the Large Corporate Compliance Program.

4.1.21.2
(01-21-2022)
**LB&I Resource
Allocation Plan**

- (1) The Plan Development team prepares a Resource Allocation Plan (RAP) and provides it to SPG as part of the APP process to assist with determining how resources should be allocated among the identified compliance programs for a fiscal year. The goal is to maintain a balanced workload in alignment with the LB&I Strategic Goals identified in the Focus Guide.
- (2) The factors taken into consideration by the RAP include:
- Defining the number and types of employees who will be assigned the work at a future point in time.
 - Identifying the resources currently available.
 - Projecting available resources, considering planned attrition and training.
 - Projecting work-in-process at the start of a given fiscal year.
 - Calculating available resource hours, considering the additional hours needed to be applied to complete the start of the fiscal year work-in-process.
 - Identifying and analyzing differences between anticipated workload demand and forecasted staff resources.
- (3) Summary level RAP information is provided to the Compliance Program POC to assist them in their DET planning projections for the APP. The POC provides the projected DET resource hours to be applied in a fiscal year, based on their compliance program knowledge and responsibilities.
- (4) The RAP is flexible to allow for adjustments needed due to unanticipated events such as: tax law changes, furloughs and significant environmental impact (e.g., hurricanes, floods, etc.).

4.1.21.2.1
(01-21-2022)
Compliance Programs

- (1) Resources are allocated to various compliance programs based on planned target percentages determined by LB&I senior management. The compliance programs to which resources are currently allocated are:
1. Compliance Assurance Process (CAP)
 2. Large Corporate Compliance (LCC) & Coordinated Industry Cases (CIC)
 3. Global High Wealth (GHW), High Income Individual (HII), & Pass-Through Entities (PTE)
 4. Campaigns
 5. Foreign Payments Practice (FPP)
 6. Mandatory
 7. Discretionary
- (2) Compliance programs are categories of work (e.g., return examinations, CAP and other direct non-examination work) performed by LB&I agents. The categories are defined by a combination of AIMS indicators including, but not limited to: Activity Code, Project Code, Tracking Code, Source Code, Program Code, and Special Feature Code.

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4.1.21.2.4

(01-21-2022)

Projected Work in Process

- (1) A key component of the LB&I RAP is to determine the amount of resources in terms of SETTS time that will be required to close work-in-process (WIP) inventory at the beginning of the fiscal year.
- (2) From the fiscal year planned hours provided by the Compliance Program point-of-contact and the APP process (described above), the amount of time estimated to process forecasted WIP at the beginning of the fiscal year is deducted, leaving a balance of planned amount of time available to start new work during the year.
- (3) If the amount of time necessary to process forecasted WIP is greater than the initial allocation, this suggests that the resource allocation may be insufficient to process WIP and/or start new work, in which case LB&I senior management will need to resolve the issue with the Compliance Integration Council.
- (4) Forecasted WIP is calculated by analyzing all LB&I returns currently open in the Open Case Database and determining the percentage of completion based upon months in process and time applied. This data is compared against historical averages to determine whether the return is likely to still be open at the start of the next fiscal year, and how much time will be required in the fiscal year to close the return. The calculated WIP hours for each return are totaled separately for each compliance program.

4.1.21.3

(01-21-2022)

Direct Non-Return Time

- (1) Although not a compliance program, Direct Non-Return (DNR) time is an additional category of DET included in the Resource Allocation Plan. DNR time is not (with certain exceptions listed in (3) below) mapped to any of the seven compliance programs because the time is not associated with a specific LB&I controlled return, and therefore cannot be tied directly to one or more of the compliance programs, but accounts for a significant portion of total DET.
- (2) Direct Non-Return Time includes, but is not limited to:
 - Industry Specialists/SRA
 - Compliance Outreach
 - Special Consultations
 - Pricing Issues
 - Pre-filing Technical Guidance & Agreements
 - International Penalties
 - Direct Time in support of examinations controlled by other BODs (SBSE)
 - Senior Revenue Agent coaching/mentoring activities
- (3) The following components of Direct Non-Return Time are assigned to specific compliance programs:
 - IMS Compliance Time DNR (Activity Code 575-999)
 - CIC/LCC DNR (Activity Codes 523 & 598)
 - GHW DNR (Activity Code 544)
 - Mandatory DNR (Activity Code 596)