



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

SMALL BUSINESS/SELF-EMPLOYED DIVISION

October 6, 2003

Ms. Patricia M. Eanet
Deputy Director of Negotiations
National Treasury Employees Union
1750 H Street, N.W.
Washington, D.C. 20006

RE: Field Examination Reengineering Initiative

Dear Ms. Eanet:

On August 5, 2002, SB/SE and NTEU executed a Letter of Understanding (LOU) concerning management's proposed reengineering of the Field Examination process. A pilot process was established and subsequently control groups were implemented pursuant to an October 18, 2002 agreement. During the pilot and subsequent thereto, participating employees provided feedback concerning the reengineered process, which resulted in management proposing changes and revisions to certain procedures and processes. Management has determined to implement a nationwide rollout of the piloted process, incorporating the noted revisions. The actual implementation to all Field Examination Groups will occur on a staggered basis over an extended period of time.

Management's goal of the redesign is to enhance performance in the three balanced measures: Business Results, Employee Satisfaction, and Customer Satisfaction. For Business Results, the goal of the redesign is to:

- Reduce cycle time
- Improve quality of examinations
- Promote a collaborative Examination Process

The redesign should impact Employee Satisfaction in the following ways

- Increased involvement in examination planning and scheduling
- Continued exercise of professional judgment
- Enhancement of professional image
- Utilize improved scheduling and workpaper tools

Customer Satisfaction should be enhanced in the following ways

- Consistent treatment of similar customers
- Reduced taxpayer burden

- Better informed taxpayers
- Greater customer service due to reduced cycle time.

The parties have engaged in negotiations concerning management's proposals and have agreed to the following terms:

1. All impacted employees will be provided with a copy of this LOU.
2. Prior to rolling out the Examination Reengineering Processes in any Compliance Area, Management will discuss the implementation plan with the impacted NTEU Chapter President and consider any input on the plan received from the local NTEU Chapter President or Officials delegated to represent NTEU by the Chapter President. The local parties will work together informally to address any implementation issues.

Management will notify all employees and their NTEU Representatives of the implementation of the Field Examination Reengineering Initiative at formal meetings governed by applicable contract provisions. The meetings will be held during work hours and may be conducted telephonically. If possible, such meetings will be conducted face-to-face. A question and answer period will be provided and unanswered questions will be responded to the group as soon as possible. The Union will be provided with up to thirty (30) minutes at the end of the meetings to discuss the initiative with employees without managers being present.

3. Management has determined that employees will not be evaluated on any duties changed as a result of the Field Reengineering Initiative for a ninety (90) calendar day period following the start of the new procedures and processes by their group. During this ninety (90) day period, employees may be given non-evaluative recordations on the new procedures, which will not be used in preparing any performance evaluation.

4. There will be no adverse impact on the working conditions of bargaining unit employees at this time, i.e. job loss, involuntary reassignments and downgrades, etc. However, if adverse impact is realized at some point in the future, the employer will give notice to NTEU and bargain to the extent provided by law.

5. Management has determined that the implementation of this initiative will not, at this time, result in changes to employee posts of duty, tours of duty, workstations or critical job elements/performance standards.

6. If either of the parties becomes aware of significant unanticipated problems that arise during the implementation of the Field Examination Initiative, the Employer or National NTEU will inform the other of their existence and meet to discuss them as soon as possible.

7. Management will share a copy of the training materials with National NTEU for comment. Management will consider NTEU's comments, and negotiate at National NTEU's request to the extent required by law, before finalizing the training materials.

Consistent with Article 30 of the National Agreement, all employees impacted by the Field Examination Reengineering Initiative will receive training and training materials that management has determined are necessary for completion of their duties. Management has determined employees will receive training on the concepts, tools, templates and application of procedures in the Examination Redesign. Process training will include redesign tools included in the current version of RGS. Training will be given during duty hours. Employees will have access to or use of the systems during the training as appropriate.

Management will consider requests from individual employees and groups of employees for additional training.

8. Management will provide employees with the computer equipment and software necessary to perform their changed duties.

Management recognizes the need to provide support relating to computer equipment/hardware problems thus enabling employees to effectively perform their jobs. Assistance for non-software (hardware) and Microsoft problems will be requested through the centralized helpdesk at 1-866-7Help4U (1-866-743-5748), and the employee will be given a work/trouble ticket number for tracking purposes. If a problem results in a work stoppage, the employee must document the work stoppage including the ticket number in the case activity record and notify their immediate supervisor. Management has determined that employees will not be adversely impacted by work stoppages caused by hardware or software problems if they document and notify their supervisors of the problems.

Management further recognizes that employees may encounter technical problems using RGS. Management has determined that employees will report all RGS problems to the designated RGS Coordinator. Employees will not be adversely impacted by RGS (system or programming) problems if they document and notify their supervisors of the problem.

9. Any inventory issues arising from the Field Examination Initiative will be addressed in the manner outlined in Article 25 of the National Agreement. Employees are encouraged to discuss unmanageable inventory problems with their supervisors at any appropriate time.

10. Management will provide National NTEU with a status briefing six months after this initiative has been rolled out to all Field Examination Groups.

11. Management agrees to the establishment of an Examination Reengineering Advisory Committee. The Committee will be composed of members selected by SBSE Management and National NTEU according to the provisions of the IRS/NTEU Modernization Partnering Agreement dated November 20, 2000. The Committee will analyze the overall effectiveness of the reengineering process and make recommendations on issues that arise during the implementation of the Field Reengineering Initiative. The Committee may be tasked with developing mechanisms to assess the effectiveness of and satisfaction with the reengineered process including, possibly, the development and use of surveys, focus group questions etc. and measuring the validity of the use of risk analysis.

The Committee will be established within sixty (60) calendar days of the signing of this LOU. Due to limited travel funds, the Committee should strive to conduct its business via conference call whenever possible. The Committee will meet face-to-face during its first year.

12. Management will share the rollout schedule with National NTEU. Additionally, local notification of the rollout schedule will be accomplished in conjunction with Provision #2 above.

13. A primary goal of Examination Reengineering is to offer all taxpayers and practitioners an opportunity to work with the Service in a collaborative manner. The Service will disclose the nature of the examination and the issues to be discussed from the first contact. All examiners will continue to have due diligence expectations in the event additional large, unusual, or potentially abusive items are noted during the course of the examination. This responsibility may require expansion of the original scope of the audit. Management has determined that at the end of the first day with the taxpayer/practitioner it is intended that both parties will agree to a Mutual Commitment Date by which they expect to complete the examination. In order to achieve this date, the expectations and obligations of each party are to be clearly stated and discussed. In the event a taxpayer and/or practitioner fails to work with the Service in a collaborative manner, the examiner will be expected to use the full extent of the authority allowed by the Internal Revenue Code to obtain the information necessary for an effective examination, make an appropriate determination, and conclude the examination. In appraising any employee's performance relating to the Mutual Commitment Date, the manager will adhere to the provisions of Article 12 of the National Agreement and the IRM on managing statistics.

14. Management has determined that Revenue Agents will use the Risk Analysis Workpaper to revise the scope of the examination during the pre-audit or examination phases. Management will assess the effectiveness of the form based on the data (e.g. EQMS, EOAD). In appraising performance relating to the Risk Analysis Workpaper, the manager will adhere to Article 12 of the National Agreement and the IRM on managing statistics.

15. Management has determined that nationwide consistency of workpapers is critical; therefore, all examiners will be required to use the lead sheets developed for the Field Reengineering Initiative. Until fully integrated into RGS, an examiner may use the "stand alone" version of the lead sheets.

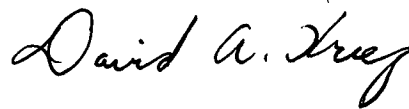
16. Management has determined that the implementation of this initiative is dependent on the managers' engagement with the Revenue Agent in a collaborative environment. The managerial concurrence discussions are to guide the employees, to offer mentoring and to assist with inventory planning skills, issue development and employee development. Any evaluative recordations resulting from such discussions will comport with the provisions of Article 12 of the National Agreement.

17. Either party may reopen this LOU on its own initiative one year after execution of the LOU. Both parties can mutually agree to reopen the LOU at any time.

18. This agreement will become effective upon agency head approval or on the 31st day after execution, whichever comes first. The agreement will terminate with the expiration of the National Agreement, unless extended by the national parties pursuant to Article 54.

If the above captures your understanding of the issues addressed and the actions the Service intends to take regarding the Field Examination Reengineering Initiative, please indicate that understanding below and return the original letter to this office. If you have any questions, please contact Dennis J. Cudworth of the Director, SBSE Human Resources Staff at (212) 298-2175.

Sincerely,



David A. Krieg
Director, Human Resources, SB/SE



Patricia M. Eanet
Deputy Director of Negotiations, NTEU

10/20/03

Date