



Treasury Inspector General for Tax Administration Office of Audit

TO ADDRESS ITS HUMAN CAPITAL CHALLENGE, THE INTERNAL REVENUE SERVICE NEEDS TO FOCUS ON FOUR KEY AREAS

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Highlights

Highlights of Report Number: 2009-10-118 to the IRS Deputy Commissioner for Operations Support and Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) has experienced workforce challenges over the past few years, including recruiting, training, and retaining employees, as well as an increasing number of employees who are eligible to retire. While the IRS has recently increased its focus on workforce issues, the Treasury Inspector General for Tax Administration (TIGTA) believes the IRS will have to address several key areas to make progress in addressing its human capital challenge. If the IRS is not successful, it may not have the right people in the right place at the right time to achieve its mission of providing taxpayers with top quality service and enforcing the law with integrity and fairness to all.

WHY TIGTA DID THE AUDIT

The overall objective of this audit was to assess the IRS' actions in addressing its human capital challenge. Our assessment was based upon prior TIGTA and Government Accountability Office reports and took into account current efforts underway at the IRS. This audit is the TIGTA's first periodic assessment of the IRS' actions to address its human capital challenge.

WHAT TIGTA FOUND

Successfully addressing the human capital challenge of having the right people in the right place at the right time will be a long-term effort. Currently, the IRS faces a loss of leadership and technical employees that could threaten its ability to provide American taxpayers with the service they have come to expect. Today, the IRS has approximately 106,000 employees, including 9,100 managers. However, more than half of the IRS' employees and managers have reached age 50, and 39 percent of IRS executives are already eligible for retirement. To fill projected shortages in leadership ranks, the IRS has stated that it must recruit one manager a day for the next 10 years. Furthermore, the

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rate at which new recruits are leaving the IRS during the first and second year of employment has increased since Fiscal Year 2005. The pending loss of institutional knowledge and expertise at all levels and the challenge of retaining a highly skilled workforce increase the risk that the IRS may not be able to achieve its mission.

The IRS is currently taking significant actions to address workforce issues, such as the creation of the IRS Commissioner's Workforce of Tomorrow Task Force and the incorporation of human capital strategies and high-level measures in the IRS 2009–2013 Strategic Plan. However, our audits show that the IRS will need to address four key areas to make progress in addressing its human capital challenge. Namely, IRS executive management will need 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' recent emphasis on human capital issues.

For example, our previous audits found the IRS lacked comprehensive agency-wide information on the skills of its employees in mission critical occupations and the IRS had not determined the overall leadership strength of each operating division. In addition, the IRS did not have an agency-wide recruitment strategy, and substantial progress had not been made in developing and implementing an agency-wide process to consistently and accurately project future human resource needs.

While the IRS is currently taking significant actions to focus on human capital issues, including actions to address TIGTA's prior recommendations, there is much work ahead. Due to the importance of human capital management to the accomplishment of the IRS' mission, TIGTA will continue to monitor the IRS' progress in addressing this challenge.

WHAT TIGTA RECOMMENDED

No recommendations were made in this report. However, key IRS management officials reviewed it prior to issuance and agreed with the facts and conclusions presented.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2009reports/200910118fr.pdf>.

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