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MEMORANDUM FOR JOE KEHOE  
COMMISSIONER, SBSE

FROM:

Neil B. Worden 

Chief, Claims, Labor, and Personnel Law Branch (GLS)

SUBJECT:

Setting Area and Territory Goals in Compliance with RRA 98  
Section 1204 and 26 CFR 801

This memorandum is in response to the questions posed in the July 31, 2001, request from Joni Troncoso for guidance and review of proposed measures which we referred on August 6, 2001, to the CFO, Organizational Performance Division (OPD). The proposed measures were clarified in a subsequent meeting of SBSE, GLS and OPD representatives on August 15, 2001. Our understanding is that the proposed measures and their proposed use in setting goals is concurrently being reviewed by OPD. We have reviewed the measures for compliance with Section 1204 of RRA 98, 25 CFR 801 ("Regulation 801") and IRM 105.4. Our comments primarily address Regulation 801, as it generally governs the implementation of balanced measures in the IRS.

### GENERAL ISSUES

We have summarized the general issues raised in the July 31, 2001, memorandum and discussed in the August 15, 2001, meeting as follows:

- **QUESTION:** When setting targets for quantity measures at the area and territory level, must targets also be set at the same levels for customer satisfaction, employee satisfaction and quality?
- **ANSWER:** Under Regulation 801.2(b), when setting goals or evaluating performance of groups of "1204 employees,"<sup>1</sup> quantity measures may only be

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<sup>1</sup>1204 employees are employees who are responsible for exercising judgment with respect to tax enforcement results.

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used if accompanied by the other balanced measures at the same level. Thus, if SBSE chooses to set a goal for a quantity measure at the territory level, then it is required to also set goals (and measure) customer satisfaction, employee satisfaction and quality at the territory level.

- **QUESTION:** If customer satisfaction or quality measures are not available in FY 2002 for a particular operating unit, can quantity targets be set for such operating units for FY 2002?
- **ANSWER:** No. Regulation 801.2(b) requires that all balanced measures be available in order to set quantity goals, as it would be necessary to set goals for all the other balanced measures in conjunction with quantity goals.
- **QUESTION:** If a specialized work group does not have a separate measure of the satisfaction of its customers, can quantity goals be set?
- **ANSWER:** If generalized customer satisfaction measures are available for an organizational level, it is permissible to set quantity goals at that level for activities that only effect some of those customers. However, if none of the type of customers of a work group are included in the satisfaction measure (e.g. if only IMF customer satisfaction is measured and a work group does BMF work) then quantity goals cannot be set for the work of the group that lacks a measure of its customers' satisfaction.
- **QUESTION:** If customer satisfaction data for a certain organizational level aggregates customers of both 1204 and non 1204 employees, is it permissible to set quantity goals for the 1204 employees at that level?
- **ANSWER:** Yes. Because customers of the 1204 employees are included in the customer satisfaction measure, it can be used in conjunction with employee satisfaction and quality measures when setting the quantity measure goal.
- **QUESTION:** Are customer satisfaction measures required for organizational units that have no Section 1204 employees, if so at what level(s)?
- **ANSWER:** Regulation 801 does not set specific requirements nor restrictions on the use of customer satisfaction measures for non 1204 covered employees. Nevertheless, the Service is generally committed to improving customer satisfaction. We would refer policy questions regarding the measurement of customer satisfaction regarding non 1204 work to OPD.

## PROPOSED AREA AND TERRITORY LEVEL MEASURES

At the August 15, 2002, meeting SBSE requested that General Legal Services review 2 sets of proposed measures, our comments are as follows:

### Examination Measures:

- **Direct Time Percentage**

Defined as the percentage of controllable time reported as direct time for Revenue Agents, Tax Compliance Officers and Revenue Officers. This is a measure of outcome-neutral production or resource data (like hours expended) and is a Quantity measure as defined by Regulation 801.6(c). It is not a Record of Tax Enforcement Results (ROTTER).

As a Quantity measure, Direct Time Percentage may be properly used to set goals at the Area and/or Territory level in conjunction with goals based upon Customer Satisfaction, Employee Satisfaction and Quality measures.

- **New Starts - Examination**

Defined as the number of returns needed to be started monthly to be able to meet the dispositions calculated in the examination work plan. This is a measure of outcome-neutral production or resource data (like inventory or workload information) and is a Quantity measure as defined by Regulation 801.6(c). It is not a ROTTER.

As a Quantity measure, New Starts - Examination may be properly used to set goals at the Area and/or Territory level in conjunction with goals based upon Customer Satisfaction, Employee Satisfaction and Quality measures.

- **Overage/Examination/Territory**

Defined as the percentage of returns under examination for over 270 days for IMF-RA and 180 days for IMF-TCO. This is a measure of timeliness of actions. (See IRM 105.4.2.17). It is not a ROTTER and does not fit the definition of a Quantity Measure under Regulation 801. Consequently, it can be used to set goals without the restrictions imposed by Section 1204 or Regulation 801. (See IRM 105.4.2.19).

- **Examination Overage at Area Level**

Defined as the percentage of returns under examination for over 270 days for IMF-RA and 180 days for IMF-TCO in status 12 to 18. This is a measure of timeliness of actions. (See IRM 105.4.2.17). It is not a ROTTER and does not fit the definition of a Quantity Measure under Regulation 801. Consequently, it can be used to set goals without the restrictions imposed by Section 1204 or Regulation 801. (See IRM 105.4.2.19).

- **Closures per Controllable FTE - Examination**

Defined as the number of closures per controllable FTE in six indicator categories. This is a measure of outcome-neutral production or resource data (like number of cases closed) and is a Quantity measure as defined by Regulation 801.6(c). It is not a ROTER.

As a Quantity measure, Closures per Controllable FTE - Examination may be properly used to set goals at the Area and/or Territory level in conjunction with goals based upon Customer Satisfaction, Employee Satisfaction and Quality measures.

Collection Measures:

- **Revenue Officer Targeted Inventory Compliance**

Defined as the percentage of Revenue Officers that are assigned an inventory equal to or greater than the mid range of the target level set for their grade. This is a measure of outcome-neutral production or resource data (like workload and staffing information) and is a Quantity measure as defined by Regulation 801.6(c). It is not a ROTER.

As a Quantity measure, Revenue Officer Targeted Inventory Compliance may be properly used to set goals at the Area and/or Territory level in conjunction with goals based upon Customer Satisfaction, Employee Satisfaction and Quality measures.

- **Average Cycles in Inventory (BMF Accounts)**

Defined as the average number of cycles (weeks) TDA's have been in CFf inventory. This is a measure of timeliness of actions (cycle time). (See IRM 105.4.2.17). It is not a ROTER and does not fit the definition of a Quantity Measure under Regulation 801. Consequently, it can be used to set goals without the restrictions imposed by Section 1204 or Regulation 801. (See IRM 105.4.2.19).

- **Average Cycles in Inventory (IMF Accounts)**

Defined as the average number of cycles (weeks) TDA's have been in CFf inventory. This is a measure of timeliness of actions (cycle time). (See IRM 105.4.2.17). It is not a ROTER and does not fit the definition of a Quantity Measure under Regulation 801. Consequently, it can be used to set goals without the restrictions imposed by Section 1204 or Regulation 801. (See IRM 105.4.2.19).

- **Average Cycles to Disposition (BMF Accounts)**

Defined as the number of cycles (weeks) elapsed from the date accounts are received in CFf until they are disposed. This is a measure of timeliness of actions (cycle time). (See IRM 105.4.2.17). It is not a ROTER and does not fit the definition of a Quantity Measure under Regulation 801. Consequently, it can be used to set goals without the restrictions imposed by Section 1204 or Regulation 801. (See IRM 105.4.2.19).

- **Average Cycles to Disposition (IMF Accounts)**

Defined as the number of cycles (weeks) elapsed from the date accounts are received in CFf until they are disposed. This is a measure of timeliness of actions (cycle time). (See IRM 105.4.2.17). It is not a ROTER and does not fit the definition of a Quantity Measure under Regulation 801. Consequently, it can be used to set goals without the restrictions imposed by Section 1204 or Regulation 801. (See IRM 105.4.2.19).

- **Total Direct Hours as a Percentage of Total Available Hours**

Defined as the percentage of available hours directly applied to case resolution. This is a measure of outcome-neutral production or resource data (like hours expended) and is a Quantity measure as defined by Regulation 801.6(c). It is not a ROTER.

As a Quantity measure, Total Direct Hours as a Percentage of Total Available Hours may be properly used to set goals at the Area and/or Territory level in conjunction with goals based upon Customer Satisfaction, Employee Satisfaction and Quality measures.

### **CONCLUSION**

It is our opinion that none of the proposed measures are ROTERS. The proposed measures that are variations on timeliness may be used without following the restrictions of Section 1204 or Regulation 801. Those measures which are Quantity Measures, and are to be used to set goals at the Area and/or Territory level for 1204 employees, are subject to the restrictions of Regulation 801. Goals for such Quantity Measures may only be set in conjunction with goals based upon Customer Satisfaction, Employee Satisfaction and Quality measures at the same Area or Territory level.

If you have any questions regarding this matter, please contact Mark Wines at (202) 283-7900.