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TAX RESEARCH

IRS Has Made Progress but Major Challenges Remain

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The Honorable Margaret Milner Richardson
Commissioner of Internal Revenue
Department of the Treasury

Dear Ms. Richardson:

The Internal Revenue Service (IRS) is changing its tax compliance philosophy. In addition to catching noncompliance through enforcement (e.g., audits), IRS is trying to induce compliance through nonenforcement work (e.g., assistance and education). This broader focus relies to a great extent on a new approach for researching ways to improve compliance for entire market segments—specific groups of taxpayers that share certain characteristics or behaviors.

Concerns about continued noncompliance after decades of enforcement prompted this change. IRS has found that taxpayers' total compliance in paying taxes owed, including that directly induced by enforcement, has been roughly stagnant over the past 20 years at about 87 percent. IRS estimates that annual tax losses from the noncompliance have been well over $100 billion. IRS has set a goal to increase total compliance to 90 percent by 2001 and believes that its new compliance research approach will uncover ways to help meet this goal.

This report discusses IRS' new compliance research approach. Initiated under our basic legislative authority, our objectives were to (1) review the many lessons IRS has learned from past compliance efforts in identifying factors most critical to the success of its new compliance research approach and (2) analyze the current status of the new approach and its ability to incorporate these factors.

Background

Our federal tax system relies on voluntary compliance with tax laws. It presumes that taxpayers understand the laws and are willing and able to follow them. If not, IRS must determine the reason and then act to restore compliance and maintain the flow of tax revenue. IRS traditionally has responded to noncompliance by using enforcement efforts such as auditing tax returns and computer matching data from third parties (e.g., banks and employers).

Over time, IRS concluded that enforcement was essential to pursue intentional noncompliance but not to correct unintentional

noncompliance. Because of this enforcement limitation and concerns about the level of noncompliance, IRS formulated a different compliance philosophy. Known as Compliance 2000, the philosophy envisioned using nonenforcement efforts to correct unintentional noncompliance and reserving enforcement efforts for intentional noncompliance. IRS first espoused this philosophy in 1988 and by the early 1990s had initiated many research projects across IRS' 63 district offices to identify noncompliant market segments, root causes for the noncompliance, and innovative ways to improve compliance.

Even so, noncompliance continued to result in major losses in tax revenue. IRS' most recent estimate put the gross income tax gap—the difference between income taxes owed and voluntarily paid—at $127 billion for 1992 alone. IRS estimated total tax compliance to be about 87 percent—83 percent in taxes paid voluntarily and 4 percent in taxes paid after IRS enforcement. IRS data have shown such total compliance to be stagnant since the early 1970s.

Concerns about these trends prompted IRS to create the Compliance Research and Planning approach in 1993. This new approach attempts to merge the Compliance 2000 philosophy with a rigorous compliance research system. By combining IRS' National Office knowledge about research with its district knowledge about compliance and enforcement, IRS hoped to identify nonenforcement and enforcement efforts to help improve total compliance to 90 percent by 2001. This approach has required the establishment of new research methods, organizations, and tools.

The research methods include a compliance research cycle that starts with identifying a noncompliant market segment and ends with using research results in ongoing compliance programs. The organizations include the National Office of Research and Analysis (NORA) in the Research Division and 31 District Offices of Research and Analysis (DORA). NORA has responsibility for developing and implementing the new approach. DORAs are responsible for researching national and district compliance levels and finding cost-effective wholesale solutions to noncompliance, with the support of three IRS functions—Examination, Collection, and Taxpayer Service. Appendix II discusses the research cycle and organizations. As planned, the major research tool will be the Compliance Research Information System (CRIS). CRIS is to be an integrated network of databases containing a sample of IRS data over multiple years for use in compliance research. Appendix III discusses CRIS.

Results in Brief

IRS implemented its new compliance research approach to address concerns about continued noncompliance with tax laws and the large income tax gap. IRS had attempted to address these concerns through Compliance 2000, but both we and IRS have found that inadequate implementation limited the philosophy's success. For example, we reported that IRS did not have the infrastructure (e.g., research tools and oversight) or the objective data needed to successfully achieve compliance research objectives.[1]

Using the many lessons it learned from Compliance 2000, IRS has designed its new compliance research approach with the intent of enhancing its likelihood of success. Our interviews with IRS officials at the 31 DORAs and our analysis of IRS data concerning the lessons learned from past research experiences disclosed that among the factors needed to enhance success, five emerged most consistently in terms of relative importance. These five factors are (1) support for the research throughout IRS, (2) objective compliance data that are readily accessible for research, (3) skilled staff capable of doing rigorous research, (4) an infrastructure for organizing and managing the research, and (5) measures to evaluate whether the new approach works. NORA officials agreed that these five factors are important for achieving successful research results under the new research approach.

While IRS' new approach reflects these five factors, we identified several related issues that IRS needs to further pursue. First, we found only mixed support within IRS for the new research approach. The 293 DORA staff and district officials we interviewed generally viewed the new approach as being more cost effective in reducing the tax gap than past approaches. However, they questioned whether the new approach will be able, by 2001, to help reach 90-percent total compliance. Furthermore, the officials disagreed over the geographic focus of the research. District officials raised concerns about DORAs' spending 85 percent of their resources researching national compliance issues rather than district-level issues. NORA officials and DORA Chiefs, on the other hand, believed that IRS cannot meet its tax gap and compliance goals without a national focus; they said the decentralized approach under Compliance 2000 did not work. This disagreement and other concerns within IRS have caused tensions that could undercut support for the new approach.

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[1]Tax Administration: Compliance 2000—A Worthy Idea That Needs Effective Implementation (GAO/T-GGD-92-48, June 3, 1992).

Second, IRS may not have objective compliance data available when needed for research efforts. IRS has made some recent progress in CRIS development, but its date for becoming fully operational is unknown. In addition, in October 1995, budget constraints and public controversy led to a decision by IRS to indefinitely postpone the Taxpayer Compliance Measurement Program (TCMP). As a result, CRIS will continue to rely on 1988 TCMP measures on compliance in reporting income, deductions, and other information on tax returns, which will become less useful as additional time passes. Thus, IRS will also have to find alternative strategies to determine which market segments to research on ways to correct noncompliance.

Third, we found general agreement among IRS officials that research staff with more specialized skills were needed to achieve IRS' research objectives. NORA officials we interviewed generally were pleased with the overall quality of DORA research staff but said that staff with specialized skills, such as statistics, were lacking in many DORAs. NORA officials said they were working on ways of addressing this problem with existing staff resources. They said that staff with the needed skills would be shared across DORAs whenever possible. The officials also said that a strong training program has been developed to enhance the skills of DORA staff. The DORA staff we interviewed generally were satisfied with their internal training but said training was needed on how to do rigorous compliance research in specialized areas. NORA is delivering or has plans to deliver such training.

As for the last two factors, IRS was in the process of enhancing its initial infrastructure for planning and managing the research by developing tools and systems, such as for tracking research projects. As of January 1996, IRS also was in the process of developing measures to use in evaluating the success of the new approach.

Effectively addressing the issues we identified should enhance IRS' potential for success. Thus, it is important that IRS monitor its progress in addressing these issues. Information produced from such monitoring could better position management to identify and act on any need for corrective efforts.

Objectives, Scope, and Methodology

Our objectives were to (1) review the many lessons that IRS learned from past compliance efforts, including Compliance 2000, to identify the factors most critical to the success of the new compliance research approach and

(2) analyze the current status of the new approach and its ability to incorporate these factors as well as help IRS achieve the goal of 90-percent total compliance by 2001. To accomplish each objective, we visited IRS' National Office and all 31 DORAs, interviewing responsible officials and collecting relevant data.

Our National Office work focused on NORA. We interviewed NORA officials and collected data on the plans for and status of the new research approach. We discussed the officials' views on lessons learned from past research and factors critical to the success of the new approach.

Our fieldwork focused on visits to all 31 DORAs to monitor implementation of IRS' new approach. To ensure consistent data collection, we did 293 structured interviews. The interviewees included 31 District Directors; 31 DORA Chiefs; 92 Chiefs of Examination, Collection, or Taxpayer Service; and 139 DORA staff (about 80 percent of the staff at the time of our visits). Our interviews solicited information on the lessons learned and critical success factors as well as on the status of the new approach.[2] We obtained information on all DORA staff, such as positions and education (see app. V), and on Compliance 2000 research projects (see app. I).

After we finished our DORA visits in September 1995, events occurred that could affect the new research approach. We conducted structured follow-up interviews with NORA officials and the 31 DORA Chiefs to determine the real and potential effects of these events, including IRS budget cuts and postponement of TCMP.

We did our work in Washington, D.C., and the 31 DORAs from April 1995 to January 1996 in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from you or your designee. On April 22, 1996, we obtained comments from responsible officials in IRS' Compliance Research Division. Their comments are discussed on pages 18 and 19.

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[2]Appendix IV presents consolidated results from the structured interviews. The appendix presents responses to all scaled questions and to open-ended questions that are discussed in the letter.

Compliance 2000 Generated Few Compliance Gains but Many Lessons Were Learned for Future Research

IRS viewed its Compliance 2000 strategy as a way to advance voluntary compliance. The strategy differed from the traditional enforcement approach by recognizing that nonenforcement approaches, such as education and assistance, can boost compliance. To determine when it was best to use each approach, IRS sought to uncover root causes for noncompliance and distinguish between compliant and noncompliant taxpayers across market segments.

Compliance 2000 did not work for various reasons. In 1992 testimony,[3] we reported that IRS lacked the necessary compliance data and infrastructure to do research by market segments. We found that IRS had not tracked whether its districts started research projects on the basis of objective compliance data or researched the most noncompliant market segments. We concluded that Compliance 2000 was a worthy idea that needed careful implementation. We stated that IRS needed to use objective data to select research projects and develop an infrastructure for planning, managing, and monitoring the projects.

An IRS Internal Audit report in December 1993 had similar findings. The report disclosed that 38 of 50 Compliance 2000 projects were traditional enforcement projects that the districts had renamed as Compliance 2000 projects. And IRS had no database to capture results or provide an inventory of the compliance issues covered. The report concluded that the projects did not represent rigorous research, the managerial controls were weak, and a management structure was needed to provide effective oversight.

NORA officials acknowledged such problems and indicated that very few Compliance 2000 projects could be viewed as viable research. Even in the few projects that NORA officials viewed as viable, IRS had not created a database to show whether compliance increased and, if so, what actions prompted those increases.

We sought to further confirm these problems by collecting data on Compliance 2000 projects as we visited the 31 DORAs. We confirmed that IRS did not track the methods and results of the projects. As shown in appendix I, we found that many projects were duplicated. Available records were insufficient for us to compare costs and benefits across the projects.

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[3]GAO/T-GGD-92-48.

We found that IRS learned many lessons about research from Compliance 2000. According to NORA officials, the major lesson was that IRS needed a totally new organization and approach because the decentralized approach under Compliance 2000 did not produce viable research. Our interviews at NORA and the 31 DORAs indicated that such lessons governed the design of the new approach, particularly those that IRS officials pointed to as factors critical to the success of this approach. These factors include the need for (1) support for the research across IRS, (2) objective compliance data that are readily accessible, (3) skilled staff, (4) a sound infrastructure to organize and manage the research, and (5) measures to evaluate how well the new approach is working. The next section discusses the potential of IRS' new approach in the context of these five factors.

IRS' New Approach Offers Potential for Improving Compliance Research

IRS holds high hopes for its new compliance research approach in integrating the Compliance 2000 philosophy with efforts to boost compliance. To act on this potential, IRS has taken steps built on lessons learned from past efforts.

Support for Compliance Research Can Be Built but Not Mandated

While directives are important to set the vision, building support relies on collaboration. In this vein, NORA has developed a cooperative strategy to communicate the research vision, needs, and results as well as generate feedback on the needs of IRS districts and functions. Given such feedback, NORA plans to create a special unit to meet the needs for research on ways to better select and handle workload. NORA is also encouraging DORAs to provide short-term research assistance to districts and functions (e.g., electronic filing and earned income credit). Ultimately, NORA knows that the new approach will have to prove its worth to build the necessary staff support.

IRS Is Developing a Compliance Database

IRS' new approach depends heavily on CRIS. As envisioned, CRIS is to be IRS' network of databases for identifying the nationwide and district compliance of market segments. IRS is implementing CRIS in the following three stages.

- Working File CRIS was used in fiscal years 1994 and 1995 for training DORA staff. It had 75 data elements limited to one market segment.

- Interim CRIS was delivered to all DORAs by fall 1995. It expanded to 800 data elements and samples of individual and business filers for all market segments.
- Final CRIS is slated to implement its first database, having over 2,500 data elements on a sample of 7 to 10 million individual filers, in fiscal year 1997. It is to interface with other systems being created to aid in storing data and assigning workload. It is expected to contain 3 years of data.

On completion, CRIS is to have 10 databases, each with thousands of data elements. CRIS has been funded for $7 million to develop and maintain these databases over the next 5 fiscal years. If CRIS works, IRS would have an integrated network of recent compliance data. And, IRS research staff could quickly profile compliance by market segment. IRS expects CRIS to provide data on taxpayer compliance in (1) filing required tax returns in a timely manner, (2) accurately reporting information on tax returns, and (3) fully and timely paying taxes owed.

Also, realizing that IRS data contain taxpayer and IRS errors, NORA has developed data validation standards. NORA officials believed that these standards will better ensure that the research stems from adequate data.

DORA Positions and Training Focus on Research Skills

Past research efforts highlighted the need for staff who had research skills. Toward that end, NORA devised a staffing plan that requires certain positions at each DORA, such as a chief, program analysts, and other generalists. NORA also created specialist positions that require skills in statistics, operations research, economics, and computers.

Recognizing limitations in having such staff in the field and restrictions on external hiring given the redeployment agreement,[4] NORA encouraged DORA chiefs to fill positions with the most qualified staff available. NORA expected the number of staff to initially total about six to eight per DORA and grow as workload dictated.

NORA also devised a plan to train all DORA staff in research methods. Phase I training, which began in early 1995, described NORA, DORA, CRIS, profiling, statistics, and research methods. Phase II training includes advanced methods in statistics, research, and market segmentation. NORA is also offering customized training to meet the needs of DORA staff.

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[4]Redeployment agreement refers to IRS' pledge to protect jobs. Under agreement with the National Treasury Employees Union, IRS guaranteed that employees would not lose their jobs due to IRS' modernization and reorganization and would have an opportunity to maintain their grade through training. Years of IRS service plays a major role in qualifying for redeployment.

The Infrastructure Has Been Framed

IRS has laid the framework for the infrastructure it believes is needed to manage the new research approach. This framework includes NORA, DORAs, a research plan, and research methods. IRS has plans for other mechanisms to manage the research.

NORA and DORA officials said research in the field has often suffered because research knowledge resided in the National Office, but knowledge about compliance and enforcement resided with district staff who usually lacked research skills. These officials said districts lacked commitment to do the research and use its results. NORA officials viewed the NORA/DORA framework as a way to correct these problems.

Furthermore, IRS districts are forming Compliance Planning Councils (CPC) at the DORA level to build district support for compliance research, oversee district compliance programs, and provide a conduit to the three district functions. In summary, CPCs are to provide a multifunctional perspective in reviewing district compliance workload. At a minimum, each CPC is to consist of the DORA Chief and chiefs of the three functions. IRS is also forming nine Cooperative Strategy Working Groups (CSWG) to help with oversight, coordination, and implementation of the new approach. CSWGs are to make many of the decisions about compliance research, with the concurrence of the national director for compliance research.

NORA is developing an annual research plan and a compliance research cycle. If implemented properly, both elements should create a common understanding of the research vision and enhance the quality of the research. The research plan prioritizes compliance issues and research efforts. The plan allocates resources across DORAs to meet expectations, within set time frames, on (1) establishing the new research approach, (2) helping IRS districts and functions to meet their compliance and enforcement needs, and (3) reducing the tax gap and improving compliance. The research cycle outlines the steps for all projects, as shown in figure 1.

Figure 1: Compliance Research and Planning Cycle
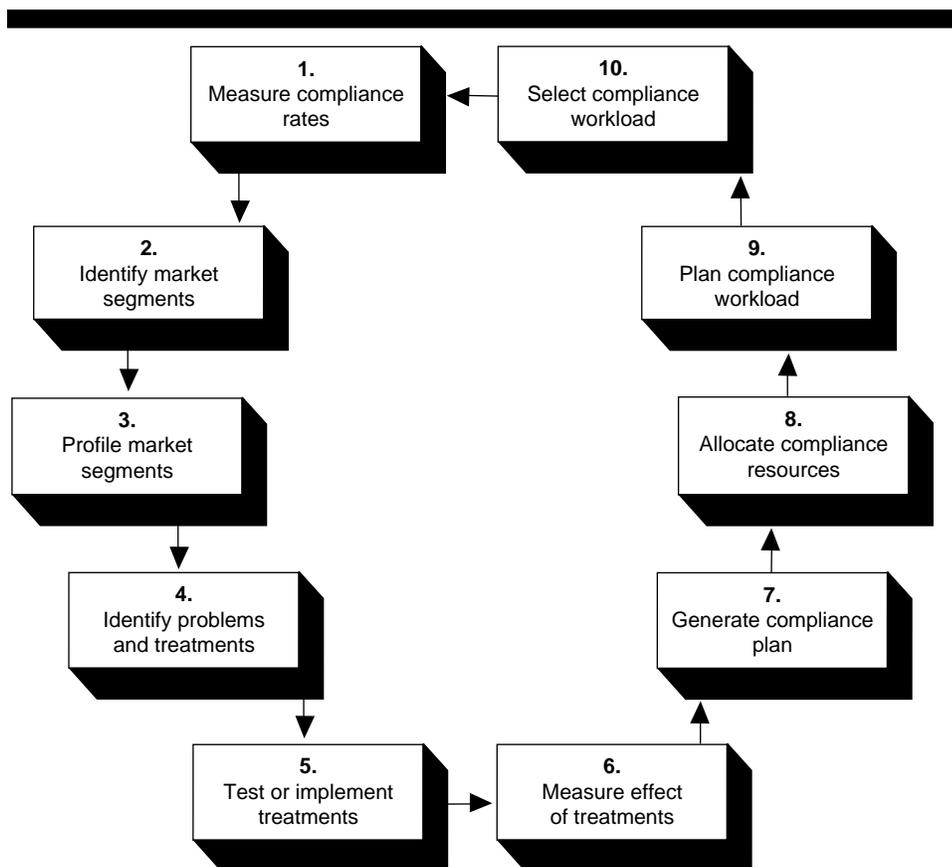
Source: IRS National Office of Research and Analysis.

As shown above, the latter steps of the cycle produce research results that form the basis for establishing compliance workloads, as set in the compliance plan. Appendix II provides details on the research cycle and compliance plan.

IRS Hopes to Have Specific Measures of Success

For fiscal year 1995, IRS measured the success of the new approach against expectations set forth in IRS' Business Master Plan; those expectations focused on establishing all DORAs. For fiscal year 1996, success is to be measured against expectations set forth in the research plan. NORA officials acknowledged the need for more specific measures of success.

Combining all five factors, IRS' new compliance research approach offers potential for improving compliance. If implemented successfully, it also may enhance the effectiveness of the tax system. Rigorous research could help ensure that tax laws, regulations, and guidance are clear; taxpayers receive necessary assistance; paid preparers encourage compliance; and enforcement is cost effective. Integrating the research with ongoing programs could help meet these basic requirements, to the extent the research helps increase compliance and reduce taxpayer burden. In doing so, the research would co-exist rather than compete with these programs.

IRS Is Addressing Obstacles to Its New Research Approach but Major Challenges Remain

Some obstacles have slowed implementation of IRS' new compliance research approach. IRS has taken actions to overcome the obstacles but faces critical challenges in incorporating the success factors.

Tensions Undercut Organizational Support for the New Approach

NORA and DORA officials raised concerns about support for compliance research because of three types of tensions. Our interviews with 293 District Directors, CPC members representing the three functions, and DORA staff illustrated these concerns as well as mixed support for the new approach.

For example, about 63 percent of those we interviewed believed that this approach will reduce the tax gap, and nearly 70 percent, who had knowledge of previous attempts, believed that it will be more cost effective. However, only 38 percent of those we interviewed believed that the approach will significantly contribute to meeting IRS' 90-percent compliance goal by 2001. When asked why, most of these officials viewed this goal as too challenging and the time period as too short.

Proponents of the new approach favored its systemic and objective nature. They viewed national research on market segments, by reaching more noncompliant taxpayers, as the way to significantly improve compliance. Opponents, believing that major compliance problems are well known, favored shifting the research resources into efforts involving tax simplification and legislative changes, such as tax withholdings and income reporting. NORA officials noted that compliance research offers the best way to identify and justify such efforts.

The first tension dealt with changing the IRS culture. IRS has focused on maximizing revenue yield through enforcement instead of voluntary compliance through enforcement and nonenforcement efforts. Our DORA work showed that the three functions largely expected the research to aim at this traditional focus. Given concerns that it will not, only 34 percent of the Chiefs of Examination, Collection, and Taxpayer Service we interviewed at the 31 DORAs considered DORA to be a good investment of resources. NORA officials believed that these responses did not reflect the broad, multifunctional view needed to increase compliance. These differing views reflect, at a minimum, the tension over the new approach.

A second tension involved pressures to quickly produce high-profile results. We heard this concern during interviews at all 31 DORAs. Interviewees doubted whether IRS would give the approach time to prove itself. They said IRS often expects results right away, but compliance research is unlikely to produce immediate benefits.

The third tension dealt with directing 85 percent of the DORA work to national compliance issues, leaving the remainder to the discretion of the district. District officials, who believed that many compliance issues have a local flavor, generally wanted more control. NORA officials, as well as DORA Chiefs, saw a national focus as the way to help improve compliance and reduce the tax gap.

NORA officials recognize the seriousness of these and other tensions that undercut support for the new approach. NORA officials have planned various efforts to educate and inform IRS management and staff at all levels on the new approach as well as to advance its cooperative strategy.

Major Gaps Exist in the Compliance Data

IRS decided to open DORAs a few years before CRIS was finished to allow DORAs to become fully staffed and equipped, as well as to participate in the development of CRIS and learn about IRS data. While IRS has made progress, questions remain on whether CRIS will be completed soon enough to contribute to research on improving compliance by 2001.

At the time of our DORA visits, only 19 percent of the DORA staff viewed the available data, which were from Working File CRIS, as sufficient to do their jobs. DORA staff complained that the data were outdated, inaccurate, and lacked compliance measures.

After our visits, DORA staff began using data from Interim CRIS. The DORA Chiefs we interviewed during our follow-up work viewed the Interim CRIS as a far better system. However, only 39 percent of them thought the data were sufficient to do the work required at DORA. Among other things, they noted that Interim CRIS lacked historical data, compliance indicators, and enforcement actions against filed tax returns as well as on nonfilers.

NORA officials acknowledged these problems but had viewed these earlier phases as training for DORA staff. They believed that the staff had sufficient data for such training and the assigned work. The officials said that Final CRIS and the data validation standards will address these problems and add discipline so that the staff only does the work made possible by the data.

Even so, Final CRIS is developing more slowly than expected. NORA officials remain optimistic that its first database, involving individual filers, will be operational by fiscal year 1997. As for the other nine databases, such as for partnerships and corporations, IRS was not sure when they would be fully operational and how many can produce research results by 2001 on improving compliance.

Furthermore, the postponement of TCMP heightens the need for finding other ways to measure reporting accuracy on filed returns. NORA officials told us that they viewed TCMP as a crucial part of CRIS because TCMP had been a proven way to measure reporting accuracy. Over three-fourths of the $94 billion tax gap for individuals in 1992 arose from noncompliance in reporting rather than in filing or in paying.[5]

IRS officials said that, without the randomness and comprehensiveness of TCMP,[6] they doubted whether IRS will have a precise way to measure reporting compliance nationally or at the DORA level, or whether IRS will have a basis for identifying emerging noncompliance among market segments or tax issues. CRIS is using TCMP results for 1988, but these results will lose more of their usefulness with each passing year. NORA officials said they are not sure how they will measure reporting compliance.

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[5]IRS released its most recent estimate, covering up to 1992, in 1988. This estimate relied on TCMP data from the early 1980s. IRS has developed, but not yet released, a new estimate using TCMP data through 1988. Estimating the tax gap is not an exact science. IRS lacks the data to fully estimate the tax gap with high precision. TCMP has provided the best data, but it takes time to do well.

[6]Between 1962 and 1988, usually at 3-year intervals, IRS collected TCMP data on individual compliance by auditing all issues on a random sample of tax returns.

Staffing Problems Increase the Need for Training

At the time of our visits, the 31 DORAs had 217 staff, varying from 4 to 12 staff at each DORA. Of those we interviewed, 85 percent of the District Directors and DORA Chiefs were satisfied with the number of staff, but 94 percent of the chiefs and 74 percent of the directors thought staffing should increase in the future; the rest were uncertain. Given IRS' budget cut, DORA Chiefs expressed concern that staffing would not increase in fiscal year 1996 as anticipated. Figure 2 shows the number and types of positions for all 31 DORAs, excluding the 31 DORA Chiefs.

Figure 2: Types of Staff Positions in District Offices of Research and Analysis
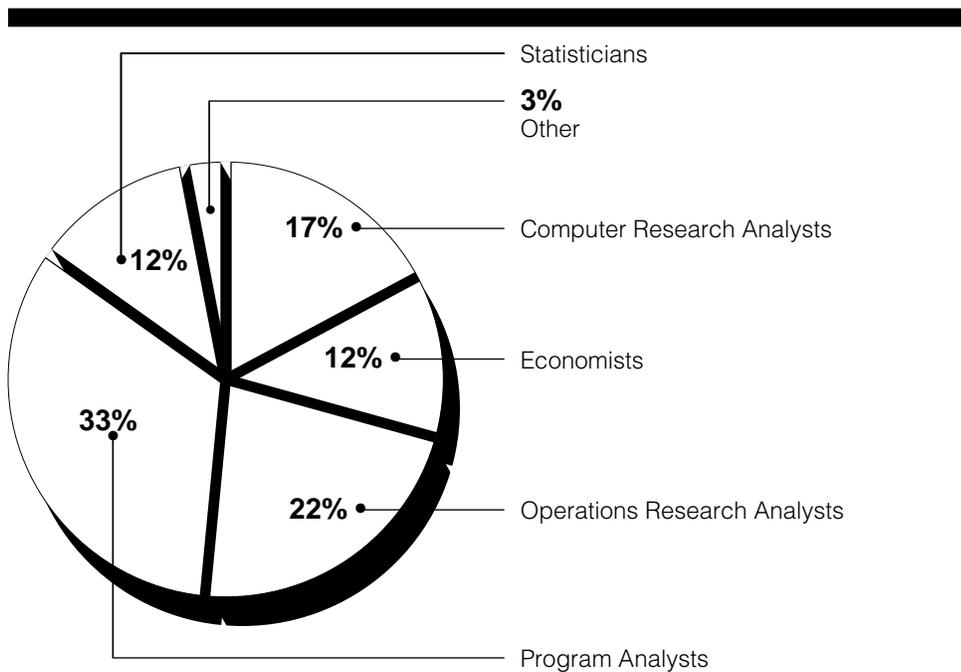
Note: Figure does not include DORA Chiefs. Percentages may not equal 100 because of rounding.

aThe category of "other" includes Assistant DORA Chief, Diversity Coordinator, Fed-State Coordinator, Magnetic Media Specialist, Public Affairs Specialist, and Acting Team Leader.

Source: IRS DORA Chiefs.

We analyzed the distribution of positions across the 31 DORAs. Our analysis showed that 21 DORAs lacked 1 or more of the required specialist positions

involving economic, statistics, computer, and operations research skills. For example, Seattle had two program analysts, one operations research analyst, and one economist, while Los Angeles had five program analysts, two operations research analysts, and one Fed-State coordinator. Neither site had a statistician or a computer research analyst.

Although over half of the DORA positions involved specialist skills, DORAs had difficulty finding such staff. Only 58 percent of the DORA Chiefs said their staff had the requisite background and skills; they pointed to gaps in skills such as statistics, economics, and operations research. Our analysis showed that 37 percent of the staff we interviewed had some research experience, and 5 percent had spent most of their career in a research capacity. Of DORA staff holding college or graduate degrees, about half of these degrees were in business or liberal arts; less than 30 percent related to specialist positions.

Both NORA and DORA officials we interviewed pointed to the IRS redeployment agreement and limits on hiring staff from outside of IRS as barriers to getting the most qualified staff for doing research. Over 50 percent of the DORA staff were hired as redeployment eligible. Sixty-five percent of the District Directors and DORA Chiefs said the redeployment agreement limited their ability to staff DORAs with the most qualified employees.

Because many DORA staff do not have the research skills needed, NORA is working on ways to share specialized skills across the research projects and DORAs. Plans call for identifying the necessary specialist skills before starting a project and finding specialists from NORA or the DORAs who can work on the project when needed. NORA officials said a project will not start if needed specialists cannot be found.

NORA officials agreed that DORA staff could benefit from more specialized skills, but they were pleased with the staff overall and their ability to learn. Given these views, NORA has executed what it views as an aggressive training plan. As for phase I of the training, 94 percent of the DORA Chiefs viewed it as at least generally adequate; 83 percent of DORA staff agreed. Staff who thought the training could be improved wanted more training in statistics, data analysis, economics, research design and methodology, and computers. A NORA training survey of DORA staff also identified similar training needs. NORA officials said training in these areas is being developed.

NORA has developed a plan for phase II training and a budget of $3.5 million. NORA has planned internal computer courses and external courses on topics such as research methods and use of research. NORA officials said that the training budget had been fully allocated as of March 1996, but that funding had not been obligated. If the funding is not received soon, projects may be delayed.

Research Infrastructure Needs Further Development

IRS has not completed the infrastructure for planning and managing the research, although progress has been made. For example, until November 1995, NORA had not started to develop linkages with programs in the functions that used market segments due to other priorities. Until the linkages are developed, unnecessary duplication may occur and opportunities to improve these programs may be missed. NORA officials said linkages will be made when functions ask for profiles and research by market segment as well as through the compliance plan.

Objective criteria for selecting research projects had not been fully established. Without such criteria, NORA cannot ensure that staff research the major areas of noncompliance. Our interviews and review of the research plan showed that many projects arose from districts' or functions' beliefs about the major areas of noncompliance. Other projects were selected with more objective data from TCMP, the tax gap, or other studies; however, such data reflected compliance in the 1980s. NORA officials acknowledged a desire for more objective and recent data in selecting projects but believed that enough of the initial projects dealt with known compliance problems to avoid wasted efforts. The officials said CSWGs are responsible for establishing criteria for selecting and ranking projects and are working with five DORAs on such criteria.

CPCs also were not fully developed. As of December 1995, districts had established 28 of the 31 CPCs; most CPCs had only met a few times, largely to get organized. Although 55 percent of the CPC members we interviewed said CPCs were at least generally effective, 21 percent said they were not, and 24 percent thought it was too soon to tell. CPCs included members who managed the three district functions. If developed, CPCs could help link compliance research to the needs of the district functions.

Starting in March 1996, NORA implemented a system to start tracking the status and results of research projects. NORA relies on DORA staff to input a lot of data about the projects and research into the system. However,

controls over accurate and complete data entry have not yet been fully developed.

New Approach Lacks Success Measures

IRS has not developed specific measures for evaluating the success of the new research approach. Of the 62 District Directors and DORA Chiefs we interviewed, 73 percent cited a need for better measures. Most of these interviewees suggested measuring impacts of the research on compliance, particularly by market segment or district. NORA and DORA officials believed that success will be based, in part, on the support and demand for research from the three functions.

Two CSWGs were working on ways to measure success, including (1) a peer review system and (2) a quality review of the research process and its results. NORA expects them to be finished during the spring of 1996. Without good measures, IRS will not be able to objectively evaluate its new approach. IRS faces the challenge of developing valid measures that will be meaningful to customers inside and outside of IRS.

Conclusions

IRS' goal to increase total compliance with the tax laws to 90 percent by 2001 is a worthy one. IRS estimates have shown that decades of attempting to improve compliance through enforcement failed to raise total compliance above about 87 percent. IRS' new approach of supplementing its enforcement efforts with rigorous research into the causes of noncompliance strikes us as being intuitively logical.

On the basis of lessons learned from the past, IRS officials believe, and we agree, that among the factors needed to better ensure success of the new approach, at least five stand out in terms of relative importance: (1) support for the research throughout IRS, (2) objective compliance data that are readily accessible for research, (3) skilled staff capable of doing rigorous research, (4) an infrastructure for organizing and managing the research, and (5) measures to evaluate whether the new approach works.

We identified several issues that IRS needs to address in terms of these five critical success factors. The mixed support we found for the new research approach has caused tensions within IRS that could have an adverse impact on potential success. The fact that IRS might not have objective data available when needed for the research effort may make it difficult to produce useful research results in a timely manner. Furthermore, unless specialized staff are available when and where needed, the research effort

could also be hampered. Finally, IRS has not yet fully developed the infrastructure needed to plan and manage the research, nor does it have measures to use in evaluating the success of the new approach.

IRS has taken or planned some actions to address these issues. It has developed mechanisms designed to build support for the new approach. Working with existing resources in the face of budget constraints, IRS has developed training and staff-sharing programs to help address specialized staffing needs. IRS is also working to (1) enhance the infrastructure by tracking projects and linking research and compliance programs and (2) develop measures for evaluating the success of the new approach.

Effectively addressing each of these issues should enhance IRS' potential for success. Thus, it is important that IRS monitor its progress in addressing these issues and position itself to take corrective action if and when needed.

Recommendations

We recommend that the IRS Commissioner

- develop an approach for monitoring the effectiveness of mechanisms established to build support for the new approach as well as for the staff-sharing and training efforts that are under way and, if necessary, make modifications;
- devise a method to better ensure that reliable compliance data will be available when needed for the research effort, given the indefinite postponement of TCMP;
- set a schedule for completing CRIS, monitor its progress, and take the necessary actions to resolve identified problems; and
- establish milestones and monitoring mechanisms for (1) completing the infrastructure needed to organize and manage the research effort and (2) developing the measures needed for evaluating success.

Agency Comments and Our Evaluation

We obtained oral comments on a draft of this report from senior IRS officials in a meeting on April 22, 1996. IRS officials included the National Director for Compliance Research, the Chief of National Office Research and Analysis, and a representative from IRS' Office of Legislative Affairs. In general, these officials agreed that the report accurately reflects the key issues in IRS' new compliance research and analysis approach. They further agreed with our conclusions and recommendations and noted the

following actions were being planned or taken on each of our four recommendations.

First, in developing an approach for monitoring mechanisms for building support and efforts in staff sharing and training, the IRS officials said they will be monitoring all such mechanisms and efforts, particularly use of the cooperative strategy and other outreach efforts about the new approach. Second, in devising a method to provide reliable compliance data, these officials acknowledged the problems with losing the comprehensive, top-down measures of TCMP but said IRS has sufficient compliance data in the short term for the research work to continue.

Third, these officials said action is already being taken to set a schedule for completing CRIS, monitoring its progress, and resolving related problems. Recently, IRS has required all computer systems under development, including CRIS, to have established milestones and a completion schedule that will be monitored internally. Fourth, in establishing milestones and monitoring the completion of the infrastructure as well as of the measures, the IRS officials said the fiscal year 1997 research plan will provide the means for doing these activities. They said IRS' new system for tracking the status and results of research projects is expected to be operational by June 1996, and measures for evaluating the success of the new research approach are being developed.

This report contains recommendations to you. The head of a federal agency is required by 31 U.S.C. 720 to submit a written statement on actions taken on the recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight not later than 60 days after the date of this letter. A written statement also must be sent to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this letter.

Copies of this report are being sent to interested congressional committees, the Director of the Office of Management and Budget, the Secretary of the Treasury, and other interested parties. It will also be made available to others upon request.

Major contributors to this report are listed in appendix VI. Please contact me on (202) 512-9044 if you or your staff have any questions about this report.

Sincerely yours,
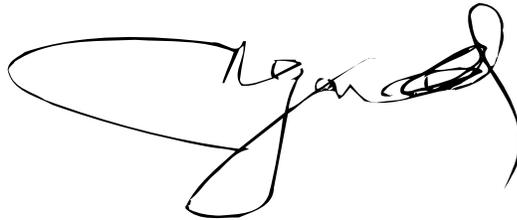
Natwar M. Gandhi
Associate Director, Tax Policy and
Administration Issues

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Major Contributors to
This Report

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Abbreviations

CPC	Compliance Planning Council
CRIS	Compliance Research Information System
CSWG	Cooperative Strategy Working Group
DORA	District Office of Research and Analysis
IRS	Internal Revenue Service
NORA	National Office of Research and Analysis
TCMP	Taxpayer Compliance Measurement Program

Summary of Compliance 2000 Projects Data Collection Instrument

This appendix contains a summary of the results from our data collection on Compliance 2000 Projects. We provided a data collection instrument to responsible officials at 31 District Offices of Research and Analysis (DORA) for completion during the summer of 1995. (DORAs are not an outgrowth of Compliance 2000. Compliance 2000 was a district (old 63-district configuration) configuration. However, we chose to collect data from the DORAS because many of the DORAS had received data from Compliance 2000 offices after they were closed.) Of the 31 DORAS, 28 reported information on 133 Compliance 2000 projects.

We found that important information was unavailable for most of the projects. For example, none of the projects reported whether compliance improved or not. Of 133 reported projects, 70 reported no information on either the results or the resources spent. Of the 63 for which such information was available, 35 provided information on the resources, 37 provided information on enforcement results (e.g., dollars assessed and returns obtained), and 24 provided information on nonenforcement activities (e.g., number of seminars held and publications issued). Table I.1 provides this information by DORA.

Table I.1: Compliance 2000 Projects by DORA and by Data Available on Compliance Results and Resources Used, as of the Summer of 1995

Location	Number of projects	Number of projects with data on: Dollars assessed and amended returns[a]	Nonenforcement treatments[b]	Resources used[c]	Number of projects with no results
Atlanta	8	5	1	2	2
Baltimore	8	0	4	0	4
Boston	6	2	2	0	2
Brooklyn	4	2	0	2	2
Buffalo	9	6	1	1	2
Chicago	1	0	0	0	0
Dallas	4	1	3	1	0
Detroit	4	2	1	4	1
Fort Lauderdale	2	1	1	0	0
Greensboro	2	0	0	2	2
Hartford	9	0	0	2	9
Houston	2	0	1	0	1
Indianapolis	2	0	1	2	1
International	2	2	0	0	0
Jacksonville	4	3	0	1	0
Laguna Niguel	1	1	0	0	0
Los Angeles	2	1	1	2	0
Milwaukee	6	2	2	4	2
Nashville	19	0	1	0	18
New Orleans	4	3	1	3	0
Newark	2	1	0	0	1
Philadelphia	3	0	0	0	3
Richmond	3	2	1	1	0
San Francisco	6	0	0	0	6
San Jose	2	0	0	1	2
Seattle	12	2	2	5	8
St. Louis	4	0	1	0	3
St. Paul	2	1	0	2	1
Total	**133**	**37**	**24**	**35**	**70**

[a]The column "dollars assessed and amended returns" includes dollars assessed and assessed and/or collected from amended returns.

[b]The column "nonenforcement treatments" includes education and outreach assistance.

[c]The column "resources used" includes staff hours, staff years, and direct exam time.

Furthermore, we noticed that many projects dealt with the same general topic, such as compliance in filing information returns on miscellaneous income, nonfilers, and tax-exempt organizations. Table I.2 shows that of the 133 projects, 72 duplicated at least one project.

Table I.2: Compliance 2000 Projects and Locations Duplicating the Same Tax Issue or Market Segment, as of the Summer of 1995

Tax compliance by issue or market segment	Number of projects[b]	Number of locations[c]
Information reporting of miscellaneous income	10	8
Nonfilers of tax returns	10	8
New businesses	7	6
Tip income reporting	8	7
Casinos, bingo, and other gambling	6	5
Profiling characteristics of taxpayers	4	4
Collection Division's workload inventory	3	2
Residential contractors/Homebuilders	3	3
Real estate industry	4	4
Real estate tax deduction	3	2
Tax preparers	3	2
Skybox/Club seats lease tax deduction	3	2
Tax exempt organizations	2	2
Child care credit	2	2
Earned income credit	2	2
Tobacco industry	2	2
Others[a]	61	61
Total	**133**	**122**

[a]The category of "others" includes a wide variety of projects, such as those dealing with compliance in an industry (e.g., food and beverage, tobacco, and construction), specialty taxes (e.g., excise), employee plans, passive losses, and government contractors.

[b]Some projects covered more than one tax issue or market segment.

[c]Some locations reported conducting more than one project in the same tax issue or market segment.

Summary of IRS' New Compliance Research and Analysis Approach

This appendix contains information on various aspects of the new compliance research approach. It provides details on the research infrastructure needed to sustain the new approach.

Compliance Research and Planning Cycle

As envisioned, the National Office of Research and Analysis (NORA) and the District Offices of Research and Analysis (DORA) will collaborate to conduct new activities that form a disciplined research cycle—Compliance Research and Planning Cycle. This cycle encompasses 10 steps in addressing a compliance problem. Table II.1 describes each of these steps.

Table II.1: Compliance Research and Planning Cycle

Step	Title	Description
1	Measure compliance rates	Measure levels of compliance across market segments in (1) filing timeliness, (2) reporting accuracy, and (3) paying taxes owed in full and on time.
2	Identify market segments	Identify and rank market segments with significant compliance problems.
3	Profile market segments	Profile market segments to identify patterns of noncompliance, validate their selection, and enrich the understanding of the common characteristics that distinguish a given segment from other segments.
4	Identify problems and treatments	Identify potential treatments to improve compliance after determining and understanding the causes/reasons for noncompliance.
5	Test or implement treatments	Test treatments to determine if they have produced significant, measurable improvements in a market segment's compliance level over an original baseline.
6	Measure effect of treatments	Remeasure compliance levels and evaluate whether the applied treatments were effective in improving the compliance of market segment.
7	Generate compliance plan	Generate the compliance plan to drive all compliance-related workload for IRS.
8	Allocate compliance resources	Allocate compliance resources to match needs with staff and other resources at national and district levels.
9	Plan compliance workload	Plan compliance workload to match staff (grade and skill levels) to the scheduled work.
10	Select compliance workload	Select compliance workload by identifying cases, accounts, or groups of taxpayers to work in a way that will meet plan objectives within the district work plan schedules and resources.

Source: National Office of Research and Analysis, IRS.

National Office of Research and Analysis

NORA is responsible for supporting, guiding, and coordinating work at DORAS. The first priority of NORA was to establish DORAS and ensure that they were staffed, equipped, and operational. NORA also is responsible for evaluating the overall research approach and its components.

Specifically, NORA is to (1) work with all levels and functions in a consulting role to support market research activities, (2) assist National Office and field executives in institutionalizing Compliance 2000, (3) provide compliance data necessary to develop a multiyear strategic compliance plan, (4) develop new case selection criteria that are based on market research, (5) supply data to the national portion of the compliance plan, (6) propose national initiatives to improve compliance in selected market segments, (7) advise and issue progress reports to the Director of Research and Chief Compliance Officer, (8) review DORAS' work to ensure that national program objectives are met, (9) ensure that DORAS provide quality service, (10) develop methods for measuring the compliance of various market segments, (11) ensure consistent and frequent communication and feedback with internal and external stakeholders, (12) ensure that DORA training needs are identified and met, and (13) provide guidance and control to DORAS in handling external data.

District Offices of Research and Analysis

The primary function of each DORA site is delivery of a local-level compliance research capability using local knowledge and resources. DORA staff are to be primarily responsible for providing information, guidance, and counsel to the district offices on methodologies and strategies that address areas of noncompliance, given resource allocation constraints, and compliance plan objectives.

As DORA staff learn to do compliance research, they are expected, in the short term, to (1) learn proper research procedures and processes, such as techniques, methodologies and data analysis, data sources, security, and privacy issues; (2) research and evaluate local external data sources; (3) begin assessing the potential for additional market segments and estimating the nonfiler population; (4) learn elements and practice proper usage of internal and external data; and (5) provide data and measurements for past Compliance 2000 projects.

Cooperative Strategy Working Groups

The Cooperative Strategy Working Groups (CSWG) were established to design, plan, and implement decisions that help maintain the vitality of the new research approach. NORA and DORAS provide the members. Each group

is to have a statement that describes its responsibilities, composition, and schedule. The groups are expected to develop guidelines to ensure the effectiveness of their work. However, interim guidelines to help get CSWGs started were developed by NORA.

CSWGs are to be implemented in three stages: (1) "First-Wave," by the beginning of fiscal year 1995; (2) "Second-Wave," by the end of fiscal year 1995; and (3) "Longer Term." Each stage represents a series of working groups. The First-Wave stage consisted of the Policy and Governance, Data Development and Planning, Education and Training, Profiling, and Communications cooperative strategy working groups. The Second-Wave stage consisted of the Compliance Studies and Tests, NORA/DORA Research Planning, and Systems Development cooperative strategy working groups. The Longer Term stage consists of the Resources Cooperative Strategy Working Group. The following describes each of these groups.

Policy and Governance Cooperative Strategy Working Group: (1) identifies compliance research issues; (2) determines procedural requirements for NORA and DORAs; and (3) formulates and recommends policies and procedures to address those issues and requirements.

Data Development and Planning Cooperative Strategy Working Group: (1) exercises oversight and operational roles in the design, development, acquisition, use, maintenance, and evaluation of internal and external data and (2) measures the support of compliance research operations.

Education and Training Cooperative Strategy Working Group: carries out the oversight, development, and operation for internal and external training provided to NORA and DORA staff.

Profiling Cooperative Strategy Working Group: (1) oversees market segmentation and profiling operations and (2) formulates and recommends profiling standard procedures and the design and testing of compliance measures.

Communications Cooperative Strategy Working Group: oversees, develops, and maintains mechanisms and the media for communications on compliance research.

Compliance Studies and Tests Cooperative Strategy Working Group: (1) oversees compliance studies and tests and (2) recommends

compliance research standards for conducting, analyzing, and reporting compliance studies and treatment tests.

NORA/DORA Research Planning Cooperative Strategy Working Group: (1) develops and provides input into the compliance plan and (2) reviews other IRS plans.

Systems Development Cooperative Strategy Working Group: (1) oversees the design, development, implementation, and evaluation of the technology used in compliance research and (2) addresses issues regarding the hardware, software, and telecommunications surrounding compliance research.

Resources Cooperative Strategy Working Group: (1) determines staffing and financial resources requirements for all compliance research and (2) ensures that resources are allocated according to the compliance plan.

Compliance Planning Council

The Compliance Planning Council (CPC) is to be responsible for multifunctional integration, planning, and coordination of compliance activities within the District. Compliance activities are expected to focus on research, identification of market segments, and development of strategies to deal with noncompliant behavior. Specific activities of CPCs may include

- advising the District Director and assisting in the identification and prioritization of the DORA workload,
- approving and allocating resources to compliance treatment plans and other multifunctional compliance initiatives,
- monitoring ongoing progress of projects and initiatives, and
- ensuring consistent and frequent communication and feedback with internal and external stakeholders.

CPC membership may consist of the (1) Chief of Examination, (2) Chief of Collection, (3) Chief of Taxpayer Service, (4) Chief of Criminal Investigation, (5) Chief of DORA, (6) Chief of Information Systems Division, (7) Disclosure Officer, (8) President of the National Treasury Employees Union, (9) Problem Resolution Officer, (10) District Counsel, (11) Appeals, and (12) Employee Plans/Equal Employment Opportunity.

Research Plan

The research plan is to apply NORA and DORA staff resources to national workload during fiscal year 1996 and beyond. Resources are to be used efficiently to avoid unnecessary duplication of effort. The plan is to link NORA/DORA work to IRS' fiscal year 1996 Business Master Plan and to the major components of the tax gap.

The research plan is to lay out research projects that can have a national impact on compliance and assigns the projects to one or more DORAs. It is to cover fiscal years 1996 through 1998, and be flexible enough to accommodate new opportunities and new research findings to redirect national efforts.

Compliance Plan

The compliance plan is to set forth all compliance-related workload for IRS. The scope and duration of the activities it mandates are likely to occupy several years. The compliance plan is expected to comprise both enforcement and nonenforcement activities. For this reason, it is expected to mandate actions both for functions within the Chief Compliance Officer organization as well as for functions with Customer Service organizations. When the national component of the compliance plan includes activities that transcend Chief Officer organizational boundaries, it is to be issued jointly by the Chief Officers concerned. Once officially issued, the compliance plan is to become the basis for final resource allocations, functional workplans, and workload selections.

Summary of IRS' Compliance Research Information System

This appendix contains additional information on the final Compliance Research Information System (CRIS) database. It provides more details on the CRIS infrastructure and types and sources of data required.

As envisioned, CRIS will be the primary integrated research tool used for compliance research and analysis. Plans call for CRIS to be an integrated network of 10 databases containing a sample of internal, external, and multiyear data, which is to be accessible to national and district office personnel to support analyses of voluntary compliance rates and levels. CRIS is expected to enable IRS to develop working hypotheses on the means to increase voluntary compliance, test the hypotheses, evaluate the results, and make decisions on how to implement the new strategies. IRS also envisions that CRIS will improve both the quantity and quality of data as well as sophisticated analysis.

The vast majority of CRIS data is expected to come from statistically reliable samples drawn from the following IRS data sources: (1) the individual master file and returns transaction file, (2) the business master file and returns transaction file, (3) various other internal master files, (4) results data from the Taxpayer Compliance Measurement Program, and (5) various other taxpayer surveys and studies.

The only external data planned for CRIS are census data. However, external data may be used for follow-on research after noncompliant market segments are identified by the objective application of CRIS measures to internal IRS sample data. External data sources will not be appended on a taxpayer-by-taxpayer basis to internal CRIS data. CRIS is designed to be a sample with no taxpayer identifiers.

All internal CRIS data are to be transmitted electronically or via magnetic tape. External data are to be provided to the CRIS system via magnetic tape. Validity and consistency checks will be performed on internal data before their input to CRIS. IRS also plans to validate data from external sources.

As planned, most of the information in the CRIS system is to be updated once a year, although some data may need to be updated as often as every 3 months. Data from external sources are to be updated on an as-needed or as-available basis. Samples are to represent taxpayers from the current year and 2 previous years. To provide the data needed for specialized market segmentation, the CRIS system is to comprise 10 databases. IRS has come up with the following 10 database models.

(1) Form 1040 Individual/Family Filers (income tax filers using forms 1040, 1040A, and 1040EZ)
(2) Corporations
(3) Sub-Chapter S Corporations (corporations that file under the chapter S provision distribute corporate income and losses to their shareholders)
(4) Partnerships
(5) 94X Employers (Employers filing Forms 940, 941, 943, etc.)
(6) Fiduciary
(7) Individual Non-filer Case Leads (operational data)
(8) Industries
(9) Collection Research File (operational data)
(10) Audit Information Management System (operational data)

The only database that is currently being developed is the Form 1040 Individual/Family Filers Database. It consists of a stratified random sample of the universe of individual taxpayer accounts for a specific tax period. The database includes general entity information and account information on the current and 2 prior years' returns, as well as tax return line items for the current and 2 prior years. Related data include information return documents and, for Schedule C and F filers, data extracted from the business master and returns transaction files, the payer master file, the employee plans master file, and various other internal sources.

The 1040 Filers Database is to be comprised of 17 data tables and a total of over 2,500 attributes. The tables and attributes are as follows:

1. 1040 Tax Return and Filing Entity Data Table: Describes the taxable entity that filed a tax return in the 1040 family (1040/1040A/1040EZ, etc.) for a particular year - 651 attributes

2. Entity's Individual Data Table: Describes the characteristics of the individual(s) that comprise a taxable entity - 145 attributes

3. Return's Status History Data Table: Describes a return's various status changes - 12 attributes

4. Return's Audit and Processing Codes Data Table: Describes miscellaneous codes that may be generated while the tax return is being processed or audited - 4 attributes

5. Return's Transaction History Data Table: Describes selected action taken on a return by the taxable entity, such as paying estimated taxes, as well as by IRS, such as assessing additional taxes after an audit - 90 attributes

6. Entity's Business Data Table: Describes the characteristics of each solely owned farm (Schedule F) or other business (Schedule C) that belongs to the taxable entity - 61 attributes

7. Entity's Prior Year Data Table: Describes some characteristics of the return filed by the same taxable entity in the year preceding the year of the sample - 122 attributes

8. 1990 Census Data Table: Demographic data - 500 attributes

9. Individual's Civil Penalties Data Table: Describes each penalty transaction associated with an individual, such as W-4 abuse - 63 attributes

10. Income Information Received Data Table: Describes certain income information about the individual that is submitted by employers and banks - 92 attributes

11. Other Information Received Data Table: Describes other information about the individual that is submitted by third parties, such as trust distributions and casinos - 67 attributes

12. Individual as Payer Data Table: Describes the documents the individual submits for payments made to personal subcontractors - 46 attributes

13. Entity as Employer Data Table: Describes information from certain business tax returns filed by solely owned farm/business with employees or excise tax requirements - 154 attributes

14. Federal Insurance Contributions Act (FICA) Tax Data Table: Annual FICA information - 183 attributes

15. Federal Unemployment Tax Act (FUTA) Data Table: Annual FUTA payments - 161 attributes

16. Excise Tax Data Table: Annual excise payments - 159 attributes

17. Employer as Payer Data Table: Describes the documents the employer submits for payments made to business subcontractors - 46 attributes

Consolidated Results of Structured Interviews

This appendix combines the results of five data collection instruments used to conduct structured interviews with District Directors; Chiefs of DORA, Examination, Collection, and Taxpayer Service; and DORA staff. In total, we interviewed 293 officials from April to December 1995. Some percentages may not equal 100 due to rounding.

Note: Appendix IV only presents responses to all scaled questions and to those open-ended questions that are discussed in the report.

1. **Using the NORA/DORA framework, to what extent, if at all, do you believe IRS' market segmentation approach will aid in reducing the tax gap?**

    All 293 interviewees responded to this question: 31 District Directors; 31 DORA Chiefs; 92 Chiefs of Examination, Collection, and Taxpayer Service;[1] and 139 DORA staff.

TOTAL
35	11.9%	1. ☐	To a very great extent
151	51.5%	2. ☐	To a great extent
54	18.4%	3. ☐	To a moderate extent
24	8.2%	4. ☐	To some extent
3	1.0%	5. ☐	To little or no extent
26	8.9%	6. ☐	Uncertain

	1		2		3		4		5		6	
Respondent	#	%	#	%	#	%	#	%	#	%	#	%
District Director	8	26	15	48	8	26	0	0	0	0	0	0
Chief of Examination	4	13	13	42	7	23	4	13	0	0	3	10
Chief of Collection	4	13	15	48	2	6	5	16	0	0	5	16
Chief of Taxpayer Service	2	6	15	48	8	26	3	10	0	0	3	10
DORA Chief	6	19	17	55	2	7	2	7	0	0	4	13
DORA Staff	12	9	76	55	27	19	10	7	3	2	11	8

Legend:
Number
% Percent

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[1]There were 92, as opposed to 93, Chiefs of Examination, Collection, and Taxpayer Service because the International District only had a Chief of Customer Service and a Chief Compliance Officer. For analysis purposes, the responses by the Chief of Customer Service will be shown with the Chiefs of Taxpayers Service and the responses of the Chief Compliance Officer will be shown with the Chiefs of Examination and the Chiefs of Collection.

2.   **To what extent, if at all, do you believe that this strategy will help
     enable IRS to reach its goal of 90% total compliance by the year 2001?**

     All 293 interviewees responded to this question: 31 District Directors;
     31 DORA Chiefs; 92 Chiefs of Examination, Collection, and Taxpayer
     Service; and 139 DORA staff.

TOTAL
19	6.5%	1. ☐	To a very great extent
92	31.4%	2. ☐	To a great extent
81	27.6%	3. ☐	To a moderate extent
51	17.4%	4. ☐	To some extent
12	4.1%	5. ☐	To little or no extent
38	13.0%	6. ☐	Uncertain

	1		2		3		4		5		6	
Respondent	#	%	#	%	#	%	#	%	#	%	#	%
District Director	4	13	8	26	11	35	6	19	0	0	2	6
Chief of Examination	1	3	4	13	12	39	10	32	2	6	2	6
Chief of Collection	0	0	7	23	8	26	9	29	3	10	4	13
Chief of Taxpayer Service	1	3	7	23	6	19	10	32	1	3	6	19
DORA Chief	4	13	15	48	4	13	4	13	1	3	3	10
DORA Staff	9	6	52	37	40	29	12	9	5	4	21	15

Legend:
Number
% Percent

3.   **In what ways did your district research compliance, such as Compliance
     2000 initiatives, prior to the implementation of the NORA/DORA concept?**

     A total of 154 interviewees responded to this question: 31 District
     Directors; 31 DORA Chiefs; and 92 Chiefs of Examination, Collection, and
     Taxpayer Service.

     The most common responses to this question included: (1) Compliance
     2000 projects, (2) Information Gathering Projects, (3) Returns Case
     Processing System, and (4) anecdotal research.

4.   **What lessons, if any, were learned from these prior activities?**

A total of 194 interviewees responded to this question: 28 District
Directors; 27 DORA Chiefs; 83 Chiefs of Examination, Collection, and
Taxpayer Service; and 56 DORA staff. (On the basis of a response
provided to a previous question, some officials skipped this question.)

Officials commonly cited the following lessons learned: (1) internal
and external data must be accessible, complete, and accurate; (2) staff
must be trained to do research; (3) district/functional coordination is
essential; (4) national support and buy-in are needed; (5) enforcement
and nonenforcement techniques are needed to solve compliance problems;
and (6) obtaining resources (staff, funding, equipment, etc.) is
crucial. Officials also commonly stated that they need a research
methodology/infrastructure to plan, manage, communicate, and monitor
projects, that they need to be able to measure changes in compliance
levels to determine the effectiveness of treatments, and that they need
time to produce results.

5.   **In your opinion, did IRS consider these lessons learned when formulating
the NORA/DORA concept?**

All 31 DORA Chiefs responded to this question.

TOTAL
17	54.8%	1. ☐	Definitely yes
11	35.5%	2. ☐	Probably yes
1	3.2%	3. ☐	Probably not
0	0%	4. ☐	Definitely not
2	6.5%	5. ☐	Uncertain

6.   **To what extent, if at all, do you believe the NORA/DORA approach to compliance-based research will be more cost effective than those previous attempts?**

A total of 195 interviewees responded to this question: 29 District Directors; 29 DORA Chiefs; 86 Chiefs of Examination, Collection and Taxpayer Service; and 51 DORA staff. (On the basis of a response provided to a previous question, some officials skipped this question.)

TOTAL
44	22.6%	1. ☐	To a very great extent
89	45.6%	2. ☐	To a great extent
27	13.8%	3. ☐	To a moderate extent
7	3.6%	4. ☐	To some extent
1	.5%	5. ☐	To little or no extent
27	13.8%	6. ☐	Uncertain

	1		2		3		4		5		6	
Respondent	#	%	#	%	#	%	#	%	#	%	#	%
District Director	8	28	14	48	2	7	0	0	0	0	5	17
Chief of Examination	7	23	9	29	7	23	1	3	0	0	7	23
Chief of Collection	3	11	12	43	6	21	1	4	0	0	6	21
Chief of Taxpayer Service	6	21	13	46	4	14	3	11	0	0	2	7
DORA Chief	11	38	13	45	1	3	0	0	0	0	4	14
DORA Staff	10	20	28	55	7	14	3	6	0	0	3	6

Legend:
Number
% Percent

7.   **What is the projected cost of your site in FY 1995, in FY 1996?**

All 31 DORA Chiefs responded to this question.

	FY 1995	FY 1996
Staffing:	About $15 million	[a]
Training:	[a]	
Equipment:	[a]	[a]

[a]We only analyzed staffing expenses for Fiscal Year 1995 because other data were inconsistent/incomplete.

8.   **What do you consider the DORAs' primary responsibilities to be?**

A total of 201 interviewees responded to this question: 31 District
Directors, 31 DORA Chiefs, and 139 DORA staff.

The most common response to this question was compliance research
(analyze, profile, identify problems, implement treatments, etc.).
Other responses included: (1) assist other divisions (e.g., workload
selection); (2) conduct local projects; (3) serve as liaison to
market/educate IRS, taxpayers, and external stakeholders; and (4)
administrative, training, and systems duties.

9.   **What, if anything, has your DORA produced and what have been the
greatest benefits realized so far?**

The first part of this question was asked to all DORA Chiefs. The
second part was asked to all 293 interviewees: 31 District Directors;
31 DORA Chiefs; 92 Chiefs of Examination, Collection, and Taxpayer
Service; and 139 DORA staff.

Regarding the DORAs' greatest benefits realized thus far, interviewees
most commonly stated: (1) the completion of nationally scoped projects
(e.g., automotive profile); (2) the review of local projects (e.g.,
information-gathering projects); (3) the completion of local projects
(e.g., electronic filing and reasonable expense determination); (4) the
training courses, which enhanced staff skills; (5) various intangible
benefits, such as the culture change and increased functional
communication; and (6) the establishment of DORA itself as a new
approach.

10. **What are the top three or four challenges you face in increasing the
DORA benefits?**

All 293 interviewees responded to this question: 31 District Directors;
31 DORA Chiefs; 92 Chiefs of Examination, Collection, and Taxpayer
Service; and 139 DORA staff.

The most commonly cited challenges included obtaining: (1)
organizational/functional support, (2) qualified staff, (3) adequate
training, (4) good data, (5) financial resources, and (6) time to
produce products and results. Other challenges were executing the
compliance research cycle, communicating with internal and external
stakeholders, measuring the success of DORA efforts, and ensuring the
privacy/security of taxpayer data.

11. **How is the success of your DORA being measured?**

A total of 62 interviewees responded to this question: 31 District
Directors and 31 DORA Chiefs.

In general, NORA/DORA is being measured by expectations set forth in the
Business Master Plan. Regions and Districts have their own operating
plans, to which DORAs must also adhere. For fiscal year 1995, the basic
requirements of the DORAs were to become operational in terms of
staffing, training, data, etc. Other ways officials stated that DORAs
were being measured included: (1) completing profiling assignments, (2)
identifying noncompliance, (3) increasing compliance levels for the long
term, and (4) fulfilling performance expectations.

12. **In your opinion, do you believe other measures of DORA success are needed?**

    A total of 62 interviewees responded to this question: 31 District Directors and 31 DORA Chiefs.

TOTAL
45   72.6%   1. ☐ Yes
17   27.4%   2. ☐ No

		1		2
Respondent	#	%	#	%
District Director	25	81	6	19
DORA Chief	20	65	11	36

Legend
Number
% Percent

   If yes, please explain.

   There were various responses to this question. However, most District Directors and DORA Chiefs said that a good measure of DORA success would be to analyze changes, or the impact, research and analysis has on compliance levels. District Directors were more specific, saying that changes in compliances levels by market segment, within a district or within a particular time frame, should be measured. Another common response by DORA Chiefs was to base DORA success on the amount of revenue it generates. Some of the other responses included: (1) doing a cost/benefit analysis of DORA versus traditional means to improve compliance, (2) judging the recommendations DORA made to the Compliance Planning Council, (3) measuring DORAs' ability to work with other Divisions, (4) making all functions responsible for compliance-level improvements, and (5) measuring DORA success on the basis of the identification of issues/market segments.

13. **In your opinion, what factors are critical to the success of NORA/DORA and compliance research, and why?**

    All 293 interviewees responded to this question: 31 District Directors; 31 DORA Chiefs; 92 Chiefs of Examination, Collection, and Taxpayer Service; and 139 DORA staff.

    The most common responses to this question were: (1) acquiring organizational support, (2) obtaining data, (3) developing a measurement system, and (4) hiring and training staff. Other factors staff indicated as being critical to the success of NORA/DORA were delivering a useful product in a quick and timely fashion, resolving privacy and security issues, obtaining taxpayer identification numbers, and obtaining financial resources.

14. **Who determines the DORAs' workload?**

    This question was asked to 31 DORA Chiefs. [See note at beginning of appendix.]

15.   **Do you have a research plan or set of research questions that will be
      used as the basis for ongoing or future work done by your DORA?**

      All 31 DORA Chiefs responded to this question.

TOTAL
20   64.5%   1. ☐ Yes
11   35.5%   2. ☐ No

16.   **Have you received any written guidance from NORA on how to develop and
      use research questions and methodologies?**

      All 31 DORA Chiefs responded to this question.

TOTAL
22   71.0%   1. ☐ Yes
 9   29.0%   2. ☐ No   ---> *Skip to Question 18.*

      If yes, please describe the guidance received.

      There were various responses to this question. Most DORA Chiefs said
      that the guidance they received was in the form of the following: (1)
      templates, (2) training, (3) guidelines for profiling reports, (4)
      instructions for developing a profile plan, and (5) instructions for
      developing a research plan.

17.   **In your opinion, was the guidance received from NORA sufficient to do
      your work?**

      A total of 22 DORA Chiefs responded to this question. (On the basis of
      a response provided to a previous question, some Chiefs skipped this
      question.)

TOTAL
18   81.8%   1. ☐ Yes
 4   18.2%   2. ☐ No

18.   **How satisfied or dissatisfied are you with the number of staff at your DORA site?**

A total of 62 interviewees responded to this question: 31 District Directors and 31 DORA Chiefs.

TOTAL
21	33.9%	1. ☐ Very satisfied
32	51.6%	2. ☐ Generally satisfied
4	6.5%	3. ☐ Neither satisfied nor dissatisfied
3	4.8%	4. ☐ Generally dissatisfied
2	3.2%	5. ☐ Very dissatisfied

	1		2		3		4		5	
Respondents	#	%	#	%	#	%	#	%	#	%
District Director	13	42	14	45	3	10	1	3	0	0
DORA Chief	8	26	18	58	1	3	2	6	2	6

Legend:
Number
% Percent

19.   **In your opinion, should staffing increase in the future?**

A total of 62 interviewees responded to this question: 31 District Directors and 31 DORA Chiefs.

TOTAL
39	62.9%	1. ☐ Definitely yes --->**How many more staff do you feel you will need?**
13	21.0%	2. ☐ Probably yes ----> **How many more staff do you feel you will need?**
0	0%	3. ☐ Probably not
0	0%	4. ☐ Definitely not
10	16.1%	5. ☐ Uncertain

	1		2		3		4		5	
Respondents	#	%	#	%	#	%	#	%	#	%
District Director	15	48	8	26	0	0	0	0	8	26
DORA Chief	24	77	5	16	0	0	0	0	2	6

Legend:
Number
% Percent

20. **To what extent, if at all, do you believe that your staff possess the background and skills needed to perform the work at the DORA?**

A total of 62 interviewees responded to this question: 31 District Directors and 31 DORA Chiefs.

TOTAL

18	29.0%	1. ☐	To a very great extent
23	37.1%	2. ☐	To a great extent
20	32.3%	3. ☐	To a moderate extent
1	1.6%	4. ☐	To some extent
0	0%	5. ☐	To little or no extent
0	0%	6. ☐	Uncertain

	1		2		3		4		5		6	
Respondent	#	%	#	%	#	%	#	%	#	%	#	%
District Director	11	35	12	39	8	26	0	0	0	0	0	0
DORA Chief	7	23	11	35	12	39	1	3	0	0	0	0

Legend:
Number
% Percent

If box 3, 4, or 5 is checked, why do you believe this?

Most of the DORA Chiefs and District Directors, who responded as indicated, believed that the DORA staff lacked some of the research skills needed to conduct research. Some officials were specific, stating that the staff needed training in statistics, economics, operations research, marketing, treatment development, and conducting applied research and analysis.

21. **Did the redeployment agreement have an affect on DORA staffing?**

A total of 62 interviewees responded to this question: 31 District Directors and 31 DORA Chiefs.

TOTAL

40	64.5%	1. ☐	Yes
20	32.3%	2. ☐	No
2	3.2%	3. ☐	Uncertain

	1		2		3	
Respondents	#	%	#	%	#	%
District Director	17	55	12	39	2	6
DORA Chief	23	74	8	26	0	0

Legend
Number
% Percent

22. **Have you recognized any differences in your staff (i.e., productivity, quality, etc.) depending on the functional area where the staff came from?**

    All 31 DORA Chiefs responded to this question.

    TOTAL
9	29.0%	1. ☐	Yes
22	71.0%	2. ☐	No
0	0%	3. ☐	Uncertain

23. **Who has the authority to bring in additional staff?**

    This question was asked to 31 DORA Chiefs. [See note at beginning of appendix.]

24. **In your opinion, how adequate or inadequate was the training you and your staff have received thus far to fulfill your responsibilities and duties?**

    All 31 DORA Chiefs responded to this question.

Training you received				Training your staff has received			
TOTAL				TOTAL			
9	29.0%	1. ☐	More than adequate	8	25.8%	1. ☐	More than adequate
15	48.4%	2. ☐	Generally adequate	21	67.7%	2. ☐	Generally adequate
2	6.5%	3. ☐	Neither adequate nor inadequate	2	6.5%	3. ☐	Neither adequate nor inadequate
3	9.7%	4. ☐	Generally inadequate	0	0%	4. ☐	Generally inadequate
0	0%	5. ☐	Very inadequate	0	0%	5. ☐	Very inadequate
2	6.5%	6.	None received ---> **Please explain**				

    If box 3, 4, or 5 is checked for either, why has the training been less than adequate?

    DORA Chief Training: DORA Chiefs who said the training had been less than adequate stated: (1) they needed a course on managing a research division, (2) it was too early to give high marks to the training program and judgment would be reserved until a later date, and (3) the Chiefs needed more interaction so that the "big picture" would be shared. There were two DORA Chiefs who did not receive training: one was from National Office/Research who felt he did not need it, and the other was in an Acting Chief role.

    DORA Staff Training: One Chief said it was too early to give high marks to the training program and that he would reserve judgment until a later date. The other said that the training suited current needs, but it needed to improve dramatically in the future as the work becomes more complex.

25. **In what areas, if any, would you like for you or your staff to have additional training?**

    A total of 170 interviewees responded to this question: 31 DORA Chiefs and 139 DORA staff.

    DORA officials said they would like to receive additional training in the following areas: (1) statistics/data analysis; (2) research methodologies/techniques; (3) computer-related courses; (4) writing and report development; (5) tax law and related IRS issues; (6) behavioral sciences/psychology; (7) economics; and (8) project management.

26. **What IRS and external databases are available to you locally?**

    This question was asked to 31 DORA Chiefs. [See note at beginning of appendix.]

27. **To what extent, if at all, has the computer hardware and software you have at your DORA helped you in accomplishing your mission?**

    All 31 DORA Chiefs responded to this question.

    Hardware   Software

TOTAL				TOTAL			
19	61.3%	1. ☐	To a very great extent	18	58.1%	1. ☐	To a very great extent
11	35.5%	2. ☐	To a great extent	13	41.9%	2. ☐	To a great extent
1	3.2%	3. ☐	To a moderate extent	0	0%	3. ☐	To a moderate extent
0	0%	4. ☐	To some extent	0	0%	4. ☐	To some extent
0	0%	5. ☐	To little or no extent	0	0%	5. ☐	To little or no extent
0	0%	6. ☐	Uncertain	0	0%	6. ☐	Uncertain

28. **In your opinion, how will the DORAs affect the operational programs of the other functions within the district?**

    This question was asked to 31 DORA Chiefs. [See note at beginning of appendix.]

29. **Is the Compliance Planning Council currently operational in your district?**

TOTAL
3   9.7% 1. ☐ No --->   *Skip to Question 32.*

(The Council was not operational in 3 sites: Hartford, Boston, and Brooklyn.)

28   90.3% 2. ☐ Yes --->   **In your opinion, how effective or ineffective is this Council in managing or monitoring compliance research activities?**

A total of 104 officials responded to this question: 28 DORA Chiefs and 76 Chiefs of Examination, Collection, and Taxpayer Service.

TOTAL
21   20.2%   1. ☐ Very effective
36   34.6%   2. ☐ Generally effective
13   12.5%   3. ☐ Neither effective nor
                      ineffective
 8   7.7%   4. ☐ Generally ineffective
 1   1.0%   5. ☐ Very ineffective
25   24.0%   6. ☐ Uncertain

	1		2		3		4		5		6	
Respondent	#	%	#	%	#	%	#	%	#	%	#	%
DORA Chief	2	7	11	39	7	25	1	4	0	0	7	25
Chief of Examination	5	19	11	42	1	4	4	15	0	0	5	19
Chief of Collection	6	23	8	31	2	8	1	4	1	4	8	31
Chief of Taxpayer Service	8	32	7	28	3	12	2	8	0	0	5	20

Legend:
Number
% Percent

30. **Who are the members of the Compliance Planning Council in your district?**

This question was asked to 31 DORA Chiefs. [See note at beginning of appendix.]

31. **What is the Council's role?**

This question was asked to 31 DORA Chiefs. [See note at beginning of appendix.]

32. **What is the status of the Compliance 2000 Office in your district?**

All 31 DORA Chiefs responded to this question.

TOTAL
4	12.9%	1. ☐	Open
21	67.7%	2. ☐	Closed
6	19.4%	3. ☐	Never had a Compliance 2000 Office
0	0%	4. ☐	Uncertain

33. **Have you reviewed any of the Compliance 2000 projects?**

All 31 DORA Chiefs responded to this question.

TOTAL
7	22.6%	1. ☐ No --->	*Skip Question.*
24	77.4%	2. ☐ Yes --->	If yes, what are your opinions of them?

34. **Are there any Compliance 2000 projects that you would recommend for nationwide implementation through NORA?**

A total of 24 DORA Chiefs responded to this question. (On the basis of a response provided to a previous question, some Chiefs skipped this question.)

TOTAL
18	75.0%	1. ☐ No	
6	25.0%	2. ☐ Yes --->	**Which ones?**

35. **How are you using your DORA now, and how do you plan to use it in the future?**

This question was asked to the District Director. [See note at beginning of appendix.]

36. **What is your role in determining the DORAs' workload?**

This question was asked to the District Director. [See note at beginning of appendix.]

37. **Currently, what is your role in providing the DORA resources?**

This question was asked to the District Director. [See note at beginning of appendix.]

38. **Describe your role as a member of the Compliance Planning Council.**

This question was asked to Chiefs of Examination, Collection, and Taxpayer Service. [See note at beginning of appendix.]

39. **What criteria does the Council use in establishing its research priorities?**

    The 92 Chiefs of Examination, Collection, and Taxpayer Service responded to this question.

    Several officials said that no criteria had been established yet. Officials who cited criteria said the following was used to establish research priorities: (1) return on investment, (2) resource requirements, and (3) National Office direction.

40. **In what ways do you believe the DORA will affect your operational program?**

    The 92 Chiefs of Examination, Collection, and Taxpayer Service responded to this question.

    Officials stated that they expected DORA to (1) determine/focus their divisions' workload, (2) identify more productive cases for their staff to work on, (3) use some of their divisions' resources, (4) help determine how resources within their division should be distributed, and (5) increase coordination among the district divisions.

41. **Has your division been affected by:**

    The 92 Chiefs of Examination, Collection, and Taxpayer Service responded to this question.

    <u>Compliance 2000</u>   <u>DORA</u>

TOTAL				TOTAL			
85	92.4%	1. ☐	Yes ---> How?	52	56.5%	1. ☐	Yes ---> How?
4	4.3%	2. ☐	No	34	37.0%	2. ☐	No
3	3.3%	3. ☐	Uncertain	6	6.5%	3. ☐	Uncertain

42. **In your opinion, to what extent, if at all, do you consider the DORAs to be a good investment of your resources?**

The 92 Chiefs of Examination, Collection, and Taxpayer Service responded to this question.

TOTAL
8	8.7%	1. ☐	To a very great extent
23	25.0%	2. ☐	To a great extent
23	25.0%	3. ☐	To a moderate extent
7	7.6%	4. ☐	To some extent
3	3.3%	5. ☐	To little or no extent
28	30.4%	6. ☐	Uncertain

	1		2		3		4		5		6	
Respondent	#	%	#	%	#	%	#	%	#	%	#	%
Chief of Examination	5	16	5	16	7	23	0	0	1	3	13	42
Chief of Collection	1	3	5	16	11	36	5	16	2	7	7	23
Chief of Taxpayer Service	3	10	13	42	5	16	2	7	0	0	8	26

Legend:
Number
% Percent

Please explain why you believe this.

The most common response to this question was that it was too soon to tell if the division chiefs considered the DORAs to be a good investment of their resources.

Officials who generally thought DORA was a good investment of their division resources provided the following explanations: (1) DORA will be able to improve/better focus on workload and help to find more productive cases, (2) DORA will help to determine how and where to use resources, (3) DORA will be able to identify noncompliant market segments, (4) DORA is beneficial because it is one consolidated division in the field that can do research, and (5) DORA should help them get better information and help IRS increase compliance levels.

Some of the officials who were less optimistic about the DORAs replied: (1) DORA is too centralized and not enough local work is being done, (2) DORA is not a good investment because giving it resources means that other divisions may not meet their own productivity goals, (3) DORAs are not useful because they do not have access to taxpayer identifying numbers, (4) DORA needs to market itself because some divisions do not know how to use it, and (5) their first report was too detailed and not readable or usable.

43. **What level of interaction do you anticipate between DORA and [DIVISION BEING INTERVIEWED: Exam, Collection, or Taxpayer Service]?**

    This question was asked to Chiefs of Examination, Collection, and Taxpayer Service. [See note at beginning of appendix.]

44. **How do you foresee your workload changing as a result of the NORA/DORA efforts?**

    The 92 Chiefs of Examination, Collection, and Taxpayer Service responded to this question.

    Officials stated that they expected NORA/DORA to affect their workload by (1) determining/focusing their division's workload, (2) identifying more productive cases for their staff to work on, (3) using some of their divisions' resources (e.g., less resources to work on own projects), (4) helping determine how resources within their divisions' should be distributed, and (5) increasing coordination among the district divisions.

45. **To what extent, if at all, do you think you will be held accountable for the success of the DORA (i.e., increasing voluntary compliance through the research-based approach)?**

    All 92 Chiefs of Examination, Collection, and Taxpayer Service responded to this question.

TOTAL

10	10.9%	1. ☐	To a very great extent
25	27.2%	2. ☐	To a great extent
16	17.4%	3. ☐	To a moderate extent
12	13.0%	4. ☐	To some extent
13	14.1%	5. ☐	To little or no extent
16	17.4%	6. ☐	Uncertain

	1		2		3		4		5		6	
Respondent	#	%	#	%	#	%	#	%	#	%	#	%
Chief of Examination	6	19	12	39	5	16	3	10	3	10	2	6
Chief of Collection	2	6	6	19	7	23	4	13	6	19	6	19
Chief of Taxpayer Service	2	6	7	23	5	16	5	16	4	13	8	26

Legend:
Number
% Percent

If box 1, 2, or 3 is checked, in what ways:

The most common responses given by the chiefs were that they had to (1) use
DORA's work--deliver results/treatments on the basis of DORA's input and (2)
ensure their resources were available to support the DORA. Some of the other
responses were that the chiefs needed to be active members of the Compliance
Council and needed to develop ways to use DORA's services.

46.   **What is your position or job title in the DORA?**

      All 139 DORA staff responded to this question.

TOTAL
19	13.7%	1. ☐	Statistician
16	11.5%	2. ☐	Economist
26	18.7%	3. ☐	Operations Research Analyst
35	25.2%	4. ☐	Program Analyst
43	30.9%	5. ☐	Other ---> Please specify

      The category of "other" includes Computer Research Analyst and related
      computer positions; Operations Research Analysts and Program Analysts,
      who are also Team Leaders; and others, such as a Magnetic Media
      Specialist.

47.   **Were you involved in any attempts to improve compliance through research
      and analysis prior to the implementation of the NORA/DORA concept?**

      All 139 DORA staff responded to this question.

TOTAL
51	36.7%	1. ☐	Yes
88	63.3%	2. ☐	No ---> *Skip Question.*

      **If yes, what lessons, if any, have you learned from these prior research
      activities?**

      Lessons learned is part of our overall analysis; see question 4.

      More than half of the staff members, who said they were involved in
      prior efforts to improve compliance, stated what those activities were.
      The majority said they were in a Compliance 2000 Office or used
      Compliance 2000 principals when doing their work. Other staff members
      worked in the National Office Research Division; the National Office
      Compliance Group; or in Examination's Compliance, Technical, or Research
      Offices. Officials also cited several research projects on which they
      worked, such as the Discriminate Function and TCMP.

48.   **As a member of the DORA staff, what do you consider your primary
      responsibilities to be?**

      This question was asked to DORA staff. [See note at beginning of
      appendix.]

49.   **Since moving into the DORA, what have you spent most of your time doing?**

All 139 DORA staff responded to this question.

At the time of our review, DORA staff reported doing the following
activities: (1) profiling nationally directed projects, (2) attending
training courses, (3) reviewing prior compliance projects, (4) working
on local projects, (5) performing data analysis and verification, and
(6) doing various administrative and computer system duties.

50.   **What types of data are you using to do your job?**

This question was asked to DORA staff. [See note at beginning of
appendix.]

51.   **To what extent, if at all, do you believe the data you have is
sufficient to do your job?**

All 139 DORA staff responded to this question.

TOTAL
6	4.3%	1. ☐	To a very great extent
21	15.1%	2. ☐	To a great extent
58	41.7%	3. ☐	To a moderate extent
44	31.7%	4. ☐	To some extent
4	2.9%	5. ☐	To little or no extent
6	4.3%	6. ☐	Uncertain

**If box 3, 4, or 5 is checked, what are the data limits and what
improvements are needed?**

Data Limits:

Some of the responses to the limits of the data were: (1) data not
fully tested/validated, (2) no compliance databases, (3) data not
timely--old, (4) limited external data, and (5) cannot track individual
taxpayers for time-line analyses. The DORA staff also added other items
they believed limit them in doing their work sufficiently: (1) missing
or limited data fields in working files, (2) mistakes in data fields,
(3) cannot link data to audit potential--no dependent variables, and (4)
data not useful in identifying noncompliance.

Needed Improvements:

To satisfy some of the data limits, the staff believed that (1) data
need to be tested and validated, especially for principal business
codes; (2) compliance databases need to be able to measure and analyze
accuracy, timeliness, and full payment; (3) internal data need to be
reviewed to determine what elements are useful; (4) data need to be
updated, especially data from Examination and Collection databases; (5)
new sources of data need to be available (i.e., more state data); and
(6) additional information to track taxpayers would be helpful to DORA
when analyzing treatments.

Additionally, the staff believed it would be useful to have (1) an
entire universe of data, as opposed to a sample and (2) TCMP results.

52. **In your opinion, how comfortable or uncomfortable are you with the research plan, methodologies, and questions being addressed by DORA?**

All 139 DORA staff responded to this question.

TOTAL
52	37.4%	1. ☐	Very comfortable
51	36.7%	2. ☐	Somewhat comfortable
8	5.8%	3. ☐	Neither comfortable nor uncomfortable
17	12.2%	4. ☐	Somewhat uncomfortable
0	0%	5. ☐	Very uncomfortable
11	7.9%	6. ☐	Uncertain

53. **To what extent, if at all, do you believe you can do the work required at the DORA?**

All 139 DORA staff responded to this question.

TOTAL
56	40.3%	1. ☐	To a very great extent
76	54.7%	2. ☐	To a great extent
6	4.3%	3. ☐	To a moderate extent
0	0%	4. ☐	To some extent
0	0%	5. ☐	To little or no extent
1	.7%	6. ☐	Uncertain

54. **In your opinion, how adequate or inadequate has the training you received thus far been to fulfill your responsibilities and duties as a DORA staff member?**

All 139 DORA staff responded to this question.

TOTAL
25	18.0%	1. ☐	More than adequate
90	64.7%	2. ☐	Generally adequate
18	12.9%	3. ☐	Neither adequate nor inadequate
3	2.2%	4. ☐	Generally inadequate
0	0%	5. ☐	Very inadequate
3	2.2%	6. ☐	Uncertain

If box 3, 4, or 5 is checked, why has the training not been adequate?

DORA staff believed the training they received thus far was less than adequate because:

-- phase I training lacked practical foundation--too theoretical and not based on facts;
-- phase I training was too general, and it left lots of unanswered questions--needed technical assistance;
-- needed more time for phase I training--too much information to absorb in short time frame;
-- needed more training to include statistics and research methodologies;
-- training not divided into specialty areas or fit individual needs (i.e., economist, statistician; same training for all staff regardless of skill levels, knowledge, or experience);
-- training did not address goals and mission of DORA;
-- scheduling of training classes could have been better and more meaningful (i.e., computer class was before the DORA training); and
-- training funds not available.

55. **In what areas, if any, would you like to have additional training?**

   This question was asked to DORA staff. [See note at beginning of appendix.]

56. **In your opinion, do you have the hardware and software required to accomplish the DORA's mission?** *Would you say... [Read Scale].*

   All 139 DORA staff responded to this question.

	Hardware			Software	
TOTAL			TOTAL		
122	87.8% 1. ☐	Yes	123	88.5% 1. ☐	Yes
12	8.6% 2. ☐	No	11	7.9% 2. ☐	No
5	3.6% 3. ☐	Uncertain	5	3.6% 3. ☐	Uncertain

57. **Do you have any thoughts or suggestions on how to improve the NORA/DORA approach to compliance research?**

   This question was asked to DORA Chiefs; District Directors; Chiefs of Examination, Collection, and Taxpayer Service; and DORA staff. [See note at beginning of appendix.]

58. **Are there any other perceptions about compliance research that you would like to share with us?**

   This question was asked to DORA Chiefs; District Directors; Chiefs of Examination, Collection, and Taxpayer Service; and DORA staff. [See note at beginning of appendix.]

59. **To what extent, if at all, do you believe the Interim CRIS data are**
    sufficient to do the work required at the DORA?

    All 31 DORA Chiefs responded to this question.

    TOTAL
2	6.5%	1. ☐	To a very great extent
10	32.3%	2. ☐	To a great extent
13	41.9%	3. ☐	To a moderate extent
2	6.5%	4. ☐	To some extent
1	3.2%	5. ☐	To little or no extent
3	9.7%	6. ☐	Uncertain

60. **To what extent, if at all, do you believe the postponement of TCMP will**
    hamper your efforts to improve compliance by the year 2001?

    All 31 DORA Chiefs responded to this question.

    TOTAL
2	6.5%	1. ☐	To a very great extent
9	29.0%	2. ☐	To a great extent
3	9.7%	3. ☐	To a moderate extent
5	16.1%	4. ☐	To some extent
2	6.5%	5. ☐	To little or no extent
10	32.3%	6. ☐	Uncertain

61. **To what extent, if at all, do you believe the budget cut will affect**
    IRS' efforts to improve compliance by the year 2001?

    All 31 DORA Chiefs responded to this question.

    TOTAL
7	22.6%	1. ☐	To a very great extent
5	16.1%	2. ☐	To a great extent
3	9.7%	3. ☐	To a moderate extent
3	9.7%	4. ☐	To some extent
3	9.7%	5. ☐	To little or no extent
10	32.3%	6. ☐	Uncertain

62.   **To what extent, if at all, do you believe the Research Plan will be an
      effective tool?**

      All 31 DORA Chiefs responded to this question.

TOTAL
9   29.0%   1. ☐ To a very great extent
16   51.6%   2. ☐ To a great extent
1   3.2%   3. ☐ To a moderate extent
5   16.1%   4. ☐ To some extent
0   0%   5. ☐ To little or no extent
0   0%   6. ☐ Uncertain

63.   **Since our initial contact this summer, what have your staff spent most
      of their time doing?**

      This question was asked to DORA Chiefs. [See note at beginning of
      appendix.]

64.   **Are there any other concerns or issues about compliance research that
      you would like to share with us?**

      This question was asked to DORA Chiefs. [See note at beginning of
      appendix.]

Summary of DORA Staffing Data Collection Instrument

This appendix contains the results from our District Offices of Research and Analysis (DORA) staffing data collection instrument that was provided to all 31 DORA Chiefs for completion during the summer of 1995. The Chiefs reported 217 staff onboard during our field visits. The average and median number of staff per site was 7, and staffing ranged from 4 to 12 people per site. The following tables provide more details about the DORA staff. Some percentages may not equal 100 due to rounding.

Table V.1: Analysis of DORA Staff Positions

Position	Number of staff	Percentage of all staff	Percentage of staff minus 31 DORA Chiefs
DORA Chief	31	14.3	[b]
Computer Research Analyst and related computer positions	32	14.7	17.2
Economist	23	10.6	12.4
Operations Research Analyst	41	18.9	22.0
Program Analyst	62	28.6	33.3
Statistician	22	10.1	11.8
Other[a]	6	2.8	3.2
Total	**217**	**100.0**	**99.9**

[a]The category of "other" positions includes: Assistant DORA Chief, Diversity Coordinator, Fed-State Coordinator, Magnetic Media Specialist, Public Affairs Specialist, and Acting Team Leader.

[b]Not applicable.

Source: District Offices of Research and Analysis, IRS.

Table V.2: Analysis of Staff Grade Level

Grade[a]	Number of staff	Percentage of staff
General Schedule-7	7	3.2
General Schedule-9	11	5.1
General Schedule-11	11	5.1
General Schedule-12	29	13.4
General Schedule-13	84	38.7
General Schedule-14	41	18.9
General Management-15	31	14.3
Other[b]	3	1.4
Total	**217**	**100.1**

[a]"Grade" means the level of classification an employee has under a position classification system (i.e., referring to the duties, tasks, and functions he or she performs).

[b]The category of "other" grade includes two staff at the General Schedule (GS) 12/13 level and one staff at the GS 11/12 level.

Source: District Offices of Research and Analysis, IRS.

Table V.3: Analysis of Number of Years Staff Employed at IRS

Time frame	Number of staff	Percentage of staff
1 year or less	7	3.2
2 to 5 years	29	13.4
6 to 10 years	36	16.6
11 to 20 years	74	34.1
20 or more years	71	32.7
Total	**217**	**100**

Note: About 67 percent of DORA staff have been employed at IRS for more than 10 years. Of the staff who have been employed 1 year or less, four are economists and three are statisticians.

Source: District Offices of Research and Analysis, IRS.

Table V.4: Analysis of Prior IRS Division Experience

Division[a]	Number of staff	Percentage of staff
Examination	70	32.3
Collection	50	23.0
Information Systems	27	12.4
Taxpayer Service	18	8.3
Resources Management	9	4.1
Research	8	3.7
Other[b]	35	16.1
Total	**217**	**99.9**

[a]"Division" refers to the division in which DORA staff reported spending the bulk of their careers.

[b]The category of "other" division includes various divisions, such as Appeals, Inspection, Returns Processing, and Personnel. It also includes those staff who reported having no prior division experience (i.e., new hires).

Source: District Offices of Research and Analysis, IRS.

Table V.5: Analysis of DORA Staff's Undergraduate Minors

Category of degree	Number of staff	Percentage of staff
Business	29	31.9
Computer	5	5.5
Social Science	2	2.2
Math	4	4.4
Liberal Arts	28	30.8
Science	7	7.7
Tax	0	0.0
Economics	13	14.3
Statistics/Quantitative Analysis	3	3.3
Operations Research	0	0.0
Total	**91**	**100.1**

Note: Of the 217 DORA staff onboard during our visits, 84, or about 39 percent, reported having a minor. About 61 percent, or 133 of the staff, did not have a minor degree. Seven staff had more than one minor.

Source: District Offices of Research and Analysis, IRS.

**Table V.6: Analysis of DORA Staff's
Undergraduate Majors**

Category of degree	Number of staff	Percentage of staff
Business	76	35.3
Computer	8	3.7
Social Science	17	7.9
Math	16	7.4
Liberal Arts	34	15.8
Science	18	8.4
Tax	0	0.0
Economics	39	18.1
Statistics/Quantitative Analysis	4	1.9
Operations Research	0	0.0
Other[a]	3	1.4
Total	**215**	**99.9**

Note: Of the 217 DORA staff onboard during our visits, 205, or about 95 percent, reported having a college degree or major. About 5 percent, or 12 of the staff, did not have an undergraduate degree. Ten staff had more than 1 major.

[a]The category of "other" includes prelaw and criminal justice degrees.

Source: District Offices of Research and Analysis, IRS.

Table V.7: Analysis of DORA Staff's Graduate Degrees

Category of degree	Number of staff	Percentage of staff
Business	32	33.7
Computer	4	4.2
Social Science	0	0.0
Math	5	5.3
Liberal Arts	11	11.6
Science	5	5.3
Tax	8	8.4
Economics	14	14.7
Statistics/Quantitative Analysis	7	7.4
Operations Research	3	3.2
Other[a]	6	6.3
Total	**95**	**100.1**

Note: Of the 217 DORA staff onboard during our visits, 79, or about 36 percent, reported having graduate degrees. About 36 percent, or 138 staff, did not have a graduate degree. Twelve staff had more than 1 degree.

[a]The category of "other" includes three staff who reported having a juris doctorate degree and three staff who reported having an advanced degree, such as a doctorate, but did not specify the subject area.

Source: District Offices of Research and Analysis, IRS.

Table V.8: Analysis of Types of Reassignments Into DORA

Type of reassignment	Number of staff	Percentage of staff
Voluntary lateral[a]	124	57.1
Priority lateral[b]	8	3.7
Directed lateral[c]	3	1.4
Voluntary change to a lower grade[d]	9	4.1
Competitive change to a higher grade[e]	44	20.3
Competitive to the same grade/higher career ladder[f]	13	6.0
Other[g]	16	7.4
Total	**217**	**100**

[a]A "voluntary lateral" reassignment means that a staff person volunteered to leave his or her current assignment or position and move into the DORA at the same grade level. Selection criteria (e.g., length of federal employment) varied.

[b]A "priority lateral" reassignment means that an employee was allowed to transfer to the DORA on the basis of criteria such as hardship.

[c]A "directed lateral" reassignment means that management involuntarily reassigned an employee to the DORA.

[d]A "voluntary change to a lower grade" reassignment means that a staff person volunteered to leave his or her current assignment or position and move into the DORA at a lower grade level.

[e]A "competitive change to a higher grade" reassignment means that a staff person competed with other IRS employees to move into the DORA at a higher grade level than he or she previously held.

[f]A "competitive change to the same grade but higher career ladder" reassignment means that a staff person competed with other IRS employees to move into the DORA at his or her current grade level; but the staff person would have an opportunity to advance, without competition, to a higher grade level than he or she could have had in the previous position.

[g]The category of "other" includes other types of reassignments not in the categories above.

Source: District Offices of Research and Analysis, IRS.

Table V.9: Analysis of Who Hired DORA Staff

Who hired staff	Number of staff	Percentage of staff	Number of staff, excluding 31 DORA Chiefs	Percentage of staff, excluding 31 DORA Chiefs
DORA Chief	135	62.2	135[a]	72.5
District Director	64	29.5	44	23.7
Regional Commissioner	9	4.1	1	0.5
Joint Decision[b]	8	3.7	6	3.2
Other[c]	1	.5	0	0.0
Total	**217**	**100.0**	**186**	**99.9**

[a]Number did not change because DORA Chiefs do not hire other Chiefs.

[b]"Joint Decision" means that more than one official was responsible for bringing a particular staff person into the DORA. Joint decisions were made by Regional Commissioners, District Directors, DORA Chiefs, and Compliance 2000 Coordinators.

[c]The category of "other" includes an Assistant District Director.

Source: District Offices of Research and Analysis, IRS.

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