



*Improvements Have Been Made
to Address Human Capital Issues,
but Continued Focus Is Needed*

January 11, 2013

Reference Number: 2013-10-017

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

IMPROVEMENTS HAVE BEEN MADE TO ADDRESS HUMAN CAPITAL ISSUES, BUT CONTINUED FOCUS IS NEEDED

Highlights

Final Report issued on January 11, 2013

Highlights of Reference Number: 2013-10-017 to the Internal Revenue Service Deputy Commissioner for Operations Support and Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

The recruitment and retention of skilled employees is critical to the maintenance of a high-quality workforce capable of meeting the needs of the American public. The IRS has made progress in the management of its people (human capital); however, continued focus is needed to provide reasonable assurance that the IRS has the right people in the right place at the right time to provide taxpayers with top-quality service and to enforce the law with integrity and fairness to all.

WHY TIGTA DID THE AUDIT

Since Fiscal Year 2002, TIGTA has designated human capital as one of the top 10 major management challenges facing the IRS. The overall objective of this audit was to provide the status of actions taken in response to TIGTA recommendations related to human capital that were made in audit reports issued since Fiscal Year 2009, the status of the IRS's implementation of the recommendations of an IRS task force, and TIGTA's observations on the IRS's current human capital challenges.

WHAT TIGTA FOUND

Since Fiscal Year 2009, the IRS reports that it has completed corrective actions for 36 (78 percent) of 46 TIGTA recommendations related to human capital and 53 (91 percent) of 58 recommendations made by an IRS-led task force formed to address serious workforce issues. In addition to implementing TIGTA and task force recommendations, the IRS has made progress in addressing human capital issues.

One example of actions related to TIGTA recommendations includes the IRS's development of an agency-wide recruitment strategy that should place the IRS in a better position to identify and attract qualified candidates. In the current budget environment, a strategic and efficient approach to recruiting is necessary to hire highly qualified applicants to provide America's taxpayers with top-quality service.

Despite progress, continued focus by IRS executive management on human capital is important because the IRS is facing several key internal and external factors. For example, in the last two fiscal years, the IRS workforce has decreased by about 10,000 full-time equivalents, and many of its most experienced leaders and employees will be eligible to retire in the next five years. At the same time, significant tax code changes are on the horizon, and the IRS needs to make improvements to stop billions of dollars in fraudulent or improper tax refunds resulting from identity theft and erroneous claims for tax credits. The IRS is also undergoing a change in leadership, as its Commissioner (a proponent of improving the IRS's management of its workforce) has completed his term.

In addition, the IRS has outstanding corrective actions in response to TIGTA human capital reports that require a continued focus by IRS executive management. For example, TIGTA has reported that the IRS needs to develop an agency-wide strategy for integrating new employees into the workforce because some best practices that would help new employees become more productive were not fully implemented. For instance, contrary to IRS policy, one-quarter of the new employees TIGTA contacted were not assigned a coach or mentor when they arrived. While difficult, successfully addressing human capital challenges will help the IRS to do more with less and effectively meet its tax administration responsibilities.

WHAT TIGTA RECOMMENDED

TIGTA made no recommendations in this report; however, key IRS management officials reviewed it prior to issuance.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 11, 2013

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

FROM: Michael E. McKenney
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Improvements Have Been Made to Address
Human Capital Issues, but Continued Focus Is Needed
(Audit # 201210002)

This report presents the results of our review to provide the status of actions taken in response to Treasury Inspector General for Tax Administration (TIGTA) recommendations related to human capital made in audit reports issued¹ since Fiscal Year² 2009, the status of the Internal Revenue Service's (IRS) implementation of the recommendations of an IRS task force, and TIGTA's observations on the IRS's current human capital³ challenges. This review was conducted as part of the TIGTA's Fiscal Year 2013 Annual Audit Plan and addresses the major management challenge of Human Capital.

We made no recommendations in this report; however, key IRS management officials reviewed it prior to issuance.

If you have any questions, please contact me or Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations).

¹ See Appendix IV for a list of TIGTA human capital-related audit reports considered as part of this review.

² A 12-consecutive-month period ending on the last day of any month, except December. The Federal Government's fiscal year begins on October 1 and ends on September 30.

³ Since Fiscal Year 2002, the TIGTA has identified human capital as one of the top 10 management and performance challenges for the IRS.



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Abbreviations

FY	Fiscal Year
IRS	Internal Revenue Service
TIGTA	Treasury Inspector General for Tax Administration



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Background

Human capital¹ is the Federal Government's most critical asset, making strategic management of human capital a top priority for the Internal Revenue Service (IRS). The recruitment of new employees and retention of existing employees is critical to ensuring the maintenance of a high-quality workforce capable of meeting the needs of the American public. Without a dedicated, highly skilled workforce, the IRS will be unable to successfully achieve its mission of providing America's taxpayers with top-quality service by helping them understand and meet their tax responsibilities and enforcing the law with integrity and fairness to all.

In February 2011, the Government Accountability Office continued to identify strategic human capital management as a high-risk area within the Federal Government. The Government Accountability Office designates areas as high risk due to their vulnerability to fraud, waste, abuse, and mismanagement or the need for broad-based transformation of key Government programs and operations. Similarly, the Treasury Inspector General for Tax Administration (TIGTA) has designated human capital as one of the top 10 major management challenges facing the IRS since Fiscal Year (FY) 2002.

In FY 2009 we reported,² in an overall assessment of the actions the IRS was taking to address human capital issues, that IRS executives needed to: 1) lead the agency to act as "one IRS" to strategically address its human capital issues; 2) balance the need for a more strategic focus on human capital issues with the need to continue addressing day-to-day issues that affect the IRS workforce; 3) evaluate the success of human capital initiatives and make adjustments as necessary; and 4) build upon the momentum gained through the IRS's recent emphasis on human capital issues. This review provides the status of actions taken in response to TIGTA recommendations related to human capital made in audit reports issued since FY 2009,³ the

Without a dedicated, highly skilled workforce, the IRS will be unable to successfully achieve its mission of providing America's taxpayers with top-quality service by helping them understand and meet their tax responsibilities and enforcing the law with integrity and fairness to all.



¹ Human capital is used to describe the skills, abilities, and contributions of the employees in an agency.

² TIGTA, Ref. No. 2009-10-118, *To Address Its Human Capital Challenge, the Internal Revenue Service Needs to Focus on Four Key Areas* (Aug. 2009).

³ See Appendix IV for a list of TIGTA human capital-related audit reports considered as part of this review.



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status of the IRS's implementation of the recommendations of an IRS task force, and the TIGTA's observations on the IRS's current human capital challenges.

This review was performed at the IRS Human Capital Office Headquarters in Washington, D.C., during the period May through September 2012. Prior audits referenced in this report, as well as additional work we performed to supplement our prior audits, was conducted 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

Since FY 2009, the IRS reports that it has completed corrective actions for more than 75 percent of TIGTA's recommendations related to human capital and more than 90 percent of the recommendations made by an IRS-led task force formed to address the IRS's most serious workforce issues. TIGTA audits issued since FY 2009 have also shown that the IRS is making progress in addressing human capital issues. Despite progress, the IRS is facing many internal and external factors that point to the need to maintain a consistent focus on human capital. In addition, the IRS has outstanding corrective actions in response to TIGTA human capital reports that require a continued focus by IRS executive management. While difficult, successfully addressing human capital issues will assist the IRS in effectively delivering tax administration.

Progress Has Been Made in Addressing Human Capital Issues

Since FY 2009, the IRS has made progress in the following areas to address human capital issues:

- **Implementing Corrective Actions in Response to Recommendations Made As the Result of TIGTA Audits of Human Capital Issues** – For TIGTA audits conducted in the human capital area since FY 2009, the IRS reports that it has completed 36 (78 percent) of 46 corrective actions in response to TIGTA recommendations.⁴ Corrective actions include developing measures to assess whether recruitment strategies are achieving their desired outcomes and assessing the impact of the IRS Pay-for-Performance System on recruiting, retaining, and motivating highly skilled leaders.
- **Addressing Recommendations Made by the Workforce of Tomorrow Task Force and As a Result of Workforce Summits** – In FY 2009, we reported that the IRS Commissioner had formed the Workforce of Tomorrow Task Force in September 2008 to address the IRS's most serious workforce issues so that the IRS would have the necessary leadership and workforce in place to address future challenges.⁵ Since that time, the IRS developed a process to track actions taken in response to the 58 Task Force recommendations. According to IRS reports, the IRS has addressed 53 (91 percent) of the 58 Task Force recommendations as of July 2012.⁶ The IRS has also completed work

⁴ See Appendix V.

⁵ TIGTA, Ref. No. 2009-10-118, *To Address Its Human Capital Challenge, the Internal Revenue Service Needs to Focus on Four Key Areas* (Aug. 2009).

⁶ One recommendation was being realigned with another committee and the remaining four recommendations were determined to be not actionable, mostly due to budget constraints.



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on 21 (81 percent) of 26 recommendations developed from Workforce Summits, *e.g.*, development of web-based leadership development plans to help current and aspiring leaders in building skills.⁷

In addition to implementing our recommendations and Workforce of Tomorrow recommendations, our audits have shown that the IRS has made progress in the following areas.

- **Recruiting** – Prior to FY 2009, the IRS’s recruitment activities were decentralized and focused on short-term hiring goals. In addition, IRS business units noted that they had not always been able to replace all of the mission-critical⁸ employees they were losing, and recruiters believed that their efforts were not always directed at the most productive activities and locations.⁹ In September 2010, we reported that the IRS made improvements by developing a comprehensive agency-wide recruitment strategy and completing many of the key actions recommended by the Office of Personnel Management. For example, the IRS created an agency brand and marketing strategies. Collectively, the improvements should place the IRS in a better position to identify and attract qualified candidates, both now and in the future.¹⁰ While the IRS is not currently hiring as much as it once had, the IRS still hires a significant number of employees yearly. Given the current budget environment and the resulting need to do more with fewer resources, a strategic and efficient approach to recruiting is key and increases the IRS’s ability to hire the most qualified employees capable of providing taxpayers the best possible quality service needed to meet their tax responsibilities.
- **Hiring** – In June 2009, the IRS reported it took more than five months (157 calendar days) to hire an employee from outside the Government for a single open position. The IRS improved the hiring process and developed a successful strategy for reducing the amount of time it takes to hire employees. Both the IRS Human Capital Office and various operating divisions took actions to reduce hiring timelines through system improvements, the use of hiring timeline tools, and monitoring in-process hiring.¹¹ By the third quarter of FY 2012, the IRS reported that it took an average of 54 calendar days

⁷ Four of the remaining five recommendations are in progress and one is on hold pending negotiations with the National Treasury Employees Union.

⁸ Mission-critical occupations are those few occupations that comprise the unique core competencies of the IRS and have the greatest direct impact on the agency’s ability to meet its mission.

⁹ TIGTA, Ref. No. 2009-10-025, *An Agency-Wide Recruitment Strategy and Effective Performance Measures Are Needed to Address Future Recruiting Challenges* (Feb. 2009).

¹⁰ TIGTA, Ref. No. 2010-10-113, *Improvements Have Been Made to the Recruitment Process, but Continued Focus and Additional Enhancements Are Needed* (Sept. 2010).

¹¹ TIGTA, Ref. No. 2011-10-089, *The Human Capital Office Improved the Hiring Process, but Additional Actions Can Be Taken to Better Monitor Hiring Timelines* (Aug. 2011), and TIGTA, Ref. No. 2013-10-007, *New Employees Are Being Hired More Quickly; However, Improvements Are Needed to Correct Some Hiring Monitoring Data* (Oct. 2012).



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to hire all new employees.¹² In the current budget environment, a strategic and efficient approach to hiring is necessary to assist the IRS with effectively hiring highly qualified applicants in a timely manner to provide America's taxpayers with top-quality service.

- **Onboarding** – Prior to FY 2009, the IRS had not developed a comprehensive onboarding process to integrate new employees into the workforce. The IRS took actions to move from a one-day orientation to a more strategic, corporate experience. The IRS developed policies and procedures for onboarding new employees that were consistent with best practices recommended by the Office of Personnel Management and the Partnership for Public Service. This guidance included a toolkit and website that incorporates industry best practices for effectively integrating new employees into the IRS.¹³ In today's current budget environment, a strategic approach to onboarding is needed to ensure that new employees become productive more quickly and to reduce the high cost of turnover. Taking into account the cost of recruiting, interviewing, hiring, training, reduced productivity, *etc.*, turnover may cost organizations 30 to 50 percent of the annual salary of entry-level employees, 150 percent for mid-level employees, and up to 400 percent for specialized, high-level employees.¹⁴
- **Evaluating Human Capital Programs** – Prior to FY 2009, the IRS had not always had the capability to measure the success of its human capital goals. Human capital measures that were developed were not always linked to strategic goals and measures and, therefore, did not allow IRS management to assess the progress of the agency's human capital efforts. For instance, the IRS had not determined the overall leadership strength of each operating division. In FY 2010, the IRS issued its Human Capital Business Plan that included goals, desired outcomes, and measures. We reviewed the Plan and determined it aligned with the Department of the Treasury Human Capital Strategic Plan and the IRS Strategic Plan. We also determined that the IRS's human capital performance measures were aligned with and supported the Human Capital Assessment and Accountability Framework¹⁵ standards. Since issuing the Human Capital Business Plan, the IRS has tracked its progress using measures via quarterly Business Performance

¹² Results for the period April through June 2012, per the third-quarter report to the Department of the Treasury provided by the IRS Human Capital Office. The timeline begins when the hiring manager submits an approved request to hire; therefore, it does not include the time for announcements to prequalify applicants for filing season hiring, such as standing registers. During this period, the IRS did not conduct any hiring to fill a large number of positions prior to scheduled training.

¹³ TIGTA, Ref. No. 2012-10-091, *The Onboarding Process Has Improved, but Additional Steps Should Be Taken to Ensure Employees Have the Tools, Resources, and Knowledge to Be Successful and Productive* (Aug. 2012).

¹⁴ Partnership for Public Service, *Getting On Board: A Model for Integrating and Engaging New Employees* (May 2008).

¹⁵ The Framework was established by the United States Office of Personnel Management. It provides consolidated guidance for agencies to transform human capital management and understand what is to be done, how it can be done, and how to gauge progress and results. It also presents the expectations that guide the agency's assessment of human capital efforts.



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Reviews. For instance, to monitor its progress in developing and promoting leaders, the IRS measures and tracks bench strength.¹⁶ Tracking and evaluating measures allows the IRS to determine if human capital strategies are productive and, if not, to adjust the strategies as soon as possible to improve results.

Continued Focus Is Needed to Address Human Capital Issues

Despite progress on many fronts, the IRS is facing many internal and external factors that point to the need to maintain a consistent focus on human capital. In addition, the IRS has outstanding corrective actions in response to TIGTA human capital reports that require a continued focus by IRS executive management.

Internal and external factors require continued focus on human capital issues

The IRS faces many current internal and external factors that increase the importance of the IRS making progress in human capital management a priority. While difficult, successfully addressing human capital issues will assist the IRS in effectively delivering tax administration.

The IRS is facing significant budget challenges

Budget constraints have resulted in fewer personnel to accomplish the IRS's mission. The IRS FY 2012 budget totaled \$11.8 billion, which is a 2.1 percent decrease from FY 2011 and the second consecutive budget reduction. To begin meeting the decreased budget, the IRS announced that it would reduce the amount of funds spent on training, travel, contracts, supplies, *etc.* However, the IRS was unable to meet the level of budget reduction enacted for FY 2012 without substantially reducing its workforce. Therefore, the IRS instituted an agency-wide hiring freeze and has been replacing employees leaving the agency on an exception-only basis. Savings from employees leaving the IRS through normal attrition were not sufficient to meet the FY 2012 budget; therefore, the IRS offered early retirements and buyouts to a limited set of employees, mostly in positions that did not involve direct services or enforcement interactions with taxpayers.¹⁷ The IRS accepted 1,620 early retirements and buyouts, which represents a significant challenge since many of these employees possessed unique skills and institutional knowledge that will be hard to replace.

Overall, budget cuts left the IRS with 5,000 fewer employees for the 2012 Filing Season compared to the previous filing season,¹⁸ even as the number of tax returns it processed continued to rise and the number of identity theft fraud cases the IRS worked soared. The total

¹⁶ The competence and number of employees ready to fill vacant leadership and other positions.

¹⁷ The majority of early retirements and buyouts offered did not affect mission-critical positions. See Appendix VI, Figure 2.

¹⁸ *Filing Season and FY 2013 Budget Request*, 112th Cong. (Mar. 2012) (statement of Douglas H. Shulman).



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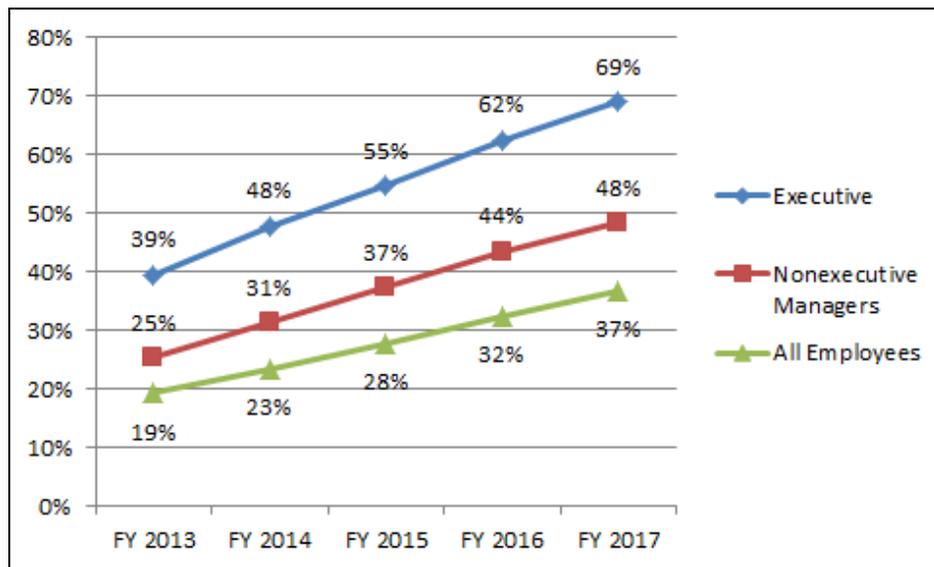
IRS workforce fell to 97,717 at the end of FY 2012, a 9 percent drop from 107,622 at the end of FY 2010.¹⁹

With a shrinking workforce and budget, the IRS will be challenged to continue some of the human capital work it has started. For example, in FY 2012, the IRS eliminated funding for its Tuition Assistance Program, which the IRS had evaluated and determined that participants (compared to the general IRS population) showed lower attrition, more promotions, higher performance ratings, and higher employee engagement scores.

Many of the IRS’s most experienced employees are reaching retirement age

Like many Federal agencies, the IRS is faced with the major challenge of replacing existing talent because of a large number of retirements expected over the next several years. This challenge is especially evident in the IRS’s leadership ranks, where IRS data show that more than one-third of all executives and almost 20 percent of nonexecutive managers are currently eligible for retirement. As shown in Figure 1, IRS data indicate that within five fiscal years, nearly 70 percent of all IRS executives and nearly one-half of the IRS’s nonexecutive managers are projected to be eligible for retirement. Overall, about 40 percent of the IRS’s employees will be retirement eligible within five fiscal years.²⁰

Figure 1: Percentage of the IRS Workforce Eligible to Retire (FYs 2013–2017)



Source: IRS data from the IRS Human Resources database.

¹⁹ See Appendix VI, Figure 1.

²⁰ See Appendix VI, Figures 4 and 5.



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The work of the IRS is becoming more complex

In addition to facing budget cuts and the potential retirement of many experienced employees, the work performed by IRS employees continually requires greater expertise as tax laws become more complex and far reaching. For example, the Patient Protection and Affordable Care Act²¹ contains an extensive array of tax law changes that will present many challenges. The IRS will administer the law's numerous tax provisions and estimates that at least 42 provisions will either add to or amend the tax code and at least eight will require the IRS to build new processes that do not exist within current tax administration. Compounding matters, the FY 2012 IRS budget included 856 full-time equivalents²² dedicated to the implementation of the Affordable Care Act that were directly funded by the Department of Health and Human Services. The FY 2013 IRS budget includes no full-time equivalents directly funded by the Department of Health and Human Services.

Moreover, the IRS will be challenged to provide service to honest taxpayers while detecting and stopping fraud and addressing identity theft. We have reported that the IRS needs to make improvements to stop billions of dollars in fraudulent or improper tax refunds resulting from identity theft and erroneous claims for tax credits.²³ The additional work of combating identity theft fraud and assisting the numerous victims will further challenge a smaller IRS. For example, most employees who currently work on identity theft fraud cases are also telephone assistors trained to help taxpayers. While responding to the increased number of identity theft cases, the same employees are also assigned to answer taxpayer calls on Mondays during tax filing season, trying to cut call waiting times that have risen to an average of 10 minutes. The IRS has dedicated 400 additional employees to work identity theft cases. However, because of limited resources and the high demand for telephone assistance, the IRS plans to continue to have assistors who work identity theft cases also answer telephones.

The IRS is undergoing a change in leadership

Commissioner Shulman left the IRS when his term expired in November of 2012. During Commissioner Shulman's term, he formed the Workforce of Tomorrow Task Force to address the IRS's most serious workforce issues. In addition, much progress has been made on human capital issues during his tenure. Interim leadership and the next Commissioner will need to ensure that actions are taken to build on the momentum gained during Commissioner Shulman's term and to effectively address the internal and external factors mentioned above.

²¹ Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of the U.S. Code), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029.

²² A measure of labor hours in which one full-time equivalent is equal to eight hours multiplied by the number of compensable days in a particular fiscal year. For FY 2008, one full-time equivalent was equal to 2,096 staff hours; for FYs 2007, 2009, and 2010, one full-time equivalent was equal to 2,088 staff hours.

²³ TIGTA, Ref. No. 2012-42-080, *There Are Billions of Dollars in Undetected Tax Refund Fraud Resulting From Identity Theft* (July 2012).



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Executive management will need to continue focusing on corrective actions in response to TIGTA human capital reports

In addition to facing internal and external factors, the IRS has outstanding corrective actions in response to TIGTA human capital recommendations that require a continued focus by IRS executive management. For example, the IRS is currently working on corrective actions in the following areas.

- **Onboarding** – As mentioned previously, the IRS developed policies and procedures for onboarding new employees that were consistent with best practices and developed guidance, including a toolkit and website, for effectively integrating new employees into the IRS. However, managers who we interviewed were not following best practices identified in the comprehensive guidance the IRS had developed for them. As a result, some best practices that would help new employees feel welcome and help them become more productive were not fully implemented. For example, one-quarter of the new employees we contacted were not assigned a coach or mentor when they arrived, and approximately 29 percent stated that the onboarding experience did not accelerate their ability to reach full productivity.²⁴ The IRS reports that it will complete corrective actions related to our findings by February 2013.
- **Employee Tax Compliance** – Although the IRS developed a computer application to detect employees who may have not timely filed or timely paid their taxes, we determined that the application was not detecting all potential noncompliance. We independently reviewed IRS computer files over a two-year period and identified 133 employees who were potentially noncompliant with their taxes and were not detected by the computer application.²⁵ To maintain public confidence in the agency trusted with administering the Nation's tax system, the IRS must ensure that potential misconduct concerning noncompliance with tax laws is identified and addressed. The IRS reports that it will complete corrective actions to review a computer application and make necessary changes to ensure that all cases involving potentially noncompliant employees are identified and resolved by September 2013. However, the IRS rejected our recommendation to conduct a trend analysis of employee noncompliance with tax laws. We continue to believe it would be prudent for the IRS to conduct a trend analysis to identify changing employee patterns. If compliance rates were to shift toward more noncompliance, the IRS would not have the detailed information to determine whether additional educational efforts or proactive noncompliance detection projects are needed.

²⁴ TIGTA, Ref. No. 2012-10-091, *The Onboarding Process Has Improved, but Additional Steps Should Be Taken to Ensure Employees Have the Tools, Resources, and Knowledge to Be Successful and Productive* (Aug. 2012).

²⁵ TIGTA, Ref. No. 2011-10-047, *Employees Are Provided Sufficient Information on Their Tax Responsibilities, but Additional Actions Are Needed to Detect All Noncompliant Employees* (May 2011).



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- **Revenue Officer²⁶ Hiring** – According to the Office of Personnel Management,²⁷ an effective workforce plan includes identifying the human capital required to meet organizational goals, conducting analysis to identify competency gaps, developing strategies to address human capital needs and close competency gaps, and ensuring the organization is appropriately structured. However, when estimating staffing levels of revenue officers needed in future years, the IRS does not determine the number of revenue officers needed to address the available workload. Instead, the level is estimated based primarily on a budget figure provided by the IRS Chief Financial Officer. Without effective workforce planning, IRS decisions regarding the size and allocation of revenue officers could result in arbitrary and subjective resource actions, which may have negative effects on IRS programs and services.²⁸ The IRS reports that it will complete corrective actions to establish rules for optimizing revenue officer staffing levels to address the Collection function’s potentially collectible inventory by March 2013.²⁹
- **Recruitment and Retention Incentives** – Since FY 2008, IRS management improved its administration of the use of recruitment and retention incentives. However, the IRS did not have a methodology to assess the impact of using recruitment and retention incentives to assist management in its effort to meet long-term workforce planning goals.³⁰ Without analysis to determine the impact of the use of incentives on workforce planning, the IRS risks using taxpayer funds for incentives without assurance that they are helping the IRS achieve its hiring of the right people, at the right place, at the right time. The IRS reports that it will complete corrective actions related to our findings by December 2012.

²⁶ Revenue officers collect taxes due and are critical positions for achieving the IRS’s mission.

²⁷ *The Office of Personnel Management Human Capital Assessment and Accountability Framework Resource Center – Workforce Planning (Strategic Alignment System)* (Sept. 2005).

²⁸ TIGTA, Ref. No. 2011-30-039, *Challenges Remain to Balance Revenue Officer Staffing With Attrition and Workload Demands* (May 2011).

²⁹ We also reported that the Collection function does not collect the information used to compare the actual performance of newly hired revenue officers with the projected performance in its budget justification. The IRS rejected our recommendation to develop methods to compile the data necessary to track actual performance results with projected performance results to improve future budget justifications because it stated that it was already taking actions to address a similar recommendation made by the Government Accountability Office. However, we were not provided plans during our audit so we could not determine whether the methodology in these plans addressed our recommendation.

³⁰ TIGTA, Ref. No. 2011-10-107, *The Administration of Recruitment and Retention Incentives Has Improved, but Additional Actions Should Be Taken* (Sept. 2011).



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to provide the status of actions taken in response to TIGTA recommendations related to human capital made in audit reports issued since FY¹ 2009, the status of the IRS's implementation of the recommendations of an IRS task force, and the TIGTA's observations on the IRS's current human capital² challenges. To accomplish this objective, we:

- I. Determined the progress made by the IRS in the human capital area.
 - A. Reviewed the Department of the Treasury Joint Audit Management Enterprise System to determine the status of corrective actions taken to TIGTA recommendations made in human capital reports issued since FY 2009. We did not perform audit work to determine whether corrective actions were completed and resolved findings reported in the original audits.
 - B. In addition to TIGTA recommendations, reviewed TIGTA human capital-related reports issued since FY 2009 to identify any positive steps taken by IRS management in the human capital area.
 - C. Obtained and reviewed the current Department of the Treasury Human Capital Strategic Plan, IRS Strategic Plan, IRS Human Capital Business Plan, and other documentation to assess IRS plans for meeting its human capital challenge into the future and for alignment between the plans.
 - D. Determined the status of the Workforce of Tomorrow Task Force recommendations and how they were being tracked.
 - E. Determined how many Workforce Summits have been held. We evaluated how the IRS is tracking the action items the Workforce Summits identified and determined the status of the action items.

¹ A 12-consecutive-month period ending on the last day of any month, except December. The Federal Government's fiscal year begins on October 1 and ends on September 30.

² Since FY 2002, the TIGTA has identified human capital as one of the top 10 management and performance challenges for the IRS.



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- II. Determined what human capital challenges continue to exist.
- A. Reviewed TIGTA testimony on the IRS's FY 2013 budget request³ to identify the key internal and external factors affecting the IRS's ability to maintain a quality workforce.
 - B. Obtained and reviewed IRS management reports regarding recent buyouts that could affect the ability of the IRS to accomplish its mission.
 - C. Performed research, *e.g.*, TIGTA audit reports and congressional testimony, and determined how the IRS's current budget constraints may affect its level of service and ability to detect and deter fraud.
 - D. Obtained the following data from the IRS Human Resources database and determined that the data were sufficiently reliable for purposes of this report.⁴
 - 1. Percentage of IRS nonmanagement employees, nonexecutive managers, and executives eligible to retire for FYs 2013–2017.
 - 2. Size of the total IRS workforce for FYs 2008–2012.
 - 3. Percentage of mission-critical⁵ employees compared to the total IRS workforce for FYs 2008–2012.
 - 4. Number of revenue agents, tax technicians, appeals officers, revenue officers, contract specialists, and information technology specialists for FYs 2008–2012.

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. The majority of this review was limited to reviewing and assessing the results of prior audits, while part of our review involved identifying and analyzing human capital measures and determining the status of the Workforce of Tomorrow Task Force. For this part of our audit, we determined that the following internal controls were relevant to our audit objective: the IRS 2009–2013 Strategic Plan, the IRS Human Capital Business Plan 2010–2014, the IRS Human Capital Office Business Performance quarterly review process, processes for tracking the Workforce of Tomorrow Task Force

³ *Budget Hearing – Office of Treasury IG and Office of Treasury IG for Tax Administration, Hearing Before the Committee on Appropriations Subcommittee on Financial Services and General Government, 112th Cong. (Mar. 2012) (statement of the Honorable J. Russell George).*

⁴ We validated the Human Resource database by researching a statistical sample of 95 employees to determine if the human resources information matched information on the Treasury Integrated Management Information System.

⁵ Mission-critical occupations are those few occupations that comprise the unique core competencies of the IRS and have the greatest direct impact on the agency's ability to meet its mission.



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recommendations and subsequent actions, and processes for tracking human capital measures. We evaluated these controls by reviewing strategic documents relating to human capital issues, reviewing IRS Human Capital Office Business Performance quarterly review documentation, and interviewing IRS management.



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Appendix II

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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner-Attn: Chief of Staff C
IRS Human Capital Officer OS:HC
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:
 Deputy Commissioner for Operations Support OS
 Deputy Commissioner for Services and Enforcement SE
 IRS Human Capital Officer OS:HC



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Appendix IV

Treasury Inspector General for Tax Administration Human Capital Reports Considered As Part of This Review

The following 20 TIGTA audit reports were considered as part of this review.

TIGTA, Ref. No. 2010-IE-R001, *Inspection of the Internal Revenue Service's Pandemic Influenza Preparedness Plan* (Jan. 2010).

TIGTA, Ref. No. 2010-IE-R002, *The Internal Revenue Service Restructuring and Reform Act of 1998 Was Substantially Implemented, but Challenges Remain* (Mar. 2010).

TIGTA, Ref. No. 2010-10-054, *Additional Actions Are Needed to Measure and Evaluate the Impact of the Pay-for-Performance System on Recruiting, Retaining, and Motivating Highly Skilled Leaders* (May 2010).

TIGTA, Ref. No. 2010-IE-R004, *Inspection of the IRS's Pandemic Influenza Preparedness Plan (Phase II)* (May 2010).

TIGTA, Ref. No. 2010-10-113, *Improvements Have Been Made to the Recruitment Process, but Continued Focus and Additional Enhancements Are Needed* (Sept. 2010).

TIGTA, Ref. No. 2011-10-015, *The Impact of the Frontline Leader Readiness Program on Succession Planning Should Be Determined* (Mar. 2011).

TIGTA, Ref. No. 2011-10-047, *Employees Are Provided Sufficient Information on Their Tax Responsibilities, but Additional Actions Are Needed to Detect All Noncompliant Employees* (May 2011).

TIGTA, Ref. No. 2011-30-039, *Challenges Remain to Balance Revenue Officer Staffing With Attrition and Workload Demands* (May 2011).

TIGTA, Ref. No. 2011-IE-R006, *A Follow-Up Evaluation of the Worker's Compensation Program in the Internal Revenue Service* (June 2011).

TIGTA, Ref. No. 2011-10-072, *Additional Actions and Data Are Needed to Further Analyze the Size and Skills of the Acquisition Workforce* (July 2011).

TIGTA, Ref. No. 2011-10-089, *The Human Capital Office Improved the Hiring Process, but Additional Actions Can Be Taken to Better Monitor Hiring Timelines* (Aug. 2011).



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TIGTA, Ref. No. 2011-10-107, *The Administration of Recruitment and Retention Incentives Has Improved, but Additional Actions Should Be Taken* (Sept. 2011).

TIGTA, Ref. No. 2012-10-006, *Internal Revenue Service Diversity Demographics Compare Favorably With Other Federal Agencies' Senior Executive Service Ranks* (Nov. 2011).

TIGTA, Ref. No. 2012-IE-R002, *Internal Revenue Service Contract Security Guard Workforce Inspection* (Jan. 2012).

TIGTA, Ref. No. 2012-IE-R003, *Inspection of the Employee Pre-Screening Process* (Feb. 2012).

TIGTA, Ref. No. 2012-10-040, *Opportunities Exist to Reduce Lockbox Fingerprinting Costs* (Apr. 2012).

TIGTA, Ref. No. 2012-10-043, *Future Improvement Could Further Increase the Benefits of the Tuition Assistance Program* (Apr. 2012).

TIGTA, Ref. No. 2012-10-091, *The Onboarding Process Has Improved, but Additional Steps Should Be Taken to Ensure Employees Have the Tools, Resources, and Knowledge to Be Successful and Productive* (Aug. 2012).

TIGTA, Ref. No. 2012-20-107, *The Information Technology Organization Needs to Implement a Competency Database to Efficiently Manage Its Workforce* (Sept. 2012).

TIGTA, Ref. No. 2013-10-007, *New Employees Are Being Hired More Quickly; However, Improvements Are Needed to Correct Some Hiring Monitoring Data* (Nov. 2012).



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Appendix V

*Status of Corrective Actions to Treasury Inspector
General for Tax Administration Human Capital
Recommendations Made Since Fiscal Year 2009*

Below is a list of 46 recommendations we have made in the human capital area in TIGTA reports issued¹ since FY 2009. According to the Department of the Treasury's system for tracking IRS actions taken in response to our recommendations, the IRS has: 1) completed corrective actions for 36 (78 percent) of 46 recommendations, 2) scheduled corrective action due dates for eight (17 percent) of 46 recommendations, and 3) rejected two (4 percent) of 46 recommendations.

TIGTA Report Number	TIGTA Recommendation	IRS Corrective Action Status
2010-10-054	The IRS Workforce Progression and Management Division Director should ensure that additional research is conducted on two contractor observations. Specifically, the IRS Human Capital Office should perform further analysis to determine why frontline managers may be concerned with their pay and are significantly less engaged and less satisfied than senior managers and department managers. It should also perform further analysis to determine why there are significant increases in the number of employees moving from the Pay-for-Performance System to General Schedule Pay System positions to assess whether pay-for-performance issues are a contributing factor.	Completed 12/13/2010.

¹ See Appendix IV for a list of TIGTA human capital-related audit reports considered as part of this review.



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TIGTA Report Number	TIGTA Recommendation	IRS Corrective Action Status
2010-10-054	The IRS Workforce Progression and Management Division Director should ensure that additional data are collected to assess the impact the IRS Pay-for-Performance System is having on recruiting, retaining, and motivating highly skilled leaders. Specifically, the following data should be collected and tracked: the percentage of individual performance plans (from a sample of performance plans) with individual goals that are linked to the agency's mission to determine if a manager's work is appropriately aligned to the IRS mission, the percentage of individual performance plans (from a sample of performance plans) with credible performance targets to assess whether managers are accountable for achieving them, the ratio of high-quality applicants to the total number of eligible applicants to assess the IRS's ability to attract high-quality new hires over time, turnover rates for both high performance ratings (fours and fives out of a five-point scale) and low performance ratings (ones and twos) to assess whether high performers are being retained and low performers are being appropriately addressed, and the number of adverse actions and appeals related to performance ratings of IRS Pay-for-Performance System managers to assess the fairness of the pay-for-performance process.	Completed 12/13/2010
2010-10-054	The IRS Human Capital Office should define a process where pay-for-performance issues are assessed at least annually. Specifically, the Pay-for-Performance Office should develop reports and other monitoring tools to assist in identifying issues that may require further analysis. The IRS Human Capital Office and the Human Capital Board should determine the best methodology for using these reports and monitoring tools to ensure that Pay-for-Performance System issues are elevated and addressed.	Completed 04/07/2011
2010-10-113	In addition to continuing to focus on implementing the nine best practices to build a fully effective recruiting program, the Director of the IRS Recruitment Office should enhance the performance measurement process by developing measures for the 10 recruitment strategies needed to assess whether they are achieving desired outcomes, incorporate all applicable measures into the PeopleTrak system ² to ensure that the IRS has the information needed to manage the recruitment program, and establish completion dates for milestones in the recruitment office action plans to serve as targets for implementing the items and monitoring the items until they are completed.	Completed 02/07/2011

² The PeopleTrak system provides the IRS with the information it needs to measure the results of its recruiting efforts.



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TIGTA Report Number	TIGTA Recommendation	IRS Corrective Action Status
2010-IE-R004	The Chief, Submission Processing, Wage and Investment Division, should implement a process to provide senior management of campuses with daily information on attendance levels at the facility they manage.	Completed 05/26/2010
2010-IE-R004	In expanding the teleworking program of the IRS, the Chief Human Capital Officer should include a provision for directed teleworking of qualified employees in an emergency.	Completed 12/16/2010
2011-10-015	The IRS Human Capital Officer should require an assessment of readiness for management, such as the Leadership Succession Review, at the end of the Frontline Leader Readiness Program for those program graduates interested in a frontline manager position.	Completed 08/01/2011
2011-10-015	The Chief, Criminal Investigation, and the IRS Human Capital Officer should analyze the results of the readiness assessments to determine whether the Frontline Leader Readiness Program needs to be changed to better prepare participants for frontline management or whether the application process needs to be revised.	Completed 07/14/2011
2011-10-015	The Chief, Criminal Investigation, and the IRS Human Capital Officer should develop a plan of what measures are needed to determine the Frontline Leader Readiness Program's impact on succession planning and how to best collect the data necessary to quantify those measures. This plan should include, but not be limited to, measures such as promotions of program graduates to frontline manager positions on a fiscal year basis in order to determine a measurable placement rate for the program from year to year; costs associated with the training, including estimated time expended and all travel costs, to aid in determining the costs versus benefits of the program; and the percentage of newly selected permanent frontline managers who participated in the program compared to the percentage who did not participate.	Completed 09/06/2011
2011-10-015	The IRS Human Capital Officer should establish a data collection process to capture all necessary information from the operating divisions/functional offices related to the number of their respective graduates and the number of promotions on a fiscal year basis to accurately measure the impact of the Frontline Leader Readiness Program on frontline management.	Completed 09/28/2011



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TIGTA Report Number	TIGTA Recommendation	IRS Corrective Action Status
2011-10-047	To ensure that all cases involving potentially noncompliant employees are identified and resolved, the IRS Human Capital Officer should review the Employee Tax Compliance Program's computer application with the Information Technology organization (formerly the Modernization and Information Technology Services organization) programmers and make necessary changes.	Due 09/15/2013
2011-10-047	To ensure that all cases involving potentially noncompliant employees are identified and resolved, the IRS Human Capital Officer should work the additional 133 cases identified by the TIGTA to determine whether disciplinary action is warranted.	Completed 06/28/2011
2011-10-047	To ensure that changes in the direction of the Employee Tax Compliance Program are clearly communicated and documented, the IRS Human Capital Officer should revise the goals and mission of the Employee Tax Compliance Program to align with how the program is currently operating.	Completed 06/28/2011
2011-10-047	To determine whether future changes are needed in the direction of the Employee Tax Compliance Program, the IRS Human Capital Officer should conduct trend analysis of employee noncompliance with tax laws to include, but not be limited to periodic analysis of employee noncompliance trends over multiple tax years; analysis of referrals received by the Employee Tax Compliance Branch that would not have been identified by the Employee Tax Compliance computer application; and more detailed analyses of noncompliance identified by the Employee Tax Compliance computer application.	Rejected



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TIGTA Report Number	TIGTA Recommendation	IRS Corrective Action Status
2011-10-072	The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement should develop and document an IRS-wide approach to ensure that the IRS effectively monitors the adequacy of its acquisition workforce. The 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; developing a strategy to collect that information (this strategy should include data on all IRS employees who perform acquisition-related functions); collecting and analyzing data to determine the number and skills of acquisition personnel needed for a particular workload (as not all requirements are uniform, this method may need to take into account the difference in complexity between procurement types); and developing and monitoring data, such as the quality of acquisition personnel's work and the amount of overtime worked, to periodically ensure that the IRS has the right number of acquisition workforce personnel with the skills needed to accurately and timely complete their workload.	Completed 03/21/2012
2011-10-089	The Director, Employment, Talent, and Security Division, IRS Human Capital Office, should ensure that programming is completed for web-based time-in-process reports 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.	Completed 09/27/2011
2011-10-089	The Director, Employment, Talent, and Security Division, IRS Human Capital Office, should provide guidance to Human Capital Office branch offices to ensure that they understand when tools such as the timeline calculator, memorandums on the front of ranking and selection packages, and follow-up e-mail reminders should be used to fully achieve the benefits those tools provide.	Completed 11/01/2011
2011-10-107	The Director, Workforce Progression and Management Division, Human Capital Office, should revise the non-Senior Executive Service retention incentive request form to require details of how it is determined that an employee would likely leave the Federal Government in the absence of the incentive.	Completed 01/31/2012



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TIGTA Report Number	TIGTA Recommendation	Corrective Action Status
2011-10-107	The Director, Workforce Progression and Management Division, Human Capital Office, should work with the IRS business units to move responsibility for technical review of all non–Senior Executive Service recruitment and retention incentives to the IRS Human Capital Office Workforce Progression Management Division, Compensation and Leave Branch, prior to submission to the appropriate IRS official for approval.	Completed 10/17/2011
2011-10-107	The Director, Workforce Progression and Management Division, Human Capital Office, should improve procedures to ensure that approvals for significant changes to group recruitment incentives, such as decisions to provide additional incentives or provide incentives to employees in other locations, are properly documented.	Completed 12/07/2011
2011-10-107	The Director, Workforce Progression and Management Division, Human Capital Office, should remind the business units annually, during the annual review of retention incentives, of the need to terminate incentives for employees who change positions and no longer qualify for the incentive.	Completed 10/17/2011
2011-10-107	The Human Capital Officer should develop a methodology to assess the impact of the use of recruitment and retention incentives in helping IRS management meet long-term workforce planning goals. The methodology should include indicators to track and evaluate the use of recruitment and retention incentives.	Due 12/15/2012
2011-30-039	The Director, Enterprise Collection Strategy, Small Business/Self-Employed Division, should establish rules for optimizing staffing levels for revenue officers to address the Collection function’s potentially collectible inventory.	Due 03/15/2013
2011-30-039	The Director, Collection, Small Business/Self-Employed Division, should develop methods to compile the data necessary to track actual performance results with projected performance results to improve future budget justifications.	Rejected
2011-IE-R006	In addition to placing video training materials on the IRS’s intranet, the Human Capital Officer should consider making workers’ compensation awareness part of the annual mandatory briefings for managers.	Completed 08/08/2011



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TIGTA Report Number	TIGTA Recommendation	IRS Corrective Action Status
2012-10-006	The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement should ensure that the IRS's key diversity practices are memorialized within Equity, Diversity, and Inclusion internal guidance (policies and procedures).	Completed 03/15/2012
2012-10-006	The Deputy Commissioner for Operations Support and the Deputy Commissioner for Services and Enforcement should consider partnering with Federal professional executive organizations to gain additional insight on diversity issues in the Federal executive community, identify mentoring practices, and use these partnerships as a tool to recruit executive applicants.	Completed 09/28/2012
2012-10-006	The IRS Human Capital Office should consider ways to communicate to employees the existence of professional executive organizations that may assist employees in their self-development efforts toward higher-level and Senior Executive Service positions.	Due 01/15/2013
2012-10-040	The IRS Human Capital Office, in coordination with Wage and Investment Division management, should perform an annual assessment of the number of staff needed at each lockbox bank for each fiscal year and the additional number of individuals that need to be fingerprinted to ensure that fingerprinting charges are not excessive. This assessment could be included as part of the annual Readiness Package prepared by each lockbox bank or calculated by IRS personnel based on historical lockbox data.	Due 01/15/2013
2012-10-040	The IRS Human Capital Office, in coordination with Wage and Investment Division management, should evaluate the feasibility of requiring lockbox banks to maintain and review logs or other documentation of individuals fingerprinted by the banks, including reviewing them to identify potential employees who have been previously fingerprinted so they will not submit to the Office of Personnel Management a second fingerprint request for that individual.	Due 01/15/2013
2012-10-040	The IRS Human Capital Office, in coordination with Wage and Investment Division management, should develop a process requiring IRS personnel to periodically review and analyze fingerprint billing data to ensure that the lockbox banks are not submitting fingerprinting charges more than once for the same individuals.	Completed 08/16/2012



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TIGTA Report Number	TIGTA Recommendation	IRS Corrective Action Status
2012-10-040	The IRS Human Capital Office, in coordination with Wage and Investment Division management, should disseminate and clearly communicate appropriate fingerprinting submission guidance to lockbox bank management to help reduce improper fingerprint resubmissions to the Office of Personnel Management and reduce costs to the IRS. This should include the requirement that ‘unclassifiable’ fingerprint results be resubmitted with the original case number to avoid unnecessary fingerprinting charges.	Completed 06/05/2012
2012-10-040	The IRS Human Capital Office, in coordination with Wage and Investment Division management, should evaluate the use of electronic fingerprints at all lockbox banks and assess the business need of requiring lockbox banks to fully use this process to reduce fingerprinting costs in the future.	Completed 06/05/2012
2012-10-043	The Director, Leadership Education and Delivery Services Division, Human Capital Office, should consider the following recommendations in the event that the IRS decides to fund a tuition assistance program in the future: 1) develop better document goals that are consistent with the mission of the program and develop cost-effective measures to assess whether goals are being achieved; 2) increase the involvement of the participant’s frontline management in a manner that will provide better assurance that courses are consistent with a participant’s existing job duties or career goals; 3) require that courses be taken only from vendors meeting a minimum standard of quality, <i>e.g.</i> , institutions that are accredited by the Department of Education; 4) ensure that program guidelines require that participants submit proof of course completion documentation (including the participant’s name, vendor providing the course, title of the course, and grade or other indicator of successful completion) within a specified time period; and 5) enforce continuing service agreements ³ to protect the investment the IRS is making in its employees.	Completed 06/21/2012

³ Continuing service agreements provide assurance that the IRS will recover the cost of its investment if a participant leaves shortly after completing a course.



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TIGTA Report Number	TIGTA Recommendation	IRS Corrective Action Status
2012-10-091	To further improve the onboarding process and achieve the IRS's goal of making the IRS the best place to work in Government, the IRS Human Capital Officer should develop an agency-wide onboarding strategy. The strategy should include goals for improving the onboarding process; an agency-wide process for planning, coordinating, and addressing actions being taken across the IRS on onboarding topics; a checklist with step-by-step guidance on each item that should be completed during the onboarding process, requiring managers to complete the checklist acknowledging that the items were addressed; a plan to promote the use of the onboarding toolkit and website to managers who are assigned newly hired employees; a process to collect feedback from managers on how the onboarding process could be improved; and additional measures and analyses to evaluate the onboarding process, including a means of identifying specific areas of employee concern for their first year of employment.	Due 02/15/2013
2012-20-107	The Chief Technology Officer should develop an inventory list of the key (or important) skills needed for each IRS Information Technology organization position and differentiate the skills by proficiency level.	Completed 10/11/2012
2012-20-107	The Chief Technology Officer should implement a repeatable process for assessing employees' skills. IRS Information Technology organization management should consider using the Assess 4 Success process and tools developed by the IRS Human Capital Office.	Completed 10/10/2012
2012-IE-R002	The Director, Physical Security and Emergency Preparedness, should develop a comprehensive list of contract security guards and ensure that the list is properly validated and updated on a regular basis.	Completed 05/14/2012
2012-IE-R002	The Director, Physical Security and Emergency Preparedness, should develop procedures to require that contracting officer's technical representatives obtain and maintain records to verify that contractors without staff like access are properly escorted while in their facilities.	Completed 03/15/2012
2012-IE-R002	The Director, Physical Security and Emergency Preparedness, should require that contracting officer's technical representatives conduct follow-up procedures to determine the status of requests for reinvestigations. In cases where a contract employee fails to provide information required for the reinvestigation, the contracting officer's technical representative should remove the contract employee from duty.	Completed 03/15/2012



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TIGTA Report Number	TIGTA Recommendation	IRS Corrective Action Status
2012-IE-R002	The Director, Physical Security and Emergency Preparedness, should periodically issue memoranda to remind all contracting officer's technical representatives of their responsibility to ensure that all unescorted contract employees are approved for staff like access in accordance with procedures included in the Internal Revenue Manual.	Completed 03/15/2012
2012-IE-R002	The Director, Physical Security and Emergency Preparedness, should periodically issue memoranda to remind all contracting officer's technical representatives of their responsibility to officially file records for each contract guard, in accordance with procedures in the Internal Revenue Manual.	Completed 03/15/2012
2012-IE-R002	The Director, Physical Security and Emergency Preparedness, should require Office of Personnel Management background investigations and adjudication by IRS officials for all security guards assigned to protect IRS employees.	Completed 03/15/2012
2012-IE-R003	The IRS Human Capital Officer should develop requirements and retention policies to ensure that prescreening actions are consistently completed and fully documented.	Completed 04/06/2012
2013-10-007	The Director, IRS Human Capital Office Employment, Talent, and Security, should deactivate any Career Connector ⁴ certificate options that are not used by the employment offices and issue formal guidance to the employment offices for selecting the correct certificate type in Career Connector.	Completed 05/08/2012
2013-10-007	The Director, IRS Human Capital Office Employment, Talent, and Security, should correct Career Connector report writing programming to use the issuance date of the selection certificate when calculating the time spent by the divisions on rating and ranking certificates.	Due 01/30/2013

Source: Department of the Treasury's Joint Audit Management Enterprise System.

⁴ Career Connector is a computer system that allows individuals applying for a job within the IRS to electronically submit resumes and applicant qualification documentation, e.g., college transcripts, performs automatic reviews of applications to assess whether applicants meet job requirements, identifies which applicants are the best qualified, and sends communications to applicants.



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Appendix VI

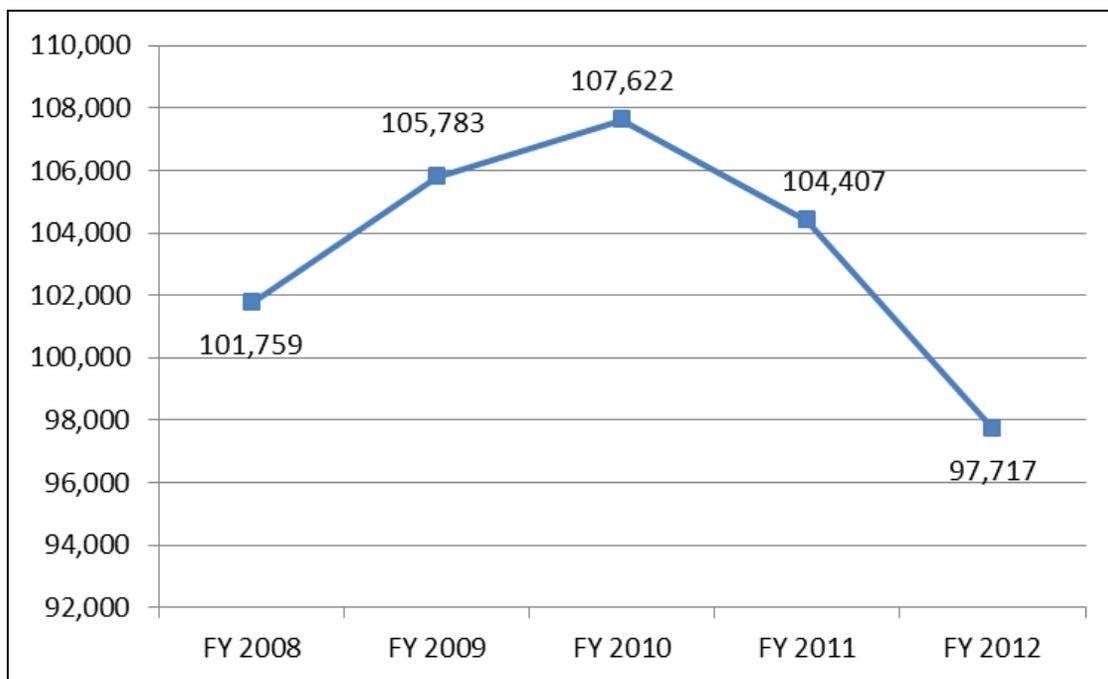
Internal Revenue Service Workforce Trends

As part of our ongoing monitoring and reporting of the IRS's efforts to address its human capital¹ challenge, we have collected workforce trends in the areas of workforce size and retirement eligibility.

Total workforce size trends

As shown in Figure 1, the IRS's workforce size was increasing between FYs 2008 and 2010. However, this trend has been reversed over the last couple of fiscal years due to budget cuts.

Figure 1: Total Workforce Size²



Source: IRS Human Resources database. We did not validate these figures; however, the general trends reflected in this chart are supported by enacted budgets.

¹ Human capital is used to describe the skills, abilities, and contributions of the employees in an agency.

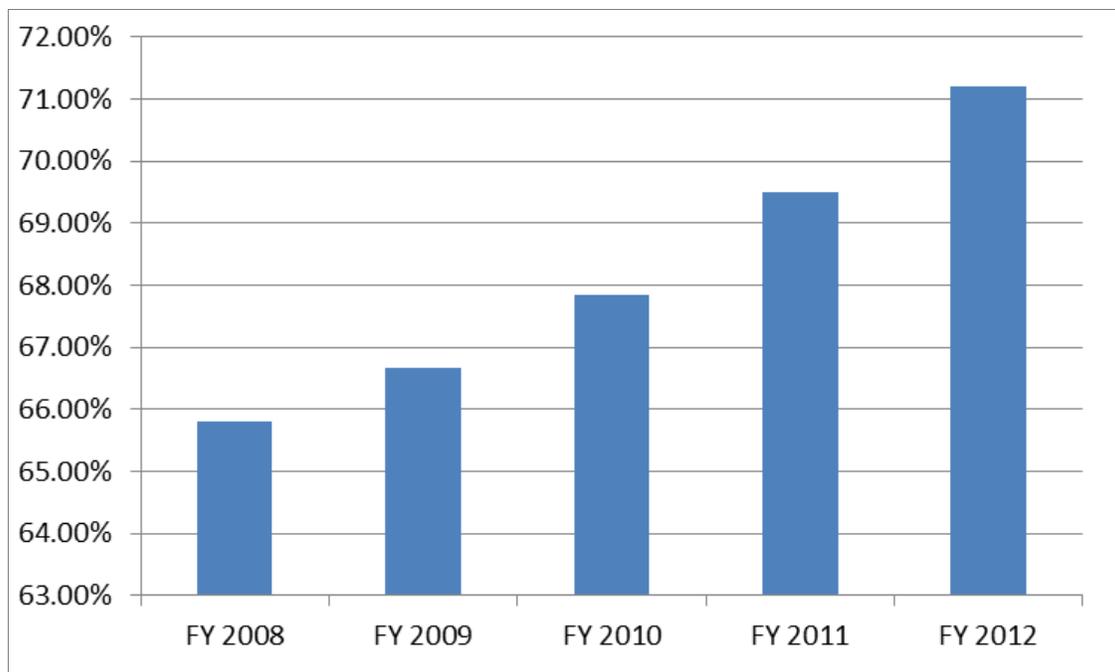
² Workforce figures are as of the end of each fiscal year.



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As shown in Figure 2, the percentage of mission-critical employees in the IRS workforce has been increasing over the last five fiscal years. This is important because mission-critical employees represent those few occupations that comprise the unique core competencies of the IRS or have the greatest direct impact on the agency's ability to meet its mission of providing America's taxpayers with top-quality service by helping them understand and meet their tax responsibilities and enforcing the law with integrity and fairness to all.

**Figure 2: Percentage of Mission-Critical Employees
(FYs 2008–2012)³**



Source: IRS Human Resources database.

³ Workforce figures are as of the end of each fiscal year.



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While the percentage of mission-critical positions in the IRS workforce is increasing, the workforce size of particular occupations varies. For example, Figure 3 shows that the number of information technology specialists has grown significantly, while the number of revenue officers and contract specialists has decreased significantly.

**Figure 3: Workforce Trends for Example Occupations
(FYs 2008–2012)⁴**

Occupation	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Five-Year Percentage Increase/Decrease
Revenue Agent ⁵	13,125	14,441	14,268	13,932	13,036	-0.68%
Tax Technician ⁶	1,559	1,749	1,933	1,781	1,659	6.41%
Appeals Officer ⁷	828	898	945	911	863	4.23%
Revenue Officer ⁸	5,597	6,249	6,026	5,578	5,152	-7.95%
Contract Specialist	298	285	275	271	274	-8.05%
Information Technology Specialist	5,193	5,075	5,109	5,744	5,851	12.67%

Source: IRS Human Resources database.

⁴ Workforce figures are as of the end of each fiscal year.

⁵ Revenue agents perform examinations of individuals and businesses and are critical positions for achieving the IRS's mission.

⁶ Tax technicians contact taxpayers, their representatives, and third parties to secure payment of delinquent taxes and the filing of delinquent returns.

⁷ Appeals officers conduct conferences to settle cases in which taxpayers have appealed IRS determinations on their tax case or filed a petition in the United States Tax Court.

⁸ Revenue officers collect taxes due and are critical positions for achieving the IRS's mission.



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Retirement eligibility for all employees, executives, and managers

By the end of FY 2013, 19 percent of the total IRS workforce will be eligible to retire. As shown in Figure 4, the percentage increases to 37 percent by the end of FY 2017.

**Figure 4: IRS Employees Eligible to Retire⁹
(FYs 2013–2017)**

Total Workforce¹⁰	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
97,717	18,825 (19%)	22,868 (23%)	27,186 (28%)	31,602 (32%)	35,953 (37%)

Source: IRS Human Resources database.

Figure 4 includes all IRS employees (including managers and executives). Figure 5 provides a breakout of just the number of managers and executives that will have reached retirement age each year for the next five years.

**Figure 5: IRS Executives and Nonexecutive Managers
Eligible to Retire (FYs 2013–2017)**

Management Level	Total Executives and Managers	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Executives	309	122 (39%)	148 (48%)	169 (55%)	193 (62%)	213 (69%)
Nonexecutive Managers	8,583	2,175 (25%)	2,686 (31%)	3,199 (37%)	3,739 (44%)	4,141 (48%)
Totals	8,892	2,297 (26%)	2,834 (32%)	3,368 (38%)	3,932 (44%)	4,354 (49%)

Source: IRS Human Resources database.

⁹ Retirement eligibility figures are as of September 30 for each fiscal year.

¹⁰ Total workforce figures are as of the end of FY 2012.