



*Future Improvements Could
Further Increase the Benefits of
the Tuition Assistance Program*

April 24, 2012

Reference Number: 2012-10-043

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



HIGHLIGHTS

FUTURE IMPROVEMENTS COULD FURTHER INCREASE THE BENEFITS OF THE TUITION ASSISTANCE PROGRAM

Highlights

Final Report issued on April 24, 2012

Highlights of Reference Number: 2012-10-043 to the Internal Revenue Service Human Capital Officer.

IMPACT ON TAXPAYERS

The IRS, like many Federal agencies, uses tuition assistance as a long-term recruitment and retention tool and as a means to improve employee and organizational performance. The IRS established some monitoring tools to measure the impact of the Tuition Assistance Program (hereafter referred to as the Program) and determined the Program benefitted both individual employees and the IRS. However, the IRS did not clearly define Program goals, and guidelines did not always work or were not sufficient. As a result, the IRS did not always ensure that taxpayer funds were used wisely.

WHY TIGTA DID THE AUDIT

This audit addresses the major management challenge of Human Capital. The overall objective was to determine if the IRS Human Capital Office was evaluating whether Program goals were being met and selected guidelines were being followed.

WHAT TIGTA FOUND

The IRS evaluated the impact of the Program and concluded that participants (as compared to the general IRS population) showed lower attrition, more promotions, higher performance ratings, and higher employee engagement scores. However, the IRS never clearly defined the goals of the Program and, consequently, never clearly defined measures that would assist the IRS in assessing whether the Program was meeting its goals.

The IRS generally approved courses only when participants were eligible to participate and when the courses requested were within the

established guidelines. However, controls did not always work or were not sufficient. As a result, TIGTA determined that Program officials did not always: 1) reject requests for non-qualifying courses, 2) ensure vendors met a minimum standard of quality, 3) ensure that courses were successfully completed, and 4) enforce continuing service agreements to ensure that employees who leave Government service shortly after receiving training pay back the training funds.

In November 2011, the IRS made a decision to eliminate Program funding for Fiscal Year 2012 due to budgetary reductions. However, the IRS left open the possibility of bringing the Program back in future fiscal years. The elimination of Program funding provides the IRS with an opportunity to consider strengthening accountability over Program funds in the event it decides to resume operations of this or a similar program in the future. Improvements would provide the IRS with better insight into whether its future program is achieving the results it desires and would assure the IRS and the public that money being used to invest in employee development is a good use of taxpayer funds.

WHAT TIGTA RECOMMENDED

TIGTA recommended that, in the event the IRS decides to fund a future tuition assistance program, the IRS establish goals and cost-effective measures, ensure courses relate to a participant's existing job duties or career goals, ensure courses be taken only from vendors meeting a minimum standard of quality, ensure courses are successfully completed, and enforce continuing service agreements.

The IRS agreed with the recommendation and plans to document process improvements, achievements results, lessons learned resulting from an August 2011 meeting with the National Treasury Employees Union, and the recommendation from this report on the Human Capital Office Knowledge Management website.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 24, 2012

MEMORANDUM FOR INTERNAL REVENUE SERVICE HUMAN CAPITAL OFFICER

Michael R. Phillips
FROM: Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Future Improvements Could Further Increase the Benefits of the Tuition Assistance Program (Audit # 201110024)

This report presents the results of our review to determine if the Internal Revenue Service Human Capital Office was evaluating whether Tuition Assistance Program goals were being met and selected guidelines were being followed. This review is included in our Fiscal Year 2012 Annual Audit Plan and addresses the major management challenge of Human Capital.

Management's complete response to the draft report is included as Appendix VI.

Copies of this report are also being sent to the IRS managers affected by the report recommendation. Please contact me at (202) 622-6510 if you have questions or Russell P. Martin, Acting Assistant Inspector General for Audit (Management Services and Exempt Organizations), at (202) 622-8500.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Table of Contents

Background	Page 1
Results of Review	Page 4
While the Program Benefitted the Agency and Its Employees, Program Controls Did Not Always Ensure Funds Were Spent Wisely.....	Page 4
<u>Recommendation 1</u> :.....	Page 12
Appendices	
Appendix I – Detailed Objective, Scope, and Methodology	Page 13
Appendix II – Major Contributors to This Report	Page 15
Appendix III – Report Distribution List	Page 16
Appendix IV – Outcome Measures.....	Page 17
Appendix V – Non-Qualifying Course Guidelines.....	Page 19
Appendix VI – Management’s Response to the Draft Report	Page 21



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Abbreviations

FY	Fiscal Year
IRS	Internal Revenue Service



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Background

The Internal Revenue Service (IRS), like many Federal agencies, uses tuition assistance as a long-term recruitment and retention tool and as a means to improve employee and organizational performance. As experienced IRS employees leave or retire from the Federal Government, successful recruitment and retention is critical to ensure that future employees have the skills and knowledge needed to provide America's taxpayers with top quality service.

From Fiscal Years (FY) 2000 through 2007, the IRS operated a program known as the Human Resource Investment Fund to promote career development, increase the internal pool of candidates for the IRS's mission-critical occupations,¹ and improve the skills of its employees. We audited² the IRS's administration of this Fund and determined it was not a cost-effective method to distribute tuition assistance because administration costs exceeded the amount paid for tuition. In FY 2008, the IRS conceived the Tuition Assistance Program (hereafter referred to as the Program) as an alternative method for providing tuition assistance.

***The IRS uses tuition assistance
to improve employee and
organizational performance.***



The IRS believes that the Program is a more flexible form of financial assistance than its predecessor. In addition, the Program was designed to make it easier and more accessible to IRS employees interested in self-improvement. Its mission is to fund IRS employee education in mission-critical training and to help prepare employees for career and advancement opportunities.

In the Program's first year of operation, FY 2008, employees could apply for two courses per open season,³ with no limit on the cost of courses.⁴ In Program Year⁵ 2011, course funding was limited to \$2,000 per course, including a \$50 maximum on books. Additionally, employees were restricted to receiving only \$4,000 per program year.

¹ Mission-critical occupations are those positions critical to front-line enforcement and direct support to front-line operations needed to meet the stated IRS goals.

² Treasury Inspector General for Tax Administration, Ref. No. 2005-10-070, *The Human Resources Investment Fund Is Not a Cost-Effective Method of Providing Tuition Assistance* (Mar. 2005).

³ There are two open seasons for each fiscal year.

⁴ There is a \$5,250 maximum for income reporting purposes on tax-free tuition assistance.

⁵ A Program Year is based on a traditional college semester schedule. The first open season is for classes beginning after January 1 through May 31. The second open season is for classes beginning June 1 through October 31.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Figure 1 provides key statistics on the number of participants and the amount the IRS has paid for tuition assistance over the past four fiscal years.

Figure 1: Number of Participants and Amount Spent on Tuition Assistance by Fiscal Year

FY	2008	2009	2010	2011
Number of Participants	5,441	6,102	6,060	5,313
Amount Paid	\$7,630,861	\$10,387,355	\$9,964,975	\$7,021,798

Source: IRS Human Capital Office Finance Management Office. We did not validate the number of participants or amount spent on tuition assistance.

To administer the Program, the IRS developed certain criteria that should be met before an employee can be eligible for tuition assistance,⁶ as well as criteria for acceptable courses. For example, Program applications are prepared by employees and sent to the IRS Human Capital Office where they are reviewed to ensure that employees are eligible to participate in the Program and that requested courses meet Program criteria. Once a course is approved, participants can either pay for the course themselves and submit receipts to the IRS for reimbursement or have the IRS pay the vendor directly. Once a course is completed, the employee is required to send grade documentation to the IRS Human Capital Office to support the successful completion of the course.

In November 2011, the IRS made a decision to eliminate Program funding for FY 2012 due to budgetary reductions and a need to reduce expenses for programs that it determined not to be mission critical. However, the IRS left open the possibility of bringing the Program back in future fiscal years.

During our review, we raised issues and the IRS Human Capital Office took actions to address them. Actions taken by IRS management are noted throughout this report as *Management Actions*. In addition, this audit was conducted while the Program was implementing improvements designed to strengthen controls during Fiscal Year 2011. Our audit primarily evaluated Fiscal Year 2010 data because complete Fiscal Year 2011 data were not available when we started our review. As a result, this report may not reflect the most current status of the Program prior to the IRS's decision to eliminate Program funding.

This review was performed at the IRS Human Capital Office, Leadership, Education, and Delivery Services, Centralized Delivery Services function in Washington, D.C.; and the Tuition

⁶ The FY 2010 criteria for acceptance into the Program were that the employee applying for acceptance into the Program: 1) could not be in debt to the IRS, 2) must have been an employee for one full year, and 3) must have had his or her performance rated as at least "fully successful" on his or her most recent performance appraisal. From FY 2010 to FY 2011, the Program also required employees applying for acceptance into the Program to be a permanent or seasonal employee and not on an intermittent work schedule.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Assistance Program Branch in Austin, Texas, during the period August through December 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Results of Review

The IRS determined the Program benefitted both individual employees and the IRS for the period October 1, 2007, through April 24, 2010, in several ways. Participants (as compared to the general IRS population) showed lower attrition,⁷ more promotions, higher performance ratings, and higher employee engagement scores.⁸ However, the IRS never clearly defined the goals of the Program and, consequently, never clearly defined measures that would assist the IRS in assessing whether the Program was meeting its goals.

The IRS established some of the guidelines and controls necessary to successfully administer the Program. For example, the IRS generally approved courses only when participants were eligible to participate and when the courses requested were within the established guidelines. However, controls did not always work or were not sufficient. As a result, we determined that Program officials did not always: 1) reject requests for non-qualifying courses, 2) ensure vendors met a minimum standard of quality, 3) ensure that courses were successfully completed, and 4) enforce continuing service agreements to ensure that employees who leave Government service shortly after receiving training pay back the training funds.

The elimination of Program funding in FY 2012 provides the IRS with an opportunity to consider strengthening accountability over Program funds in the event it decides to resume operations of this or a similar program in the future. Improvements would provide the IRS with better insight into whether its future program is achieving the results it desires and would assure the IRS and the public that money being used to invest in employee development is a good use of taxpayer funds.

While the Program Benefitted the Agency and Its Employees, Program Controls Did Not Always Ensure Funds Were Spent Wisely

The Program has provided benefits to the agency and has been very popular with employees; however, we believe the IRS's accountability over Program funds could benefit from improvements in two important areas:

1. Establishing goals that clearly define the objectives of the Program and aligning measures in a manner that will assist in evaluating whether the goals are being achieved.

⁷ Attrition refers to the loss of employees to retirement or resignation.

⁸ Employee engagement scores measure the degree of employee motivation, commitment, and involvement in the mission of the organization.



Future Improvements Could Further Increase the Benefits of the Tuition Assistance Program

2. Developing controls so taxpayer dollars are spent in a manner that provides better assurance that the IRS, in addition to participants, benefits from tuition assistance. This will achieve the highest return on the IRS's investment.

Tuition Assistance Program goals were not clearly defined and measures were not aligned

Government agencies should have goals in place to ensure that programs are meeting their objectives. Without clear goals, it is not possible to objectively measure whether a program is operating effectively or efficiently. Further, establishing goals provides a clear understanding of what a program is striving to accomplish and provides a means for establishing methods that will measure progress toward meeting a program's objectives.

The IRS did not clearly define the goals of the Program or sufficiently evaluate whether it was accomplishing its mission. For example, when we requested the goals of the Program, the IRS could not locate a specific document that contained the goals and instead provided an e-mail with goals⁹ that it thought the Program would accomplish. The goals were later revised when we requested the data used to measure whether Program goals were being achieved. Program goals were not clearly defined because IRS management was unsure of where to document them.

Despite not having clearly documented goals, Program officials assessed the value of the Program in two ways.

In FY 2010, the IRS Human Capital Office assembled a team to evaluate specific areas of the Program. The team conducted a one-time analysis using data from October 1, 2007, through April 24, 2010. It compared participants to the general IRS population and found that participants achieved higher performance ratings and higher rates of promotions, while being less likely to leave the IRS.

Also in FY 2011, the Program developed a Customer Satisfaction Survey as an ongoing measure for Program evaluation. This participant survey is filled out upon course completion to determine whether participants believed that courses aided the participant in preparing for career growth and opportunities, developing new skills, improving job performance, or improving their

Both the agency and its participants benefitted from the Program, but goals were not clearly defined and, as a result, measures were not aligned.



⁹ Goals of the Program were as follows: 1) promote career development, 2) increase the internal pool of candidates for the IRS's mission-critical occupations, 3) improve the performance/skills of employees at their current position, 4) retain employees; and 5) increase recruitment opportunities.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

ability to receive a promotion. The Customer Satisfaction Survey results indicated, and the team concluded, the Program had a positive impact on the IRS and its participants.

As helpful as these assessments were, we could not determine if the Program was achieving the IRS's intent for the Program. The lack of clearly defined Program goals, as well as measures that specifically evaluate whether goals are being achieved, did not allow for sufficient evaluation of the Program.

Management Actions: During our audit, IRS Human Capital Office officials redefined the goals of the Program as follows: the Tuition Assistance Program has been established to assist in preparing employees for career growth and opportunity, by providing course tuition assistance in developing current and new skills to improve job performance, resulting in increased employee engagement.

Processes did not provide sufficient assurance that participants and the IRS reaped the benefits of its investment in the Program

The IRS established some of the guidelines and controls necessary to successfully administer the Program. For example, the IRS generally approved courses only when the Program participant was eligible to participate and most of the approved courses were within the guidelines established by the Program. However, controls did not always protect the IRS's investment in participants and did not sufficiently ensure that participants received a high-quality classroom experience. Specifically, we found Program officials did not always:

- Reject requests for non-qualifying courses.
- Ensure vendors met a minimum standard for quality.
- Ensure that courses the IRS paid for were successfully completed.
- Enforce continuing service agreements to ensure employees who leave Government service shortly after receiving training pay back the training funds.

Program officials did not reject requests for non-qualifying courses

Program guidelines state that courses must fall into one of six course categories and must support a mission-related field of study that provides skills and knowledge pertaining to a career goal within the IRS. Requested courses should be denied if the course is not relevant to the participant's existing position or a desired career position.



Future Improvements Could Further Increase the Benefits of the Tuition Assistance Program

However, the Program did not identify all non-qualifying courses through its process of having Program officials approve requested courses. We conducted an analysis of the courses Program officials approved in FY 2010 and determined 71 (1 percent) of 7,077 courses either did not qualify or should not have qualified for the Program.¹⁰ For each of these 71 courses, the requested course either had no clear link to the participant’s current position or their career path or simply did not qualify because the course topic was prohibited from the Program altogether.¹¹ For example, we identified participants who were approved to take courses in basic Japanese and Mandarin, which are considered uncommon languages, and should not be approved and funded without a job-related justification,¹² and other participants who were approved to take real estate courses.

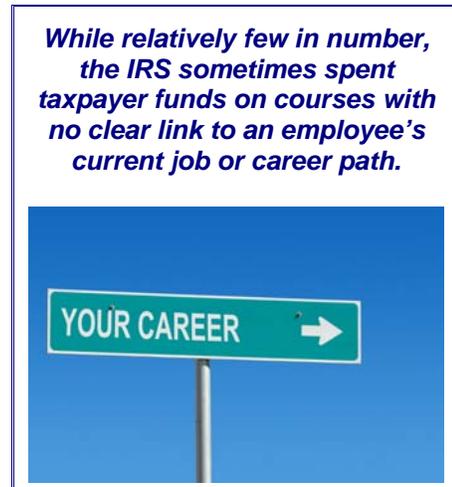


Figure 2 shows courses approved by Program officials that did not qualify for Program funds in FY 2010.

Figure 2: FY 2010 Potentially Non-Qualifying Courses Approved by the Program

Potentially Non-Qualifying Courses	Number of Courses Approved	Total Course Cost
Humanities/Social Science/Liberal Arts Courses	23	\$28,917
Personal Finance Courses	15	11,423
Graphic Design or Unrelated Information Technology Courses ¹³	14	15,623
Real Estate Courses	8	4,446
Uncommon Language Courses	6	2,172
Miscellaneous Courses	2	3,938

¹⁰ See Appendix IV for details.

¹¹ Humanities, Social Science, and Liberal Arts courses do not qualify for the Program, and thus should not be funded. See Appendix V for Program guidelines on non-qualifying courses.

¹² The IRS was unable to produce job-related justifications for FY 2010 because they were not tracked for that year.

¹³ This includes courses taken on software not supported by the IRS.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Potentially Non-Qualifying Courses	Number of Courses Approved	Total Course Cost
Miscellaneous Courses	2	3,938
Natural/Physical Science Course	1	1,111
Health Science Course	1	527
Incomplete Course Name on the Program Application	1	895
Total Non-Qualifying Courses and Cost	71	\$69,052

Source: Treasury Inspector General for Tax Administration analysis of the Program database.

We believe this occurred because employees selected courses that did not qualify for the Program and the process to identify non-qualifying courses is manual and subject to human error. In addition, Program officials work in the IRS Human Capital Office, and in most instances, have limited knowledge of a participant’s existing position and career goals. Also, Program officials have minimal contact with the participants and the participants’ managers, and their determinations are based on the Program application and course description. According to Program officials, the Program was designed this way to reduce burden on frontline managers. While we understand this concern, frontline managers are in the best position to have knowledge of the participant’s existing position and career goals to determine if the course qualifies for the Program.

Management Actions: Program officials made improvements to the Program database in FY 2011 that were designed to correct the issue of being unable to determine the courses that had a job-related justification submitted. If a participant’s application was denied by a Program official, the participant could appeal the decision and submit a job-related justification to explain why the participant qualifies for the course. The decision would then be based on a job-related justification and the database is designed to track these decisions.

Program officials did not ensure vendors met a minimum standard for quality

Program guidelines did not include controls for ensuring vendors meet a minimum standard of quality. Sound management practices dictate that controls should be in place to ensure funds are spent only on quality courses. Quality course offerings benefit the participant, as well as the IRS.



Future Improvements Could Further Increase the Benefits of the Tuition Assistance Program

Because no standard of quality was in place, we used the Department of Education's list of accredited institutions as one standard to analyze vendor payments.¹⁴ For vendor payments from October 1, 2009, through September 23, 2011, we determined that 188 (20 percent) of 921 unique vendors were not included on the list of accredited vendors.¹⁵ Payments to these vendors accounted for \$733,762 in tuition payments.

Because the Program was not developed to be a degree-assistance program, the IRS decided to fund non-accredited vendors. In addition, Program officials determined that some specialized courses, in areas such as Information Technology, may be best offered by proprietary institutions. While non-accredited vendors may provide high-quality courses, the IRS has no assurance that participants are receiving a high-quality education without accreditation or some other form of quality control.

Program officials did not always ensure that courses the IRS paid for were successfully completed

Requiring participants to provide evidence that proves the successful completion of coursework increases assurances that the IRS and participants receive the intended benefits from the IRS's investment in the Program. Program guidelines require that participants submit grades received from courses within 30 days of completing a course or they are required to repay the IRS. However, the guidelines do not adequately specify what kind of documentation is required so participants may not know what documentation to submit. We believe acceptable grade documentation should include information that identifies the student, vendor, course title, and course grade in order to provide reasonable assurance that coursework is successfully completed. If courses are not successfully completed, the Program participant must reimburse the IRS for the amount it paid for the course.

We selected a judgmental sample¹⁶ of course applications from FY 2010 and determined that the grade documentation for 75 (37.5 percent) of 200 course applications was not adequate and/or was not timely submitted upon completion of the course.¹⁷ Figure 3 details some of the concerns we identified.

More than \$700,000 in tuition payments were made to non-accredited institutions.



¹⁴ While we used the Department of Education's list of accredited institutions to analyze the quality of vendors, this is not the only standard that could be used to judge quality.

¹⁵ Department of Education, Database of Accredited Institutions and Programs is publicly available on the Department of Education's website.

¹⁶ A judgmental sample is a non-statistical sample, the results of which cannot be used to project to the population.

¹⁷ See Appendix IV for details.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Figure 3: Inadequate Grade Documentation (FY 2010)

Description of Why Grade Submissions Were Not Adequate	Number of Instances ¹⁸
Grade documentation not timely submitted. ¹⁹	49²⁰
Vendor not listed on grade documentation.	13
Course listed on grade documentation did not match course in Program database record.	11
Participant name not printed on grade documentation or otherwise did not show the grade was for the participant.	10
Grade listed on grade documentation did not match Program database grade record.	6
Vendor listed on grade documentation did not match Program database grade record.	1

Source: Treasury Inspector General for Tax Administration analysis of FY 2010 grade documentation provided by the IRS.

The lack of a sufficient standard to demonstrate the successful completion of course work may result in the IRS paying for courses that were not successfully completed. For example, the IRS spent approximately \$37,000 on 32 of the courses in Figure 3, but did not receive documentation that could conclusively prove that an employee successfully completed the course. Program officials stated that they did not provide specific guidance regarding the information that should be provided by participants because of inconsistencies that exist between the grade documentation that is available from different vendors. While this presents a challenge, we believe the IRS should more clearly define its standards of documentation for all grade documentation.

Management Actions: During our audit, Program officials changed processes and procedures that are designed to strengthen controls associated with the timeliness of grade submissions. Under this new process, the database record is used to initiate requests for grades, which are sent to participants. If the IRS does not receive the grade timely, the participant is required to reimburse Program funds back to the IRS.

¹⁸ The grade documentation for 75 course applications was not adequate and/or timely. Because some grade documentation was inadequate for multiple reasons, this column will not total to 75.

¹⁹ In the 49 cases, documentation was received from 48 to 572 days after courses were completed.

²⁰ In 28 (57 percent) of 49 instances, the IRS Human Capital Office was unable to locate the grade documentation.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Program officials did not enforce continuing service agreements to ensure that employees who leave Government service shortly after receiving training pay back the training funds

Continuing service agreements provide assurance that the IRS will recover the cost of its investment in the Program if a participant leaves shortly after completing a course. The IRS recognized the need to protect its investment in its Program by including a provision in a Letter of Understanding with the National Treasury Employees Union, as well as its Program guidelines, which both provide for reimbursement to the IRS if a participant leaves the Government before an agreed upon amount of time working for the IRS.²¹

While the IRS had guidelines in place, it decided not to require continuing service agreements from participants because the IRS believed continuing service agreements should be enforced only if a Program participant was taking a course during work hours. We believe that because the IRS is funding these courses, it needs to enforce continuing service agreements regardless of whether the course is taken during work hours.

Our analysis of employee records for FY 2010 participants found 103 (2.6 percent) of 3,909 participants had left the IRS after receiving tuition assistance benefits.²² These participants received \$212,004 in tuition assistance funds and would have potentially been subject to a continuing service agreement. While the employee records did not indicate the reason for the 103 participants leaving the IRS, the IRS did not adequately benefit from the employees' participation in the Program and the costs from these participants cannot be recovered.

²¹ IRS procedures state that an employee selected for a training course of more than 80 hours must sign an *Employee's Agreement to Continue in Service* prior to the training. The employee agrees to continue in service for a period equal to at least three times the length of the training period or, if the employee voluntarily leaves, the IRS has the right to require repayment.

²² Participants who left the IRS between December 31, 2009, and November 4, 2011.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Recommendation

Recommendation 1: In the event that the IRS decides to fund a tuition assistance program in the future, we recommend the IRS Human Capital Officer:

- Better document goals that are consistent with the mission of the program and develop cost-effective measures to assess whether goals are being achieved.
- Increase the involvement of the participant's frontline management in a manner that will provide better assurance that courses are consistent with a participant's existing job duties or career goals.
- Require that courses be taken only from vendors meeting a minimum standard of quality, *e.g.*, institutions that are accredited by the Department of Education.
- Ensure that program guidelines require that participants submit proof of course completion documentation (including the participant's name, vendor providing the course, title of the course, and grade or other indicator of successful completion) within a specified time period.
- Enforce continuing service agreements to protect the investment the IRS is making in its employees.

The IRS can take several actions to improve its tuition assistance program in the future.



Management's Response: The IRS agreed with the recommendation. The IRS Human Capital Officer plans to document process improvements, achievements results, lessons learned resulting from an August 2011 meeting with the National Treasury Employees Union, and the recommendation from this report on the Human Capital Office Knowledge Management website.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine if the IRS Human Capital Office was evaluating whether Tuition Assistance Program goals were being met and selected guidelines were being followed. To accomplish this objective, we:

- I. Determined whether the IRS Human Capital Office had measures in place to evaluate whether Program goals were being met.
 - A. Determined whether Program goals were defined and documented.
 - B. Determined whether IRS analyses or other performance monitoring tools enabled the IRS Human Capital Office to evaluate the Program on an ongoing basis.
- II. Determined whether the IRS Human Capital Office ensured entrance criteria were met, approved courses met mission-critical needs, courses were satisfactorily completed, and continuing service agreements were tracked.
 - A. Evaluated whether approved participants met the criteria for entering the Program by selecting and reviewing a judgmental sample¹ of 200 FY 2010 courses from a population of 7,077 FY 2010 courses in the Program database.² We did not use a statistical sample because we did not plan to project the results.
 - B. Evaluated the quality of courses funded to determine whether courses were consistent with mission-critical needs and/or prepared participants for career development. We used the population of 7,077 FY 2010 courses in the Program database and reviewed the participant's business unit, job series, and official title, and compared personnel information to the requested course. We then determined whether the course fell into one of the six course categories and whether it supported a mission-related field of study that provided skills and knowledge pertaining to a career goal within the IRS, or was relevant to the participant's existing position/desired career position.
 - C. Reviewed the population of 921 vendors who received a payment from Program funds between October 1, 2009, and September 23, 2011, to determine whether institutions receiving payments were included on the list of accredited vendors maintained by the Department of Education.

¹ A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.

² We relied on information from the IRS's database and did not verify its accuracy.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

- D. Determined whether participants demonstrated successful completion of coursework and that grades were correctly recorded on the Program database by selecting and reviewing the sample obtained in Step II.A.
- E. Determined whether the IRS was enforcing continuing service agreements and whether the IRS tracked participants with an agreement in FY 2010.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: the Letter of Understanding between the IRS and National Treasury Employees Union, Program guidelines, and the Program database designed to track Program participation. We evaluated these controls by interviewing management, reviewing documentation, reviewing a judgmental sample of course applications to determine whether they met the criteria for entrance into the Program and whether the correct grade was recorded, and comparing the results of our own analysis of course approval to the Program database.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Appendix II

Major Contributors to This Report

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*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Appendix III

Report Distribution List

Commissioner C
Office of Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations Support OS
Deputy Commissioner for Services and Enforcement SE
Deputy IRS Human Capital Officer OS:HC
Director, Leadership, Education and Delivery Services Division, Human Capital Office
OS:HC:LE
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Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: IRS Human Capital Officer OS:HC



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Inefficient Use of Resources – Potential; \$69,052 (see page 4).

Methodology Used to Measure the Reported Benefit:

Program guidelines state that courses must fall into one of six course categories and must support a mission-related field of study that provides skills and knowledge pertaining to a career goal within the IRS. Requested courses should be denied if the course is not relevant to the participant's existing position or a desired career position. We conducted an analysis of the courses Program officials approved in FY 2010 and determined 71 (1 percent) of 7,077 courses either did not qualify or should not have qualified for the Program. The cost of these 71 courses was \$69,052.

Type and Value of Outcome Measure:

- Inefficient Use of Resources – Potential; \$36,837 (see page 4).

Methodology Used to Measure the Reported Benefit:

Program guidelines require that participants submit grades received from courses within 30 days of completing a course or they will be required to repay the IRS. However, the guidelines do not adequately specify what kind of documentation is required. We believe acceptable grade documentation should include information that identifies the student, vendor, course title, and course grade in order to provide reasonable assurance that coursework was successfully completed. If courses are not successfully completed, the Program participant must reimburse the IRS for the amount it paid for the course. We selected a judgmental sample¹ of course applications from FY 2010 and determined that the grade documentation for 75 (37.5 percent) of 200 course applications was not adequate and/or was not timely submitted upon completion of the course.

¹ A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

The grade documentation for 32 of the 75 course applications did not prove conclusively that the employee completed the course. As a result, the IRS may have paid \$36,837 for courses that were not completed. Figure 1 provides a breakdown of the 32 course applications.

Figure 1: The Cost of Courses for Which the IRS Received Inadequate Grade Documentation of Successful Course Completion

Description of Inadequate Grade Documentation	Number of Course Applications	Amount Spent on Courses With Inadequate Grade Documentation
Course listed on grade documentation did not match course in Program database.	11	\$18,961
Participant name not printed on grade documentation.	10	\$9,206
Vendor not listed on grade documentation.	10 ²	\$7,880
Vendor listed on grade documentation did not match Program database.	1	\$790
Totals	32	\$36,837

Source: Treasury Inspector General for Tax Administration analysis of grade documentation provided by the IRS Human Capital Office.

Type and Value of Outcome Measure:

- Reliability of Information – Actual; six inaccurate records on the Program database (see page 4).

Methodology Used to Measure the Reported Benefit:

We analyzed a judgmental sample of 200 FY 2010 course applications from a population of 7,077 FY 2010 courses in the Program database. We reviewed the grade documentation submitted by the participant to determine whether it matched records maintained on the Program database. Our analysis identified six instances where the grade documentation submitted by participants did not match database records.

² Some grade documentation was inadequate for multiple reasons. This chart will not reconcile with Figure 3 on page 10 of the report body because we counted each exception only once.



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Appendix V

Non-Qualifying Course Guidelines

Program funds should be spent only for courses that provide participants with new skills or improve participants' existing skills and knowledge for their current job duties. Figure 1 provides examples of fields of study that do not qualify for reimbursements from the Program.

Figure 1: Fields of Study That Do Not Qualify Under the Program

Study Category	Description
Humanities/Social Science/ Liberal Arts	<ul style="list-style-type: none"> • History • Art, Music • Sociology • Philosophy • Psychology • Political Science • Education, Journalism • Literature • Anthropology • Women's/Ethnic Studies
Health Science	<ul style="list-style-type: none"> • Nutrition/Dietetics • Physical Education • Recreation • Social Work • Hygiene • Environmental Studies • Health Care • Physical Therapy



*Future Improvements Could Further Increase
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Study Category	Description
Natural/Physical Science	<ul style="list-style-type: none">• Biology• Zoology• Chemistry• Physics• Engineering
Personal Finance	<ul style="list-style-type: none">• Personal Finance

Source: IRS Program guidelines.



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Appendix VI

Management's Response to the Draft Report



HUMAN CAPITAL OFFICE

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

April 2, 2012

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Debra Chew 
IRS Human Capital Officer

SUBJECT: Treasury Inspector General for Tax Administration
Draft Report – Future Improvements Could Further Increase the
Benefits of the Tuition Assistance Program
(Audit # 201110024) **E-trak # 2012-29922**

The Human Capital Office (HCO) has received the Treasury Inspector General for Tax Administration's (TIGTA) Draft Report concerning the Tuition Assistance Program (TAP). We agree with the findings and recommendation as they relate to the TAP during fiscal year (FY) 2010.

During FY 2011, we instituted changes to the program that specifically addressed elements of the recommendation with regard to directly setting goals, course approval, and documentation of course completion. Although, we will not dispute the benefits cited for FY 2010, we do believe that our FY 2011 improvements significantly reduced the number of potentially non-qualifying courses and courses with inadequate grade documentation.

As the report notes, the TAP has been discontinued. Nevertheless, we agree that the remaining recommendation elements could further improve the program in the event the TAP is restored. To that end, we will document the following: process improvements; achievements results; lessons learned resulting from August 2011 meeting with the National Treasury Employees Union; and the recommendation of this report. This information will be maintained on the HCO Knowledge Management website located at: [Lessons Learned](#).

Accordingly, the attached corrective action addresses the remaining recommendation elements.

If you have any questions, please contact me or a member of your staff may contact Susan B. Greer, Director, Leadership, Education and Delivery Services, HCO, at (202) 622-1420.

Attachment



*Future Improvements Could Further Increase
the Benefits of the Tuition Assistance Program*

Attachment

Recommendation 1: In the event that the IRS decides to fund a Tuition Assistance Program in the future, we recommend the IRS Human Capital Officer:

- Better document goals that are consistent with the mission of the program and develop cost-effective measures to assess whether goals are being achieved.
- Increase the involvement of the participant's frontline management in a manner that will provide better assurance that courses are consistent with a participant's existing job duties or career goals.
- Require that courses be taken only from vendors meeting a minimum standard of quality, e.g., institutions that are accredited by the Department of Education.
- Ensure that program guidelines require that participants submit proof of course completion documentation (including the participant's name, vendor providing the course, title of the course, and grade or other indicator of successful completion) within a specified time period.
- Enforce continuing service agreements to protect the investment the IRS is making in its employees.

Corrective Action 1: To ensure that a restored Tuition Assistance Program is operated efficiently and effectively, we will document the following: process improvements; achievements results; lessons learned resulting from August 2011 meeting with the National Treasury Employees Union; and the recommendation of this report. This information will be maintained on the HCO Knowledge Management website located at: [Lessons Learned](#).

Implementation Date: September 1, 2012

Responsible Official: IRS Human Capital Officer

Corrective Action Monitoring Plan: This corrective action will be monitored on JAMES.