TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

**The Human Capital Office
Improved the Hiring Process, but
Additional Actions Can Be Taken to
Better Monitor Hiring Timelines**

August 26, 2011

Reference Number: 2011-10-089

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.

THE HUMAN CAPITAL OFFICE IMPROVED THE HIRING PROCESS, BUT ADDITIONAL ACTIONS CAN BE TAKEN TO BETTER MONITOR HIRING TIMELINES

Highlights

Final Report issued on August 26, 2011

Highlights of Reference Number: 2011-10-089 to the Internal Revenue Service Human Capital Officer.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS), like many Federal agencies, is faced with the major human capital challenge of replacing a large number of its 107,000 employees with unique skills and institutional knowledge who are expected to retire or leave for other jobs over the next several years. Human Capital Office management has taken steps to reduce hiring timelines and has created performance measures that include all hiring categories used by the IRS. Further improvements will help the IRS better monitor and reduce hiring timelines in order to compete for the best potential employees and lay the foundation for providing quality service to America's taxpayers for years to come.

WHY TIGTA DID THE AUDIT

This audit was requested by the IRS and addresses the major management challenge of Human Capital. The overall objective was to determine whether the IRS has developed an adequate methodology to monitor and improve the timeliness of hiring new employees.

WHAT TIGTA FOUND

Human Capital Office management has taken steps to reduce hiring timelines through system improvements and the use of hiring timeline tools and has created performance goals and measures for individual steps in the hiring process for all hiring categories. As a result, the IRS reports that the timelines for hiring employees from outside the Government for the

various single open positions (versus large group hirings) decreased from 157 calendar days in June 2009 to 130 calendar days for Fiscal Year 2010.

While improvements have been made, Human Capital Office management's implementation of a new computer system to increase efficiency did not provide easy access to hiring inventory reports, and hiring timeline tools were not used in all Human Capital Office Employment Operations offices to fully achieve their benefits. Further improvements in these areas could help Human Capital Office management further reduce hiring timelines to compete for potential employees with the unique skills needed to replace those who are retiring or leaving for other jobs.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Employment, Talent, and Security Division, IRS Human Capital Office, complete programming for web-based, time-in-process reports and provide guidance to ensure Human Capital Office branch offices understand the use and benefits of tools developed to reduce hiring timelines.

In their response to the report, IRS management agreed with the recommendations. Human Capital Office management completed programming for web-based reports. The reports are posted to an intranet web site to allow Human Capital Office personnel and hiring managers in the business units to monitor announcement inventory and accumulated calendar days in the hiring process. In addition, Human Capital Office management plans to issue guidance to all employment offices on when hiring timeline tools should be used.

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

August 26, 2011

MEMORANDUM FOR INTERNAL REVENUE SERVICE HUMAN CAPITAL OFFICER

FROM: Michael R. Phillips
                      Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Human Capital Office Improved the Hiring Process, but Additional Actions Can Be Taken to Better Monitor Hiring Timelines (Audit # 201010008)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) has developed an adequate methodology to monitor and improve the timeliness of hiring new employees. This review was requested by the IRS and 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 VI.

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 questions or Nancy Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations), at (202) 622-8500.

Table of Contents

Abbreviations

HCO	Human Capital Office
IRS	Internal Revenue Service
OPM	Office of Personnel Management

Background

The Internal Revenue Service (IRS), like many Federal agencies, is faced with the major human capital[1] challenge of replacing a large number of its 107,000 employees[2] with unique skills and institutional knowledge who are expected to retire or leave for other jobs over the next several years. To compete for the best potential employees available, the IRS hiring process needs to be as efficient as possible. By hiring and retaining talented individuals, the IRS can lay the foundation for providing quality service to America's taxpayers for years to come.

Generally, the IRS's hiring process begins when the Human Capital Office (HCO) receives an approved request to hire an employee (a personnel action request) and ends when the new employee officially starts work. Steps in the process include creating, opening, and closing the job opportunity announcement; reviewing applications and assessing whether applicants meet the job requirements; providing a certified listing of qualified candidates (hereafter referred to as the certificate of eligible applicants) to the hiring managers for consideration; interviewing applicants; and making a tentative offer to the selected applicant pending the outcome of a background investigation.[3]

If other prospective employers have faster hiring processes, the IRS could miss the opportunity to hire the best and brightest candidates. In addition, the longer it takes to fill an open position, the longer an IRS manager must operate without a full set of resources, which could strain existing resources or result in reduced workload; both affect a manager's ability to accomplish the IRS's mission.[4] The heading for the IRS's public web page for job seekers, as shown in Figure 1, reflects the desire to hire talented individuals.

**Figure 1: IRS Recruiting Information
Citing the Importance of Hiring Talented Employees**

Source: IRS Careers web site.

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[1] See Appendix V for a glossary of terms.
[2] The number of employees as of November 2009, according to the IRS Human Capital Business Plan 2010–2014.
[3] Background investigations, including fingerprinting and completion of detailed personal and financial information questionnaires, are required for most IRS employees because they are entrusted with sensitive taxpayer information.
[4] The IRS's mission is to "provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all."

Two recent Government-wide initiatives have emphasized reducing hiring timelines.

- The Office of Personnel Management (OPM) developed the End-to-End Hiring Roadmap[5] in September 2008. The End-to-End Hiring Roadmap encouraged agencies to reduce the time required to hire employees from outside the Federal Government to 80 calendar days or less and established suggested time periods for individual steps in the hiring process.

  However, the OPM noted that agencies may need to adjust the number of days for each step while keeping within the 80-calendar-day standard for end-to-end hiring. The OPM stated that it did not expect agencies to immediately meet the 80-calendar-day standard; however, it did expect agencies to work toward the 80-calendar-day target, evaluate progress, and move toward the standard. This goal was designed for hiring an employee from outside the Federal Government to fill a single open position (also known as ad hoc hiring).

- The President issued a memorandum in May 2010 requiring that agencies substantially reduce the time it takes to hire mission critical and commonly filled positions, measure the quality and speed of the hiring process, analyze the causes of agency hiring problems, and identify actions that will be taken to reduce them. OPM guidelines for reporting on these initiatives were being developed during our fieldwork.

The IRS uses different hiring methods than many other agencies because of the need to hire large numbers of technical and mission critical employees for various date-specific needs, such as the tax filing season and scheduled training classes for hundreds of needed new employees starting as a group. While other Federal agencies may use ad hoc hiring more extensively, the IRS hires only approximately 10 to 15 percent of its employees in this manner. The other approximately 85 to 90 percent of employees are hired through the use of non-ad hoc mass (large group) hiring techniques known as wave and filing season hiring and OPM register hiring.

Figure 2 shows the four general hiring categories used by the IRS.

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[5] See Appendix IV for a graphical display of the OPM's End-to-End Hiring Roadmap.

Figure 2: IRS Hiring Categories

Category		Description
Method used to hire approximately 10 to 15 percent of total new hires.	**Ad hoc hires**	Hiring for a single open position.
Non-Ad Hoc Hiring — Methods, when combined, are used to hire approximately 85 to 90 percent of total new hires.	**Wave hires**	Hiring to fill a large number of positions prior to a scheduled training (i.e., basic training for revenue agents and revenue officers).
	Filing season hires	Hiring from a register of candidates who can be called to work when and if the need arises (i.e., data transcribers for inputting tax returns varies based on the number of returns filed manually).
	OPM register hires	Hiring drawn from a register of applicants maintained by the OPM.

Source: The HCO Employment, Talent, and Security Division's data dictionary and discussions with HCO managers.

In March 2010, the Department of the Treasury suspended its requirement for reporting the time taken to hire new employees while the OPM worked with Federal agencies to draft new reporting guidance. Previously, the IRS was required to report to the Department of the Treasury only the time taken for ad hoc hires, as there was no standard developed for mass hiring initiatives, such as wave and filing season hiring. However, based upon guidance from the Department of the Treasury, HCO management implemented two new performance measures that include all employees in the four categories in Figure 2. These measures are: 1) the average calendar days for external hiring and 2) the average calendar days for internal hiring.

Each measure has 2 components that are added together and averaged, with a goal of 80 calendar days or less for both measures. The two components are:

- **Calendar days for ad hoc hiring** – Calendar days for all ad hoc hires are measured from the date the request to hire an employee is submitted to the HCO to the date the new employee starts work (the entry-on-duty date).

- **Calendar days for non-ad hoc hiring** – Calendar days for all non-ad hoc (i.e., wave, filing season, and OPM register) hires are measured from the date the certificate of eligible applicants is sent to the hiring manager, which is about halfway into the hiring process, to the entry-on-duty date.

The HCO is responsible for developing strategies to improve the timeliness of hiring new employees and reporting the IRS's progress to the OPM. In addition, each of the IRS's four operating divisions (hereafter referred to as business units) has embedded human resources offices that coordinate hiring activities with the HCO and the hiring managers in the business units.

At the time of this report, the OPM's reporting requirements had not been finalized and are not incorporated into this report. As a result, this report might not reflect the most current status of the HCO's efforts to develop an adequate methodology to monitor and improve the timeliness of hiring new employees.

This review was performed in the HCO Employment, Talent, and Security Division at the IRS National Headquarters in Washington, D.C., and in the HCO Employment Operations offices in Andover, Massachusetts, and Philadelphia, Pennsylvania, during the period August 2010 through January 2011. This audit was limited to the HCO's efforts to monitor and improve hiring timelines. Additional reviews of hiring timelines from the business units' perspective and an analysis of hiring timelines data are planned for the future. 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.

Results of Review

HCO management has taken steps to reduce hiring timelines through system improvements and the use of hiring timeline tools and created performance goals and measures for individual steps in the hiring process for all hiring categories.[6] As a result, the IRS reports that the hiring timelines for ad hoc employees from outside the Government[7] decreased significantly from 157 calendar days in June 2009[8] to 130 calendar days for Fiscal Year 2010.[9]

While improvements have been made, HCO management's implementation of a new computer system to increase efficiency did not provide easy access to hiring inventory reports, and hiring timeline tools were not used in all HCO Employment Operations offices to fully achieve their benefits. Additional improvements in these areas could help the IRS further reduce hiring timelines to compete for potential employees with the unique skills needed to replace those that are retiring or leaving for other jobs.

Actions Were Taken to Improve the Hiring Process, but Improved Monitoring and Consistent Use of Timeline Tools Are Needed

The IRS's hiring process averaged 157 calendar days for external ad hoc hires in June 2009, when the OPM launched the End-to-End 80-calendar-day standard as part of the "Hiring Reform 2009" initiative. To begin reducing hiring timelines, the IRS identified time-consuming, manual steps in the hiring process and implemented system changes to reduce the administrative burden for HCO Employment Operations personnel, hiring managers, and job applicants.

In addition, some individual HCO Employment Operations offices developed tools to help their respective business unit hiring managers be more aware of the time they control in the hiring process. In the past, business unit hiring managers were not as concerned about hiring timelines. Generally, business unit managers control the portion of the timeline from when the certificate of eligible applicants is issued to when the new employee is selected for a job. If the business unit managers submit a personnel action request, but delay issuance of the certificate of eligible

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[6] The categories are ad hoc and non-ad hoc, which includes wave, filing season, and OPM register hires. See Figure 2 for additional details about the categories.

[7] This is external ad hoc hiring for a single open position, which comprises approximately 10 to 15 percent of all new hires.

[8] Cumulative average calendar days as of the end of June 2009, for Fiscal Year 2009, as stated in the HCO Employment, Talent, and Security Division's internal management report updated through August 2010.

[9] The cumulative average for Fiscal Year 2010 as reported in the HCO Business Performance Review Report (dated November 17, 2010). The reported hiring timelines for the fourth quarter only was 112 days (average calendar days).

applicants (e.g., postponement of a training class, delays in passage of the Federal budget, etc.), it increases the upfront time. If the business unit managers delay conducting interviews or deliberate after the interviews are completed, the IRS may exceed the 15-calendar-day standard allotted for this step in the hiring process. To assist business unit hiring managers, the HCO Employment Operations offices developed: 1) a spreadsheet for calculating due dates for critical points in the hiring process, 2) form letters and reminder emails noting when hiring packages should be returned to the HCO Employment Operations office, and 3) periodic reports detailing the time elapsed on open job announcements. Additional actions taken by IRS management are discussed in the following sections.

Expanded use of the Career Connector computer system

Expanded use of the Career Connector computer system reduced the time for internal hiring. According to HCO management, by using automated templates in the system, the time taken to hire internal candidates was reduced from 95 to 73 calendar days (23 percent) at the end of Calendar Year 2010,[10] compared to the previous manual process. In addition, when the Career Connector system was used, the HCO reported that 69 percent of the announcements met the 80-calendar-day standard, compared to only 38 percent under the manual process.[11]

The computer system simplified the hiring process for job announcements by allowing electronic submission of resumes and applicant qualification documentation (e.g., college transcripts), automatically reviewing applications, assessing whether applicants meet the job requirements, and determining which applicants are the best qualified. In addition to reducing hiring time, another benefit of the Career Connector system is communication with the applicant. At various points in the hiring process, HCO personnel can use the system to send status updates to applicants via email (e.g., after receipt of the application, whether qualifications for the position applied for are met, and selection or nonselection for the position).

Improved process for background investigations

Improvements to the process for completing background investigations reduced the hiring time for all candidates and reduced the opportunity for loss of Personally Identifiable Information (e.g., Social Security Numbers). Background investigations, including fingerprinting and completion of detailed personal and financial information questionnaires, are required for most IRS employees because they are entrusted with sensitive taxpayer information. Under the previous fingerprinting process, an HCO employee coordinated with the candidate and local law enforcement to have fingerprints taken. The fingerprint cards were then mailed or delivered to the appropriate Government office for completion of the background investigation. Under the new process, the candidate schedules an appointment at a local IRS or other Federal Government

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[10] The period from October 1, 2010, to December 31, 2010.
[11] As stated in the IRS Fiscal Year 2011 First Quarter Business Performance Review Report (dated February 16, 2011).

office and the fingerprints are transmitted electronically for the background investigation. According to HCO management, the new process reduced the time for fingerprinting from 60 minutes to 10 minutes per applicant, which is a significant amount of time when processing hundreds of new employees at one time, as for wave and filing season hiring.

Another added benefit of the new process is that Federal Government identification badges are now ready for new employees the day they report for work. This reduces the managerial burden of providing an escort in IRS office space until the identification badge is received.

Improved the capture of hiring timeline data

Expanded use of electronic data improved the efficiency of processing new employees. The implementation of the C-Comp computer program allowed HCO personnel to download data from the Career Connector system to populate fields in other computer systems used for processing new employees. This reduced processing time by eliminating the need to input data already stored on other computer systems and also reduced the opportunity for input errors that would have to be corrected.

In addition, the consistency of hiring data has improved and a data warehouse was created to store hiring data from the different systems used for each type of IRS hiring. To ensure timely input of data and to improve consistency, the Director, Employment, Talent, and Security Division, issued a memorandum to HCO Employment Operations offices stressing that certain data fields be kept updated and providing instructions that identified specific data that should be input for specific fields in HCO systems. Also, through analysis of collected data, the HCO identified and corrected inaccuracies to provide a more accurate picture of IRS's hiring timelines.

Communicated hiring reform initiatives

To communicate hiring timeline initiatives, the Director, Employment, Talent, and Security Division, issued a memorandum in June 2010 to the human resources offices in the business units explaining the OPM End-to-End 80-calendar-day standard and the hiring reform initiative in the May 2010 Presidential Memorandum. In addition, HCO area and branch office managers discussed the HCO initiatives to reduce hiring timelines with business unit hiring managers. The purpose of these communications was to stress the need for cooperation throughout the IRS to reduce hiring timelines, especially in the business units that control a significant portion of the time in IRS's hiring process. For example, in February 2010, the HCO reported that 44 percent of the time was spent by the hiring manager on 2 specific steps for internal announcements not posted on the Career Connector system: ranking applications in the order of the most qualified and selecting the employee. The HCO standard for this part of the process is 26 percent of the 80 calendar days, or a total of 21 calendar days.

After implementing these various improvements, the HCO reported that hiring timelines for external ad hoc hires had decreased from a cumulative average of 157 calendar days to

130 calendar days for Fiscal Year 2010.[12] Reported internal ad hoc hiring timelines decreased from 109 calendar days to 103 calendar days over the same period.[13]

While the HCO has taken many actions that have resulted in a reduction of reported hiring timelines, additional improvements can be made to further reduce hiring timelines to meet the 80-calendar-day goal.

Improvements to real-time monitoring tools are needed

Development of a real-time monitoring tool would help the IRS further reduce the amount of time it takes to hire employees. IRS management needs the ability to create reports to monitor the amount of time spent at each step of the hiring process in real time. For example, reports should highlight information such as delays after the certificate of eligible applicants is issued to the business unit hiring manager to prompt the manager to focus on completing the selection of the new employee.

HCO officials had started programming to extract data from the IRS's hiring systems and convey hiring timeline results online for HCO and business unit hiring managers. However, at the conclusion of our audit work, this programming was not yet complete. Completing the development and use of real-time reports to monitor announcement inventory and accumulated calendar days in the hiring process will assist the HCO to monitor in-process hiring.

Use of hiring timeline tools is needed across all offices

The use of hiring timeline tools across HCO branch offices could help further reduce the amount of time it takes to hire employees. For example, HCO management developed tools for hiring managers' use to help increase awareness of hiring timelines and reduce the time required to hire new employees. These tools include a timeline calculator that generates critical dates for planning hiring steps so managers would know when individual steps in the hiring process need to be completed, memorandums attached to the front of hiring packages that contain the due date for return of the hiring package to the HCO Employment Operations office, and the use of follow-up email reminders as critical dates in the hiring process approach. However, because HCO management was implementing many of these changes in a short time period, they were unaware that not all HCO branch offices were using these tools. As a result, HCO management may not be fully achieving the benefits of these tools. Ensuring hiring timeline tools are used across all HCO branch offices will assist the HCO in monitoring hiring while in process, which could lead to further reductions in hiring timelines.

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[12] The cumulative average for Fiscal Year 2010 as reported in the HCO Business Performance Review Report (dated November 17, 2010). The reported hiring timelines for the fourth quarter only was 112 days (average calendar days).

[13] The cumulative fiscal year-to-date average calendar days as of the end of June 2009, per HCO Employment, Security, and Talent Division internal management reports (dated August 2010).

Recommendations

Recommendation 1: The Director, Employment, Talent, and Security Division, IRS HCO, should ensure that programming is completed to develop web-based, time-in-process reports to allow HCO personnel and hiring managers in the business units to monitor announcement inventory and accumulated calendar days in the hiring process.

> ***Management's Response:*** IRS HCO management agreed with this recommendation and has completed programming for web-based reports. The reports are posted to an intranet web site to allow HCO personnel and hiring managers in the business units to monitor announcement inventory and accumulated calendar days in the hiring process.

Recommendation 2: The Director, Employment, Talent, and Security Division, IRS HCO, should provide guidance to HCO branch offices to ensure they understand when tools such as the timeline calculator, memorandums on the front of ranking and selection packages, and follow-up email reminders should be used to fully achieve the benefits those tools provide.

> ***Management's Response:*** IRS HCO management agreed with this recommendation and plans to issue guidance to all employment offices on when hiring timeline tools should be used.

The Human Capital Office Developed a Methodology for Monitoring and Reporting Hiring Timelines

During this audit, HCO management improved its controls for overseeing hiring timelines by creating performance measures for all categories of hiring. In January 2011, the HCO developed new performance measures for reporting hiring timelines that included both ad hoc and non-ad hoc hires (i.e., wave, filing season, and OPM register). For monitoring hiring timelines, HCO management also developed step-by-step timeline goals in the hiring process for ad hoc hiring and adopted traditional performance measures for non-ad hoc hiring.

Monitoring and reporting for ad hoc hiring

At the beginning of our audit, the IRS was working toward the OPM 80-calendar-day standard for measuring all ad hoc hires, both inside and outside the Federal Government. HCO management initially established a 95-calendar-day goal and reduced the goal to 80 calendar days beginning in October 2010. Performance measures for monitoring internal and external ad hoc hires include all time spent in the hiring process, from the date the personnel action request is received by the HCO to the date the employee starts work. In addition, HCO management established IRS-specific performance goals for individual steps in the hiring process.

Monitoring and reporting for non-ad hoc hiring

At the beginning of our audit, HCO management had adopted traditional performance measures for wave and filing season hires, such as the number of employees hired compared to the number of employees needed by a specific date. As part of this process, business unit managers develop detailed hiring plans, including individual steps in the hiring process, to hire the number of employees needed by a specific date.

The new performance measures introduced in January 2011 for non-ad hoc hiring include only the time spent in the hiring process from the date the certificate of eligible applicants is requested by the hiring manager to the date the employee starts work. The performance measures exclude the time spent completing upfront processes, such as announcing the job opportunity and assessing applicants' skills and qualifications.

HCO management stated that announcements for wave and filing season positions advise that the position will open in the near future (i.e., there may not be an open position at the time of the announcement but openings are expected soon thereafter). Per OPM guidance, the IRS sends emails to the applicants at "touch points" in the hiring process (i.e., receipt of the application and qualification determination). The Career Connector system automatically generates email notifications, and HCO human resource specialists can send additional mass email notifications to keep applicants advised of progress in the hiring process. In addition, the HCO stays in contact with potential employees through social networks, such as Facebook and Twitter.

HCO management stated the reasons for not establishing step-by-step performance goals for wave and filing season hiring are:

- In order to hire hundreds of new employees by a specific date, upfront steps in the hiring process are completed before the business units are ready to hire employees.

- The number of employees needed and the timing of the job openings are dependent on many factors, which are not known when HCO Employment Operations offices must begin the hiring process (identify a pool of potential candidates). For example, the number of tax returns manually filed affects how many seasonal employees will be needed for return processing and data transcription, changes in the tax law affect whether additional employees are needed to provide taxpayer assistance and to enforce compliance, and congressional delays in passing the Federal budget affect when funding is available to hire new employees.

- Upfront processes to identify qualified candidates to interview are performed by the OPM for OPM register hiring. The HCO does not commonly use this type of hiring, and it has not been included in the hiring timeline measures reported in the past.

In addition, IRS management stated that the 80-calendar-day standard for non-ad hoc hires does not include all hiring steps and is not consistent with the OPM's new methodology and with how all Department of the Treasury bureaus report.[14]

For internal management purposes, HCO management monitors hiring plan due dates in the hiring process for wave and filing season hires, including upfront steps not included in the reported performance measures, and progress is reported to IRS executives. Because wave and filing season hiring involves hiring hundreds of new employees by a specific date, HCO Employment Operations offices begin building a pool of qualified candidates based on the business units' workforce plans well in advance of when the business units are ready to begin their part of the hiring process. For example, HCO Employment Operations offices begin preparing in July for a mass hiring that will take place in October/November. Communication is maintained with the business unit managers throughout the hiring process in order to identify delays, and workload may be shifted to other HCO Employment Operations offices and additional HCO personnel may be assigned to assist in completing some of the tasks to ensure hiring goals and deadlines are met.

Step-by-step timeline performance goals for ad hoc hiring and detailed hiring plans with corresponding due dates for non-ad hoc hiring should help HCO management monitor hiring timelines. Maintaining regular communication with applicants applying for wave and filing season positions should help the IRS compete for the best and brightest candidates. Since the HCO developed performance measures for monitoring and reporting timelines for all hiring categories, and OPM guidelines were not yet finalized, we are making no additional recommendations in this area at this time.

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[14] As we were completing our audit, the OPM had not yet published its new methodology and the Department of the Treasury had not published its guidance.

Detailed Objective, Scope, and Methodology

Our overall objective was to determine whether the IRS has developed an adequate methodology to monitor and improve the timeliness of hiring new employees. To accomplish this objective, we:

I. Identified the requirements and best practices Federal agencies should use to monitor and report the timeliness of hiring new employees.

    A. Reviewed the OPM End-to-End Hiring Roadmap[1] and other OPM guidance to identify requirements Federal agencies should use to monitor and improve hiring timelines.

    B. Reviewed the May 2010 Presidential Memorandum and pending legislation to identify requirements Federal agencies should use to monitor and improve hiring timelines.

    C. Reviewed Department of the Treasury memorandums and other guidance to identify requirements the IRS should use to monitor and reduce hiring timelines.

II. Determined how the HCO identifies and addresses hiring inefficiencies.

    A. Identified the methodology used to monitor the timeliness of hiring new employees for each type of hiring category.

    B. Determined whether the HCO's methodology to monitor hiring timelines is adequate to identify areas needing improvement.

    C. Determined whether the HCO identified and addressed areas in the hiring process needing improvement.

    D. Evaluated whether the HCO developed an adequate methodology to monitor and improve steps in the hiring process that need improvement and took appropriate action to address areas identified in subobjective II.

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

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[1] See Appendix V for a glossary of terms.

for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: the May 2010 Presidential Memorandum; OPM guidance; and HCO policies, procedures, and practices for monitoring, measuring, identifying, and improving IRS hiring timelines. We evaluated these controls by interviewing HCO management and reviewing applicable information.

Major Contributors to This Report

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**The Human Capital Office Improved the
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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations Support OS
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Deputy IRS Human Capital Officer OS:HC
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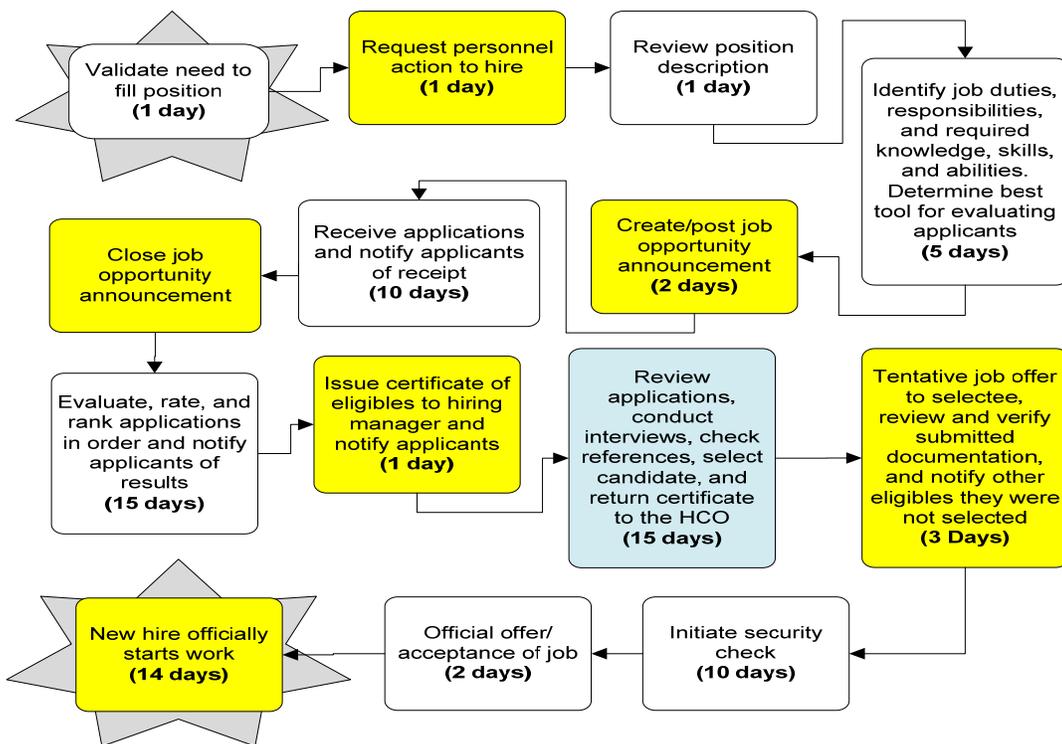Audit Liaison: IRS Human Capital Officer OS:HC

The Office of Personnel Management's
End-to-End Hiring Roadmap

As shown in Figure 1, the OPM's End-to-End Hiring Roadmap[1] divides the hiring process into 14 steps in 80 calendar days, from the time the need for the employee is validated to the when the employee reports to work.

**Figure 1: Graphic Presentation of the 14 Steps in
the OPM's End-to-End Hiring Roadmap**

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Validate need to fill position (1 day)
  → Request personnel action to hire (1 day)
  → Review position description (1 day)
  → Identify job duties, responsibilities, and required knowledge, skills, and abilities. Determine best tool for evaluating applicants (5 days)
  → Create/post job opportunity announcement (2 days)
  → Receive applications and notify applicants of receipt (10 days)
  → Close job opportunity announcement
  → Evaluate, rate, and rank applications in order and notify applicants of results (15 days)
  → Issue certificate of eligibles to hiring manager and notify applicants (1 day)
  → Review applications, conduct interviews, check references, select candidate, and return certificate to the HCO (15 days)
  → Tentative job offer to selectee, review and verify submitted documentation, and notify other eligibles they were not selected (3 Days)
  → Initiate security check (10 days)
  → Official offer/ acceptance of job (2 days)
  → New hire officially starts work (14 days)
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Source: The OPM's End-to-End Hiring Roadmap.
Note: Critical dates in the process that are tracked by the HCO are highlighted in yellow.
The step in the process controlled by the business units is highlighted in blue.

[1] See Appendix V for a glossary of terms.

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Appendix V

Glossary of Terms

Term	
Ad Hoc Hiring	Generally, this is hiring done for a single position as it opens, such as when an employee leaves for another position or retires.
Business Operating Divisions (also known as Business Units)	The IRS's four divisions, organized based on the groups of taxpayers they serve, include the Large Business and International, the Small Business/Self-Employed, the Tax Exempt and Government Entities, and the Wage and Investment Divisions. Each operating division has a separate human capital office to assist hiring managers with personnel issues.
Business Performance Review Report	Provides a framework for measuring, reporting, and reviewing the HCO's performance on established human capital strategic planning goals, initiatives, and collaborative programs and processes. Reported quarterly, the Business Performance Review Report is one of several communication vehicles that provides information to support the human capital performance goals of the business units, the HCO, and the IRS overall.
Career Connector System	A commercial, web-based system tailored for the Federal Government recruitment process. The Career Connector system accepts applicant resumes online and allows applicants to update their information when necessary. Once applicants complete the online application, the system ranks the applicants and identifies which applicants qualify for the position. It allows the HCO to send system-generated emails to request additional information from applicants or inform them if they qualify for the position, to schedule interviews, and to communicate on such matters as job offers and preemployment activities.
Certificate of Eligible Applicants	A listing of applicants certified by the HCO from which the hiring manager can select to hire.

Term	Definition
Data Warehouse	A repository for data from various sources that allows multiple users to analyze data and pull reports.
Embedded Human Resources offices	Provide human resources support to hiring managers within the business units, which are organized under the authority of the Deputy Commissioner for Services and Enforcement.
End-to-End Hiring Roadmap	Describes how to integrate and streamline the five components of Federal hiring (workforce planning, recruitment, hiring, security and suitability, and orientation) and establishes Government-wide measures for the effectiveness of Federal hiring.
Entry-on-Duty Date	Effective date for the candidate's employment, usually the day they start work.
External Hiring	Hiring a new employee who is not currently employed by the Federal Government.
Filing Season	The period from January through mid-April when most individual income tax returns are filed.
HCO Employment Operations Office	Located onsite for each business unit and are under the jurisdiction of the HCO.
Hiring Timelines	The amount of time spent from the beginning of the hiring process (identification of the need and approval to hire an employee) until the end of the hiring process (the employee reports for work).
Human Capital	Term used to describe the skills, abilities, and contributions of the employees in an agency.
Human Capital Office	Established in July 2003 to provide human capital strategies and tools for recruiting, hiring, developing, and retaining a highly skilled and high-performing workforce to support IRS's mission accomplishments. The HCO is headed by the IRS Human Capital Officer and is organized under the authority of the Deputy Commissioner for Operations Support.

Term	Definition
Human Resources Office	Each IRS business unit has a human resources office, which does not fall under the authority of the HCO. These "embedded" offices provide direct human resources support to hiring managers within the business unit.
Internal Hiring	Hiring from the population of current Federal Government employees.
Job Announcement/Job Opportunity Announcement	An advertisement for applications for a position or for a roster for positions that are planned in the near future. As of January 2011, the vast majority of positions are announced and posted on the USAJobs web site at www.usajobs.gov.
Mission Critical Positions	Those positions critical to front-line enforcement and direct support to front-line operations needed to meet stated IRS goals.
Office of Personnel Management	An independent agency of the United States Government that manages the civil service of the Federal Government. The mission of the OPM is to "recruit, retain, and honor a world-class workforce to serve the American people." The Department of the Treasury reports to the OPM on human capital issues, including IRS's hiring timeline performance.
Personnel Action Request Date	Date the hiring manager submits the approved request to hire an employee. The request was once made on a form titled "Personnel Action Request," but is now made electronically as a "Power Recruit" or in some cases, via an email.

The Human Capital Office Improved the
Hiring Process, but Additional Actions Can
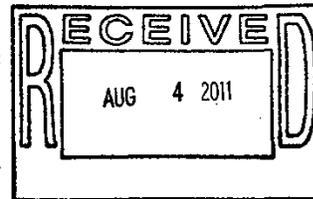*Be Taken to Better Monitor Hiring Timelines*

Appendix VI

Management's Response to the Draft Report

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

HUMAN CAPITAL OFFICE

RECEIVED
AUG 4 2011

August 4, 2011

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR
TAX ADMINISTRATION

FROM: James P. Falcone
IRS Human Capital Officer

SUBJECT: TIGTA Draft Report -- The Human Capital Office Improved the
Hiring Process, but Additional Actions Can be Taken to Better
Monitor Hiring Timeliness (Audit # 201010008)

The Human Capital Office (HCO) has received TIGTA's draft report, and we appreciate
the opportunity to further clarify and provide additional information pertaining to the
Highlights and Results of Review sections of the report.

We are in agreement with the revised draft report dated July 21, 2011, which contains
two recommendations. The IRS remains committed to continuous hiring improvements.
Since January, HCO has already implemented one of the recommendations discussed
in the draft report, and we are well on our way to implementing the second
recommendation.

Attached is a detailed response outlining the corrective actions HCO has taken to
address the two recommendations.

If you have any questions, please contact Raymona Stickell, Director, Employment,
Talent and Security, HCO, at (202) 622-7011.

Attachment

Attachment

Recommendation 1: The Director, Employment, Talent, and Security Division, IRS HCO, should ensure that programming is completed to develop web-based time-in-process reports to allow HCO personnel and hiring managers in the business units to monitor announcement inventory and accumulated calendar days in the hiring process.

Corrective Action: The programming for the web-based reports has been completed. The reports, time-in-process (active inventory) and closed inventory, use accumulated calendar days and are posted on the IRS intranet. These reports are available to all HCO personnel (corporate and embedded) and hiring managers in the business units. The user-friendly Excel format supports review of the inventory in various ways, for example, by business unit, to focus on aging packages, or to check on a specific announcement. Monitoring can be conducted at all levels of the organization (executive, senior managers, hiring manager, embedded HCO, and corporate HCO) to influence actions in progress and to conduct post trend analyses.

HCO partnered with the business units to develop and launch the reports.
Communications included:
- Presentation to all IRS business units on April 19, 2011, at the Human Capital Advisory Council meeting
- Business units sharing material with managers
- Outreach to embedded Directors and testing of the website within the business units during May 2011
- Issuing Leaders Alert article to all IRS managers June 7, 2011, introducing the web-based time in process and closed reports
- Presentation to the Human Capital Board July 28, 2011, to gain IRS Senior Leadership support and create greater awareness of the new inventory tracking tools

Implementation Date: Completed: 04/19/11

Responsible Official: IRS Human Capital Officer

Recommendation 2: The Director, Employment, Talent, and Security Division, IRS HCO, should provide guidance to HCO branch offices to ensure they understand when tools such as the timeline calculator, memorandums on the front of ranking and selection packages, and follow up email reminders should be used to fully achieve the benefits those tools provide.

2

Corrective Action: The IRS HCO will provide guidance on when hiring timeline tools should be used to all employment offices by issuing a formal Employment Operations (EO) Alert. The document alert is in its final review stage and will be issued no later than August 15, 2011.

Implementation Date: 08/15/11

Responsible Official: IRS Human Capital Officer

CORRECTIVE ACTION(S) MONITORING PLAN: This corrective action will be monitored on e-trak.