Treasury Inspector General for Tax Administration
Office of Audit

CONTROLS OVER REAL PROPERTY MANAGEMENT HAVE IMPROVED; HOWEVER, ADDITIONAL EFFORTS ARE NEEDED TO ADDRESS PLANNED STAFFING INCREASES

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Highlights

Highlights of Report Number: 2009-10-107 to the Internal Revenue Service Chief, Agency-Wide Shared Services, and the Chief Human Capital Officer.

IMPACT ON TAXPAYERS

As a result of its ongoing space reduction efforts, the Internal Revenue Service (IRS) has reduced its office space 7 percent since 2004. However, the IRS still faces a number of challenges in its ongoing efforts to effectively manage its space and associated costs. In February 2009, the IRS actively began planning for a hiring initiative which could increase the non-campus staffing by as much as 9 percent over the next 2 years. In addition, long-term space planning needs to consider the impact of workstation sharing, which could result in $6 million in future annual rent savings.

WHY TIGTA DID THE AUDIT

This audit was initiated as part of the TIGTA Office of Audit Fiscal Year 2008 Annual Audit Plan. Rental costs represent one of the IRS' largest nonpayroll expenditures. In Fiscal Years 2007 and 2008, total rent costs were $633 million and $629 million, respectively. The overall objective of this review was to determine whether the IRS is efficiently and effectively managing its office space and whether the IRS has taken adequate corrective actions in response to a previous TIGTA audit report.

WHAT TIGTA FOUND

Additional efforts are needed to address the space management challenges created by the planned increase in non-campus staffing. Specifically, until the IRS develops an overall estimate of planned hiring by location for Fiscal Years 2009 and 2010 and compares this estimate to existing space, it will be unable to fully plan for the hiring initiative.

The IRS' long-term space planning process also needs to be improved. For example, TIGTA found no evidence that the methodology used by the IRS in calculating long-term space needs routinely considered the impact of workstation sharing by IRS staff. Had the impact of workstation sharing been calculated in anticipating future space needs, TIGTA estimates that $6 million in annual rent could potentially be saved.

Finally, improvements are needed to ensure the accuracy of key management information regarding space. In order for the management information systems to enable the IRS to effectively track and monitor space management projects to meet the goal of reducing excess space, the systems need to have complete and accurate data.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS develop an overall estimate of planned hiring by location and compare this estimate to existing space and develop a comprehensive national policy regarding workstation sharing for flexi-place employees. TIGTA also recommended the IRS reevaluate all significant in-process and planned space reduction projects based on the additional space needs created by the planned hiring initiative, perform a reassessment of the projected long-term space requirements for non-campus facilities, and revise the IRS' overall space utilization goal.

TIGTA further recommended the IRS develop procedures requiring that future building level space needs assessments consider the impact of workstation sharing and be periodically reconciled to agency-wide projected staffing levels. Finally, TIGTA recommended the IRS reinforce the need to perform periodic validations of space data, expand guidance regarding these evaluations, and ensure that its project tracking system is updated to include all key information for significant in-process projects.

IRS management agreed with all of the recommendations. The IRS is in the process of capturing information to identify sites where space deficiencies exist and formulating housing solutions. In addition, the IRS plans to develop a flexi-place policy that will address shared workstations and revise its asset management plans to reflect the impact of the hiring initiative.

The IRS also plans to develop procedures to annually reconcile the aggregate asset management plan's staffing projections against total projected staffing levels. The IRS plans to establish an overall space utilization goal of 85 percent of workstations utilized and has issued a memorandum on validating space data. Lastly, the IRS updated the nine significant in-progress rent reduction projects in the project tracking system.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

http://www.treas.gov/tigta/auditreports/2009reports/200910107fr.pdf.