

GAO Highlights

Highlights of [GAO-21-18](#), a report to the Republican Leader, Subcommittee on Oversight, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

The Taxpayer First Act required that a comprehensive written plan to redesign IRS be submitted to Congress by September 30, 2020. Reforming and reorganizing a federal agency as large and complex as IRS is not an easy task. However, a potential reorganization could provide IRS with an opportunity to address emerging and long-standing challenges.

GAO was asked to review IRS's organizational structure and IRS's plans to reform it. This report examines (1) reported advantages of, challenges related to, and options for potentially improving IRS's organizational structure; and (2) the extent to which IRS's reorganization planning process is consistent with selected leading practices.

GAO reviewed documents from IRS and other sources; interviewed IRS officials and stakeholders, including three former IRS commissioners; and assessed IRS's reorganization planning process against selected key practices for agency reform efforts developed by GAO.

What GAO Recommends

GAO is making three recommendations to IRS as it finalizes its reorganization plan, including that IRS should finalize goals and performance measures, and identify specific actions to address long-standing management challenges. IRS responded that it plans to implement GAO's recommendations when it submits its final reorganization plan to Congress in December 2020.

View [GAO-21-18](#). For more information, contact James R. McTigue, Jr. at (202) 512-9110 or mctiguej@gao.gov.

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IRS REORGANIZATION

Planning Addressed Key Reform Practices, but Goals and Measures for the Plan Have Not Been Finalized

What GAO Found

GAO identified advantages of, challenges related to, and options for improving the Internal Revenue Service's (IRS) current organizational structure, based on GAO's review of prior work and interviews with IRS officials and stakeholders. For example, one advantage of the current structure, according to several interviewees, is that IRS's divisions have developed specialized expertise on different types of taxpayers with similar needs, such as small businesses. Several interviewees also believed that addressing some of IRS's challenges may not require significant changes to IRS's organizational structure. GAO and others have identified challenges and options to improve IRS's structure, processes, and operations in the following areas: (1) customer service; (2) communication and coordination within IRS; (3) technology; and (4) strategic human capital management and training.

While developing its reorganization plan required by the Taxpayer First Act, IRS addressed or partially addressed all six of the key practices for agency reforms that GAO reviewed (see table below).

GAO Assessment of IRS's Reorganization Planning Process against Key Reform Practices	
Key reform practice	Extent addressed
Establishing goals and outcomes	⓪
Involving employees and key stakeholders	●
Using data and evidence	●
Addressing fragmentation, overlap, and duplication	⓪
Addressing high-risk areas and long-standing management challenges	⓪
Leadership focus and attention	●

Legend: ● Generally addressed ⓪ Partially addressed ○ Not addressed

Source: GAO analysis of Internal Revenue Service (IRS) information. | [GAO-21-18](#)

IRS established a senior-level team—the Taxpayer First Act Office—to lead the reorganization planning, involved employees and key stakeholders, and used multiple sources of data and evidence to inform its planning. Although IRS has developed preliminary goals for the plan, it has not yet finalized and communicated the goals and performance measures for the plan. IRS has also researched potential actions it could take to address long-standing management challenges at IRS, such as those related to areas of fragmentation, overlap, duplication, and high risk that GAO has identified. However, IRS has not yet decided on specific actions to address those areas in its plan.

IRS officials told us that they intend to take these additional steps, but COVID-19 delayed the completion of their reorganization plan to December 2020. As a result, it is still unclear whether the reorganization plan will have outcome-oriented goals and performance measures or whether it will identify specific actions to address long-standing management challenges. Taking these steps could help IRS identify and achieve the intended outcomes of the reorganization plan, and identify reforms that can create long-term gains in efficiency and effectiveness.