



*An Agency-Wide Recruitment Strategy and  
Effective Performance Measures Are Needed  
to Address Future Recruiting Challenges*

**February 23, 2009**

**Reference Number 2009-10-025**

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TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

February 23, 2009

**MEMORANDUM FOR** DEPUTY COMMISSIONER FOR OPERATIONS SUPPORT  
DEPUTY COMMISSIONER FOR SERVICES AND  
ENFORCEMENT

*Michael R. Phillips*

**FROM:**

Michael R. Phillips  
Deputy Inspector General for Audit

**SUBJECT:**

Final Audit Report – An Agency-Wide Recruitment Strategy and  
Effective Performance Measures Are Needed to Address Future  
Recruiting Challenges (Audit # 200810023)

This report presents the results of our review of Internal Revenue Service (IRS) recruiting efforts. The overall objectives of this review were to: 1) assess the efforts of the Human Capital Office in developing and overseeing a strategic recruitment process; and 2) determine the current recruitment processes and whether they have enabled the IRS to meet its hiring goals. This review was part of the Treasury Inspector General for Tax Administration Fiscal Year 2008 Annual Audit Plan coverage under the major management challenge of Human Capital and is one of several audits planned to assess how the IRS is addressing the Human Capital management challenge.

*Impact on the Taxpayer*

The large number of retirements expected over the next several years presents the IRS with a major challenge and threatens workforce and leadership continuity. Different IRS functions have noted that they have not always been able to replace all of the mission critical employees they are losing through retirement and other forms of attrition. Effective recruiting increases the likelihood that the IRS can potentially hire the most qualified candidates to ensure that the best possible service is provided to taxpayers, while helping potential employees better learn about career opportunities within the IRS.



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### Synopsis

The IRS has taken many actions in its effort to recruit new employees. The IRS Human Capital Office and functional offices coordinate on recruiting activities and have attracted enough candidates to generally meet goals related to the number of employees hired. For example, the IRS recently reported that it had exceeded its goal of hiring 1,000 veterans in Fiscal Year 2008.

Currently, the IRS' recruitment activities are decentralized and focus on short-term hiring goals. While the IRS has taken steps to improve recruiting, it does not have an agency-wide recruitment strategy that includes a long-term plan for all functions involved in recruiting or a system to measure the effectiveness of all recruiting efforts. Developing a recruitment strategy and creating performance measures are vital, considering that: 1) significantly more vacancies might need to be filled as baby boomers<sup>1</sup> retire; 2) fewer qualified candidates are entering the workforce; 3) other Government agencies and private industry are competing for the same resources; 4) younger generations of employees are more mobile between jobs than employees have been in the past; and 5) the IRS needs to ensure that its employees represent the diverse background of the public it serves.

In addition, other factors indicate that the time is right for creating an agency-wide recruitment strategy with associated performance measures. For example, the pressure to recruit is increasing as the attrition rate for mission critical occupations<sup>2</sup> within the IRS overall has increased by 6.8 percent over the last several years, and business units have noted that they have not always been able to replace all of the mission critical employees they are losing. In addition, the Small Business/Self-Employed Division found, as part of an assessment of the IRS recruitment process, that recruiters believed that their efforts were not always directed at the most productive activities and locations.

Without a comprehensive recruitment strategy, the examples we have cited could become more widespread and pronounced as baby boomers retire and younger workers stay in agencies for shorter periods of time. This could affect the IRS' ability to meet future hiring goals, keep up with attrition, recruit sufficiently qualified personnel, make more efficient use of recruiting resources, measure the success of recruiting efforts, and provide taxpayers with high-quality service.

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<sup>1</sup> Baby boomers are persons born during a baby boom, especially one born in the United States between 1946 and 1965.

<sup>2</sup> 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.



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*Recommendations*

We recommended that the Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement develop an agency-wide recruitment strategy that is tied to organizational objectives and desired outcomes, including long-term goals and measures of effectiveness. In addition, we recommended that the Deputy Commissioners develop an action plan for each initiative in the agency-wide recruitment strategy and establish centralized control over corporate recruiting to oversee agency-wide recruitment efforts. After the agency-wide recruitment strategy is developed, the IRS Chief Human Capital Officer should update the Internal Revenue Manual to reflect the current recruitment process.

*Response*

IRS management agreed with all of our recommendations. The IRS will develop an agency-wide recruitment strategy, with action plans for each initiative in the strategy, and establish a centralized recruiting organization. In addition, the IRS will ensure procedures are updated to reflect current recruitment processes. Management's complete response to the draft report is included as Appendix V.

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



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*Abbreviations*

IRS

Internal Revenue Service



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## *Background*

The mission of the Internal Revenue Service (IRS) is to provide America's taxpayers with top-quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all. The IRS cannot achieve this mission without a highly skilled workforce. However, in 2006, the Office of Personnel Management reported that approximately 60 percent of the Federal Government's 1.6 million white-collar employees and 90 percent of about 6,000 Federal executives will be eligible for retirement over the next 10 years. Further, the size of the younger workforce (ages 16-24) is declining, while the number of employees age 55 and older is increasing.

To address the IRS' human capital<sup>1</sup> challenge, the IRS Human Capital Office developed a Strategic Plan for Fiscal Years 2005-2009 that sets forth a 5-year human capital strategy for ensuring that the IRS builds and maintains the workforce needed to carry out its mission in an efficient, effective, and productive manner. The Plan notes that the IRS is facing a major challenge with a large number of retirements expected over the next several years, which threatens workforce and leadership continuity. Overall, 13.4 percent of the full-time permanent mission critical occupations<sup>2</sup> within the IRS workforce were eligible to retire as of July 5, 2008. If the IRS is unable to replace these employees with skilled workers, it could be unable to provide quality service to taxpayers in the future.

**Overall, 13.4 percent of the full-time permanent mission critical occupations within the IRS workforce were eligible to retire as of July 5, 2008.**

In addition to addressing its human capital challenge, the IRS has several significant initiatives underway addressing other tax administration issues. For example, the IRS 1) has developed a 5-year strategic plan for enhancing the services it provides to taxpayers, and 2) is in the midst of a complex, multiyear, multibillion dollar effort to modernize its technology and related business processes. Also, the IRS is battling a substantial tax gap (the difference between taxes that are legally owed and taxes that are paid on time). To enhance taxpayer service, modernize, and battle the tax gap while experiencing a potentially large number of retirements, the IRS will be challenged to recruit and hire a significant number of high-quality employees in a competitive labor market. For the purpose of this report, the term "recruiting" refers to the IRS' process of attracting potential job candidates. The term "hiring" refers to the IRS' process of posting jobs, interviewing applicants, and making tentative offers of employment.

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<sup>1</sup> The term "human capital" is used to describe the skills, abilities, and contributions of the people in any agency.

<sup>2</sup> 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.



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Responsibility for recruiting efforts within the IRS has evolved since the agency was reorganized in 1999. Prior to the IRS' reorganization, each function (e.g., the Collection and Examination functions) recruited its own staff, which resulted in a decentralized recruiting effort. In 2000, the IRS recommended the establishment of a full-time national recruiter cadre that recruited for all IRS functions. The IRS recruiter cadre was staffed with employees from all of the newly created business units and placed within the Small Business/Self-Employed Division. In addition, Embedded Human Resources offices were established within each newly created business unit to help with the large volume of staff changes that were occurring. These offices still exist to help local managers with human resource issues.

In 2001-2002, the IRS Strategic Human Resources Division began to focus its efforts to market the IRS as an employer of choice and to develop IRS recruiter cadre training. In 2004, the IRS created the Human Capital Office to provide human capital strategies and tools for recruiting, hiring, developing, retaining, and transitioning a highly skilled and high-performing workforce. Currently, the IRS Human Capital Office and various functional offices share much of the responsibilities for IRS recruiting. Mainly, the IRS Human Capital Office markets the agency as an employer of choice and helps train the recruiter cadre. The recruiter cadre and various recruiting officials within other IRS divisions and offices<sup>3</sup> actively recruit new employees by conducting such activities as attending career fairs at colleges and holding local recruiting events directed to a particular geographical area. The recruiter cadre is currently staffed by 23 full-time recruiters representing many of the IRS business units.

This review was part of the Treasury Inspector General for Tax Administration Fiscal Year 2008 Annual Audit Plan coverage under the major management challenge of Human Capital and is one of several audits planned to assess how the IRS is addressing the Human Capital management challenge. This audit addresses the IRS' recruiting strategy. It does not address the hiring process. However, the impact of recruiting on the hiring process is discussed. In addition, this audit report does not discuss identifying and measuring skills gaps (a valuable input to the recruiting process) or the time required to recruit and hire potential employees because these topics are being covered in separate audits. Audits have already been completed in the areas of succession planning and estimating future human resource needs.<sup>4</sup>

This audit was conducted while changes were being suggested to the recruiting and hiring processes throughout the Federal Government. In addition, as we were completing our audit, the IRS was starting its own efforts to assess and improve human capital activities, such as

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<sup>3</sup> This includes the Wage and Investment Division, which recruits for its own seasonal employees (employees who work fewer than 12 months a year on a recurring basis based upon the amount of work available) and the Criminal Investigation Division, which has its own part-time recruiters.

<sup>4</sup> *Progress Has Been Made, but Important Work Must Be Completed to Ensure Timely Identification of Future Leaders* (Reference Number 2008-10-132, dated June 26, 2008) and *A More Strategic and Consistent Approach to Estimating Retirements and Other Separations Is Needed to Better Plan for Future Human Resource Needs* (Reference Number 2008-10-169, dated August 29, 2008).



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recruiting. As a result, this report might not reflect the most current status of the IRS recruiting activities. Appendix IV presents a list of several of these efforts.

This review was performed at the IRS Human Capital Office Talent, Hiring, and Recruitment Division in Washington, D.C.; the Wage and Investment Division Human Capital Office in Atlanta, Georgia; the Small Business/Self-Employed Division Strategic Management of Assets, Resources, and Talent Human Capital Office in New Carrollton, Maryland; and the Large and Mid-Size Business Division Human Capital Office in Washington, D.C., during the period March 2008 through September 2008. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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## *Results of Review*

### ***The Internal Revenue Service Needs to Develop an Agency-Wide Recruitment Strategy and Design Effective Performance Measures***

The IRS has taken many actions in its effort to recruit new employees. The IRS Human Capital Office and functional offices coordinate on recruiting activities and have attracted enough candidates to generally meet goals related to the number of employees hired. For example, the IRS recently reported that it had exceeded its goal of hiring 1,000 veterans in Fiscal Year 2008.

Currently, the IRS' recruitment activities are decentralized and focus on short-term hiring goals. While the IRS has taken steps to improve recruiting, it does not have an agency-wide recruitment strategy that includes a long-term plan for all functions involved in recruiting or a system to measure the effectiveness of all recruiting efforts. Developing a recruitment strategy and creating performance measures are vital, considering that: 1) significantly more vacancies might need to be filled as baby boomers<sup>5</sup> retire; 2) fewer qualified candidates are entering the workforce; 3) other Government agencies and private industry are competing for the same resources; 4) younger generations of employees are more mobile between jobs than employees have been in the past; and 5) the IRS needs to ensure that its employees represent the diverse background of the public it serves.

In addition, other factors indicate that the time is right for creating an agency-wide recruitment strategy with associated performance measures. For example, the pressure to recruit is increasing as the attrition rate for mission critical occupations within the IRS overall has increased by 6.8 percent over the last several years, and business units have noted that they have not always been able to replace all of the mission critical employees they are losing. For instance, Criminal Investigation Division special agent<sup>6</sup> staffing decreased 3 percent between Fiscal Years 2006 and 2007, considering both new hires and staff attrition.<sup>7</sup> In addition, the Small Business/Self-Employed Division found, as part of an

***The attrition rate for mission critical occupations within the IRS has increased by 6.8 percent over the last several years.***

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<sup>5</sup> Baby boomers are persons born during a baby boom, especially one born in the United States between 1946 and 1965.

<sup>6</sup> A law enforcement employee who investigates potential criminal violations of the Internal Revenue laws and related financial crimes.

<sup>7</sup> *Statistical Portrayal of the Criminal Investigation Division's Enforcement Activities for Fiscal Years 2000 Through 2007* (Reference Number 2008-10-133, dated July 9, 2008).



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assessment of the IRS recruitment process, that recruiters believed that their efforts were not always directed at the most productive activities and locations.

Without a comprehensive recruitment strategy, the examples we have cited could become more widespread and pronounced as baby boomers retire and younger workers stay in agencies for shorter periods of time. This could affect the IRS' ability to meet future hiring goals, keep up with attrition, recruit sufficiently qualified personnel, make more efficient use of recruiting resources, measure the success of recruiting efforts, and provide taxpayers with high-quality service.

### **The IRS has taken many actions in its effort to recruit new employees**

Many actions have been taken to help improve the recruiting of new employees and help attract enough candidates to generally meet hiring goals, including:

- The IRS Human Capital Office developed its own Recruitment Marketing Strategy for Fiscal Years 2008 through 2010, which includes high-level plans for marketing and advertising the agency but does not include plans for recruiting activities of specific IRS functions.
- In April 2008, the IRS received three awards for various marketing campaigns addressing and directed to seasonal employees.
- The IRS joined the National Employer Team of the AARP<sup>8</sup> to recruit mature workers over age 50. According to IRS officials, the IRS section of the AARP National Employer Team web site has become the most visited section since the IRS was invited to join with the AARP a year ago.
- Generally, the IRS met their hiring goals for mission critical occupations in Fiscal Years 2006 and 2007. During this time period, the IRS reported that it hired more than 6,300 new employees to fill mission critical occupations.

### **The IRS needs to take action to develop an agency-wide recruitment strategy**

Office of Personnel Management guidance recommends that Federal Government agencies have a detailed recruitment strategy based upon workforce planning and an analysis of sources of qualified applicants. In addition, the Office of Personnel Management published the *Human Capital Assessment and Accountability Framework* in 2002 to provide Federal Government agencies with human capital best practices. One of the critical success factors identified in the *Framework* is the need for agencies to develop an explicit workforce planning strategy, including a strategic recruitment plan tied to organizational objectives and desired outcomes.

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<sup>8</sup> Formerly the American Association of Retired Persons.



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In our opinion, a good recruiting strategy should include but not be limited to:

- Agency-wide recruiting goals linked to organizational objectives. For example, the IRS Strategic Plan includes an organizational goal to sustain an aggressive recruitment effort that strengthens partnerships with key colleges and universities.
- Roles and responsibilities for all organizations participating in the recruiting process, including interaction among organizations.
- Performance measures for evaluating the success of recruiting efforts.
- Methods for evaluating recruiting efforts against performance measures and, if necessary, making changes in direction.
- Integration with other key processes (e.g., determining the number of employees needed in the future based on estimates of attrition, determining skills needed based on identified current and future skills gaps, etc.).
- Strategies for marketing the IRS as an employer of choice.
- Strategies for addressing differing demographics (e.g., mid- and late-career professionals, diversity needs, college students).

In addition to Federal Government guidance and our conclusion that a recruitment strategy is needed, an outside vendor recently came to the same conclusion. In March 2006, an outside vendor hired by the IRS issued a comprehensive report that compared the current workforce profile with a 5-year staffing forecast based on factors such as retirement, attrition, and hiring trends. This report outlined data on the IRS' recruitment efforts, including the agency's refocusing of its external recruitment activities. The vendor concluded that to remain a strong player in the employment arena, the agency needed to monitor the success of its recruitment tactics and adjust its strategy as needed. The report included a recommendation that the IRS develop an agency-wide recruitment strategy.

While the IRS has taken actions to improve recruiting efforts, it has not developed a comprehensive agency-wide recruitment strategy. For example, the IRS Human Capital Office developed a Recruitment Marketing Strategy for Fiscal Years 2008 through 2010, including high-level plans for marketing and advertising the IRS. However, the Strategy is not tied to organizational objectives or desired outcomes and is limited to the IRS Human Capital Office's recruitment role as the marketer of the agency. In addition, neither the IRS recruiter cadre nor personnel in the Embedded Human Resources offices we interviewed have developed their own recruitment strategies. Increasing retirements and the resulting loss of institutional knowledge require a long-term, agency-wide recruitment

***While the IRS has made progress in improving recruiting efforts, it has not developed a comprehensive agency-wide recruitment strategy.***



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strategy to ensure that the IRS can help potential employees learn about agency career opportunities and provide quality service to taxpayers in the future.

While we believe that the need for an agency-wide recruitment strategy is clear, we are concerned that it might be difficult to create such a strategy because recruiting activities are decentralized and based upon annual hiring plans instead of long-term workforce planning. IRS officials also commented that operating without an approved budget for the past several years has impacted their ability to strategically plan. In addition, internal procedures are out of date, so IRS organizations and offices do not have current guidance to follow related to strategic recruitment processes. This could result in little consistency in how each of the organizations and offices handles recruiting. Development of a recruitment strategy must include all responsible functions and take into consideration the roles of each.

We interviewed Embedded Human Resources offices staff in three business units, and all stated that they develop annual hiring plans based upon current vacancies, estimated retirements, and/or available funds in the approved budget. Each Embedded Human Resources office reports to a different business unit management team, so there might not be any continuity in how hiring plans are developed. In addition, no long-term plans are developed that go beyond these hiring plans, which address only the upcoming year's staffing needs.

The IRS recruiter cadre receives the business unit hiring plans and directs its recruitment activities to help fill these positions. The recruiter cadre works from a list of primary recruiting locations, such as certain colleges. However, according to a study completed by the Small Business/Self-Employed Division Research function in July 2006, some recruiters indicated that they have little success at some of the schools on this list but do well at others.

In addition, although the recruiter cadre is staffed with experienced revenue officers<sup>9</sup> and revenue agents,<sup>10</sup> we are concerned that the current structure might not be conducive to addressing future recruiting challenges. Recruiter positions are temporary in nature (a 3-year assignment), and employees need 6 months to 12 months to learn the position. These assignments are staggered so that about one-third of the staff is replaced every year. We understand why the IRS wants experienced revenue officers and revenue agents to return to their original positions. However, the IRS spends time and resources each year hiring and training new recruiters, which could detract from the challenge of recruiting a significant number of new employees under stiff competition with other Government and private organizations. In addition, because of the temporary nature of the assignment, there is no career path for IRS recruiters in the recruiting function. As noted in the Small Business/Self-Employed Division Research function study, some recruiters believed that assignment to the temporary recruiter position hurts their careers because there is no well-defined evaluation process for recruiters or promotion

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<sup>9</sup> Revenue officers are responsible for collecting delinquent taxes and tax returns.

<sup>10</sup> Revenue agents examine and audit the financial records of corporate and individual taxpayers, helping to ensure that these taxpayers pay the appropriate taxes and comply with Federal tax laws.



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potential. Therefore, the incentive for becoming part of the IRS recruiter cadre could be diminished, and further advancement for those skilled in this area might not be available.

Lastly, the most recent Internal Revenue Manual procedures for strategic recruitment are dated July 2002. These procedures were written prior to the establishment of the IRS Human Capital Office and include outdated information. For example, the Manual refers to a Strategic Recruitment Executive Council comprised of members from the major IRS operating divisions. This Council was an advisory body for the IRS Commissioner on strategic recruitment issues that provided guidance and resolved conflicts concerning issues that affected more than one operating division. However, this Council was disbanded, which left the IRS with no recruitment oversight body for all the different functions involved with recruiting. IRS officials informed us that prior to disbandment, the Council decided to make the recruiter position temporary. Recruiting activities are still performed by more than one function. Therefore, we believe that this type of centralized oversight is necessary to ensure that IRS recruitment efforts are as effective as possible.

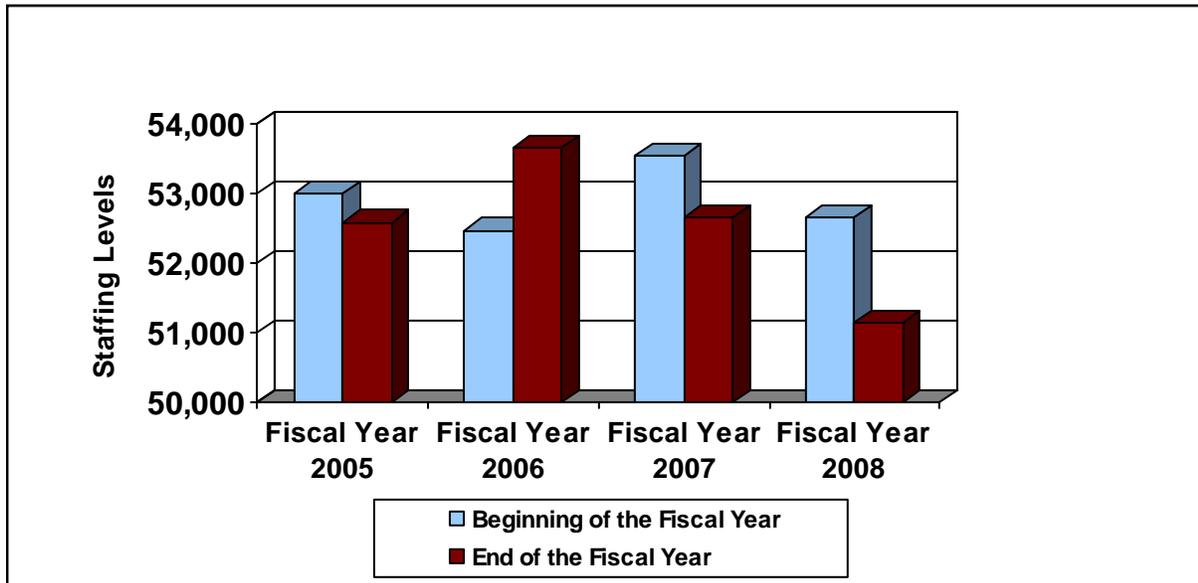
Because there is no centralized control over corporate recruiting, these types of activities are decentralized, the focus is on recruiting and hiring for the current year, and there are only outdated procedures to help plan them. The IRS has not developed an agency-wide recruitment strategy that encompasses all recruitment activities. Recruiting for qualified candidates who meet the future needs of the agency takes planning. Strategies for building relationships and networks with institutions providing access to well-qualified applicants are necessary. Long-term projected retirements and future skills needs should be considered when planning recruitment efforts, to ensure that enough qualified people are eventually hired. However, IRS recruitment activities are focused on immediate staffing needs based on annual hiring plans. A centralized, long-term recruitment strategy that plans for the projected future needs of the IRS, as well as the immediate needs for each year, would result in more productive recruiting.

For example, the attrition rate for mission critical occupations has increased over the last several years. IRS records indicate that 8.8 percent of mission critical occupation employees hired in Fiscal Year 2002 left before the end of their first year of employment. In Fiscal Year 2006, that percentage had increased to 15.6 percent. Therefore, even if the IRS meets its hiring goals each year, budget constraints and attrition might leave mission critical occupations understaffed. As shown in Figure 1, in Fiscal Year 2008, the IRS had lost employees in more than 1,500 full-time permanent mission critical occupations as of the beginning of July.



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**Figure 1: Mission Critical Occupation Staffing Levels**



\* As of July 5, 2008

Source: IRS Human Capital Office Business Performance Review, Second and Third Quarters Fiscal Year 2008.

**The IRS should develop comprehensive measures of recruitment activities that include determining the quality of newly hired employees resulting from its recruitment efforts**

Best practices outlined by the Office of Personnel Management recommend that recruitment efforts be measured to determine their effectiveness. Potential measures of recruitment effectiveness include the cost effectiveness of efforts and the quality and quantity of applicants. However, the IRS has not developed adequate measures to assess the overall value of its recruiting efforts.

The IRS Human Capital Office collects limited information to measure its marketing recruitment efforts. The IRS captures the number of visits to the IRS Careers web site<sup>11</sup> and the number of recruiting emails opened by potential applicants, but it does not measure how these data translate to the number of applicants, number of actual hires, or quality of actual hires resulting from the IRS Human Capital Office's marketing recruitment efforts.

The IRS Human Capital Office has attempted to capture applicant data by using a voluntary survey at the end of the application process, but the amount of data captured was not large enough to be useful and the format was not ideal for further analysis. This Office is in the

<sup>11</sup> The IRS Careers web site is an Internet site on which the IRS provides job seekers with guidance, advice, and information.



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process of developing other measures for its marketing efforts, such as the number of visitors who access the IRS Careers web site and then access vacancy announcements.

In addition, the IRS recruiter cadre has not developed performance measures or a system to measure the effectiveness of its recruitment efforts. The recruiter cadre cannot measure the success of individual recruiting events because the IRS does not have a single system to track both recruitment and hiring activities. Without this ability, the recruiter cadre cannot determine the effectiveness of specific recruitment events to plan its future recruitment efforts. As documented by the Small Business/Self-Employed Division Research function, <sup>3(a)</sup> [REDACTED] believed that a particular school was not providing many quality candidates. [REDACTED]

[REDACTED] continued to attend recruiting events at this school. If the recruiter cadre could measure the success of specific recruiting events, it could focus its efforts on known productive events (where there were many interested, qualified applicants) and eliminate less effective events in future recruiting efforts.

In July 2006, the Small Business/Self-Employed Division Research function issued a report on the IRS' recruitment process and recommended that the agency develop a single system to capture the candidate, applicant, assessment, and newly hired employee data to measure recruitment success. While the IRS has made improvements based on the report, it has not corrected this impediment to measuring recruitment success. In fact, in July 2008, the agency began implementation of a new stand-alone recruitment tracking system for its recruiter cadre that is not linked to the system for capturing hiring data. This new system tracks the number of contacts and events by recruiter, the types of events attended, and the diversity of the events. Prior to implementation of this new system, the recruiter cadre used a different stand-alone system to capture data from its recruiting events. Recruiters would input information about the event they had attended, including the type of event, how many contacts were made, and résumé data for interested potential candidates. However, information on eventual newly hired employees is tracked on a separate stand-alone system.

Because information was being tracked on different systems, in Fiscal Year 2007 the Small Business/Self-Employed Division Research function began performing a manual comparison of the information on the stand-alone recruitment system and the stand-alone hiring system to help determine the effectiveness of the Small Business/Self-Employed Division's recruitment efforts. While this is a good first step, no measures have been developed to help the Small Business/Self-Employed Division use the results of this match to determine which specific recruitment efforts are most effective.

The IRS has also recently initiated for departing employees a new electronic exit survey process that includes questions on the reasons the employees are leaving. This could help the recruiter cadre identify incentives to attract new employees in the future. Because this is a new process, data were being gathered and analyzed and were not being used by the recruiter cadre at the end of our fieldwork.



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IRS Human Capital Office officials indicated that there have been several attempts over the years to develop performance measures, but there were insufficient data to support the creation of meaningful measures. In addition, the recruitment tracking system and the hiring tracking system are the responsibility of the Small Business/Self-Employed Division, while the new exit survey process is overseen by the IRS Human Capital Office.

Without adequate performance measures, the IRS will be unable to determine the effectiveness of its recruiting activities. If future recruiting activities are not effective, the agency could be unable to meet future hiring goals and keep up with attrition, while hiring the most qualified candidates, to provide quality service to taxpayers. In addition, the IRS might be unable to focus its recruiting on strategies that are successful and discontinue strategies that are not effective.

### ***Recommendations***

The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement should:

**Recommendation 1:** Develop an agency-wide recruitment strategy that is tied to organizational objectives and desired outcomes. As part of developing a strategy, the Deputy Commissioners should:

- Include long-term hiring goals beyond 1 year that take into consideration future retirement projections and anticipated future skills needs for the agency.
- Establish success measures to determine the effectiveness of the recruiters and all recruiting activities (including marketing) and develop the means to collect data to assess these efforts.
- Assess how recruiting positions within the IRS are staffed and managed, paying particular attention to permanent versus temporary appointments, career paths, needed competencies, potential differences between the processes used by functional recruiters, and sharing of information among functional areas.

**Management's Response:** IRS management agreed with the recommendation. The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement will develop an agency-wide multi-year recruitment strategy.

**Recommendation 2:** Develop an action plan for each initiative in the new recruitment strategy with defined implementation dates and responsible officials for actions needed to implement the recruitment strategy.

**Management's Response:** IRS management agreed with the recommendation. The Director, Corporate Recruiting, will develop action plans for the initiatives in the agency-wide recruitment strategy.



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**Recommendation 3:** Establish centralized control over corporate recruiting to oversee agency-wide recruitment efforts and provide suggestions for further improvement.

**Management's Response:** IRS management agreed with the recommendation and will establish a centralized recruiting organization.

**Recommendation 4:** After the agency-wide strategy is developed, the IRS Chief Human Capital Officer should update Internal Revenue Manual guidance to reflect current recruitment processes.

**Management's Response:** IRS management agreed with the recommendation. The Director, Corporate Recruiting, will publish updated Internal Revenue Manual guidance.



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## **Appendix I**

### *Detailed Objectives, Scope, and Methodology*

Our overall objectives were to: 1) assess the efforts of the IRS Human Capital Office in developing and overseeing a strategic recruitment process; and 2) determine the current recruitment processes and whether they have enabled the IRS to meet its hiring goals. To accomplish our objectives, we:

- I. Determined the status of the IRS' strategic recruitment process.
  - A. Interviewed IRS Human Capital Office Talent, Hiring, and Recruitment Division management to determine the roles and responsibilities of the IRS Human Capital Office related to the agency-wide strategic recruitment process.
  - B. Obtained and reviewed any plans/documentation prepared by the IRS Human Capital Office outlining an agency-wide strategic approach to recruitment.
- II. Determined the role of the business units' Embedded Human Resources offices in developing and implementing strategic recruitment plan(s).
  - A. Interviewed IRS Human Capital Office management to identify any coordination with the business units' Embedded Human Resources offices related to the development of strategic recruitment plans.
  - B. Interviewed Small Business/Self-Employed Division, Wage and Investment Division, and Large and Mid-Size Division Embedded Human Resources offices management to determine their processes for performing recruitment planning for the applicable business unit, any plans to revise the recruiting processes in the future, and whether they coordinate with IRS Human Capital Office officials.
  - C. Determined the methods used by the three business units' Embedded Human Resources offices to recruit for available vacancies.
  - D. Reviewed documentation developed by the Embedded Human Resources offices related to recruitment.
- III. Determined whether the current recruitment processes have enabled the IRS to meet its established hiring goals for mission critical occupations.<sup>1</sup>

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<sup>1</sup> 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.



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- A. Determined the hiring goals of the three business units from Step II for filling mission critical occupations during Fiscal Years 2006 and 2007.
- B. Obtained available reports documenting the actual hiring performed for mission critical occupations based on recruitment efforts and evaluated whether goals were being met.
- C. Determined whether the business units evaluated the effectiveness of the recruitment techniques used to fill mission critical occupations.
- D. Identified any obstacles to recruiting that the business units are encountering when hiring for mission critical occupations and any actions planned or taken to address them.

### **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 that the following internal controls were relevant to our audit objectives: the IRS Human Capital Office, Small Business/Self-Employed Division, Wage and Investment Division, and Large and Mid-Size Business Division policies, procedures, and practices for planning, managing, and monitoring IRS efforts to recruit qualified candidates for vacancies. We evaluated these controls by interviewing management and reviewing applicable information.



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**Appendix II**

*Major Contributors to This Report*

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**Appendix III**

*Report Distribution List*

Commissioner C

Office of the Commissioner – Attn: Chief of Staff C

Commissioner, Large and Mid-Size Business Division SE:LM

Commissioner, Small Business/Self-Employed Division SE:S

Commissioner, Wage and Investment Division SE:W

IRS Chief Human Capital Officer OS:HC

Director, Talent, Hiring, and Recruitment OS:HC:THR

Chief Counsel CC

National Taxpayer Advocate TA

Director, Office of Legislative Affairs CL:LA

Director, Office of Program Evaluation and Risk Analysis RAS:O

Office of Internal Control OS:CFO:CPIC:IC

Audit Liaisons:

Commissioner, Large and Mid-Size Business Division SE:LM

IRS Chief Human Capital Officer OS:HC

Director, Communications and Liaison, Small Business/Self-Employed Division

SE:S:CLD:PSP:GTL

Senior Operations Advisor, Wage and Investment Division SE:W:S



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## Appendix IV

### *Additional Efforts to Improve Recruiting*

Several efforts are underway to improve recruiting within the Federal Government. As we were developing recommendations to improve IRS recruiting efforts, other agencies were also providing recommendations for strengthening recruiting activities within the Federal Government, and the IRS was beginning its own efforts to assess and improve human capital<sup>1</sup> activities, such as recruiting. These activities included:

- The IRS Workforce of Tomorrow Task Force held its first meeting to improve the work environment and ensure adequate staffing and leadership in the future as we were completing audit fieldwork. Two of the topics planned for review are developing a workforce plan and developing enhanced recruiting and career progression strategies.
- The IRS Human Capital Office developed a draft version of a document entitled *IRS Corporate Workforce Planning Framework Design*. The *Framework* was created because the IRS Human Capital Office had identified a need to improve the agency's corporate workforce planning capabilities.
- Small Business/Self-Employed Division officials informed us they began a project in August 2008 to enhance the effectiveness and efficiency of recruitment and hiring for mission critical occupations. The project will include efforts to identify and integrate workforce planning, recruitment, selection, and hiring strategies currently underway within the Small Business/Self-Employed Division.
- The Office of Personnel Management issued an *End-to-End Hiring Roadmap* creating a new approach to Federal Government recruiting and hiring and requested that agencies baseline measures and create improvement plans for Fiscal Year 2009 as we completed audit fieldwork. The *Roadmap* is a product of the partnership between the Office of Personnel Management and the Chief Human Capital Officers Council Subcommittee for Hiring and Succession Planning. One of the main components of the *Roadmap* is Recruiting. The *Roadmap* identified nine elements to the Recruiting component:
  - Create or refine agency brand.
  - Select and train recruitment team.
  - Create recruitment and staffing plans.
  - Identify career patterns.

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<sup>1</sup> The term "human capital" is used to describe the skills, abilities, and contributions of the people in any agency.



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- Develop marketing strategies.
  - Cultivate relationships and build networks.
  - Identify agency-specific recruiting cycles.
  - Evaluate and measure recruitment, staffing plans, and marketing strategies.
  - Adjust plans.
- In its 2007 Annual Report,<sup>2</sup> the IRS Oversight Board<sup>3</sup> discussed the importance of human capital and its concern about impending retirements. The Board recommended that the IRS change its recruitment strategies and begin recruiting like the private sector.
  - In January 2008,<sup>4</sup> the Merit Systems Protection Board issued a report that discussed the Federal Government's recruiting methods. It concluded that agencies tend to rely on passive recruitment strategies (e.g., Internet postings) or recruitment strategies that are directed at a narrow pool of applicants (e.g., college job fairs). The Board recommended that agencies use a variety of recruitment sources to reach qualified applicants from all segments of society.

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<sup>2</sup> *IRS Oversight Board Annual Report 2007*, dated March 2008.

<sup>3</sup> The IRS Oversight Board is a nine-member independent body charged to oversee the IRS in its administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws.

<sup>4</sup> *Attracting the Next Generation: A Look at Federal Entry-Level New Hires*, dated January 2008.



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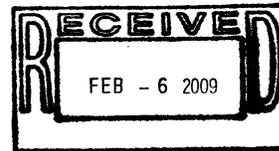
**Appendix V**

*Management's Response to the Draft Report*



HUMAN CAPITAL OFFICE

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



February 6, 2009

MEMORANDUM FOR NANCY NAKAMURA  
ASSISTANT INSPECTOR GENERAL FOR AUDIT  
(MANAGEMENT SERVICES AND EXEMPT ORGANIZATIONS)

FROM:  Robert Buggs  
IRS Human Capital Officer

SUBJECT: Draft Audit Report – An Agency-Wide Recruitment Strategy and Effective  
Performance Measures Are Needed to Address Future Recruiting  
Challenges (Audit # 200810023)

The IRS appreciates the time and effort that TIGTA has devoted to providing us with much needed feedback on our current recruitment operations and with valuable recommendations on how to both improve our current effectiveness and how to develop the corporate recruitment capacity to meet the challenges over the next five years.

The IRS agrees that an agency-wide recruitment strategy tied to organizational objectives and desired outcomes will improve the ability of the IRS to deploy a workforce with the capacity to meet both the current and projected future performance requirements of the organization. The IRS Commissioner's "Workforce of Tomorrow Task Force – Attracting the Best" has completed a review of both service-wide recruitment planning, execution and evaluation activities and of those performed by the individual IRS business and operating divisions. Close attention has been paid to use of existing data sources to structure performance measurement systems, and a need for additional data collection and evaluation systems has been identified. Preliminary performance measures have been proposed and are being reviewed. The Task Force has conducted an extensive review of all recruitment-related positions within the IRS and is assessing the strengths and weaknesses of the various positions and organizations in order to determine the deployment and management models with the highest capacity to meet both current and projected future needs.

The IRS agrees on the need for an action plan for each initiative in the new recruitment strategy with defined implementation dates and responsible officials for actions needed to implement the recruitment strategy. Although the new recruitment strategy is still under development, the IRS Commissioner's "Workforce of Tomorrow Task Force – Attracting the Best" has proposed implementation timelines for the options under discussion.



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The IRS agrees that a central office needs to be established to provide resources, support, management, and end-to-end accountability for the substantial recruitment operations footprint that will result from implementation of the new recruitment strategy. The IRS Commissioner's "Workforce of Tomorrow Task Force – Attracting the Best" has proposed an organizational structure for this central office. This central office is expected to be resourced and deployed within the next ninety days.

The IRS agrees that complete and up-to-date published guidance is essential to the effective operation and management of any IRS recruitment operation, and will publish completely revised and up-to-date Internal Revenue Manual guidance once the agency-wide strategy has been developed.

Attachment



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**Recommendation 1:** Develop an agency-wide recruitment strategy that is tied to organizational objectives and desired outcomes. As part of developing a strategy, the Deputy Commissioners should:

- Include long-term hiring goals beyond 1 year that take into consideration future retirement projections and anticipated future skills needs for the agency.
- Establish success measures to determine the effectiveness of the recruiters and all recruiting activities (including marketing) and develop the means to collect data to assess these efforts.
- Assess how recruiting positions within the IRS are staffed and managed, paying particular attention to permanent versus temporary appointments, career paths, needed competencies, potential differences between the processes used by functional recruiters, and sharing of information among functional areas.

**Corrective Action 1-1:** Develop an agency-wide multi-year recruitment strategy.

Implementation Date: October 1, 2009

Responsible Officials: Deputy Commissioner Services & Enforcement  
Deputy Commissioner Operations Support

Corrective Action Monitoring Plan: The Centralized Recruiting office will develop, implement and monitor a holistic performance measures suite designed to assess the effectiveness of individual activities as well as the office as a whole. This corrective action will be monitored on JAMES.

**Recommendation 2:** Develop an action plan for each initiative in the new recruitment strategy with defined implementation dates and responsible officials for actions needed to implement the recruitment strategy.

**Corrective Action 2-1:** Develop an action plan for each initiative in the agency-wide multi-year recruitment strategy.

Implementation Date: November 1, 2009

Responsible Official: Director, Corporate Recruitment

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



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**Recommendation 3:** Establish centralized control over corporate recruiting to oversee agency-wide recruitment efforts and provide suggestions for further improvement.

**Corrective Action 3-1:** Establish Centralized Recruiting organization

Implementation Date: May 1, 2009

Responsible Official: Head of the new central recruitment office

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

**Recommendation 4:** After the agency-wide strategy is developed, the IRS Human Capital Officer should update Internal Revenue Manual guidance to reflect current recruitment processes.

**Corrective Action 4-1:** Publish Internal Revenue Manual guidance

Implementation Date: February 1, 2010

Responsible Official: Director, Corporate Recruiting

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