Treasury Inspector General for Tax Administration
Office of Audit

THE ADMINISTRATION OF RECRUITMENT AND RETENTION INCENTIVES HAS IMPROVED, BUT ADDITIONAL ACTIONS SHOULD BE TAKEN

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Highlights

Highlights of Report Number: 2011-10-107 to the Internal Revenue Service Human Capital Officer.

IMPACT ON TAXPAYERS

To assist in its workforce planning efforts, the Internal Revenue Service (IRS), like other Federal agencies, has the flexibility to use payment compensation in the form of recruitment and retention incentives to attract and retain a high-quality workforce. Specifically, the IRS can offer recruitment incentives to attract new employees for positions that are difficult to fill, and retention incentives to retain employees with unusually high or unique qualifications. Since Fiscal Year 2008, IRS management improved their administration of the use of recruitment and retention incentives; however, procedures were not adequate to ensure all Federal and internal guidelines were met. Further improvements will provide assurance that the IRS uses recruitment and retention incentives effectively and only in circumstances where they are needed, which would prevent a potential waste of Government funds.

WHY TIGTA DID THE AUDIT

The overall objective of this audit was to determine whether the IRS properly administers recruitment and retention incentives to hire qualified employees for hard-to-fill positions and retain employees with unusually high or unique qualifications.

WHAT TIGTA FOUND

Since Fiscal Year 2008, IRS management improved their administration of the use of recruitment and retention incentives. However, procedures were not adequate to ensure that all Federal and internal guidelines were met (e.g., requiring documentation to justify the appropriateness of the incentive). Because IRS management relied on manual controls and did not always review incentives to ensure compliance with legal requirements until after the incentives were approved, TIGTA found that some controls were bypassed or not followed. This resulted in some recruitment and retention incentives not being processed in accordance with IRS guidelines between January 2006 and February 2010. For example, seven (25.9 percent) of the 27 retention incentives reviewed did not contain adequate documentation to support that employees would likely leave the IRS in the absence of the incentive, which presents a risk that the incentives may not have been justified.

In addition, IRS management has not identified a method to assess the impact of the use of incentives on overall workforce planning goals. Without this assessment, the IRS may not ensure incentives are used to help achieve workforce planning goals of having the right people, in the right place, at the right time.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Workforce Progression and Management Division, strengthen manual controls to ensure that Federal and internal guidelines are met, and that the IRS Human Capital Officer 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.

In its response, the IRS agreed with the recommendations. The Director, Workforce Progression and Management Division, has strengthened the approval and recertification process and plans to revise incentive request forms, require approval when the number of incentives is increased, and develop a methodology to assess the IRS incentive program in meeting long-term workforce goals.

READ THE FULL REPORT

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

http://www.treas.gov/tigta/auditreports/2011reports/201110107fr.pdf.