



## Message from the LB&I Commissioner

Congratulations. Your efforts enabled LB&I to accomplish our FY2015 objectives and make significant progress on many other challenges. The strategy for our future state is in place, and throughout FY2016 we will

discuss new priorities in support of our strategy. Our Focus Guide covers LB&I priorities for FY2016.

Our future state, at a fundamental level, moves us from a model where returns are scored based upon risk (or directly assigned in the Coordinated Industry Case (CIC) environment) to one where we use the combined intellect of LB&I, every one of us, to determine where we must focus our most important resource – the time of our professionals and leaders. Our focus will be in the form of Campaigns intended to articulate observed or perceived noncompliance, describe expectations of compliance and create specific plans to move toward expected compliance. This will not be easy and we will need to adjust processes, share information and collaborate.

Our structure is changing this year to enable our future state by providing flexibility for the most efficient and effective use of our resources in addressing compliance risk. The structure is designed to support our core guiding principles:

- a flexible, well-trained workforce,
- the selection of better work,
- tailored treatment streams and
- an integrated feedback loop.

The new structure reflects one LB&I, minimizes disruption to the extent possible, improves synergy and increases skill-sharing by aligning professionals with same or similar areas of focus, and balances span of control.

We are also changing the way we work. We need to review how we select the work as well as how we apply our resources. We are changing our approach to continuous audit (removing the CIC designation) while retaining an appropriate audit presence with some large taxpayers. We expect to continue using a centralized issue selection approach as we evolve to the future state of campaigns.

Last year the IRS established an Enterprise Risk Management program (ERM) to develop an agency-wide approach to risk management. We will continue to work together to identify and understand our risks, and foster a culture where everyone is comfortable identifying and elevating risks and concerns.

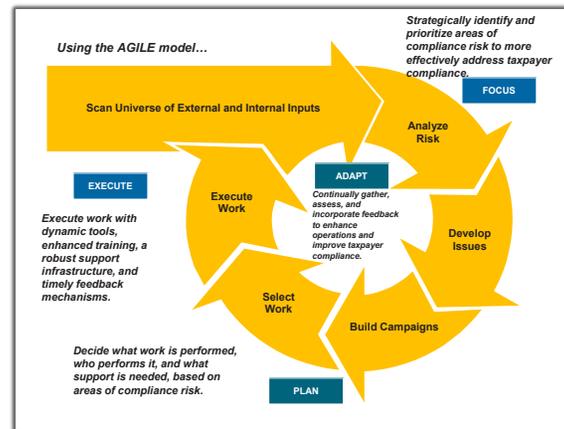
Your input is vital to our success and your opinion matters. The LB&I leadership team values your continued engagement and we need you to share your expertise and thinking. Thank you for your commitment to the important work we perform.

Douglas W. O'Donnell, *Commissioner, LB&I*

## Our Guiding Principles

In the future, LB&I will use the Agile Model as a method of building its structure. This model will include the following Guiding Principles.

- Cultivate an environment of continuous learning to support a flexible workforce with focused training, foundational skill sets, specialized knowledge, and dynamic tools
- Utilize data analytics and examiner feedback to select better work with intended compliance outcomes
- Employ an integrated set of tailored treatment streams to improve flexibility to address current and emerging issues and achieve compliance outcomes
- Drive continual collection and analysis of data and feedback to enhance ability to focus, plan, and execute work, and promote innovation and feedback-based improvement.



## Our Staffing

Positions.....	10/1/14	.....	10/1/15
Leadership Team .....	777	.....	762
Administrative Professionals .....	484	.....	436
Revenue Agent (RA) .....	3,502	.....	3,257
Tax Law Specialists .....	59	.....	60
Economist .....	137	.....	129
Engineering Program .....	257	.....	237
Tax Examiners .....	75	.....	94
Tax Compliance Officer .....	68	.....	58
Other Program Staff.....	342	.....	366
<b>Total.....</b>	<b>5,701</b>	<b>.....</b>	<b>5,399</b>
As of.....	10/01/14	..	10/01/15



# FY2016 Focus Guide

Working Together in New Ways to Enhance Taxpayer Compliance



**Large Business & International**

## IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

## FY2016 Division Priorities

### Structure Change

Execute the LB&I Future Structure and Operations, to include aligning our resources to increase our efficiency and better serve Taxpayers.

### Practice Areas

We will work together to fully implement Practice Areas in the new LB&I structure. A Practice Area is a group of employees organized together to focus on one or more areas of expertise. This includes both geographic compliance and subject matter Practice Areas

The geographic compliance areas are Western, Central, Eastern, and Northeastern. The subject matter Practice Areas, are Pass Through Entities, Enterprise Activities, Cross Border Activities, Withholding & International Individual Compliance, and Treaty & Transfer Pricing Operations.

### Knowledge Management

We will:

- identify and catalogue the knowledge base necessary to identify and address compliance issues in the LB&I filing population,
- develop a comprehensive training strategy for all our employees throughout their careers,
- leverage our resources more efficiently by identifying skill sets best suited to accomplish required tasks and to promote knowledge sharing and skills transfer, and
- continue to pilot processes that better match our available resources with identified issues.



### Examination Process Improvement

We are implementing an improved examination process that many of you have helped develop. The goal of the process is to complete the examination in an efficient and effective manner through the collaborative efforts of both the examination team and the taxpayer working together in the spirit of cooperation, responsiveness, and transparency. The process is explained in detail in new Publication 5125, *LB&I Examination Process*.

### Workload Selection

We have several ongoing efforts to address centralized classification and workload selection including the CIC Centralized Classification pilot, GHW enterprise approach, and issue focused filtering projects.

### Campaigns

We plan to use the combined input of our workforce and data analysis to identify areas of noncompliance and strategically focus resources to these areas. Campaigns are intended to:

- Identify specific areas of potential noncompliance,
- Identify intended compliance outcomes,
- Identify specific, tailored treatment streams to achieve those outcomes,
- Identify the resources needed to execute these tailored treatment streams,
- Identify training, guidance, mentors, and other support needed, and
- Effectively use feedback from employees to quickly modify our approach as needed.

### Offshore Compliance and FATCA

Offshore compliance and FATCA will continue to be priorities in FY2016. We will use FATCA data to enhance and expand compliance enforcement efforts directed toward U.S. taxpayers who have bank accounts and other investments located outside the United States. These efforts include facilitating the automatic exchange of FATCA information with countries around the world, analyzing data

to identify potential unreported or under-reported income, and participating actively in the multilateral dialogue on these topics. These efforts also include activities to ensure that U.S. and foreign financial institutions comply with their reporting and withholding obligations as well as activities to mitigate the risk of fraudulent or erroneous refund claims.

### Enterprise Risk Management

Every employee has a responsibility of identifying and elevating risk. We are working closely with the IRS Enterprise Risk Management (ERM) Office to implement the ERM program for LB&I. This collaboration will ensure our approach aligns with IRS policies and procedures. The LB&I Risk Governance Board ensures the integration of risk management into the decision making process; reviews LB&I enterprise risks and approves implementation of risk responses; and identifies and elevates risk with an impact beyond LB&I to the ERM office. The Risk Governance Board and Liaisons supports LB&I's employees in implementing and championing risk management.

### Employee Engagement

We believe an engaged workforce is key to our success. Engaged employees are more than simply satisfied with their jobs. Engaged employees take pride in their work, are energized by what they do, and are committed to the organization, the mission, and their job. We are increasing engagement through venues such as LB&I's Getting it Right Together website, two way communications, town halls, and other methods.

Our use of data and feedback includes the Federal Employee Viewpoint Survey (FEVS) results to learn and act upon how you view your work experience, your manager, and your leadership. Your responses in 2015 suggest we have work to do to improve engagement at all levels. We are committed to doing a better job of sharing information timely, gathering input and demonstrating how each of us fits into and contributes to LB&I's new strategy and IRS mission.

