



## Treasury Inspector General for Tax Administration Office of Audit

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

Issued on January 11, 2013

## Highlights

Highlights of Report 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.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2013reports/201310017fr.pdf>.