

**The Effectiveness of Management and
Union Partnering Could Be Improved**

May 2003

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

May 23, 2003

MEMORANDUM FOR DEPUTY COMMISSIONER

Gordon C. Milbourn III

FROM: Gordon C. Milbourn III
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report - The Effectiveness of Management and
Union Partnering Could Be Improved (Audit # 200210036)

This report presents the results of our review of Management and Union Partnering. The overall objective of this review was to determine which activities are covered by the Internal Revenue Service (IRS) and National Treasury Employees Union (NTEU) partnering agreements and whether the benefits derived from these activities are recorded and quantified. This review was initiated at the request of Senator Charles Grassley, Chairman of the Senate Finance Committee.

In summary, although IRS management and NTEU officials were able to cite examples of successes through partnering, the consensus was that the benefits of partnering would be difficult to measure. Partnering councils did not provide assessments on the results or benefits of their activities. The most often cited benefit of the partnering initiative was the relationships built between IRS managers and NTEU members, which in certain instances have helped facilitate work process changes. Nonetheless, there are a number of steps the IRS could take to increase the cost effectiveness of partnering.

We recommended that partnering councils establish performance measures so that they can prepare self-assessments using objective criteria. We also recommended that the IRS, in coordination with the NTEU, track costs associated with partnering efforts; focus on issues at council meetings which would help reduce formal bargaining time; ensure council members have a proportionate level of decision-making authority and understanding of national positions; coordinate with each other on similar issues; and reduce the number of councils, membership levels, and frequency of the meetings.

Management's Response: IRS management agreed with our findings and recommendations and will work with the NTEU to implement necessary corrective actions. Specifically, measures will be developed to evaluate partnering efforts, and costs and benefits of partnering efforts will be tracked on a quarterly basis. A

communication process will be developed to improve the awareness of national positions on council issues, and council and stakeholder involvement will be coordinated to develop more productive meeting agendas. The requirement to focus meeting agendas on performance measures and the need for self-assessments to be prepared will be reemphasized. The number of councils will be reviewed, and the size of the councils and frequency of meetings will be reevaluated. Council members' roles and responsibilities will be reemphasized, and the Director of Cooperative Efforts will become more involved with the coordination of partnering efforts and the implementation of the corrective actions. Management's complete response to the draft report is included as Appendix VI.

NTEU Comments: NTEU management generally agreed with our findings and recommendations and concurred that there was room for improving the effectiveness of the partnering process. The NTEU disagreed with one recommendation related to ensuring that council members possess a proportionate level of decision-making authority. The NTEU National President stated that the NTEU has vested its council members with full authority to decide issues that the NTEU has placed on the partnership councils' agendas for decisions, but noted that these councils rarely deal with matters that can be collectively bargained. The NTEU also expressed some concerns and provided additional information and perspective on certain issues. We have included a summary of the NTEU comments after each recommendation to which the comments are related.

Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

**The Effectiveness of Management and
Union Partnering Could Be Improved**

Table of Contents

Background	Page 1
Partnering Councils Should Perform Assessments of the Results or Benefits of Their Activities	Page 3
<u>Recommendation 1:</u>	Page 4
The Cost Effectiveness of Partnering Efforts Could Be Increased.....	Page 5
<u>Recommendations 2 and 3:</u>	Page 9
<u>Recommendation 4:</u>	Page 10
<u>Recommendations 5 and 6:</u>	Page 11
Appendix I – Detailed Objective, Scope, and Methodology	Page 12
Appendix II – Major Contributors to This Report.....	Page 13
Appendix III – Report Distribution List	Page 14
Appendix IV – Listing of Partnering Councils.....	Page 15
Appendix V – Estimated Annual Cost of Partnering	Page 16
Appendix VI – Management’s Response to the Draft Report	Page 17

The Effectiveness of Management and Union Partnering Could Be Improved

Background

This audit was initiated at the request of Senator Charles Grassley, currently the Chairman of the Senate Finance Committee. Senator Grassley requested that we determine which activities are covered by partnering agreements and if the Internal Revenue Service (IRS) records and quantifies the benefits of these activities. To respond to this request, we obtained information from the IRS and the National Treasury Employees Union (NTEU) related to partnering agreements, the number and composition of the partnering councils, the minutes from the council meetings, the total cost of partnering activities, and whether there were any measurable benefits.

The general purpose of labor-management partnering is to forge cooperative relationships and involve employees and their union representatives early in the process of considering and deciding on issues that affect the workplace. This is referred to by IRS management and the NTEU as “pre-decisional involvement.” The methods used to achieve this purpose include frequent, on-going interactions in formal partnering councils, business process improvement teams, committees, and informal discussions.

On October 1, 1993, President Clinton issued Executive Order 12871, Labor-Management Partnerships, which required all Federal Government agencies to form partnerships with their employees and union representatives to identify problems and develop solutions to better fulfill agencies’ missions and serve their customers. Even prior to the issuance of the Executive Order, the IRS had formed partnering councils with the NTEU based on the IRS’ regional and district structure. These councils included a national partnership council, regional partnership councils, district partnership councils, and service center¹ partnership councils.

In 1998, the IRS began reorganizing, eliminating geographic regions and districts, and creating units serving groups of

¹ Prior to the IRS reorganization, the IRS’ 10 service centers processed returns based on a geographical segment of the population.

The Effectiveness of Management and Union Partnering Could Be Improved

taxpayers with similar needs.² In November 2000, after the IRS reorganized, the NTEU and the IRS entered into the Modernization Partnering Agreement (MPA). This agreement formalized the activities of the IRS' partnering councils and authorized each division and function to have a national partnering council. The IRS now administers 23 partnering councils at the IRS-wide, Divisional/Functional, and Sub-Divisional levels. During Calendar Year 2002, at least 221 people participated in partnering activities.³ Shown below is the distribution of these councils (see Appendix IV for a complete listing of the councils).

Table 1 – Number of Partnering Councils

Area of Responsibility	Number of Partnering Councils
IRS-wide	1
Tax Exempt and Government Entities	5
Small Business/Self-Employed	4
Wage and Investment	7
Large and Mid-Size Business	1
Agency-Wide Shared Services	1
Modernization, Information Technology and Security Services	1
Taxpayer Advocate Service	1
Appeals	1
Communications and Liaison	1
Total	23

Source: IRS Office of Cooperative Efforts.

² See § 1001(a) of the IRS Restructuring and Reform Act of 1998 (RRA 98), Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

³ Based on available information. The IRS did not provide a detailed participant list for every council.

The Effectiveness of Management and Union Partnering Could Be Improved

On February 17, 2001, President Bush revoked Executive Order 12871 with Executive Order 13203. Although this latter Executive Order rescinded the mandate for partnering, it did not rescind the authority to partner.

Audit work was performed in Washington, D.C., from August 2002 through February 2003 in the Office of Cooperative Efforts as well as the IRS operating divisions and functions. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Partnering Councils Should Perform Assessments of the Results or Benefits of Their Activities

While IRS management and NTEU officials were able to cite examples of successes through partnering, the consensus was that the benefits of partnering would be difficult to measure. The most often cited benefit of the partnering initiative was the relationship built between IRS managers and NTEU members. IRS management considered establishing good working relationships with the NTEU to be smart business.

Both the IRS and the NTEU stated that the working relationships and partnership arrangement under the previous IRS organizational structure enhanced the ability to make the needed changes to accomplish the IRS' reorganization (in Fiscal Years 1999 and 2000) through joint efforts, cooperation, and successful work process changes.

More recently, with the realignment of the partnering councils, there have been additional examples of work process changes which IRS and NTEU officials believe were facilitated by partnering efforts. These include the Limited Issues Focused Examinations process, which was designed to reduce the average length of time for the examination of certain types of tax returns, and the refocusing of the Automated Collection System⁴ to provide better service through improved training, communication, and procedures.

⁴ The IRS' computerized call site operation which contains taxpayer accounts that require telephone contact for resolution.

The Effectiveness of Management and Union Partnering Could Be Improved

Both IRS and NTEU officials stated that it would be difficult to determine specifically how the above processes would have progressed without past partnering efforts as well as the formal partnering councils—notwithstanding the shared view that partnership contributed to their success. Nonetheless, pursuant to joint agreement between the NTEU and the IRS in forming the councils, the partnering council Charters and Operating Procedures require the councils to perform annual self-assessments. However, none of the 23 partnering councils provided the assessments. IRS management stated that they did not know why assessments were not provided. Recently, IRS management has reemphasized this requirement and has encouraged all councils to prepare these assessments annually.

While partnering council Charters and Operating Procedures require annual self-assessments, they did not establish objective criteria for assessing the benefits derived from partnering efforts. Performance measures for these benefits would provide the councils with objective criteria to perform the annual self-assessments. Without measures or assessments of the results of partnering activity, the ability to gauge success and identify areas for improvement is limited.

Recommendation

1. The Deputy Commissioner should ensure partnering councils prepare self-assessments using objective criteria. When possible, councils should establish performance measures for measuring success. These measures should be consistent with the goals of partnering.

Management's Response: The Deputy Commissioner and the NTEU National President will jointly sign a memorandum to reemphasize the requirement for councils to complete self-assessments. Copies of the self-assessments will be submitted to the Director of Cooperative Efforts. In addition, the Deputy Commissioner will work with the NTEU to develop measures and methods for evaluating performance that consider the key interests of the stakeholders. The

The Effectiveness of Management and Union Partnering Could Be Improved

method selected will address partnering goals in relation to the councils' performance measures. Results of this effort will be proposed to the IRS/NTEU Service-wide Partnering Council.

NTEU Comment: The NTEU National President agreed with this recommendation and affirmed the importance of managing the partnering program just as effectively as any other program.

The Cost Effectiveness of Partnering Efforts Could Be Increased

The IRS did not track costs associated with partnering activities. Based on the reported hours and estimated travel costs associated with partnering, we estimate that the IRS spends approximately \$7.4 million per year on the partnering initiative.

Table 2 – Estimated Annual Cost of Partnering Activities⁵

Type of Cost	Amount
Salary	\$ 6.6 Million
Travel	\$ 0.8 Million
Total	\$7.4 Million

Sources: IRS Reports for Chapter/Steward Hours and Bargaining Hours; IRS Office of Cooperative Efforts.

An assessment of the costs in relation to the results and benefits would provide IRS management and the NTEU with the ability to better determine the optimum level of resources that should be devoted to partnering.

Issues discussed at council meetings should reduce formal bargaining time

The MPA allows for the bargaining rights of both management and the NTEU to be preserved. However, it is the goal of partnering to address and resolve issues using cooperative techniques and, therefore, to minimize the amount of time spent in formal bargaining sessions.

In general, partnering council meetings did not focus on issues that would help reduce bargaining time. Most of the agendas focused on topics such as employee satisfaction,

⁵ See Appendix V for further details.

The Effectiveness of Management and Union Partnering Could Be Improved

employee suggestions, various surveys, and quality improvement processes. There were few examples of issues that affect working conditions or how work is performed. The following table shows examples of how often key issues were discussed at the meetings, according to the minutes that we reviewed.

Table 3 – Examples of Council Meeting Issues

Issue	Number of Councils	Number of Meetings
Bargaining Issues:		
Awards	7	16
Grievances	2	2
Flexi-place	1	1
Work Schedules	0	0
Nonbargaining Issues:		
Employee Satisfaction Survey	14	66
Various Surveys	11	34
Employee Suggestion Program	10	29
Quality Improvement Process	9	20

Source: Meeting Minutes for 17 Partnering Councils from June 2000 through August 2002.

While the issues that were discussed most often are important and should be valid concerns of IRS managers, the majority of partnering council members agreed that these are not issues that require extensive, if any, bargaining time.

Council members should have a proportionate level of authority and understanding of national positions

The MPA cites proper representation as a key element in successful partnering. In this respect, it is important that individuals representing both IRS management and the NTEU are knowledgeable about the issues and can provide their counterparts with a reasonable level of assurance that their respective national parties will accept council

The Effectiveness of Management and Union Partnering Could Be Improved

decisions. This would help ensure that partnering is meeting its goal of reducing formal bargaining time.

IRS managers stated that there have been a number of instances in which NTEU partnering council representatives did not appear to have the authority or understanding of the issues to represent NTEU positions. For example, council members engaged in discussions for implementing five accelerated processing centers for determination letters, which provide information on whether retirement plans met certain legal requirements. However, the partnering council members from the NTEU did not have the authority to represent the NTEU position. In addition, a proposal to engage in pilot projects for identifying whether process improvements could be made was not approved by the NTEU national officials. NTEU officials stated that individuals are generally selected to participate on councils based on functional expertise when possible; it is sometimes difficult to identify individuals with both the needed authority and the knowledge of national positions who can serve on the councils.

As a result, the efforts of the partnering council did not reduce formal bargaining time or help to implement decisions. IRS managers became frustrated because time spent on negotiable issues did not produce results. Consequently, councils focused on the less controversial issues.

Partnering councils should coordinate with each other on similar issues

While there was some coordination among the councils within individual operating divisions, there was little coordination among the four Business Operating Divisions and the five Functional Operating Divisions. As a result, there was some redundancy among councils, and several councils were working on similar issues. For example, 17 councils discussed communication techniques, 16 councils discussed partnering logistics, and 14 councils discussed partnering documents (such as charters, processes, and procedures).

The Effectiveness of Management and Union Partnering Could Be Improved

The four Business Operating Divisions serve different types of taxpayers and, to an extent, operate independently. This contributes to the inadequate coordination among the councils in different divisions and functional areas. However, many issues discussed apply to all of the operating divisions. A coordinated effort to identify a national resolution to similar issues could save both time and resources, particularly on negotiable issues.

Reducing the number of councils, membership levels, and frequency of the meetings could increase the cost-effectiveness of partnering

The MPA allowed for each division and function to have a national partnering council. Consequently, the IRS established an IRS-wide partnering council and 22 separate partnering councils that represent 5 Functional Operating Divisions, 4 Business Operating Divisions, and 13 functions within the 4 Business Operating Divisions. The number of members on these councils ranged from 5 to 21 people, and the council Charters and Operating Procedures prescribed meetings every month.

IRS managers were concerned there were too many partnering councils, citing that some council members were finding it difficult to identify productive agendas. For example, at least three councils documented concerns in the meeting minutes, including such comments as “Meeting was... not well prepared or planned,” “Not a lot of issues dealt with partnering,” and “Have not tackled tough issues.”

Managers were also concerned that councils may involve too many members to be able to accomplish anything productive during the time period of the council meetings. Senior managers told us that large councils were slow to make decisions because the number of people who weighed in on issues made it difficult to reach a consensus. In addition, the councils could not move onto new issues because time was spent giving everyone on the council an opportunity to speak on each issue.

We noted that some of the councils had reduced the frequency of their meetings from the monthly schedule established by the Charters and Operating Procedures to a

The Effectiveness of Management and Union Partnering Could Be Improved

less frequent schedule (e.g., bi-monthly). Both IRS management and NTEU officials believe that councils should assess the frequency of their meetings to ensure that members are productively engaged in the resolution of meaningful issues.

Recommendations

The Deputy Commissioner, in coordination with the NTEU, should:

2. Ensure costs related to partnering activities are tracked to provide a basis for evaluating the cost effectiveness of specific partnering activities.

Management's Response: The Deputy Commissioner will require that each partnering council submit quarterly summaries of both costs and benefits associated with partnering to the Director of Cooperative Efforts. The benefits to be tracked will be specified in the report resulting from the measurement and evaluation process.

NTEU Comment: The NTEU National President agreed with this recommendation. She stated further that it was advisable to track the costs of activities at the IRS in general, not just the cost of partnering. She also pointed out that in conducting a cost/benefit analysis, the IRS should consider the cost of alternative resolution approaches that may have been avoided through partnering, when assessing its benefits.

3. Ensure partnering councils focus meeting agendas on issues that would help reduce the need for bargaining at a later time, especially issues such as working conditions and how work is performed.

Management's Response: The Deputy Commissioner will work with the NTEU National President to jointly reemphasize the Modernization Partnering Agreement requirement for councils to focus meeting agendas on performance measures that address employee and customer satisfaction and business processes and results. A memorandum will also be issued to advise the councils that they must provide the agenda for each

The Effectiveness of Management and Union Partnering Could Be Improved

council meeting to the Director of Cooperative Efforts, who will coordinate any feedback and guidance from the IRS/NTEU Service-wide Partnering Council Co-Chairs.

NTEU Comment: The NTEU National President stated that there have been many issues for which bargaining was avoided because the issues were dealt with totally in partnering. She also pointed out that one of the councils created a process known as “Early Bargaining Intervention” to shorten bargaining on major work system changes for the Small Business/Self-Employed Division. However, she also stated that very few issues that are bargainable come to the partnership councils unless one party or the other goes out of its way to put it in that venue; partnership was created to primarily deal with those issues that are not bargainable or which would be highly unusual bargaining discussions.

4. Ensure that council members possess a proportionate level of decision-making authority and that members have a full understanding of their organizations’ positions on council issues.

Management’s Response: The IRS/NTEU Service-wide Partnering Council Co-Chairs will disseminate a document to council members that reemphasizes council members’ roles, responsibilities, and authority from a national perspective. In addition, the Deputy Commissioner will establish an IRS communication process for council members to help improve awareness of their respective organizations’ positions on council issues. The process will be shared with the NTEU National President to consider as a communication process for the NTEU.

NTEU Comment: The NTEU National President disagreed with the concern that its partnership council members do not have the authority to decide issues and make agreements. She stated that the councils are fully empowered to make decisions for issues on their agendas, but that they rarely deal with matters that can be collectively bargained.

The Effectiveness of Management and Union Partnering Could Be Improved

5. Oversee the partnering process to ensure that issues which are applicable to more than one Division/Function and overlap more than one council are coordinated to help facilitate a common goal.

Management's Response: The Director of Cooperative Efforts will begin reviewing the agenda items the councils submit and, when appropriate, coordinate council and stakeholder involvement and sources of information.

NTEU Comment: The NTEU National President stated that the resistance to IRS-wide solutions comes from the IRS divisional managers. The NTEU would be willing to undertake any effort identified that would result in more IRS-wide solutions and reduce the need to discuss the same problems in a number of different councils.

6. Evaluate the need for a council at every divisional, sub-divisional, and functional level. The evaluation should involve possibilities for partnering councils to be reduced in number, size, and frequency of meetings.

Management's Response: The Deputy Commissioner will work with the NTEU National President to review the number of division and function national partnering councils and report the results to the IRS/NTEU Service-wide Partnering Council. As partnering councils establish their council objectives based on performance measures, and conduct their self-assessments, they should reevaluate the size of their council membership and the frequency of meetings. To initiate the process, the Deputy Commissioner and the NTEU National President will require the division national partnering councils' and function national partnering councils' Co-Chairs to assess the size of the council and the frequency of the meetings and report the results to the Director of Cooperative Efforts.

NTEU Comment: The NTEU National President stated that the NTEU would be willing to reduce the number of councils if IRS management would vest these councils with the power to bind everyone below them.

Detailed Objective, Scope, and Methodology

The overall objective of our review was to determine which activities are covered by the Internal Revenue Service (IRS) and National Treasury Employees Union (NTEU) partnering agreements and whether the benefits derived from these activities are recorded and quantified. To accomplish this objective, we completed the following sub-objectives and steps:

- I. To determine what activities are covered by the IRS and NTEU partnering agreements, we:
 - A. Reviewed the charters, minutes of meetings, presentations, and other documentation outlining the activities engaged in by the national partnering councils and sub-councils.
 - B. Evaluated the results of the IRS' review of its partnering agreements, policies, and procedures.
 - C. Compared the partnering activities engaged in by the national partnering councils and sub-councils with the requirements of Executive Order 13203.¹
 - D. Interviewed members of the national partnering councils and sub-councils and the Director of Cooperative Efforts, IRS/NTEU Service-wide Partnering Council.
- II. To determine whether the benefits derived from the IRS and NTEU partnering agreements are recorded and quantified, we:
 - A. Reviewed documents prepared by the national partnering councils and sub-councils to identify benefits derived from partnering activities.
 - B. Reviewed self-assessment documents prepared by the national partnering councils and sub-councils.
 - C. Evaluated the methodologies used by the national partnering councils and sub-councils to quantify the benefits derived from partnering activities.
 - D. Interviewed members of the national partnering councils and sub-councils and the Director of Cooperative Efforts, IRS/NTEU Service-wide Partnering Council.

¹ This Executive Order, signed by President Bush on February 17, 2001, revoked Executive Order 12871 of October 1, 1993, as amended by Executive Orders 12983 and 13156.

Major Contributors to This Report

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**The Effectiveness of Management and
Union Partnering Could Be Improved**

Appendix III

Report Distribution List

Commissioner N:C
President, National Treasury Employees Union
Commissioner, Large and Mid-Size Business Division LM
Acting Commissioner, Small Business/Self-Employed Division S
Commissioner, Tax Exempt and Government Entities Division T
Commissioner, Wage and Investment Division W
Director, National Headquarters Management and Finance N:ADC:M
Chief Counsel CC
National Taxpayer Advocate TA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Office of Management Controls N:CFO:AR:M
Audit Liaison: Director, National Headquarters Management and Finance N:ADC:M

Listing of Partnering Councils

Service-wide (IRS-wide)
Tax Exempt and Government Entities (National)
Tax Exempt and Government Entities (Employee Plans)
Tax Exempt and Government Entities (Exempt Organizations)
Tax Exempt and Government Entities (Government Entities)
Tax Exempt and Government Entities (Accounts Management)
Small Business/Self-Employed (National)
Small Business/Self-Employed (Taxpayer Education and Compliance)
Small Business/Self-Employed (Compliance)
Small Business/Self-Employed (Campus)¹
Wage and Investment (National)
Wage and Investment (Stakeholder Partnerships, Education, and Communication)
Wage and Investment (Compliance)
Wage and Investment (Field Assistance)
Wage and Investment (Media and Publications)
Wage and Investment (Submission Processing)
Wage and Investment (Accounts Management)
Large and Mid-Size Business (National)
Agency-Wide Shared Services
Modernization, Information Technology and Security
Taxpayer Advocate Service
Appeals
Communications and Liaison

¹ IRS Campuses process tax returns.

**The Effectiveness of Management and
Union Partnering Could Be Improved**

Appendix V

Estimated Annual Cost of Partnering

Staff Costs

National Treasury Employees Union Staff Hours.....	106,548	
Internal Revenue Service (IRS) Staff Hours.....	<u>106,548</u>	
Total Staff Hours.....	213,096	
GS-09 Salary With Benefits.....	\$ 52,780	
GS-12 Salary With Benefits.....	\$ 77,116	
Average Salary With Benefits.....	\$ 64,948	
Hours per Staff Year.....	2,088	
Average Hourly Rate.....	\$ 31.11	
Total Staff Cost per Year.....		\$ 6,629,417

Travel Costs¹

Number of Councils.....	23	
Average Number of Meetings Annually.....	6	
Total Number of Meetings Annually (23 x 6).....	138	
Percentage of Meetings When Costs Were Incurred.....	81%	
Total Number of Meetings When Costs Were Incurred (138 x 81%).....	112	
Average Costs per Meeting.....	\$ 6,767	
Total Travel Cost per Year (112 x \$6,767).....		<u>\$ 757,904</u>
Total Partnering Cost per Year.....		<u>\$ 7,387,321</u>

¹ This estimate was derived from IRS data provided by the Office of Cooperative Efforts. The data covered multiple years and did not include data for councils that had not operated for the full period. The data were used to determine average costs per meeting and the percentage of meetings where costs were incurred. This information was then used to determine our estimate of annual travel costs associated with 23 councils meeting bi-monthly and operating for the full year.

The Effectiveness of Management and
Union Partnering Could Be Improved

Appendix VI

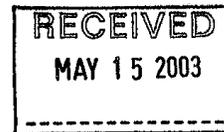
Management's Response to the Draft Report



DEPUTY COMMISSIONER

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

May 9, 2003



MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX
ADMINISTRATION

FROM: Bob Wenzel 
Deputy Commissioner of Internal Revenue

SUBJECT: TIGTA Draft Audit Report, #200210036, *The Effectiveness of
Management and Union Partnering Could Be Improved*,
issued April 08, 2003

The Internal Revenue Service (IRS) and National Treasury Employees Union (NTEU) have worked cooperatively since 1982 beginning with an Incentive Pay System for the Service Center data transcribers. Since then, IRS has benefited from including employees and NTEU in design, development, and implementation of systems and programs – from the broad example of the IRS Modernization effort (1998-2001) to a specific example such as the Large and Mid-Sized Business (LMSB) Limited Issue Focused Examination (LIFE) program (2002-2003).

The IRS and NTEU are committed to continuing partnering efforts. Partnering is defined in the IRS/NTEU Modernization Partnering Agreement (MPA) as "influencing the IRS direction and decisions that affect employees by using pre-decisional input and interest-based problem solving." By strengthening the labor-management working relationship, IRS employee and customer satisfaction, and business results will improve. In the words of OPM Director, Kay Cole James, "The President has called for a Government that is citizen-centered, results-oriented, and market-based. Good labor relations meets those goals. Good labor relations begins with including labor up front in the decision-making process, in providing access whenever possible. It is a two-way street, with both sides keeping their word; both sides dealing honestly and with integrity." The IRS and NTEU believe in the cooperative relationship and are encouraged by your recommendations to strengthen this relationship.

Although IRS management agrees with your recommendations, the partnering effort is a joint relationship, and the implementation of all but one of these recommendations requires the cooperation of NTEU. The IRS and NTEU will continue working together and will discuss the recommendations.

If you have any questions, please contact Ann Junkins, Director of Cooperative Efforts, at (202) 283-0722.

Attachment

The Effectiveness of Management and Union Partnering Could Be Improved

- 1 -

Attachment

Finding 1

Partnering Councils Should Perform Assessments of the Results or Benefits of Their Activities.

Recommendation 1

The Assistant Deputy Commissioner should ensure partnering councils prepare self-assessments using objective criteria. When possible, councils should establish performance measures for measuring success. These measures should be consistent with the goals of partnering.

Corrective Action 1-1-1

Some Partnering Councils have completed self-assessments. This requirement is currently set forth in the IRS/NTEU Modernization Partnering Agreement. However, the Deputy Commissioner and the NTEU National President will jointly sign a memo to re-emphasize the requirement for Councils to complete self-assessments. The memo will also require all Councils to complete the next assessment by April 1, 2004, and submit copies to the Director of Cooperative Efforts.

Proposed Corrective Action Completion Date

June 1, 2004 (to allow time for receipt and review of self-assessments)

Responsible Official

Deputy Commissioner

Corrective Action Monitoring Plan

The Director of Cooperative Efforts will review all self-assessments.

Corrective Action 1-1-2

The Deputy Commissioner will work with NTEU to develop measures and methods for evaluating performance that consider the key interests of stakeholders. The method selected will include a data collection instrument that the Councils will use as a revised annual self-assessment document that addresses partnering goals in relation to the Council's performance measures. The results of this effort will be proposed to the IRS/NTEU Servicewide Partnering Council (SPC).

Proposed Corrective Action Completion Date

October 1, 2004

Responsible Official

Deputy Commissioner

The Effectiveness of Management and Union Partnering Could Be Improved

- 2 -

Corrective Action Monitoring Plan

The Director of Cooperative Efforts will coordinate the effort to develop and share the results.

Finding 2

The cost effectiveness of partnering efforts could be increased.

Recommendation 2

Ensure costs related to partnering activities are tracked to provide a basis for evaluating the cost effectiveness of specific partnering activities.

Corrective Action 2-2-1

The Deputy Commissioner will require that each Partnering Council submit a quarterly summary of costs associated with partnering to the Director of Cooperative Efforts, beginning the first quarter of Fiscal Year (FY) 2004.

Proposed Corrective Action Completion Date

March 1, 2004 (to allow time for receipt and review of quarterly reports)

Responsible Official

Deputy Commissioner

Corrective Action Monitoring Plan

The Director of Cooperative Efforts will review quarterly reports of costs.

Corrective Action 2-2-2

The Deputy Commissioner will require that each Partnering Council submit a quarterly summary of benefits associated with partnering activities to the Director of Cooperative Efforts, beginning the fourth quarter of FY 2004. The benefits to be tracked will be specified in the report resulting from the measurement and evaluation process (see Corrective Action 1-1-2).

Proposed Corrective Action Completion Date

December 1, 2004 (to allow time for receipt and review of quarterly reports)

Responsible Official

Deputy Commissioner

Corrective Action Monitoring Plan

The Director of Cooperative Efforts will review quarterly reports of benefits.

The Effectiveness of Management and Union Partnering Could Be Improved

- 3 -

Recommendation 3

Ensure partnering councils focus meeting agendas on issues that would help reduce the need for bargaining at a later time, especially issues such as working conditions and how work is done.

Corrective Action 2-3-1

While the IRS and NTEU partnering relationship may affect bargaining, partnering does not replace bargaining. Many issues addressed during partnering council meetings that are important to business operations and quality of work life, and that foster a trust-building relationship, are not bargainable. The amount of bargaining time may not be the best indicator by which to measure the strength of the labor-management relationship. However, a tangible result of the IRS and NTEU relationship has been the reduction of litigation of unfair labor practice (ULP) charges. Strengthening the trust and the open communication in the relationship has been critical in reducing the amount of ULP charges.

The IRS/NTEU Partnering Councils currently focus their agendas on employee satisfaction including working conditions, and on business and management improvement processes. Continuing the past practices of addressing these issues, the Deputy Commissioner will work with the NTEU National President to jointly re-emphasize the Modernization Partnering Agreement requirement for councils to focus meeting agendas on performance measures that address employee and customer satisfaction, and business processes and results. A memorandum will be issued to advise the councils that, effective October 1, 2003, they must provide the agenda for each Council meeting to the Director of Cooperative Efforts, who will coordinate any feedback and guidance from the SPC Co-Chairs.

Proposed Corrective Action Completion Date

October 1, 2003

Responsible Official

Deputy Commissioner

Corrective Action Monitoring Plan

The Director of Cooperative Efforts will prepare the memorandum, review the agendas, and coordinate feedback, as necessary.

Recommendation 4

Ensure that council members possess a proportionate level of decision-making authority and that members have a full understanding of their organizations' positions on council issues.

The Effectiveness of Management and Union Partnering Could Be Improved

- 4 -

Corrective Action 2-4-1

The IRS/NTEU Modernization Partnering Agreement details council members' roles, responsibilities, and authority. However, the IRS/NTEU SPC Co-Chairs will disseminate a document to council members that re-emphasizes council members' roles, responsibilities, and authority from a national perspective.

Proposed Corrective Action Completion Date

September 1, 2003

Responsible Official

Deputy Commissioner

Corrective Action Monitoring Plan

The Director of Cooperative Efforts will ensure the document is appropriately disseminated.

Corrective Action 2-4-2

The Deputy Commissioner will establish an IRS communication process for council members' to help improve awareness of their respective organizations' positions on council issues. This process will be shared with the NTEU National President to consider as a communication process for NTEU.

Proposed Corrective Action Completion Date

December 1, 2003

Responsible Official

Deputy Commissioner

Corrective Action Monitoring Plan

The Director of Cooperative Efforts will work with both the NTEU National President and the IRS Deputy Commissioner, respectively, to foster communication in each organization (IRS and NTEU) among the Co-Chairs, and with those who understand the organizations' positions related to council issues.

Recommendation 5

Oversee the partnering process to ensure that issues that are applicable to more than one Division/Function and overlap more than one council are coordinated to help facilitate a common goal.

Corrective Action 2-5-1

Beginning the first quarter FY 2004, the Director of Cooperative Efforts will begin reviewing the agenda items the Councils submit (see Corrective Action 2-3-1) and, when appropriate, coordinate council and stakeholder involvement, and sources of information.

The Effectiveness of Management and Union Partnering Could Be Improved

- 5 -

Proposed Corrective Action Completion Date

March 1, 2004 (to allow time to review the first quarter's submissions)

Responsible Official

Director of Cooperative Efforts

Corrective Action Monitoring Plan

The Director of Cooperative Efforts will coordinate to ensure information on similar/identical agenda topics is shared with all councils that are addressing that topic.

Recommendation 6

Evaluate the need for a council at every divisional, sub-divisional, and functional level. The evaluation should involve possibilities for partnering councils to be reduced in number, size, and frequency of meetings.

Corrective Action 2-6-1

The Deputy Commissioner will work with the NTEU National President to review the number of Division and Function National Partnering Councils, and report the results to the SPC.

Proposed Corrective Action Completion Date

October 1, 2003

Responsible Official

Deputy Commissioner

Corrective Action Monitoring Plan

The Director of Cooperative Efforts will ensure the review is conducted and the results are reported to the SPC.

Corrective Action 2-6-2

Through some partnering council assessments that were conducted in FY 2003, some councils have reviewed their meeting schedules and council membership and reduced both. As partnering councils establish their council objectives based on performance measures (see Corrective Action 2-3-1), and conduct their self-assessments (see Corrective Action 1-1-1), they should re-evaluate the size of their council membership and the frequency of meetings. To initiate that process, the Deputy Commissioner and the NTEU National President will require the Division National Partnering Councils' (DNPC) and Function National Partnering Councils (FNPC) Co-Chairs to assess the size of the council and the frequency of the meetings, and report the results to the Director of Cooperative Efforts.

The Effectiveness of Management and Union Partnering Could Be Improved

- 6 -

Corrective Action Completion Date

October 1, 2004

Responsible Official

The Deputy Commissioner

Corrective Action Monitor Plan

The Director of Cooperative Efforts will ensure the reviews are conducted and results are reported.