



*Additional Actions and Data Are Needed  
to Further Analyze the Size and Skills  
of the Acquisition Workforce*

**July 26, 2011**

**Reference Number: 2011-10-072**

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.

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## HIGHLIGHTS

### **ADDITIONAL ACTIONS AND DATA ARE NEEDED TO FURTHER ANALYZE THE SIZE AND SKILLS OF THE ACQUISITION WORKFORCE**

## Highlights

### **Final Report issued on July 26, 2011**

Highlights of Reference Number: 2011-10-072 to the Internal Revenue Service Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement.

### **IMPACT ON TAXPAYERS**

Successfully acquiring goods and services and executing and monitoring procurements to help the Internal Revenue Service (IRS) meet its mission requires a highly skilled acquisition workforce. However, the IRS cannot easily identify its acquisition workforce and ensure it has a sufficient workforce with the skills needed to accomplish its mission. If the IRS does not take action to improve acquisition workforce planning, it may not have sufficient, qualified acquisition resources where needed, an issue that TIGTA reported previously. Consequently, the IRS is at risk of wasting scarce resources by paying more for procurements than necessary and/or not receiving adequate goods and services to meet its mission.

### **WHY TIGTA DID THE AUDIT**

This audit is included in our Fiscal Year 2011 Annual Audit Plan and addresses the major management challenge of Human Capital. The overall objective of this review was to assess the IRS's efforts to determine the size, skills, and competencies of its acquisition workforce.

### **WHAT TIGTA FOUND**

As of February 11, 2011, the Office of Procurement was responsible for administering 891 procurements valued at approximately \$31.5 billion over the life of the procurements. However, like other Government agencies, the IRS has struggled to accomplish the basic tasks in acquisition workforce planning, including:

- 1) identifying its acquisition workforce,
- 2) determining the number of acquisition workforce personnel it needs to accomplish its mission, and
- 3) determining the skills its employees have compared to the skills required.

Prior audits have raised concerns over the adequacy of the acquisition workforce. For example, TIGTA previously reported that contracting officer's technical representatives were not performing the day-to-day oversight or the physical receipt and acceptance of contract deliverables for the procurements to which they were assigned. In addition, 22 contracting officer's technical representatives assigned to 40 procurements with \$31.8 million in labor hour expenses did not have sufficient documentation to support the approval of the billed labor expenses.

If the IRS does not take action to improve its acquisition workforce planning, it: 1) may not be able to easily identify its acquisition workforce to know whether it has enough people with the right skills to perform acquisition duties, 2) may be understaffed to handle the anticipated acquisition workload, and 3) may not have all the prerequisite skills to oversee procurements.

### **WHAT TIGTA RECOMMENDED**

TIGTA recommended that the IRS develop and document an IRS-wide approach to ensure it can identify, track, and monitor the adequacy of its acquisition workforce.

IRS officials agreed with the recommendation. The Office of Procurement plans to meet with the Department of the Treasury's Senior Procurement Executive to determine its plans to assess and analyze the acquisition workforce at the Department of the Treasury level and to determine whether the definition of the acquisition workforce can be refined at the bureau level. The Office of Procurement also plans to form a working group to: 1) assess the feasibility of implementing an IRS-wide approach to ensure the adequacy of the acquisition workforce is effectively monitored and 2) draft a policy and develop a plan for regular monitoring.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

July 26, 2011

**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 – Additional Actions and Data Are Needed to  
Further Analyze the Size and Skills of the Acquisition Workforce  
(Audit # 201010012)

This report presents the results of our review to assess the Internal Revenue Service's efforts to determine the size, skills, and competencies of its acquisition workforce. This review is included in our Fiscal Year 2011 Annual Audit Plan and addresses the major management challenge of Human Capital.

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

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



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*Abbreviations*

COTR	Contracting Officer's Technical Representative
GS	General Schedule
IRS	Internal Revenue Service



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## *Background*

Government agencies should ensure that the Federal Government is receiving the best value for its procurements and that contractors are meeting the procurements' terms and conditions. If procurements are not awarded and monitored in accordance with contract terms, the Government is at risk of overpaying and wasting taxpayer funds. To protect the Government's interest, several types of acquisition personnel are needed to execute and monitor contracts over the life of a contract. Therefore, ensuring a sufficient, well-trained acquisition staff is an essential element to acquiring goods and services.

Several risk factors that have reached a critical stage heighten the need for a strong acquisition workforce. For example, since Calendar Year 2000, procurement spending within the Federal Government has increased by 155 percent to almost \$532 billion, while the growth in the acquisition workforce has not kept up.<sup>1</sup> This increased workload leaves less time for effective

***The acquisition workforce  
is at risk of losing a  
significant number of  
personnel due to  
retirement.***

planning and contract administration which can lead to diminished acquisition outcomes. In addition, Government-wide, 31 percent of contracting series personnel<sup>2</sup> will be eligible for retirement by Fiscal Year 2014, and 51 percent will be eligible for retirement by Fiscal Year 2019. Given the large amount of taxpayer funds being spent and the anticipated level of retirements in the coming years, it is critical that the Federal Government attract and retain talented individuals for the acquisition workforce to ensure taxpayer dollars are spent wisely.

In March 2009, the President identified acquisition workforce development as a pillar for strengthened agency acquisition practices and improved Government performance. Also in Calendar Year 2009, the Office of Management and Budget developed guidance for Federal agencies with regard to the acquisition workforce. These include:

- Requiring Federal agencies to provide to the Office of Federal Procurement Policy copies of their acquisition workforce human capital succession plans focusing on the recruitment, retention, and development of contracting officers.<sup>3</sup>

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<sup>1</sup> "If Spending Is Swift, Oversight May Suffer," *The Washington Post*, February 9, 2009.

<sup>2</sup> Contract specialists and contracting officers are both part of the General Schedule (GS) contracting job series GS-1102.

<sup>3</sup> *Acquisition Workforce Human Capital Succession Plans*, dated January 7, 2009.



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- Recommending that agencies analyze whether the current size, skill level, and organizational structure of their acquisition workforce are sufficient to achieve a high level of performance.<sup>4</sup>
- Developing an Acquisition Workforce Development Strategic Plan for Fiscal Years 2010–2014 that provides a structured approach to improve both the capacity and capability of the civilian acquisition workforce. Each civilian agency covered by the Chief Financial Officers Act<sup>5</sup> must develop an annual Acquisition Human Capital Plan<sup>6</sup> that identifies specific strategies and goals for increasing both the capacity and capability of the workforce for the period ending in Fiscal Year 2014.<sup>7</sup>

In addition, the need for a highly qualified acquisition staff was emphasized with the American Recovery and Reinvestment Act of 2009<sup>8</sup> guidance issued in February 2009.

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. To achieve this mission, the IRS uses a variety of approaches and tools, including procurements to acquire goods and services needed to fulfill or support the mission. Successfully acquiring goods and services and executing and monitoring procurements to help the IRS meet its mission requires a highly skilled acquisition workforce.

The IRS spends approximately \$2 billion a year acquiring goods and services through its Office of Procurement. As of February 11, 2011, the Office of Procurement was responsible for administering 891 procurements with a value of approximately \$31.5 billion over the life of the procurements. Figure 1 shows that the total dollars expended in support of acquisitions by the IRS has increased, while the number of employees in the Contracting Job Series (General Schedule (GS)-1102)<sup>9</sup> has decreased over the past 3 fiscal years.

**Over the last several fiscal years, the number of procurements and modifications has risen at the same time that Office of Procurement staffing began to decline.**



<sup>4</sup> *Improving Government Acquisitions*, dated July 29, 2009.

<sup>5</sup> Pub. L. No. 101-576, 104 Stat. 2838 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 42 U.S.C.).

<sup>6</sup> While this plan was developed by the Department of the Treasury, close to 95 percent of the Department of the Treasury's entire budget relates to the Internal Revenue Service.

<sup>7</sup> *Acquisition Workforce Development Strategic Plan for Civilian Agencies – Fiscal Years 2010–2014*, dated October 27, 2009.

<sup>8</sup> Pub. L. No. 111-5, 123 Stat. 115 (2009).

<sup>9</sup> Within the IRS, the Office of Procurement is the only office where job series GS-1102 positions are located.



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**Figure 1: IRS Procurement Dollars Expended  
and Number of Office of Procurement Contracting  
Job Series (GS-1102) Employees<sup>10</sup>**

<b>Fiscal Year</b>	<b>Total Procurement Dollars Expended</b>	<b>Number of GS-1102 Employees</b>
2008	\$1.8 billion	298 <sup>11</sup>
2009	\$1.8 billion	285 <sup>12</sup>
2010	\$2.0 billion	275 <sup>13</sup>

*Source: Office of Procurement and the Human Resource Reporting Center.*

In addition, the Department of the Treasury's Acquisition Human Capital Plan for Fiscal Years 2011–2014 indicates there is a potential need to increase the COTR workforce. Further, beginning in Fiscal Year 2011, the Department of the Treasury began to transfer at least 30 procurement personnel to the IRS, and the IRS will take responsibility for approximately \$500 million worth of the Department of the Treasury's acquisitions.

The IRS acquisition workforce consists of all participants in the acquisition process, not just those reflected in Figure 1, including program managers, contract specialists, contracting officers, and COTRs. Contract specialists and contracting officers work in the Office of Procurement, while program managers and COTRs work in both the Office of Procurement and program offices throughout the IRS. See Appendix IV for a summary of the duties of acquisition workforce personnel.

This audit was conducted while changes were being made to address acquisition workforce issues, including the development of a competency model. Any changes that have occurred since we concluded our interviews in February 2011 are not reflected in this report. As a result, this report may not reflect the current status of acquisition workforce issues.

This review was performed at the Office of Procurement in Oxon Hill, Maryland, and at the Modernization and Information Technology Services organization offices in New Carrollton, Maryland, during the period April 2010 through February 2011. We also conducted telephone interviews with applicable employees in the Wage and Investment, Large Business and International (formally known as Large and Mid-Size Business), and Small Business/Self-Employed Divisions, as well as the Modernization and Information Technology Services organization. In addition, we corresponded with employees from the Tax Exempt and

<sup>10</sup> Other acquisition personnel positions, including contracting officer's technical representatives (COTR), are not always located in the Office of Procurement.

<sup>11</sup> As of September 27, 2008.

<sup>12</sup> As of September 26, 2009.

<sup>13</sup> As of September 25, 2010.



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Government Entities Division, IRS Human Capital Office, and Office of Program Evaluation and Risk Analysis. 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 based on our audit objective. Detailed information on our audit objective, 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*

### **Overall Acquisition Workforce Planning Activities Need Improvement**

Workforce planning ensures that the right people with the right skills are in the right place at the right time. To assist with acquisition workforce planning, the Office of Management and Budget recommends that agencies analyze whether the current size, skill level, and organizational structure of their acquisition workforce is sufficient to achieve a high performance level. The IRS has taken some actions to determine the appropriate size of its acquisition workforce and whether current employees have the required skills necessary for their jobs. However, like other Government agencies, it has struggled to accomplish the basic tasks in acquisition workforce planning, including:

- Identifying the overall acquisition workforce.
- Determining how many acquisition workforce personnel it needs to accomplish its mission.
- Determining acquisition workforce personnel skills gaps.

If the IRS does not take action to improve its acquisition workforce planning, it: 1) may be unable to easily identify its acquisition workforce to know whether it has enough people with the right skills to perform acquisition duties, 2) may be understaffed to handle the anticipated acquisition workload, and 3) may not have all the prerequisite skills to oversee acquisitions. As a result, the IRS may waste scarce resources by paying more for acquisitions than necessary and/or not receiving adequate goods and services to meet its mission.

### **Not all personnel involved in acquisition workforce activities can be readily identified**

The Office of Federal Procurement Policy<sup>14</sup> identified a minimum set of functions that constitute acquisition workforce positions within the Federal Government, including program managers, contract specialists, contracting officers, and COTRs. In addition, the Office of Federal Procurement Policy suggested that agencies consider including a broader range of acquisition activities to use when defining their acquisition workforce. These activities could include requirements definition, measurement of procurement performance, and technical and management direction.

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<sup>14</sup> Office of Federal Procurement Policy, Policy Letter 05-01, Developing and Managing the Acquisition Workforce, dated April 15, 2005.



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Although the IRS Office of Procurement could easily identify its acquisition workforce, the acquisition workforce personnel outside of the Office of Procurement<sup>15</sup> was difficult to identify. This is because the IRS does not maintain a master list of all acquisitions workforce personnel.

The Office of Procurement could not provide us with information regarding the number of COTRs throughout the IRS. In addition, there was confusion among the operating divisions and the Modernization and Information Technology Services organization as to what positions constituted the acquisition workforce in

***Identification of the  
IRS acquisition workforce  
caused a lot of confusion  
among the offices sampled.***

the field. We had to contact these offices several times to obtain additional acquisition workforce data. One operating division responded that it did not have an acquisition workforce. However, an Office of Procurement official stated that all of the operating divisions have an acquisition workforce. Although the remaining operating divisions and the Modernization and Information Technology Services organization provided us with lists of their acquisition workforce, they were not consistently defining or tracking their acquisition workforce and, therefore, could not provide us with reliable numbers.

Neither personnel in the Office of Procurement nor the operating divisions could provide us with the definition of the IRS's acquisition workforce. However, Office of Procurement personnel later commented that the IRS's definition of the acquisition workforce (anyone in the job series GS-1102, contracting officers [regardless of their job series], project/program managers, and COTRs) is consistent with the Department of the Treasury's definition. While the Office of Procurement provided a definition of the acquisition workforce, it is clear that the IRS has not effectively communicated the definition throughout the agency.

Defining and identifying the acquisition workforce is the first step to answering the Administration's concerns and addressing the Office of Management and Budget's recommendations. If the IRS cannot easily identify its acquisition workforce, it cannot know whether it has enough people with the right skills to perform acquisition duties.

***The number of acquisition personnel needed has not been determined***

As noted previously, concerns have been expressed about the size of the Government-wide acquisition workforce not keeping pace with the growth in Government-wide procurement spending. We believe that this Government-wide concern may also be an issue within the IRS. The Office of Procurement's workload continues to increase without a significant increase in personnel, and the Department of the Treasury has determined there may be a need for a significant number of additional COTRs throughout the Department of the Treasury. In addition,

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<sup>15</sup> Personnel performing acquisition duties change frequently and personnel are decentralized throughout the IRS. Specifically, COTRs change frequently, as they have authority to work on procurements only when they have been formally delegated by the contracting officer.



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we have seen indications in prior audits that the IRS may not always have the number of acquisition personnel it needs to: 1) sufficiently monitor procurements to ensure contractors were meeting the procurements' terms and conditions,<sup>16</sup> and 2) ensure payments were only made to contractors who performed in accordance with contract terms and conditions.<sup>17</sup> However, the IRS does not currently have an objective method for determining an adequate size for the acquisition workforce. While developing a method may be difficult, it is necessary to ensure the IRS has sufficient, qualified staff to effectively oversee the approximately \$2 billion it spends each year on acquisitions.

A review of Office of Procurement staffing data and workload for Fiscal Years 2008 through 2010 indicates that while staffing has remained relatively stable, the related workload has increased significantly. Figure 2 shows that the number of contracts increased from 7,444 to 8,263, an 11 percent increase from Fiscal Years 2008 to 2010, and the total dollars obligated for these base contracts increased by \$141 million during this time period. Even more striking is the fact that contract modifications increased from \$653 million to \$936 million, an almost 43 percent increase from Fiscal Years 2008 to 2010, and the total dollars obligated for these contract modifications increased by \$283 million during this time period.

**Figure 2: IRS Procurement Dollars Expended  
and Number of GS-1102 Employees<sup>18</sup>**

Fiscal Year	Number of GS-1102 Employees	Number of Contracts	Contract Dollars Obligated	Number of Modifications	Modification Dollars Obligated
2008	298	7,444	\$639 million	8,756	\$653 million
2009	285	8,301	\$710 million	10,677	\$725 million
2010	275	8,263	\$780 million	12,340	\$936 million

Source: Office of Procurement and the Human Resource Reporting Center.

In addition to an increasing workload within the Office of Procurement, the COTR workforce faces staffing challenges. The Department of the Treasury's Acquisition Human Capital Plan for Fiscal Years 2011-2014 indicates there is a need to explore COTR staffing requirements. Specifically, the plan indicates a potential need to increase the Department of the Treasury's COTR workforce. The projection model used as part of this plan projects a need for 3,373 COTRs, a 78 percent increase over the current workforce of 1,900 COTRs.

<sup>16</sup> *Procurement Audit Results Indicate Problems Continue to Exist After Corrective Actions Were Implemented* (Reference Number 2010-10-088, dated September 14, 2010).

<sup>17</sup> *Controls Over the Contracting Officer's Technical Representatives Workforce Were Ineffective, Resulting in Significant Risks to the Government* (Reference Number 2009-10-139, dated September 30, 2009).

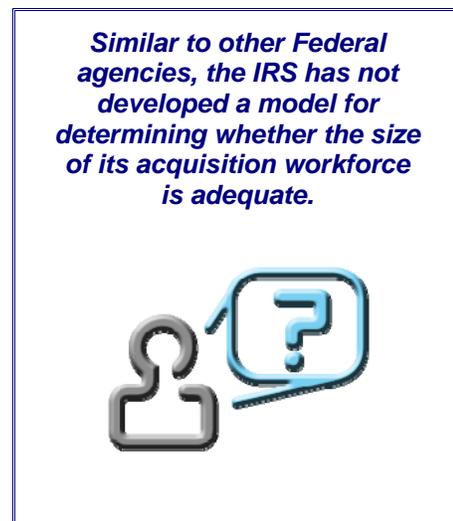
<sup>18</sup> All dollar values in this figure were rounded up.



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Our prior audits have also shown indications that the acquisition workforce may not be staffed to handle the volume of procurement actions at all times during the fiscal year. For example, the Office of Procurement used overtime to complete its required yearend procurement actions, when the dollar value of commitments increased 671 percent in several fiscal years. Our review of yearend spending actions identified deficiencies in 15 percent of the procurement actions we reviewed, including 4 potential violations of appropriations regulations.<sup>19</sup> We also reported that COTRs were not performing the day-to-day contract oversight or the actual physical receipt and acceptance of contract deliverables for the procurements to which they were assigned. In addition, personnel who had not received training were performing contract administration duties, and 22 COTRs assigned to 40 contracts with \$31.8 million in labor hour expenses did not have sufficient documentation to support their approval of contractor's billed labor charges.<sup>20</sup> One possible reason that these issues have occurred could be due to understaffing.

While the Department of the Treasury's Acquisition Human Capital Plan and our audits indicate that there may be a need for more acquisition personnel across the IRS, recent efforts to improve workforce planning have not included acquisition occupations. In Calendar Year 2008, the IRS Commissioner established the Workforce of Tomorrow Task Force with a goal of making the IRS the best place to work in Government and ensuring that in 5 years the IRS has adequate leadership and staffing for the next 15 years. The Task Force developed recommendations that included implementing an Attrition Model to project retirements and resignations by occupation and post of duty, and implementing an IRS-wide High Level Workload Model and a Workforce Planning Tool to project future hiring needs. However, the Workforce of Tomorrow Task Force models were not designed with Office of Procurement's mission critical occupations<sup>21</sup> in mind. Specifically, the Task Force issued its final report in August 2009, but the Office of Procurement's GS-1102 contract specialist position was not added to the IRS's mission critical list until September 2009. In addition, the Office of Procurement was not aware of the Task Force's recommendation to develop an IRS-wide Workforce Planning tool.



<sup>19</sup> *The Growing Number of Requests for Procurement Actions at Yearend Increases the Risk of Inefficient and Ineffective Spending* (Reference Number 2007-10-181, dated September 24, 2007).

<sup>20</sup> *Controls Over the Contracting Officer's Technical Representatives Workforce Were Ineffective, Resulting in Significant Risks to the Government* (Reference Number 2009-10-139, dated September 30, 2009).

<sup>21</sup> Mission critical occupations are those few occupations that comprise the unique core competencies of the IRS and/or have the greatest direct impact on the agency's ability to meet its mission.



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Because an IRS-wide model for projecting future workload and workforce requirements was not available, we asked the Office of Procurement whether it had any models for determining acquisition workforce needs. For example, any model that would show that for a specific dollar amount or number of actions the IRS should have “xx” number of acquisition personnel. An Office of Procurement official stated that it did not have any sort of model for determining acquisition workforce needs and developing one would not be an easy task because not all procurements are alike. For example, a simple procurement may require minimal oversight while a complex procurement may require a team of individuals with different skill sets to adequately oversee the procurement. We researched other Federal agencies to determine if models were available within the Federal community that may be of use to the IRS. However, our research did not uncover any models being used by other Federal agencies to determine the appropriate size of the acquisition workforce.

While developing an objective method for determining the minimum number of personnel necessary based upon anticipated workload may be difficult, we believe the time is right to begin gathering data to analyze whether the IRS has sufficient acquisition staffing. Effective acquisition workforce planning requires determining the workload and personnel levels of the acquisition workforce on a regular basis to enable the IRS to perform acquisition-related duties in a timely and cost-effective manner. Without effective acquisition workforce planning, the IRS will be at risk of not having a sufficient acquisition workforce to support its needs. If the number of acquisition personnel needed is not known, the IRS may be understaffed. Understaffing could lead to a lack of oversight of contractors, which may result in cost overruns or the IRS not receiving the contracted goods or services it pays for.

***Without knowing the total  
acquisition workforce needed,  
the IRS may be understaffed.***

***Management Actions:*** The Office of Procurement has conducted two studies to analyze its workforce and workloads. Although this is a good first step, the studies were not completed and all recommendations have not been implemented.

- In late Calendar Year 2007, the Workforce Management and Support Services office entered into a contract to conduct an Acquisition Workforce Analysis. This analysis was initiated by the Office of Procurement because an agency-wide workforce planning effort undertaken by the IRS Human Capital Office. Details of this analysis indicated that based on the existing workforce demographics, over the next 15 years, the Office of Procurement could lose an estimated 56 to 64 percent of its contracting officers. The workforce analysis also revealed that senior Office of Procurement management identified areas of weakness as training and development, succession planning, knowledge management, internal communication, talent recruitment, and an inadequate Human Resource Information System that did not support workforce planning. This presents the IRS with a major challenge and, if not addressed, could jeopardize the



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IRS's ability to recruit and retain contracting officials and provide continuity of leadership.

The Workforce Analysis study resulted in 15 recommendations related to the internal and external hiring process, creating a talent inventory, assessing workforce and workload requirements, and developing competency models for the GS-1101<sup>22</sup> and 1102 job series. As of August 2010, the Office of Procurement had fully completed 4 (27 percent) of the 15 recommendations. Specifically, the Office of Procurement developed a charter and a strategy map to assist with workforce planning efforts. The Office of Procurement also developed competency models for specific acquisition positions and plans to conduct an annual review of competencies. The other 11 recommendations either are in progress or were put on hold. Specifically, the Office of Procurement has not addressed the recommendation to maintain a talent inventory to capture and transfer knowledge. It is also working on the recommendation to retain talent and was in the process of obtaining approval to issue a survey to obtain applicable data. The Office of Procurement has not made as much progress as it would have liked relative to these recommendations because of staffing shortages.

- In Fiscal Year 2010, the Office of Procurement entered into a contract to conduct an 8-week workload analysis of its Office of Information Technology Acquisition.<sup>23</sup> This analysis was conducted to meet the challenges of attrition, growth, and management changes by assessing the current and future workloads of the Office of Information Technology Acquisition. The workload analysis assessed the current workload for each Office of Information Technology Acquisition branch to ensure proper staffing levels are met now and in the future, and that the workload for each branch aligns with the assigned workforce. This project was scheduled to be conducted in two phases. A report was issued in March 2010 at the conclusion of the first phase, with recommendations and a transition approach for short-term workload distribution and efficiency gains. In response, the Office of Information Technology Acquisition branch standardized a single point of entry for all new acquisitions. Phase two, which was not conducted for budgetary reasons, was intended to build on the work products from phase one and result in more detailed and encompassing recommendations.

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<sup>22</sup> The GS-1101 job series consists of COTRs.

<sup>23</sup> The Office of Information Technology Acquisition is responsible for planning, negotiating, executing, and managing the procurement of information technology products and services.



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**Acquisition workforce skills gaps need to be identified and addressed**

In addition to not determining the appropriate size of the acquisition workforce, the IRS has not taken action to evaluate the effectiveness of efforts to close employee skills gaps for mission critical members of its acquisition workforce. Further, no comprehensive analysis has been conducted of employees' training histories to identify skills gaps. Federal Government agencies are required by Office of Personnel Management standards to periodically identify gaps between competencies needed and possessed by employees in mission critical occupations and take actions as needed to close those gaps.

The acquisition workforce study conducted in Fiscal Year 2010 identified skills gaps within the Office of Procurement's Office of Information Technology Acquisitions and, as a result, appropriate training was provided to affected employees.

However, the remainder of the IRS acquisition workforce relies on the results of the Acquisition Workforce Competencies Survey, which is administered by the Federal Acquisition Institute and completed annually by all Federal agencies, to identify skills gaps. This survey is voluntary, anonymous, and does not provide agency-specific results. Instead, it provides a consolidated analysis of all Federal agency responses.

***IRS acquisition employees'  
skills gaps have not  
been identified.***

In addition, a prior audit report showed that COTRs were not adequately trained to ensure successful contract administration, which contributed to a fraud system not being delivered as scheduled.<sup>24</sup> We estimated the IRS failed to stop about \$894 million in fraud due to this system not being delivered as planned.<sup>25</sup> Without determining whether its employees may have skills gaps in its acquisition workforce, the IRS may not have all the prerequisite skills to oversee procurements, which could lead to the IRS paying more for procurements than necessary and/or not receiving adequate goods and services to meet its mission.

**Management Actions:** In February 2009, we reported<sup>26</sup> that the IRS lacked comprehensive, agency-wide information on mission critical employee skills needed to effectively assess its workforce needs. The IRS agreed to implement a process to collect, compile, and analyze skills data across the IRS. However, implementation of the IRS's corrective actions has been delayed. Until the IRS can identify and address skills gaps of acquisition workforce employees, it is at increased risk that their skills will not be sufficient to adequately perform their duties. Consequently, the Office of Procurement could consider using other information at its disposal,

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<sup>24</sup> *The Electronic Fraud Detection System Redesign Failure Resulted in Fraudulent Returns and Refunds Not Being Identified* (Reference Number 2006-20-108, dated August 9, 2006).

<sup>25</sup> *An Estimated \$1.6 Billion in Fraudulent Refunds Was Issued During the 2006 and 2007 Filing Seasons* (Reference Number 2008-10-172, dated September 22, 2008).

<sup>26</sup> *Workforce Planning Efforts Are Hindered by a Lack of Comprehensive Information on Employee Skills Levels* (Reference Number 2009-10-041, dated February 24, 2009).



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including COTR certifications<sup>27</sup> for key acquisition personnel, until an agency-wide system is in place. Because the IRS is in the process of implementing corrective actions to identify and correct skills gaps for all of its mission critical occupations, we are making no additional recommendations at this time regarding skills gaps.

In addition, in August 2006, we reported<sup>28</sup> that the IRS should ensure COTRs are adequately trained. IRS management responded that all current COTRs were certified, having passed the COTR training conducted by the Office of Procurement.

### **Recommendation**

**Recommendation 1:** The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement should develop and document an IRS-wide approach to ensure it effectively monitors the adequacy of its acquisition workforce. This approach should include, but not be limited to, the following:

- Adopting and communicating an IRS-wide definition of the acquisition workforce that reflects the employees performing acquisition-related functions.
- Identifying employees performing acquisition-related functions on an ongoing basis.
- Assessing what data on current acquisition workforce efforts and employees, such as workload level, attrition data, and skills gaps, would help inform workforce planning efforts and then develop a strategy to collect that information. This strategy should include data on all IRS employees who perform acquisition-related functions.
- Collecting and analyzing data, discussed in the prior bullet, to determine the number and skills of acquisition workforce personnel needed for a particular workload. As not all procurements are uniform, this method may need to take into account the difference in complexity between procurement types.
- Developing and monitoring data, such as the quality of acquisition personnel's work and the amount of overtime worked, to periodically ensure the IRS has the right number of acquisition workforce personnel with the skills needed to accurately and timely complete their workload.

**Management's Response:** The IRS agreed with this recommendation. The Office of Procurement will meet with the Department of the Treasury's Senior Procurement

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<sup>27</sup> The Office of Management and Budget issued a memorandum, The Federal Acquisition Certification for Contracting Officer's Technical Representatives, dated November 26, 2007, establishing a structured training program for COTRs. All COTRs must be certified no later than 6 months from their date of appointment and must maintain their skills currency through continuous learning.

<sup>28</sup> *The Electronic Fraud Detection System Redesign Failure Resulted in Fraudulent Returns and Refunds Not Being Identified* (Reference Number 2006-20-108, dated August 9, 2006).



*Additional Actions and Data Are Needed to Further Analyze  
the Size and Skills of the Acquisition Workforce*

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Executive to determine plans to assess and analyze the acquisition workforce at the Department of the Treasury level, as well as to ascertain the achievability of refining the definition of the acquisition workforce at the bureau level. The Office of Procurement will form a working group, comprised of all stakeholders (including the Department of the Treasury, IRS business units, and the Human Capital Office) to assess the feasibility of implementing an IRS-wide approach to ensure the adequacy of the acquisition workforce is effectively monitored. The Office of Procurement also plans to develop a schedule to draft the policy and develop a plan for regular monitoring.



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*Additional Actions and Data Are Needed to Further Analyze  
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## **Appendix I**

### *Detailed Objective, Scope, and Methodology*

The overall objective of this review was to assess the IRS's efforts to determine the size, skills, and competencies of its acquisition workforce. To accomplish this objective, we:

- I. Obtained background information related to the size of the IRS acquisition workforce and workload from Fiscal Years 2007 to 2010.
  - A. Obtained information from the Office of Procurement, the four business operating divisions, and the Modernization and Information Technology Services organization on the size of the acquisition workforce from Fiscal Years 2007 to 2010.
  - B. Obtained information from the Office of Procurement on the number of contracting officers by warrant level<sup>1</sup> from Fiscal Years 2007 to 2010.
  - C. Obtained information from the Office of Procurement detailing the number and dollar value of procurements from Fiscal Years 2007 to 2010.
  - D. Identified prior Treasury Inspector General for Tax Administration reports showing indicators that the Office of Procurement needs additional staff.
- II. Assessed the capability of the IRS to identify and determine the size of its acquisition workforce.
  - A. Obtained and reviewed Office of Management and Budget guidance/instructions to identify/assess the size of the acquisition workforce.
  - B. Obtained criteria to identify acquisition workforce personnel by job series.
  - C. Assessed whether any information developed by the IRS to determine the size and identity of its workforce was complete and accurate.
- III. Assessed any efforts by the IRS to analyze the adequacy of the size of the acquisition workforce.
  - A. Interviewed Office of Procurement and IRS Human Capital Office officials to identify and obtain any studies conducted on the adequacy of the size of the IRS acquisition workforce.

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<sup>1</sup> A contracting officer's authority, and any limits to that authority, is stated in a Certificate of Appointment (Standard Form 1402), commonly referred to as a warrant. There are three warrant levels that are based on the dollar amount to which the contracting officer can obligate the IRS in a contract.



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*Additional Actions and Data Are Needed to Further Analyze  
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- B. Reviewed any documents obtained in Step III.A. to determine whether recommendations were implemented.
  - C. Determined the status of developing the workforce analysis tools recommended by the Workforce of Tomorrow Task Force.
  - D. Determined how the IRS calculates the number of resources needed to carry out procurement duties.
  - E. Ascertained the status of ongoing efforts to analyze the size of the IRS acquisition workforce.
- IV. Determined whether the IRS had assessed the skills and competencies needed by the acquisition workforce to efficiently and adequately accomplish their duties.
- A. Determined the status of the Office of Procurement's initiative to identify skill sets and develop competency models for COTRs, contracting officers, and contract specialists.
  - B. Identified and evaluated the status of any plans to assess skills and identify skills gaps within the acquisition workforce.

**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 Office of Federal Procurement Policy's Policy Letter 05-01, Office of Management and Budget memorandums, Workforce of Tomorrow Task Force actions, and documentation on studies conducted by the Office of Procurement on the adequacy of the size of its acquisition workforce. We evaluated these controls by interviewing IRS acquisition personnel and analyzing the acquisition-related data we obtained.



*Additional Actions and Data Are Needed to Further Analyze  
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## **Appendix II**

### *Major Contributors to This Report*

Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations)  
Troy D. Paterson, Director  
Cheryl J. Medina, Acting Audit Manager  
Thomas F. Seidell, Audit Manager  
Margaret A. Anketell, Lead Auditor  
Marjorie Stephenson, Senior Auditor  
Michael A. McGovern, Auditor



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*Additional Actions and Data Are Needed to Further Analyze  
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## **Appendix III**

### *Report Distribution List*

Commissioner C  
Office of Commissioner – Attn: Chief of Staff C  
Chief, Agency-Wide Shared Services OS:A  
Chief Technology Officer OS:CTO  
IRS Human Capital Officer OS:HC  
Commissioner, Large Business and International Division SE:LB  
Commissioner, Small Business/Self-Employed Division SE:S  
Acting Commissioner, Tax Exempt and Government Entities Division SE:T  
Commissioner, Wage and Investment Division SE:W  
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:  
    Chief, Agency-Wide Shared Services OS:A  
    Chief Technology Officer OS:CTO  
    IRS Human Capital Officer OS:HC  
    Commissioner, Large Business and International Division SE:LB:CL  
    Commissioner, Small Business/Self-Employed Division SE:S  
    Director, Communications and Liaison, Tax Exempt and Government Entities Division  
    SE:T:CL  
    Senior Operations Advisor, Wage and Investment Division SE:W:S



*Additional Actions and Data Are Needed to Further Analyze the Size and Skills of the Acquisition Workforce*

**Appendix IV**

*Duties of Acquisition Workforce Personnel*

The acquisition workforce includes individuals who perform various acquisition-related functions to support the accomplishment of the agency’s mission. At a minimum, the acquisition workforce of an agency should include contract specialists, contracting officers, program managers, and COTRs. Figure 1 provides acquisition-related duties for each position.

**Figure 1: Acquisition Workforce Responsibilities**

<b>Acquisition Position</b>	<b>Acquisition-Related Duties</b>
Program Manager	<ul style="list-style-type: none"> <li>Provides justification and certification that there is a legitimate Federal Government need for goods or services, as well as sufficient funding to pay for goods or services.</li> </ul>
Contract Specialist	<ul style="list-style-type: none"> <li>Reviews the completed requisition package before processing the request.</li> </ul>
Contracting Officer	<ul style="list-style-type: none"> <li>Awards the contract and is the only person who has the authority to enter into, modify, or terminate a contract on behalf of the Federal Government.</li> <li>Delegates authority to a COTR to administer the technical aspects of a procurement after it is awarded.</li> <li>Ensures the COTR receives and signs a copy of the appointment letter that reflects the scope of his or her duties.</li> </ul>
COTR	<ul style="list-style-type: none"> <li>Performs critical duties to protect the public’s interest in ensuring that procurement deliverables meet the needs of the Federal Government.</li> <li>Provides technical and program expertise necessary to develop and manage the procurement.</li> <li>Assists the contracting officer in issuing contract modifications and entering into new contracts.</li> </ul>

*Source: Office of Procurement and prior Treasury Inspector General for Tax Administration audit reports.*



*Additional Actions and Data Are Needed to Further Analyze  
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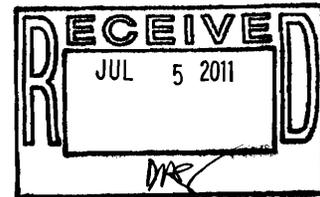
**Appendix V**

*Management's Response to the Draft Report*



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

July 5, 2011



MEMORANDUM FOR MICHAEL R. PHILLIPS  
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Beth Tucker *Beth Tucker*  
Deputy Commissioner for Operations Support

SUBJECT: Draft Audit Report – Additional Actions and Data are Needed to  
Further Analyze the Size and Skills of the Acquisition Workforce  
(Audit #201010012)

Thank you for the opportunity to respond to the subject audit report. The audit was conducted to assess the IRS efforts to determine the size, skills, and competencies of its acquisition workforce. Our response is attached.

The report states that the IRS has struggled to accomplish the basic tasks in acquisition workforce planning, including identifying the overall acquisition workforce. The IRS's definition of the acquisition workforce is the same as the Department of the Treasury, who defines the Acquisition Workforce as anyone in the 1102 job series, Contracting Officers (regardless of their series), Project/Program Managers, and Contracting Officer's Technical Representatives (COTRs). This definition is consistent with the Office of Federal Procurement Policy (OFPP) Policy Letter 05-01, Developing and Managing the Acquisition Workforce, which was issued by the Office of Management and Budget in April 2005. We continue to utilize our robust training program in the Treasury Acquisition Institute to ensure that our acquisition workforce maintains current certifications, as outlined in the OFPP Policy.

The Office of Procurement is currently administering a skills assessment to its employees, developed in conjunction with the competencies set forth by the OFPP. This competency model is the first step in our succession planning efforts and will be used to forecast future workforce requirements. The results will be instrumental in developing and refining retention strategies, as well as to analyze skill gaps within our current workforce. The results of the competency model will be instrumental as we continue to develop and refine retention strategies.



*Additional Actions and Data Are Needed to Further Analyze  
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The report references a Workforce Planning Tool that is still in the developmental stages within the Office of Program Evaluation and Risk Analysis. It is targeted to be completed before the end of Fiscal Year 2011. The Office of Procurement will utilize this tool as a part of its overall succession planning to ensure we maintain the highest levels of service within Treasury's procurement community.

We appreciate your continued support and the valuable assistance and guidance that your team provides. If you have any questions, please contact David A. Grant, Chief, Agency-Wide Shared Services, or a member of your staff may contact Angelika S. Sweitzer, Deputy Director, IRS Office of Procurement, at (202) 283-1200.

Attachment



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*Additional Actions and Data Are Needed to Further Analyze  
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**ATTACHMENT**

**RECOMMENDATION #1:** The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement should develop and document an IRS-wide approach to ensure it effectively monitors the adequacy of its acquisition workforce. This approach should include, but not be limited to, the following:

- Adopting and communicating an IRS-wide definition of the acquisition workforce that reflects the employees performing acquisition-related functions.
- Identifying employees performing acquisition-related functions on an ongoing basis.
- Assessing what data on current acquisition workforce efforts and employees, such as workload level, attrition data, and skills gaps, would help inform workforce planning efforts and then develop a strategy to collect that information. This strategy should include data on all IRS employees who perform acquisition-related functions.
- Collecting and analyzing data, discussed in the prior bullet, to determine the number and skills of acquisition workforce personnel needed for a particular workload. As not all procurements are uniform, this method may need to take into account the difference in complexity between procurement types.
- Developing and monitoring data, such as the quality of acquisition personnel's work and the amount of overtime worked, to periodically ensure the IRS has the right number of acquisition workforce personnel with the skills needed to accurately and timely complete their workload.

**CORRECTIVE ACTION #1:** We agree with the recommendation that the Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement should develop and document an IRS-wide approach to ensure it effectively monitors the adequacy of its acquisition workforce. The IRS Office of Procurement will meet with the Senior Procurement Executive (SPE) at Treasury to determine their plans to assess and analyze the acquisition workforce at the Department level, as well as to ascertain the achievability of refining their definition of "acquisition workforce" at the bureau level. As we move forward, the IRS Office of Procurement will form a working group, comprised of all stakeholders (including Treasury, IRS business units, and the Human Capital Office) to assess the feasibility of implementing an IRS-wide approach to ensure we effectively monitor the adequacy of our acquisition workforce, as well as develop a schedule to (a) draft the policy, and (b) develop a plan for regular monitoring.



*Additional Actions and Data Are Needed to Further Analyze  
the Size and Skills of the Acquisition Workforce*

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**IMPLEMENTATION DATE:** December 31, 2012

**RESPONSIBLE OFFICIAL:** Director, IRS Office of Procurement

**CORRECTIVE ACTION MONITORING PLAN:** The IRS Office of Procurement will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored on a monthly basis until completion.