

GAO

Report to the Honorable
Margaret Milner Richardson,
Commissioner of Internal Revenue

January 1997

TAX ADMINISTRATION

Lessons Learned From IRS' Initial Experience in Redeploying Employees





United States
General Accounting Office
Washington, D.C. 20548

General Government Division

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January 9, 1997

The Honorable Margaret Milner Richardson
Commissioner of Internal Revenue
Department of the Treasury

Dear Mrs. Richardson:

This report describes IRS' initial efforts to redeploy employees under the terms of the Redeployment Understanding and provides information on our analysis of the results of those efforts. We did this review under our basic legislative authority.

The report contains recommendations to you. As you know, 31 U.S.C. requires the head of a federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight not later than 60 days after the date of the report. A written statement also must be sent to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Secretary of the Treasury; the Director, Office of Management and Budget; and interested committees and subcommittees. We will make copies available to others upon request.

Please call me at (202) 512-8633 if you have any questions about the report. Other major contributors to this report are listed in appendix VII.

Sincerely yours,

A handwritten signature in cursive script that reads "Lynda D. Willis".

Lynda D. Willis
Director, Tax Policy and
Administration Issues

Executive Summary

Purpose

Thousands of employees could have their jobs eliminated or redesigned as Internal Revenue Service (IRS) continues modernizing its operations over the next several years. For instance, many jobs that involved processing tax returns at IRS service centers could be eliminated as IRS moves to a paperless environment; and many jobs now directed at resolving taxpayer account issues, mainly through correspondence, are to be redesigned as customer-service jobs aimed at resolving such issues primarily by telephone. Rather than fire employees when their jobs become obsolete, IRS decided to give employees the opportunity to transfer into new jobs—a process referred to as “redeployment.”

Because it is important that IRS have the workforce needed for the new environment, GAO, under its basic legislative authority, reviewed IRS’ initial use of redeployment procedures. GAO’s objective was to determine whether there were lessons to be learned from (1) IRS’ initial use of these procedures and their impact on IRS’ operations and (2) the reaction of redeployed employees and their supervisors to redeployment and the redeployment process. Among other things, GAO reviewed redeployment results at four IRS service centers and four IRS district offices and administered structured interviews to employees and supervisors at those eight locations. The results of GAO’s interviews are not projectable.

Background

In a November 1993 Redeployment Understanding, IRS and the National Treasury Employees Union (NTEU) outlined the procedures to be used when redeploying IRS employees who lost their jobs due to modernization initiatives. In general, the procedures called for filling the new jobs through lateral reassignment of volunteers, by seniority. If not enough volunteers came forward, IRS had the option of involuntarily reassigning the least senior employees in the local area or using IRS-wide competition to fill the remaining openings. IRS used the redeployment procedures in fiscal years 1994 and 1995 to fill new customer-service jobs and vacancies created in the modernization process as well as more than 4,000 new compliance and customer-service positions authorized by Congress for fiscal year 1995.

Large-scale employee displacement had not occurred at the time of GAO’s audit because IRS was still in the early stages of its planned modernization. Also, because of funding reductions in fiscal year 1996 and expectations of reduced funding levels in fiscal year 1997, IRS decided that it could no longer guarantee that employees would be given the opportunity to transfer into new jobs within the agency. Thus, after GAO completed its

audit work, IRS terminated the Redeployment Understanding and began planning for a near-term reduction-in-force.

Results in Brief

If IRS develops new redeployment procedures, there are several lessons to be learned from its initial redeployment experiences. For example, although redeployment was intended as a way to move employees out of jobs that would no longer be needed in IRS' modernized environment, it was initially used to move thousands of employees whose jobs were not in immediate jeopardy into new or existing positions that were expected to be needed in the new environment. Thus, many jobs vacated by redeployed employees had to be filled by new employees, who may subsequently have to be redeployed. Training requirements increased and productivity and taxpayer services declined as experienced employees were replaced by inexperienced employees.

Although some operational inefficiencies, such as reduced productivity and increased training, can be expected as an inherent part of any redeployment process, the negotiated Redeployment Understanding exacerbated these inefficiencies because it generally (1) made many IRS employees eligible for redeployment years before their jobs were expected to be eliminated and (2) did not allow IRS to fill jobs with employees who had related experience before bringing in volunteers from unrelated areas.

GAO's interviews of redeployed employees and supervisors pointed to other lessons that might be learned from IRS' initial redeployment efforts. Most employees were generally satisfied with their new jobs, and supervisors were generally satisfied with their new employees. However, many employees cited concerns about the information IRS provided to explain the redeployment process, the assistance IRS provided to help employees find jobs, and the training IRS provided.

Principal Findings

Redeployment Procedures Led to Premature Reassignments and Operational Inefficiencies

It seems reasonable to expect some operational inefficiencies, such as an increase in training and a decrease in productivity, as an inherent part of any redeployment process. However, these inefficiencies were compounded at IRS, especially in the service centers, by the use of redeployment procedures that made too many employees eligible for

redeployment too soon and limited IRS' ability to take full advantage of employees' job experiences.

The Redeployment Understanding designated many IRS employees, including virtually all service center employees, as eligible to be redeployed, without regard to whether or when their jobs were to be eliminated. It allowed many employees to redeploy to new positions years before their old jobs were to be eliminated. As a result, many of the redeployed employees had to be replaced with other, less-experienced, employees and new hires. During 1994 and 1995, for example, IRS redeployed 3,054 career-status employees from service center processing divisions, but hired 3,886 new career or career-conditional employees in those divisions. (See pp. 16 to 19.)

The redeployment procedures also limited IRS' ability to reinvest experience. Although many employees are currently performing largely the same work as is planned for redesigned jobs, the Redeployment Understanding generally required that IRS fill positions by reassigning, based on seniority, redeployment-eligible volunteers. Such a requirement could result in selecting inexperienced employees from unrelated areas because it does not allow IRS to select less-senior staff who are already doing similar work. Such procedures, for example, are inconsistent with IRS' planned phased transfer of experienced employees and their workloads into the newly designated, customer-service jobs. (See pp. 19 to 21.)

Because of other variables affecting productivity (such as new or increased workloads), it is difficult to quantify the degree of productivity decline specifically attributable to redeployment, much less the portion that was inherent versus that which was avoidable. Nevertheless, GAO thinks it is reasonable to assume that the redeployment procedures, by making too many employees eligible for redeployment too soon and by limiting IRS' ability to take full advantage of employees' job experience, resulted in a greater level of inexperience than might have otherwise been the case and thus led to less productivity.

That position was supported by two internal IRS studies, which concluded that the service center divisions responsible for processing tax returns had experienced significant productivity declines during the 1995 filing season, in part due to redeployment. For example, processing divisions lost productivity because more than 1,400 employees who were experienced in processing returns were redeployed to compliance and customer service

jobs and replaced by inexperienced employees who were either newly hired or reassigned from other areas. (See pp. 27 to 30.)

The IRS supervisors GAO interviewed also reported declines in productivity. For example, 18 (75 percent) of the 24 interviewed supervisors who lost employees to redeployment reported that the volume of their unit's output decreased as a result of redeployment. Also, 10 (42 percent) of the 24 supervisors said that the loss of employees degraded their service to taxpayers causing, for example, case backlogs and longer amounts of time to answer telephone calls. Comments from the 30 supervisors who gained employees were more mixed. For example, 10 said that their unit's output declined while 16 said that their unit's output had either increased or had not been affected by the redeployment. (See pp. 24 to 27.)

According to IRS officials and supervisors GAO interviewed, redeployment also led to an increase in training requirements. Training requirements can be expected to increase as new jobs are added. However, in some cases training requirements increased twofold because many employees whose jobs were not eliminated moved to the new jobs. The employees who moved to the new jobs had to be trained for them while other employees had to be trained for the jobs left vacant. Of the 54 supervisors interviewed, for example, 40 (74 percent) said that the redeployment of experienced employees out of their units or inexperienced employees into their units increased their unit's training requirements. (See pp. 22 to 24.)

Before the Redeployment Understanding was terminated, IRS and the NTEU had made some revisions to make better use of employee experience. However, those actions had not fully resolved the problems identified by GAO. (See pp. 30 and 31.)

Most Interviewed Employees Satisfied With New Jobs, but Many Dissatisfied With Redeployment Process

It may be some time before redeployed employees perform as productively in their new jobs as in their old ones or as productively as the experienced employees they replaced. However, the comments of the employees and supervisors who GAO interviewed were encouraging, as the vast majority generally said that they were able to do their new work in an acceptable manner. The 30 supervisors GAO interviewed who had gained employees through redeployment were generally satisfied with the 346 employees redeployed to their units and said that they were performing at or above the "fully successful" level—the minimum acceptable level for performance appraisal purposes. Most of the 188 redeployed employees GAO interviewed were satisfied with their new jobs. However, many of the

redeployed employees GAO interviewed said that they required more training than that which is normally provided for their positions. (See pp. 37 to 41.)

Many of the employees were dissatisfied with the redeployment process, particularly with the amount and quality of information, assistance, and training they received. For example, almost one-fourth of the employees interviewed were dissatisfied with the assistance IRS provided to help them find a new position. Of those who gave reasons for their dissatisfaction, most said they needed help in understanding the redeployment process, accessing job announcements, determining their job qualifications, and researching their options. (See pp. 41 to 53.)

Recommendations

GAO recommends that the Commissioner of Internal Revenue—should future redeployment procedures be developed—address the problems discussed in this report, including (1) limiting redeployment eligibility to employees whose current jobs have been or are about to be substantially altered or eliminated and (2) allowing IRS to redirect employees who are currently and successfully performing existing jobs to redesigned jobs that are substantially the same before seeking volunteers from unrelated functions. GAO also recommends that, as part of any future redeployment effort, the Commissioner consider ways to improve management communications with employees concerning redeployment assistance, information, and training. (See pp. 32 and 44.)

Agency Comments

GAO obtained oral and written comments on a draft of this report from IRS and NTEU in September 1996. Those comments and GAO's evaluation are discussed beginning on pages 32 and 44.

IRS agreed with GAO that any future redeployment should be more focused and better timed but said that the report's discussion of the timing of the past redeployment was oversimplified. IRS said that the results would have been different if modernization had proceeded on the schedule envisioned when the Redeployment Understanding was signed. GAO disagrees because it had considered IRS' modernization schedule in making its assessment. IRS did not provide any information to contradict the scheduling information in GAO's report and said that information in the report was generally factual.

IRS also said that Congress' authorization of thousands of new compliance and customer-service positions provided an opportunity to redeploy many employees and that IRS would have had even more employees to redeploy if it had filled the new positions with external hires rather than through redeployment. GAO is not suggesting that the new positions should have been filled through external hires. It is suggesting, instead, that IRS would have had less disruption if the redeployment procedures had focused on finding new jobs for employees as their displacement became imminent and allowed IRS to redeploy employees who had experience related to the jobs being filled before those who lacked related experience.

NTEU said that the report was "flawed in its design" and failed to present any data to support most of its conclusions. As an example, NTEU cited GAO's conclusion that the redeployment procedures led to premature reassignments and operational inefficiencies. GAO believes that its report contains sufficient data to support that conclusion, much of which came from IRS' own studies and employees.

However, NTEU said that to accurately reach such a conclusion, GAO would have had to present some comparative analysis of the operational impact of the Redeployment Understanding versus some alternative selection procedure, such as the traditional competitive selection process. GAO did not intend to suggest, as NTEU's comment seems to imply, that IRS should have used the traditional competitive process in lieu of the redeployment procedures. What GAO is suggesting that the redeployment process would have been more efficient if the procedures had been more focused and better timed. However, GAO did not do a comparison of what the operational impact would have been under different procedures because such a comparison would have been highly speculative.

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Abbreviations

| | |
|------|-----------------------------------|
| ACS | Automated Collection System |
| DPS | Document Processing System |
| IDRS | Integrated Data Retrieval System |
| IRS | Internal Revenue Service |
| NTEU | National Treasury Employees Union |
| OJT | on-the-job training |
| OPM | Office of Personnel Management |
| PRP | Problem Resolution Program |
| TPS | Taxpayer Service |

Introduction

As the Internal Revenue Service (IRS) replaces its outdated computer and telecommunications systems, it is also overhauling the way it is organized, staffed, and operated. These changes are part of a new business vision designed to take advantage of new capabilities as IRS moves toward a paperless electronic environment. As these changes are phased in over the next several years, thousands of employees could be displaced as their jobs are eliminated or redesigned.

IRS pledged in 1990 that employees displaced by modernization would be given the opportunity for retraining that would allow them to maintain their employment at the same grade. To help keep this pledge while also meeting the job requirements of the new environment, IRS negotiated standard redeployment policies and procedures in a November 1993 Redeployment Understanding with the National Treasury Employees Union (NTEU). According to the Understanding and IRS officials, the goal of the redeployment process was to move employees out of positions that would not continue in the modernized environment and into positions—new, redesigned, or existing—that would be needed in the new environment. At that time, IRS planned to meet its changing job requirements largely through redeployment.

Because of funding reductions in fiscal year 1996 and expectations of reduced funding levels in fiscal year 1997, however, IRS decided that it could no longer guarantee that employees would be given the opportunity to transfer into new jobs within the agency. Thus, after we had completed our audit work, IRS terminated the Redeployment Understanding and began planning for a near-term reduction-in-force.

Because it is important that IRS' workforce have the knowledge, skills, and abilities needed for the new environment, we reviewed, under our basic legislative authority, IRS' initial use of the procedures established through the Redeployment Understanding. Although those procedures have since been terminated, IRS' experiences in implementing them provide useful information for developing any future redeployment procedures.

Organizational Change at IRS and Potential Impact on Employees

In January 1994, IRS had about 131,000 employees¹ in a National Office, 7 regional offices, 63 district offices, 10 service centers, 2 computing centers, and 1 compliance center (appendix I has a detailed breakdown by type of employee). District operations included hundreds of local posts of duty, 34 locations that housed taxpayer service and collection call sites,² and 3 forms distribution centers.

As part of its modernization, IRS, in 1995 and 1996, reduced the number of regions from 7 to 4 and consolidated the number of districts from 63 to 33. IRS is also consolidating various support functions that were decentralized in as many as 84 separate organizations. For example, most of the staff support for basic resources management functions, such as personnel, facilities management, and training, is being consolidated into 21 host locations. Similarly, information systems jobs, such as computer programmers and operators at service centers and district offices, are to be consolidated into a yet-to-be determined number of field information systems offices.

The restructuring of IRS' service centers, which accounted for about 39 percent of its workforce in January 1994, is a major component of IRS' new business vision. Currently all 10 service centers process tax returns and other documents and have various forms of non face-to-face interaction with taxpayers. IRS' plan, as of February 1996, was to have (1) all 10 centers function as customer-service sites,³ (2) at least 5 of the 10 centers function as submission processing centers,⁴ and (3) 1 of the 5 submission processing centers also serve as IRS' third computing center.⁵

IRS is also changing where and how it provides customer service. Until 1994, customer service was provided at the 10 service centers, the 34 locations that housed ACS and/or TPS sites, and the 3 forms distribution centers. Under the new business vision, customer service is to be provided

¹The number had declined to about 126,500 in January 1996.

²The 34 locations included 3 that housed Automated Collection System (ACS) call sites, 13 that housed Taxpayer Service (TPS) call sites, and 18 that housed both ACS and TPS sites. ACS sites contact taxpayers to collect overdue taxes and answer calls from taxpayers in response to collection actions. TPS sites answer calls from taxpayers with questions on tax laws, accounts, and procedures.

³Customer-service sites are to resolve taxpayer questions and problems that do not require face-to-face contact with the taxpayer.

⁴Submission processing centers are to process paper documents, including tax returns, information documents (such as forms 1099 and W-2), and correspondence.

⁵Computing centers are to process electronic tax returns and maintain central files of individual and business tax accounts.

at only 23 locations—the 10 service centers and 13 other locations. Besides absorbing the functions and workloads of TPS and ACS sites and forms distribution centers, customer-service sites are to also absorb and attempt to convert, to the telephone, some work now done by correspondence in various service center branches, such as collections, adjustments, and taxpayer relations.

In December 1993, IRS estimated that these business vision changes would eliminate more than 19,600 service center jobs and more than 4,600 district office jobs. In addition, the consolidation of regions and districts was expected to displace over 1,100 managers and support staff.

To maintain employee morale and cooperation during the transition to its new environment, IRS pledged, in a 1990 policy statement, that career and career-conditional⁶ employees would be given the opportunity for retraining that would allow them to maintain employment at their current grade.⁷ This pledge did not apply to temporary⁸ and term⁹ employees. IRS officials believed that attrition, the use of term employees for jobs being phased out, and the need to fill the additional customer service and compliance jobs authorized by Congress as part of IRS' fiscal year 1995 appropriation, would enable IRS to meet new job requirements and keep its job protection pledge. Under this workforce transition strategy, displaced employees would have to be redeployed to new or redesigned jobs that would generally require greater technical knowledge and communication skills than are needed for their current jobs.

⁶In general, according to Office of Personnel Management (OPM) regulations, persons not employed on a temporary or otherwise limited basis are appointed as career or career-conditional employees. New federal employees generally attain career status after 3 years of substantially continuous, creditable service in career-conditional status.

⁷As noted earlier, IRS has since decided that it can no longer guarantee continuing employment and has begun planning for a near-term reduction-in-force. Thus, in effect, the 1990 policy statement has been rescinded.

⁸OPM regulations authorize federal agencies to make a temporary limited appointment to fill a short-term position (i.e., one that is not expected to last longer than 1 year). The appointment may be extended up to 2 years, or longer, in increments of 1 year or less, if the situation meets certain OPM criteria.

⁹OPM regulations authorize federal agencies to make a term appointment when the employment need is longer than 1 year but not more than 4 years. Term employment ends automatically when the term expires.

Responding to a series of reports citing the need for sound human resource planning as IRS implements its new business vision,¹⁰ IRS has done much to prepare for the redeployment of employees whose jobs are expected to be redesigned or eliminated. Over the past 3 years, IRS has (1) developed various models for projecting and comparing current and future workforce requirements, (2) established standard redeployment policies and procedures and a Redeployment Resolution Council¹¹ in partnership with NTEU, and (3) developed site-specific plans for redeploying employees. Appendix II provides a brief overview of these efforts.

In the November 1993 Redeployment Understanding, IRS and NTEU established, for the first time, standard procedures for the redeployment of bargaining-unit employees¹² whose jobs would be redesigned or eliminated in the transition to the modernized environment. Before they established standard procedures, IRS and NTEU were negotiating the redeployment of displaced employees on a project-by-project basis. According to its general work contract with NTEU, IRS could involuntarily reassign employees whose jobs were abolished, but such reassignments were subject to negotiations.¹³

The new standard procedures generally required that vacancies for positions needed in the new environment be filled first through lateral reassignment of eligible volunteers, in order of their seniority, as defined by their time in federal service. If the number of volunteers was insufficient, IRS had the option of using involuntary reassignment of the least senior employees in the local area or using the normal IRS-wide

¹⁰Managing IRS: Actions Needed to Assure Quality Service in the Future (GAO/GGD-89-1, Oct. 14, 1988); Managing IRS: Important Strides Forward Since 1988 but More Needs to Be Done (GAO/GGD-91-74, Apr. 29, 1991); Review of the Tax Systems Modernization of the Internal Revenue Service, National Research Council, September 1992; and Tax Systems Modernization: Automated Underreporter Project Shows Need for Human Resource Planning (GAO/GGD-94-159, July 8, 1994).

¹¹The five-member Redeployment Resolution Council was composed of the NTEU National President and one other NTEU member, IRS' Modernization Executive and Chief of Management and Administration, and a neutral fifth member. The Council's duties generally included interpreting redeployment policies and procedures, approving site redeployment plans, and making decisions on redeployment related grievances.

¹²NTEU represents about 85 percent of the employees in service center and district office positions. These employees are referred to as "bargaining-unit employees." Managers and employees in positions not represented by NTEU were subject to different redeployment procedures, which gave regional commissioners the authority to determine how those employees would be selected.

¹³The impacts of involuntarily reassigning displaced employees to locations within 20 miles were subject to subsequent negotiations, while arrangements had to be negotiated in advance for reassignments beyond that distance.

competitive process¹⁴ to fill the remaining openings. While the Redeployment Understanding was a binding document, it could be reopened or terminated at any time by IRS or NTEU. As noted earlier, it was terminated effective August 23, 1996.

Because IRS was still in the early stages of its planned overhaul at the time of our audit work, the large-scale employee displacement expected from the consolidation and modernization of the customer-service and submission processing functions had not yet occurred. Thus, with the exception of some displaced National and Regional Office staff, redeployment in fiscal years 1994 and 1995 was driven largely by the availability of positions into which employees in jobs not expected to be needed in the new environment could be redeployed. They included new, redesigned, or existing (vacant) positions that could be expected to continue in the modernized environment. According to National Office officials, redeployment in fiscal year 1994 was driven largely by the need to staff the first operational customer-service units and to fill vacancies created by attrition. Another factor driving redeployment in fiscal year 1995 was the reassignment of existing employees to over 4,300 new compliance and customer-service jobs authorized that year.

Objective, Scope, and Methodology

We examined IRS' early experience in redeploying employees to new jobs using the procedures established in the November 1993 Redeployment Understanding between IRS and NTEU. Our objective was to determine whether there were lessons to be learned from (1) IRS' initial use of these procedures and their impact on IRS' operations and (2) the reaction of redeployed employees and their supervisors to redeployment and the redeployment process.

To address our objective we

- reviewed the November 1993 Redeployment Understanding and associated supplements and revisions and discussed redeployment policies and procedures with cognizant IRS and NTEU officials;
- reviewed site redeployment plans and discussed preliminary redeployment results at four IRS service centers (Atlanta; Brookhaven, NY; Cincinnati; and Fresno, CA) and four district offices (Atlanta, Baltimore, Cincinnati, and San Francisco);

¹⁴In general, the competitive process ranks applicants by scores derived mainly from their last performance appraisal in their current position and, to a lesser extent, from their (1) pertinent experience and training and (2) incentive awards.

- reviewed IRS reports on redeployment results, including related internal audits or studies;
- obtained and analyzed databases showing overall IRS staffing at three points in time—January 8, 1994; December 10, 1994; and January 6, 1996—in order to identify and monitor significant changes;¹⁵ and
- administered structured interviews, at the 8 locations we visited, to 188 employees who had been redeployed to new jobs, 30 supervisors who had gained a total of 346 redeployed employees, and 24 supervisors who had lost a total of 412 redeployed employees. The results of our interviews are not projectable to all IRS managers and employees.

Appendix III contains information on how we selected the locations we visited and the persons we interviewed.

Because IRS expected to make significant changes to its initial estimates of workforce requirements and the extent that employees would be redeployed to meet those requirements, we did not attempt to validate IRS' workforce requirements and redeployment models or the output from those models.

We conducted our review from June 1994 through July 1996 in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from the Commissioner of Internal Revenue and the National President of NTEU, or their designees. We received written comments from IRS' Chief, Management and Administration, on September 11, 1996, and from NTEU's National President on September 17, 1996. Those comments are summarized and evaluated on pages 32 and 44 and are reprinted in appendixes V and VI, respectively.

¹⁵Although we did not assess the reliability of the databases, the official from whom we obtained them told us that the data elements we used were extracted from two highly reliable files maintained for IRS by the Department of Agriculture's National Finance Center as components of the Treasury Integrated Management Information System and are used as a source for employee pay computations. Some of the same data elements were also extracted as part of the separate reassignment databases that we used to identify redeployed employees for interviewing. Those data elements were highly reliable based on verification by the employees we interviewed.

Redeployment Procedures Led to Premature Reassignments and Operational Inefficiencies

Because the new redeployment procedures made too many people eligible for redeployment too soon and precluded IRS from directing experienced people into new jobs, (1) many employees were redeployed years before the jobs they left were to be eliminated and (2) training requirements increased while productivity and customer service decreased.

Service centers, particularly their returns processing functions, were most affected. To help cope with declining experience levels and higher error rates, processing divisions increased their use of overtime and temporary assignments (details). The processing divisions also ended up hiring more new career and career-conditional employees than they had lost through redeployment to sustain paper returns processing operations until delayed modernization efforts are implemented.

Before the Redeployment Understanding was terminated, IRS and NTEU had worked together to change redeployment policies and procedures to make better use of employee experience, but they had not fully resolved these problems.

Redeployment Procedures Made Too Many Employees Eligible Too Soon and Limited IRS' Ability to Take Full Advantage of Employees' Job Experience

The November 1993 Redeployment Understanding designated many IRS employees, including virtually all service center employees, as eligible for redeployment without regard to whether or when their jobs were to be eliminated. Consequently, many employees were redeployed too soon in order to fill new compliance and customer service positions. IRS had to hire several thousand new employees to replace experienced employees who left jobs in service center returns processing divisions. Furthermore, the Redeployment Understanding required IRS to fill positions with volunteers by seniority, rather than first allowing IRS to redirect experienced employees to new jobs requiring many of the same tasks as their current jobs. The resulting increase in training requirements and decline in productivity could have been minimized had the Redeployment Understanding (1) limited redeployment to those employees whose jobs were being eliminated and (2) allowed IRS to move employees who had the experience and skills needed for the new jobs.

Too Many Employees Were Redeployed Too Soon

As part of IRS' fiscal year 1995 appropriation, Congress authorized \$405 million for IRS to hire the full-time equivalent of 6,238 employees. According to IRS officials, the new jobs were primarily compliance and customer-service jobs at service centers and district offices.

Chapter 2
Redeployment Procedures Led to Premature
Reassignments and Operational
Inefficiencies

While some of the new compliance and customer-service jobs were filled by employees whose National Office or regional office jobs had been eliminated, most were filled by service center and district office employees whose jobs were not in jeopardy of being eliminated for several years. According to IRS redeployment plans at the time, the displacement of large numbers of processing employees was not expected to begin until fiscal year 1997 or later, when IRS was to begin implementing its Document Processing System (DPS)¹⁶ and consolidating its paper processing operations into five service centers.¹⁷

As of September 30, 1995, IRS had filled 5,470 of these jobs—4,325 of them, or 79 percent, with existing employees; and the rest were filled through new hires. Many of the employees who transferred into those new jobs had to be replaced with less-experienced employees. As shown in appendix IV, IRS redeployed 1,182 and 1,872 career or career-conditional employees from its processing divisions to jobs elsewhere in IRS in 1994 and 1995, respectively. During the same years, the processing divisions hired 14 and 3,872 new, career or career-conditional employees, respectively. These new career and career-conditional employees are also eligible for redeployment. Although IRS hired mostly term employees in 1994, a National Office official told us that IRS had to hire new career-status employees in 1995 because term employees could not be used to sustain current processing operations long enough due to the 4-year limit on term employment.

The Redeployment Understanding contributed to this sizeable turnover of service center staff by making almost all service center employees eligible for redeployment, since substantial operational changes were planned for the service centers. According to our analysis of IRS staffing data, of 50,580 service center employees on IRS' rolls in January 1994, 47,317 were designated as eligible for redeployment. The only exceptions were 2,796 term and temporary employees and 467 Criminal Investigation Division employees. According to IRS National Office officials, NTEU would not agree to limit redeployment eligibility to employees in specific jobs because IRS had not finalized the types and numbers of positions needed for its new environment. Also, according to an NTEU official, NTEU presumed that all

¹⁶Currently, data from most types of paper returns are manually transcribed into machine-readable format for further automated processing and posting to taxpayer accounts. With DPS, paper returns were to be electronically scanned and automatically converted to machine-readable format.

¹⁷IRS is reassessing its paper processing plans. It announced, on October 8, 1996, that DPS was being terminated. According to IRS, it is considering other options, including contracting out and/or acquisition of a new manual data entry system.

service center jobs would be affected and that IRS should not offer available jobs only to displaced employees.

Because, unlike at the service centers, many district office positions are expected to continue in the modernized environment, the Redeployment Understanding generally limited redeployment eligibility in district offices to employees at closing ACS and TPS sites, resources management support services employees, and some information systems employees. Although redeployment eligibility at district offices was more restricted than at service centers, many of the eligible district office employees were designated as eligible long before their jobs were scheduled for elimination. For example, among the district employees designated as redeployment eligible in November 1993, there were about 5,500 employees at 29 ACS and TPS sites that were scheduled to close. At that time, however, 27 of these 29 sites were not scheduled to close until October 1999. The other two sites were scheduled to close in October 1996 and October 1997, respectively.

According to National Office officials, however, 11 of the 29 ACS and TPS sites were closed earlier than expected because they experienced “high attrition.”¹⁸ Specifically, nine sites that were scheduled to close in 1999 and the two sites that were scheduled to close by 1997 were closed 2 to 5 years early—between 1994 and 1996. Also, as of September 1996, eight other sites that were scheduled to close in 1999 were rescheduled to close sooner—from 1996 through 1998. However, 4 of the remaining 10 sites originally scheduled to close in 1999 are now scheduled to close between 2000 and 2002.

On the basis of our analyses of staffing and reassignment data provided by IRS, we believe that the early closure of some sites and the changes to scheduled closure dates for other sites occurred, at least in part, because employees who had been declared redeployment eligible in November 1993 were redeployed earlier than expected. For example, staffing data for the Brooklyn TPS site showed that of the 240 employees who were on the site’s rolls on January 8, 1994, 105 had been reassigned to other jobs; 3 had been assigned to other TPS sites as of December 10, 1994; and 18 were no

¹⁸National Office officials told us that this attrition required IRS to redistribute call-site equipment and workloads among the remaining sites that were scheduled to close and accelerate the planned migration of workloads into customer-service centers.

longer employed with IRS. At least 76 of the 108 reassigned employees were reassigned before the office was closed in October 1994.¹⁹

Employees at four ACS and TPS sites were also designated as eligible even though their jobs were to be merged with customer-service centers in the same local area. As a result, many of these employees were redeployed out of the closing sites while other career or career-conditional employees were hired or redeployed into the closing sites.

Our structured interviews of 24 service center and district office supervisors who lost redeployed employees provided further evidence of premature redeployment. According to the supervisors, who reported losing 412 employees, none of the positions vacated by those employees had been eliminated. The supervisors said that IRS planned to fill 350 (85 percent) when funding became available, leaving 62 (15 percent) to be eliminated.

Many of the service center officials and supervisors we interviewed expressed the belief that too many employees were designated as eligible for redeployment. For example, the Chief of the Collections Branch at one center said that “blanket redeployment [eligibility]” for the entire service center was a “mistake.” A Processing Division Chief at another center said that redeployment eligibility should be limited to displaced employees and should not include employees who will not be displaced for many years, such as those in the Processing Division. A supervisor of a section at that center who had gained redeployed employees said it had been a “costly transition” because “all employees were considered redeployment eligible even if their job had not been abolished.”

Redeployment Procedures
Limited IRS’ Ability to
Direct Experienced
Employees to Related Jobs

With some exceptions, such as hardships and placement actions resulting from a grievance, the November 1993 Redeployment Understanding generally required that vacancies for bargaining-unit positions that would be needed in the new environment were to be filled as follows:

¹⁹We only had redeployment data for the eight sites we visited and thus could only identify reassignment dates for employees who were reassigned to those sites.

- Lateral reassignment (or change to lower grade), based on seniority,²⁰ of eligible²¹ volunteers (1) from within the local commuting area and then, if the number of volunteers was insufficient, (2) from outside the local commuting area.
- When the number of volunteers for lateral reassignment (or change to lower grade) was insufficient, IRS could consider making directed (involuntary) reassignments, by inverse seniority, from eligible employees within the local commuting area.
- When the number of volunteers for lateral reassignment (or change to lower grade) was insufficient and IRS did not use the directed reassignment process, IRS could fill the vacancy through IRS-wide competition.²²
- When there were no redeployment-eligible internal applicants, IRS could fill vacancies for jobs that would be continued in the new environment with external hires. Vacancies for noncontinuing jobs were to be filled by temporary or term appointments.

In October 1994, IRS and NTEU made an exception to the Redeployment Understanding to allow district customer-service sites to staff their new units with volunteers from closing ACS and TPS sites, before using the established redeployment process, since staff in those sites would already have experience in resolving taxpayer account matters via the telephone. At the same time, four service centers (Andover, Atlanta, Cincinnati, and Philadelphia) were authorized to fill up to 30 percent of their new customer-service positions with volunteers from ACS and TPS sites that were closing in nearby districts (Boston, Atlanta, Cincinnati, and Philadelphia). The Cincinnati Service Center requested this exception in order to optimize the mix of experience needed to begin its new customer-service operations.

Except for certain resources management employees, no other exceptions were made to take advantage of service center employee experience. Thus, the redeployment procedures did not give service centers a viable opportunity to redirect experienced employees to related new or redesigned jobs before seeking volunteers from unrelated jobs. The Redeployment Understanding technically allows IRS to make directed

²⁰Seniority is determined by an employee's government service computation date, which generally reflects all federal service.

²¹Redeployment-eligible employees generally included all career and career-conditional IRS employees in (1) the National Office, regional offices, service centers, computing centers, and Austin Compliance Center; (2) certain district office operations, including ACS and TPS locations; and (3) resources management and information systems functions.

²²Competition differs from lateral reassignment in that employees are competing for a promotion or a higher career ladder giving them the potential for later advancement without further competition.

reassignments before using the competitive process; however, using this option was not practical because it required that directed assignments be made in inverse seniority order from within the entire local commuting area. This provision would mean that a center's newest employee (and least likely to have related experience) must be the first one directed to fill a vacancy.

The redeployment of employees into new customer-service units illustrates how these procedures limited IRS' ability to reinvest experience. IRS' customer-service workload migration plans called for the phased transfer of related work, workers, and funding, concurrently, from the district and service center sites currently doing the work to the new customer-service units. In that regard, IRS had directed 137 staff from related areas into the customer-service prototype unit at the Fresno Service Center before the Redeployment Understanding took effect. However, staffing of subsequent customer-service vacancies at Fresno and customer-service units established at other centers was subject to the Redeployment Understanding.

In the service centers, related work includes that being handled through correspondence by employees in the Adjustments, Taxpayer Relations, and Collections branches. For example, employees in the Adjustments Branch generally correspond with taxpayers to resolve account-related problems and make necessary adjustments to taxpayer accounts using the Integrated Data Retrieval System (IDRS). Employees in the customer-service units being phased in at service centers generally do the same type of work, except that they communicate with taxpayers primarily by telephone rather than correspondence. Thus, experienced Adjustments Branch employees might need training in telephone techniques but would need little or no additional training in how to resolve account-related problems or how to adjust accounts using IDRS.

However, employees redeployed by seniority or the competitive process may come from areas such as the Processing Division, where they worked as mail handlers, data transcribers, or in other jobs totally unrelated to the kind of work they would be expected to do in the customer-service units. These employees would require significant training not only in telephone techniques but also in resolving account-related problems and using IDRS.

Redeployment Resulted in Increased Training, Decreased Productivity, and Reduced Service to Taxpayers

Even in a well-timed and properly targeted redeployment, some temporary increase in training and decline in productivity and customer service can be expected as an inherent consequence. At a minimum, the redeployment of employees increases training requirements and decreases productivity and service because neither the experienced employees serving as instructors nor the trainees are actively contributing to the organization's business while they are involved in classroom training. Nor are they contributing fully during on-the-job (OJT) training. Because of other variables affecting productivity (such as new or increased workloads, equipment failure, etc.), it is difficult to quantify the degree of productivity decline specifically attributable to redeployment, much less the portion that was inherent versus that which was avoidable. Nevertheless, we think it is reasonable to assume that the redeployment procedures, by making too many employees eligible for redeployment too soon and by limiting IRS' ability to take full advantage of employees' job experience, resulted in a greater level of inexperience than might have otherwise been the case and thus led to more training, less productivity, and less service to taxpayers.

Training Requirements Increased

Although training requirements increased due to redeployment that occurred in fiscal year 1994, they increased substantially in fiscal year 1995 due to the availability of several thousand additional compliance jobs authorized that year. As stated earlier, IRS redeployed existing employees to fill 4,325 (or 79 percent) of the 5,470 additional compliance jobs authorized for fiscal year 1995. Because these jobs were filled by redeployment-eligible employees whose vacated positions, such as those in processing or customer service, also had to be filled and the persons filling them had to be trained, training often occurred two or more times²³ in order to fill one new job. Service center and district officials and supervisors expressed concern about this increase in training requirements.

For example, one service center official said that redeployment had a big effect on training, and that training costs had increased over \$240,000, or 34 percent, during the first 6 months of 1995 from the same period in 1994.

According to another center's June 1995 assessment of its first year redeployment results,

²³Because the number of times an eligible employee could be redeployed was not limited until December 1994, many employees were redeployed two or more times, further increasing training requirements.

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“The Center expended 92,086 more training hours over the same period of time in [fiscal year] 95 than [fiscal year] 94. Compliance Division accounted for 57,799 of these hours, due to the hiring initiative, while [the] Processing Division accounted for an additional 31,040.”

According to data provided by the Center, the 92,086 additional hours was an increase of 24 percent over the 377,442 hours used in fiscal year 1994.

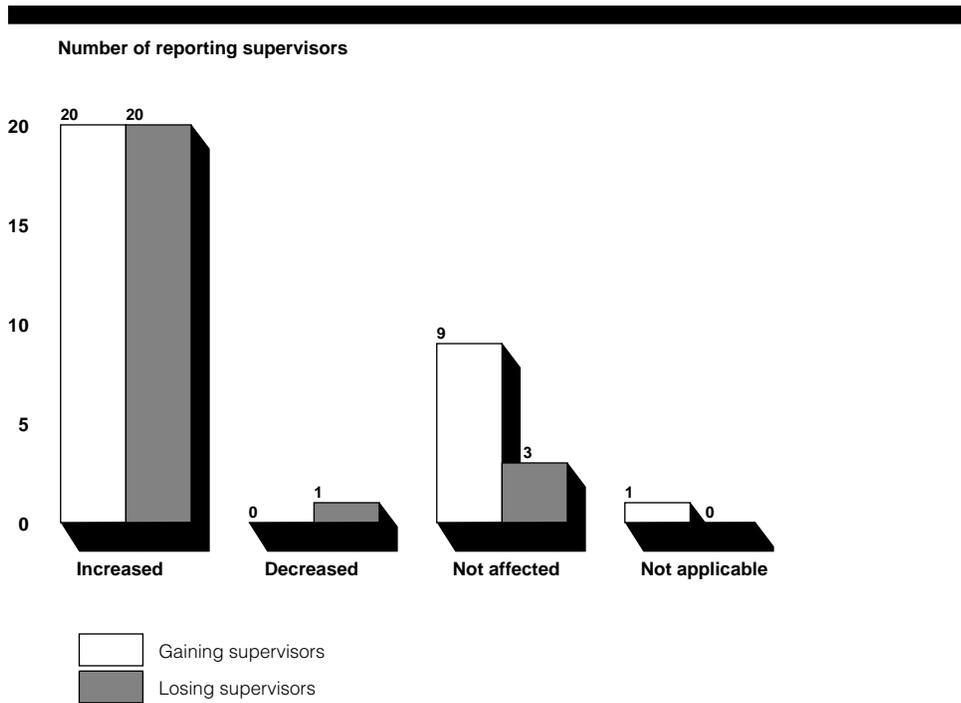
A compliance division manager at a third service center said that his division had exceeded its fiscal year 1995 training allotment by over 14,000 hours, or 62 percent.

Similarly, although fewer district employees were eligible for redeployment than at service centers, an official at one district said that because TPS and ACS work in that district could not be absorbed at sites in other districts, vacancies had to be filled with new temporary and term employees, which created concerns about quality and additional training costs.

Many of the supervisors we interviewed also said that redeploying experienced employees out of their units and/or inexperienced employees into their units increased their training requirements. We interviewed 30 supervisors (hereafter referred to as “gaining supervisors”) who had, altogether, received 346 redeployed employees and 24 supervisors (hereafter referred to as “losing supervisors”) who had lost 412 employees to other units.²⁴ As shown in figure 2.1, 20 (83 percent) of the 24 supervisors who lost employees and 20 (67 percent) of the 30 supervisors who gained employees said redeployment had increased training requirements in their units.

²⁴In general, gaining supervisors were selected from high-gain areas while losing supervisors were selected from high-loss areas. However, each could have gained and lost employees, and some of the 412 employees lost by supervisors in our sample could have been among the 346 employees gained by other supervisors in our sample.

Figure 2.1: Supervisors' Views on How Redeployment Affected Their Units' Training Requirements



Source: GAO-structured interviews with 30 supervisors who gained and 24 supervisors who lost redeployed employees.

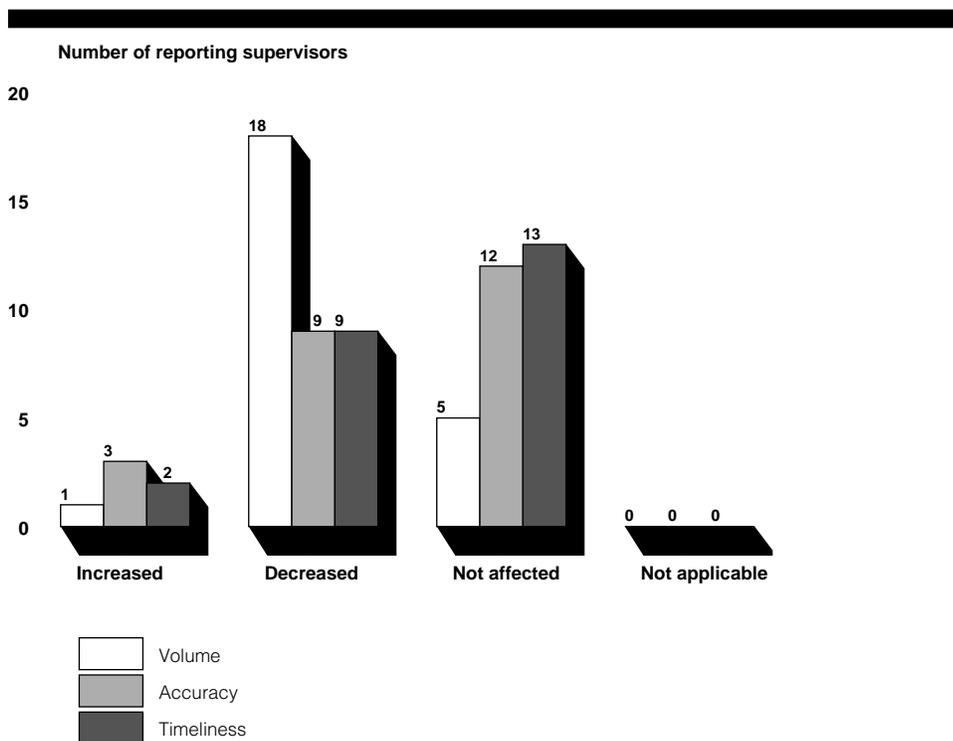
According to many of the service center and district office officials and supervisors we interviewed, the increased training requirements also decreased the number of experienced employees on line—since these employees are often used as training instructors—thus further eroding unit productivity.

Productivity and Service to Taxpayers Declined

We asked losing supervisors how the loss of employees through redeployment affected their unit's productivity in terms of volume, accuracy, and timeliness. Their views varied. As shown in figure 2.2, of the 24 supervisors interviewed, 18 (75 percent) said that the volume of their unit's output decreased, 9 (38 percent) said that the accuracy of their output decreased, and 9 (38 percent) said that the timeliness of their output decreased. Conversely, 6 (25 percent), 15 (62 percent), and 15 (62 percent) of the managers said that their units' volume, accuracy, and

timeliness, respectively, either had not been affected by the redeployment or had increased.

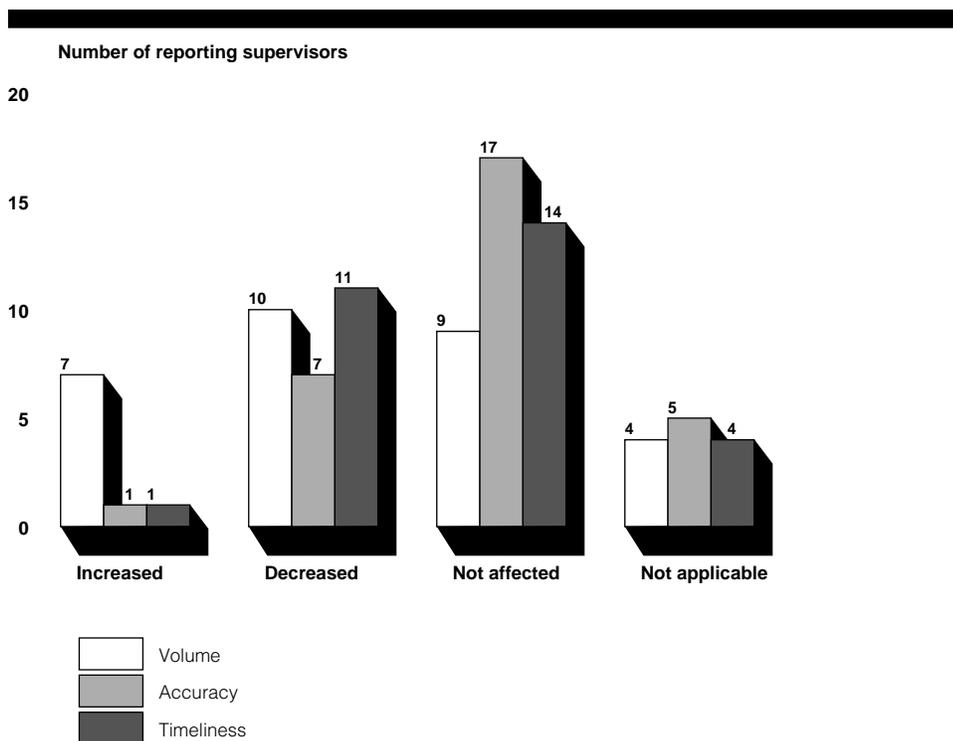
Figure 2.2: Losing Supervisors' Views on How Redeployment Affected Their Units' Productivity



Source: GAO-structured interviews with 24 losing supervisors.

The 30 gaining supervisors we interviewed also had mixed views on how the redeployment process affected their unit's productivity. As shown in figure 2.3, decreased volume, accuracy, and timeliness were reported by 10 (33 percent), 7 (23 percent), and 11 (37 percent), respectively, of those supervisors. Conversely, 16 (54 percent), 18 (60 percent), and 15 (50 percent) of them said their units' volume, accuracy, and timeliness, respectively, either had not been affected by the redeployment or had increased.

Figure 2.3: Gaining Supervisors' Views on How Redeployment Affected Their Units' Productivity



Source: GAO-structured interviews with 30 gaining supervisors.

Moreover, 4 of 16 gaining supervisors and 11 of 20 losing supervisors whose units normally used overtime said redeployment had increased their use of overtime. Similarly, 4 of 16 gaining supervisors and 8 of 18 losing supervisors whose units normally used temporary details from other units said that their use of details had also increased due to redeployment.

We also asked supervisors whose employees were redeployed how this loss affected their unit's service to taxpayers. Of the 24 supervisors, 10 (42 percent) said the loss of employees degraded their service to taxpayers. The degraded services mentioned most often included (1) taking longer to answer telephone calls and correspondence from taxpayers, (2) increases in the number of calls waiting and abandoned, and (3) growing backlogs of cases to be processed.

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Service center and district officials we interviewed also mentioned that productivity and taxpayer service had declined with the erosion of unit experience. For example:

- A customer-service branch chief at one center said that the branch was answering only 83 percent of its scheduled calls in June 1995, due to inexperienced employees and their requirement for training time, which had not been considered in developing the work schedule.
- A collections branch chief said that all the movement of employees associated with redeployment had reduced the branch's timeliness in answering correspondence. In June 1995, the branch's cumulative rate was 8.4 days over the 21-day standard. And, in some peak months, the rate rose as high as 40.1 days.

Officials made similar comments in unit self-assessment reports of redeployment results. For example, one district's June 1995 assessment of its first-year redeployment results, said that

"Redeployment losses have had a major impact on the Problem Resolution Program [PRP]. It is well known that PRP caseworkers do not become truly efficient for 2 - 3 years; the training curve is slow because of the difficulties of the cases. Many of the more experienced caseworkers were the first to be selected as compliance hires. Even though we replenish the staff, they continue to apply for redeployment positions. The result in Taxpayer Service was a reduction in PRP productivity in 1995 from .5 [cases] per hour (one of the highest rates in the country) to .2 [cases] per hour."

The most significant productivity declines may have been experienced within the service center processing divisions. Two internal IRS studies confirmed that the processing divisions lost productivity because employees who were experienced in processing returns were redeployed to compliance and customer-service jobs and replaced by inexperienced employees who were either newly hired or reassigned from other functional areas.²⁵

²⁵Consistent with this finding, in our report on the 1995 filing season (*The 1995 Tax Filing Season: IRS Performance Indicators Provide Incomplete Information About Some Problems*, GAO/GGD-96-48, Dec. 29, 1995), we noted declines in some of the indicators IRS uses to track the performance of its service centers in processing individual income tax returns. For example, the accuracy of returns processed by data transcribers declined from 95.84 percent in 1994 to 93.93 percent in 1995, and the average number of days it took the centers to process individual income tax returns declined from a range of 5 to 7 days in 1994 to a range of 5 to 9 days in 1995.

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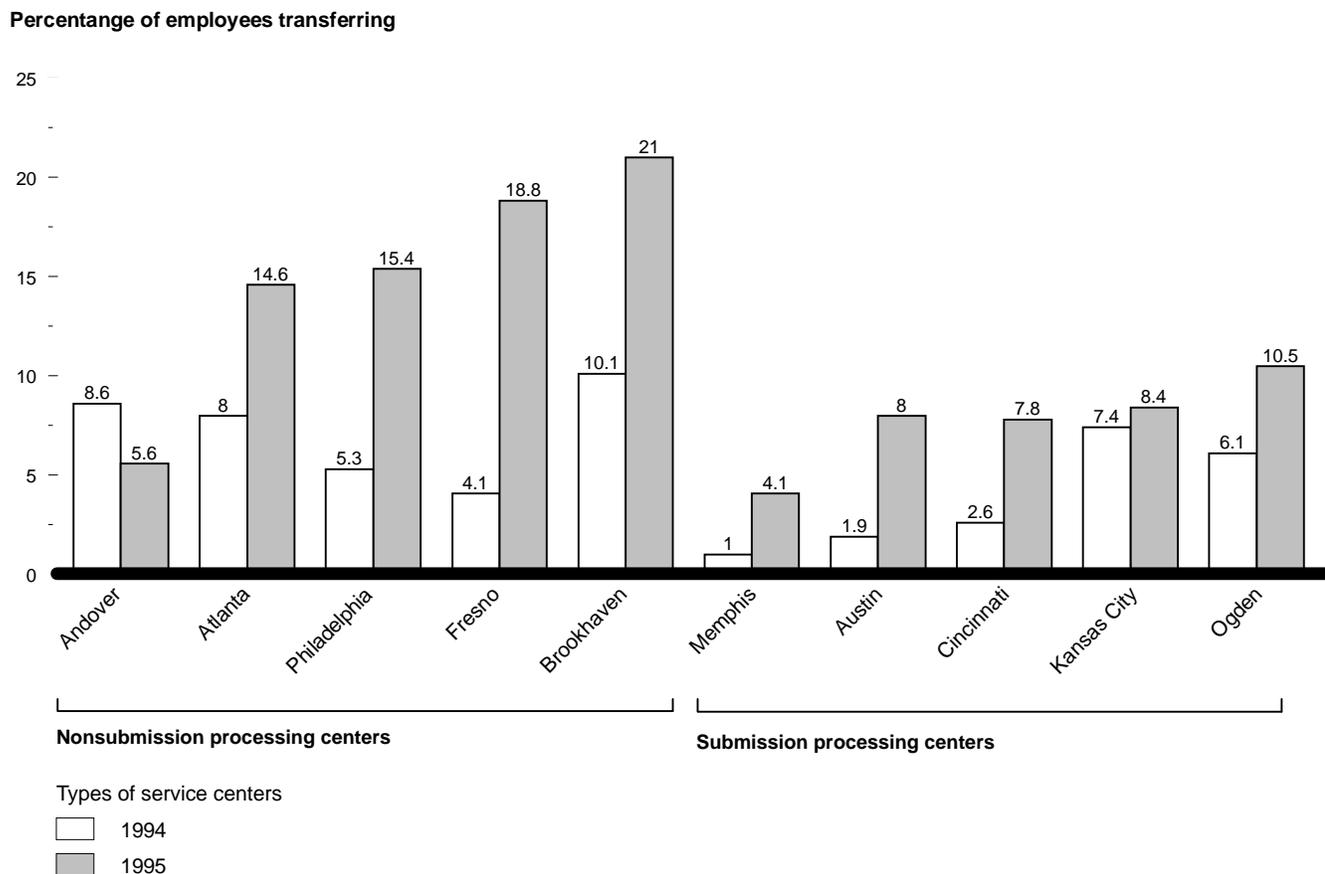
According to a 1995 IRS study of service center productivity, redeployment hurt service center productivity by “encouraging [permanent] pipeline employees to transfer out of the Processing Division.”²⁶

According to the study, as illustrated in figure 2.4, the percentages of permanent employees transferring out of returns processing jobs in the 1995 filing season increased substantially from the prior filing season at 8 of the 10 service centers, and the increases were much larger at centers that have not been designated to continue as processing centers.

²⁶Permanent employees are those appointed to career or career-conditional status and can include employees with seasonal and nonseasonal work schedules. Unlike term or temporary employees, permanent employees do not have specified limits on their employment with IRS.

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Figure 2.4: Permanent Employee Transfer Rates at Submission and Nonsubmission Processing Centers



Source: IRS Analysis and Studies Division memorandum on the impact of personnel policies on service center pipeline productivity, April 17, 1995.

The study also said that new processing employees were significantly less productive than experienced employees. It estimated that employees in their second filing season were 20 percent more productive than in their first.

According to a November 1995 IRS internal audit report,²⁷

²⁷National Office Oversight Provided to the Service Centers During the 1995 Filing Season, Nov. 14, 1995 (reference no. 060702).

“During the 1995 filing season, processing functions in the service centers expended 40 percent more overtime hours than during 1994. In addition, the time expended by employees who were detailed-in from non-processing jobs increased by 19 percent in 1995.”

Internal Audit attributed the above results, in part, to an inexperienced workforce.²⁸ According to the report,

“. . . Processing functions nationwide suffered a significant experience drain prior to the beginning of the 1995 filing season. Management indicated that between 1400 and 1800 employees had been moved from Processing Divisions to fill Customer Service and Compliance jobs . . .”

The report explained that redeployed or newly hired replacements could not perform some processing steps at rates used to schedule the work.

IRS and NTEU Made Some Changes to Reduce Experience Loss

Before the Redeployment Understanding was terminated, IRS and NTEU had taken some actions designed to minimize the loss of employee experience during the transition to the new business vision. IRS and NTEU had also been discussing (1) whether to migrate related work, workers, and funding together into the new customer-service environment, and (2) the need to curtail personnel turnover and the resulting erosion of experience and productivity. According to a National Office official, as of June 1996, IRS was also validating skill assessment tools that it hoped to use in the redeployment process.

In October 1994, the Redeployment Resolution Council withdrew the designation of resources management employees in grades GS-9 and above at host sites²⁹ as redeployment eligible. Although the Council decided not to withdraw the designation of employees who were occupying positions that would, over time, be transformed into the new customer-service positions, it did restrict the lateral movement of employees out of these new positions after they had used their redeployment eligibility to move into them.

In the meantime, the Council authorized district offices to staff their continuing customer-service sites with volunteers from closing ACS and TPS

²⁸Other contributing factors cited by Internal Audit included an increase in the number of individual tax returns that had to be processed at the centers, mostly due to a shift from electronic returns to paper returns, and the need to manually transcribe data from forms 1040EZ because automated scanning systems were unable to process the scheduled volume of those returns.

²⁹Resources management host sites are those that will serve multiple IRS locations.

sites before using normal redeployment procedures. Similarly, as discussed earlier, the Council authorized four service centers to fill up to 30 percent of their new customer-service positions with volunteers from ACS and TPS sites that were closing in nearby districts instead of using normal redeployment procedures. Although only on a voluntary basis, these exceptions to the established redeployment process helped to minimize the loss of ACS and TPS employees who were experienced in performing customer-service functions.

In April 1995, IRS customer-service officials were planning to request an exception to the redeployment process that would have allowed the phased migration of related work, workers, and funding, concurrently, into customer service, in accordance with customer-service workload migration plans. According to IRS officials, this exception request was never formally sent to the Redeployment Resolution Council. Instead, officials said the matter was informally discussed among IRS and NTEU council members. We were told in February 1996 that IRS and NTEU were still working informally on how best to deal with excessive turnover and experience loss IRS-wide, resulting from procedures specified in the Redeployment Understanding.

Conclusions

Although it seems reasonable to expect some operational inefficiencies as an inherent part of any redeployment process, those inefficiencies were exacerbated at IRS, in our opinion, by redeployment procedures that made employees eligible for redeployment too soon and prevented IRS from redirecting employees to new jobs on the basis of their related work experiences. Redeployment occurred long before the expected large-scale displacement of employees associated with the implementation of planned modernization projects and consolidation efforts. Consequently, many of the jobs vacated by redeployed employees had to be filled again by newly hired employees. Thus, IRS' first redeployment experience came too early to be very effective in achieving the goal of redeployment—which is to move employees out of jobs that would not be needed in the new environment and into jobs that would. Because employees experienced in certain areas were often redeployed to areas requiring very different skills and were, in turn, replaced by inexperienced staff, IRS lost valuable experience and in some instances incurred training cost twice, especially at its service centers.

Before the Redeployment Understanding was terminated, IRS and NTEU had worked together to resolve a number of problems, but they had not yet

agreed on using current job experience in making redeployment decisions. Unless future redeployments are structured in a way that allows IRS to redirect current employee experience and skills to jobs in the new environment, considerable experience could be lost during the transition, bringing about further increases in training costs and declines in productivity and customer service. For that same reason, it is also important that future redeployment be timed to coincide more closely with the implementation of modernization projects and consolidation efforts to better ensure that experienced employees are not vacating jobs long before those jobs are eliminated.

Recommendation to the Commissioner of Internal Revenue

We recommend that the Commissioner of Internal Revenue—should future redeployment procedures be developed—address the problems identified in this report, including

- limiting redeployment eligibility to employees whose current jobs have been or are about to be substantially altered or eliminated, so that redeployment of employees is timed closely with the implementation of modernization projects or consolidation efforts and
- allowing IRS to redirect employees who are currently and successfully performing existing jobs to redesigned jobs that are substantially the same before seeking volunteers from unrelated functions (similar to the exceptions made for district ACS and TPS employees).

Agency Comments and Our Evaluation

We requested comments on a draft of this report from the Commissioner of Internal Revenue and the National President of NTEU, or their designees. We received written comments from IRS' Chief, Management and Administration, on September 11, 1996, and from NTEU's National President on September 17, 1996. The written comments from IRS and NTEU are reprinted as appendixes V and VI, respectively. We also met with both parties, separately, on September 13, 1996, to discuss their comments.

While agreeing that future redeployments should be better targeted and timed, IRS said that our discussion of the timing of past redeployments oversimplified the issue. According to IRS, it did, in retrospect, allow reassignments to occur too soon but that the result would have been different if IRS' modernization plans had proceeded on the schedule envisioned when the Redeployment Understanding was signed. We do not agree. We considered IRS' modernization plans and schedules in making our assessment, and we cited specific examples in our report where

reassignments occurred well before sites were to be closed or implementation of a new system was to begin. IRS did not provide any information to contradict the scheduling information cited in our report and noted in its comments that the information in our report was generally factual.

IRS also commented on the relationship between redeployment and the hiring initiative, under which Congress authorized thousands of new compliance and customer-service positions. According to IRS, that initiative provided an opportunity to redeploy many employees who were in noncontinuing positions and that if it “had not used these new positions for redeployment, and instead filled them with external hires, the number of employees still occupying non-continuing positions when the transition was scheduled to occur would have been much larger.”

We recognize that the timing of the hiring initiative was partly responsible for increased training requirements and reduced productivity, since over 4,000 additional jobs were made available to redeployment-eligible employees in fiscal year 1995—well before large-scale employee displacement was expected. Nevertheless, we still believe that IRS would have experienced less disruption in fiscal years 1994 and 1995 had redeployment procedures focused on finding new jobs for employees as their displacement became imminent and allowed IRS to redeploy employees with related experience before those without such experience. More importantly, we believe that the lessons learned from IRS’ early redeployment experience will help it establish procedures aimed at minimizing disruption in the future, when there is no guarantee of additional hiring initiatives.

In its comments on our draft report, NTEU said that the report is “flawed in its design, particularly with regard to its first stated objective, and that it fails to present any data to support the majority of the conclusions that are reached.” As an example, NTEU cited our conclusion that the redeployment procedures led to premature reassignments and operational inefficiencies. We disagree. Our conclusion about premature reassignments was based on an analysis of staffing and reassignment data for IRS service centers and for ACS and TPS sites; discussions with IRS officials and with service center and district office supervisors who lost redeployed employees; and reviews of IRS’ modernization and site closure plans. In our opinion, the results of that work, which are discussed on pages 16 to 21, provide a sufficient basis for concluding that the redeployment procedures led to premature reassignments. We reached our conclusion about operational

inefficiencies after interviewing officials and supervisors in many of the affected organizational units and reviewing various documentation including several internal IRS reports and studies. Again, we believe that the results of our work, which are discussed on pages 21 to 30, provide sufficient data to support our conclusion.

NTEU also said that to draw such a conclusion we would need to present some comparative analysis of the operational impact of the Redeployment Understanding versus some alternative selection procedure, such as the traditional competitive selection process. We did not intend to suggest in our report that IRS should have used the traditional competitive process in lieu of the redeployment procedures. That process, like the lateral redeployment process, can also result in the selection of employees without related experience, since a key factor in ranking employees is the appraised performance in their current jobs, which may not be related to the jobs being filled. Conversely, we also did not intend to suggest that IRS should be precluded from using competitive procedures in filling its new jobs. Such procedures would have to be used when redeploying employees to new jobs having higher career ladders than their current jobs. They might also have to be used when the number of employees with related experience or skills is less than the number of new positions.

What we are suggesting is that the redeployment should have been more focused and better timed. While we acknowledge in the report that some operational inefficiencies can be expected with any redeployment process, we believe that the process would have been more efficient if the procedures were structured to (1) allow management to give priority to employees occupying positions that were closely related to the types of positions being filled and (2) time employee eligibility more closely to the dissolution of their jobs. We did not do a comparison of the operational impact of the Redeployment Understanding versus a redesigned redeployment that would have been more focused and better timed because it would have been highly speculative on our part to have attempted to quantify what the results would have been if IRS had used different redeployment procedures. Nevertheless, we think it is reasonable to assume that the Redeployment Understanding, by making too many employees eligible for redeployment too soon and by limiting IRS' ability to take full advantage of employees' job experience, resulted in a greater level of inexperience than might have otherwise been the case and thus led to more training, less productivity, and less service to taxpayers.

NTEU suggested that our conclusions were based on an “erroneous assumption that the IRS could have simply reassigned, either voluntarily or involuntarily, its most qualified and most experienced employees” into the new compliance and customer-service jobs “without any further consideration and without any negative impact on processing division productivity.” NTEU said that such an assumption was incorrect because (1) involuntary reassignment has a “negative impact on employee morale, overall performance, and productivity;” (2) the requirement that an employee cannot be noncompetitively reassigned to a position having a higher career ladder than that of the employee’s current position greatly reduces the field of eligible employees outside of the processing division; and (3) we apparently assumed that IRS would not have had to backfill any of the vacancies created by filling the new compliance and customer-service jobs with employees who had related experience.

We did not assume that IRS could reassign its most qualified and experienced employees without any negative impact on productivity. To the contrary, as noted earlier, we believe that some decrease in productivity can be expected even with a well-timed and properly targeted redeployment. We did not attempt to assess the relative effects of voluntary and involuntary reassignment on employee morale, performance, or productivity nor are we implying that all reassignments should be done on an involuntary basis. Under the procedures envisioned by our recommendation, IRS could try the voluntary process before using the involuntary process or the normal competitive process. If it became necessary to use the competitive process to fill certain jobs, IRS could narrow the areas of consideration to certain groups of employees (e.g., those within the local commuting area, those in immediate jeopardy of losing their jobs, or those with current and directly related experience or skills). In addition to minimum qualification requirements, IRS could also apply selective ranking factors requiring directly related experience. By contrast, the Redeployment Understanding required IRS to fill a new job with the most senior volunteer for lateral assignment, even if that volunteer had no related experience or skills. Thus, IRS was precluded from selecting a less-senior volunteer who had related experience or skills.

We agree with NTEU that the number of employees eligible for lateral redeployment might not have been enough to fill all of the new compliance and customer-service jobs without some impact on the processing division. However, we believe that the impact would have been minimized if procedures had (1) made employees eligible for redeployment only when the event that was to displace them became a near-term reality and

(2) allowed IRS, in filling jobs laterally, to give preference to employees who were in immediate jeopardy of being displaced from their current positions and who had related experience. If additional positions remained to be filled, we agree that IRS might have had to select some processing division employees.

We did not assume that no vacated position would have to be backfilled. However, although the redeployment of employees with related experience before those without such experience could still require filling some of the jobs vacated by the experienced employees, we believe that the need to do this could be less, using the kind of procedures suggested in our recommendation. For example, those procedures would allow the concurrent and phased migration of customer-service-related work and workers as planned by IRS and as done in initially staffing the customer-service prototype at the Fresno Service Center. Thus, IRS would be transferring positions rather than creating vacancies.

In summary, we are not suggesting that IRS should be precluded from staffing any new jobs using employees whose jobs are not in jeopardy or who are not the most experienced. What we are saying is that redeployment procedures should apply to employees who are expected to be displaced by the imminent implementation of modernization projects or reorganization efforts. They should also be structured to give preference to employees whose jobs are in immediate jeopardy and to those who have experience related to the jobs being filled. Instead, the procedures adopted by IRS and NTEU made virtually all service center employees eligible for redeployment, without regard to when their jobs were to be eliminated or redesigned and required IRS to fill new jobs at the same grade, using the most senior volunteers from both related and unrelated areas throughout the center before using other options, such as directed reassignments.

Our responses to other comments made by IRS and NTEU can be found in appendixes V and VI.

Redeployed Employee Job Satisfaction and Initial Performance Results Were Encouraging

To obtain some input on redeployment from those most affected and to identify other issues that might warrant IRS' attention in future redeployments, we interviewed some redeployed employees and some of their new supervisors.³⁰ Those interviews identified some concerns relating to such things as training and the amount of redeployment information provided to employees; but they also indicated that employees were generally satisfied with their new jobs, and supervisors were generally satisfied with their new employees. While there is room for improvement, as evidenced by the interviews and the declining productivity discussed in chapter 2, the reactions of employees and supervisors were encouraging.

Most Redeployed Employees Were Meeting Performance Standards and Were Satisfied With Their New Jobs

Of the 30 supervisors we interviewed, the great majority were either very satisfied (11) or generally satisfied (15) with their new employees. The supervisors also said that 92 percent (or 320) of their 346 new employees were meeting established standards for a “fully successful” level of performance—the minimum acceptable level for performance appraisal purposes. While we recognize the limitations associated with self-reporting, we also asked employees about their performance. Of the 177 employees we interviewed who had received feedback, 155 (88 percent) said that they were performing at or above the “fully successful” level.³¹

Some of the 22 employees we interviewed who said they were performing below the fully successful level offered suggestions on what would help them improve their performance. The most frequently cited suggestions were

- more job knowledge, skills, or experience;
- more or better training; and
- consistent guidance and/or more feedback from their supervisors or managers.

Some employees who were unable to perform successfully in their new positions had returned to their former positions. In one district, an official we interviewed who coordinated the redeployment at that site told us that 12 (8 percent) of 150 employees were reinstated in their old jobs after “failing to make the transition” to their new jobs. And, at least at that site,

³⁰We interviewed 188 employees who had been redeployed and 30 managers who supervised a total of 346 employees who had been redeployed.

³¹Eleven of the 188 had not received feedback on their performance and thus could not characterize it.

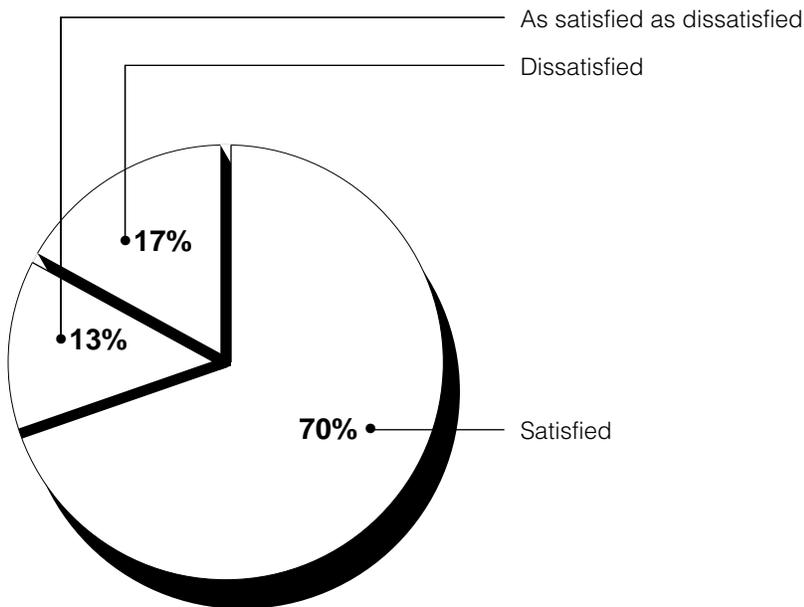
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employees who returned to their old jobs were redesignated as eligible for redeployment. Some of the supervisors included in our sample said that employees who are unable to meet performance standards will be reassigned to other positions. At some sites, employees may be given an “opportunity period” of 1 year to improve their performance, at which time they may be reassigned.

Of the 188 employees we interviewed, 70 percent (131 employees) were satisfied with their new jobs, as shown in figure 3.1. Commonly mentioned reasons for this satisfaction included (1) the type of work or the work environment, (2) the challenging or interesting nature of the work, and (3) the sense of teamwork among coworkers and managers in their new units.

The reasons most frequently cited by the 17 percent (32 employees) who were dissatisfied included (1) inadequate training; (2) unrealistic productivity expectations, especially for employees with little or no related experience; and (3) stress and fatigue from the length of time spent on the telephone or at a computer terminal.

Figure 3.1: Redeployed Employees' Job Satisfaction



Source: GAO interviews of 188 redeployed employees.

Some Employees, Especially Those Who Lacked Related Experience, Required Additional Training

As discussed in chapter 2, IRS field officials indicated that redeployment had increased their training requirements. The impact on training was also evident from our interviews of redeployed employees and the supervisors who gained redeployed employees.

Nearly a fifth of the redeployed employees we interviewed required more training than that which is normally provided for their positions. Many of these employees lacked related experience. Furthermore, although the Redeployment Understanding authorized only one additional training opportunity for employees who are not successful the first time, some supervisors said that they were told to allow as many training opportunities or as much time as necessary.

Almost all of the redeployed employees included in our sample received classroom and/or OJT training.³² However, many of them either had their formal training period extended or had to repeat some or all of the training

³²OJT is a period of formal instruction whereby employees begin performing the duties required of the job but with an instructor's supervision.

segments. In that regard, 32 (17 percent) of the employees we interviewed said they received additional training. Similarly, the gaining supervisors we interviewed said that 47 (14 percent) of their redeployed employees required additional training. According to a report by IRS headquarters officials after visiting one district office,³³ 6 of 25 redeployed employees training to be revenue agents in that district failed the 12-week second phase of OJT twice. The six employees were either returned to their former positions or transferred to other compliance jobs. A supervisor we interviewed at another site said that she had an employee who had been on OJT for almost 1 year, and that, before redeployment, he probably would not have been allowed more than 6 months of OJT. The supervisor was told that since the employee was obtained through redeployment, he would continue OJT “indefinitely.”

Employees without related experience often required the most training. For example, employees at one service center who were training for the customer-service representative position were divided into three groups on the basis of their knowledge of tax law and the computer system used to adjust taxpayer accounts (i.e., IDRS). The group with the least amount of knowledge required almost twice as much training as the group with the most knowledge. At another service center, where employees were trained together to minimize costs, officials told us they saw a correlation between related or unrelated experience and performance in training. For example, according to training records, employees redeployed from unrelated areas, who comprised about half of the class, failed tests more than twice as often as employees redeployed from related areas. Additionally, more than half of the employees from unrelated areas were still receiving OJT nearly 4 months after completion of classroom training, while those from related areas had completed their OJT in as little as 1 month and, in no case, more than 3 months.

Of the 30 gaining supervisors included in our sample, 18 said that previous experience was a factor in the amount of training needed by new employees. One supervisor said that three of his four redeployed employees were receiving almost twice as much OJT as they would have if they had the related experience needed to perform the work.

Some employees also needed training in basic skills to be able to perform their new jobs. Of 184 employees who responded to our question, 54 (29 percent) said that they needed skills training in areas such as math,

³³IRS headquarters officials provided reports of their visits to one service center and 10 districts made between April and June 1995 to assess the progress of redeployment.

language, or communications to perform successfully in their new positions. Of the 54 employees, 46 said that they received at least some of the needed skills training. According to an IRS report on the results of a site visit, “Some of our employees don’t have the basic skills needed to be successful in these new positions, and we can’t underestimate the magnitude of the training investment need[ed] to support the transition.” Also, selection standards were sometimes relaxed. For example, according to one district’s June 1995 assessment of its first-year redeployment results,

“The requirement to select low-ranking redeployment eligibles from competitive certificates has had a negative impact on the Compliance functions as well as several employees. . . . Many of the employees would not have been selected under normal circumstances because of mediocre evaluations, or marginal interviews. This mandatory selection created ‘false hopes’ for the employees—setting them up to fail. These mandatory selections have resulted in several class failures, exorbitant training expenditures, [and] disgruntled employees who have had to return to ACS and TPS.”

Many Employees Found Redeployment Assistance, Information, and Training Inadequate

We asked employees to rate the adequacy of various aspects of the redeployment process including (1) the assistance—such as career counseling, skill assessments, and job placement services—IRS provided in helping them find new positions; (2) the information IRS provided to explain the redeployment process; and (3) training—both classroom and OJT. Of the 188 employees we interviewed, 95 said that they experienced problems in at least one of those areas.

As shown in table 3.1, 44 of the 187 employees (24 percent) who responded to our question found the redeployment assistance inadequate, while 51 employees (27 percent) said they had no basis to comment on the adequacy of the assistance because they did not receive assistance. Of the 76 employees who cited specific inadequacies,³⁴ most said they needed help in understanding the redeployment process, accessing job announcements, determining the qualifications required for jobs, and researching their available options.

³⁴Thirty-three employees cited inadequacies even though they did not characterize redeployment assistance as inadequate. Conversely, one employee who characterized assistance as inadequate did not provide a reason.

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Table 3.1: Redeployed Employees' Opinions on the Adequacy of Redeployment Assistance, Information, and Training

| Opinion | Assistance | | Information | | Class training | | OJT | |
|---------------------------|-----------------------|------------------------|-----------------------|---------------------|-----------------------|------------------------|-----------------------|---------------------|
| | Number of respondents | Percentage of total | Number of respondents | Percentage of total | Number of respondents | Percentage of total | Number of respondents | Percentage of total |
| Adequate | 63 | 34 | 104 | 57 | 113 | 60 | 111 | 59 |
| As adequate as inadequate | 29 | 16 | 35 | 19 | 29 | 15 | 24 | 13 |
| Inadequate | 44 | 24 | 36 | 20 | 29 | 15 | 31 | 16 |
| No basis to judge | 51 | 27 | 8 | 4 | 17 | 9 | 22 | 12 |
| Total | 187 | 100^a | 183 | 100 | 188 | 100^a | 188 | 100 |

^aPercentages do not total to 100 because of rounding.

Source: GAO interviews of redeployed employees.

Of the 183 employees who responded to our question on the adequacy of redeployment information, 36 (20 percent) considered it inadequate. Of those who gave reasons, almost all said that IRS did not explain the redeployment process well enough for them to fully understand it. Employees wanted to know the policies and procedures so they could better determine what their options were.

The third aspect of redeployment that many employees found inadequate was the quality of training. For example, 31 of 188 employees (16 percent) said that OJT was inadequate. The most frequently mentioned reasons were

- OJT instructors lacked either sufficient subject knowledge or the communication skills to be able to teach the practical application of the classroom instruction and
- too many employees were assigned to each instructor for employees to receive adequate attention to individual needs.

Although such complaints may not be unique to a redeployment situation, we believe that they may have been partly the result of overextending training resources to respond to the increase in training requirements discussed in chapter 2.

A slightly lower percentage of employees—29 of 188 (15 percent)—found classroom training inadequate. The most frequently mentioned reasons were that

- the amount of time allotted for classroom training was insufficient, particularly for those with little or no related experience and
- the subject coverage was inadequate or the training lacked a “hands-on” component for the related computer systems.

Many Supervisors Were Also Dissatisfied With the Redeployment Process

As table 3.2 shows, 13 of the 30 gaining supervisors and 9 of the 24 losing supervisors said that they were dissatisfied with the way IRS handled the redeployment process.

Table 3.2: Gaining and Losing Supervisors’ Opinions of How IRS Handled the Redeployment Process

| Opinion | Gaining Supervisors | | Losing Supervisors | |
|------------------------------------|-----------------------|---------------------------|-----------------------|---------------------------|
| | Number of respondents | Percentage of respondents | Number of respondents | Percentage of respondents |
| Satisfied | 11 | 37 | 5 | 21 |
| Neither satisfied nor dissatisfied | 5 | 17 | 9 | 38 |
| Dissatisfied | 13 | 43 | 9 | 38 |
| No basis to judge | 1 | 3 | 1 | 4 |
| Total | 30 | 100 | 24 | 100^a |

^aDoes not total to 100 percent because of rounding.

Source: GAO interviews of gaining and losing supervisors.

The gaining supervisors most frequently cited the following reasons for their dissatisfaction with the redeployment process:

- redeployment allowed movement by seniority (the amount of time the employee had been with the federal government) rather than by work experience, and thus some of the employees redeployed were unqualified for the positions and
- redeployment resulted in too much personnel turnover.

The reasons cited by losing supervisors were similar to those cited by the gaining supervisors. They said that

- their units received inexperienced employees through redeployment;
 - they lost experienced employees; and
 - communication between IRS management and employees was poor.
-

Conclusions

Overall, the results of our interviews of redeployed employees and their supervisors suggested that many employees can be successfully redeployed to meet new job requirements. While it may take some time for redeployed employees to become fully productive in their new jobs, the vast majority of the redeployed employees included in our sample, and many more who were represented by the supervisors we interviewed, were reportedly meeting new job performance standards for their experience levels, although some needed supplemental training.

Our results also suggested some dissatisfaction with the information, assistance, and training provided as part of the redeployment process to better prepare employees for jobs in the modernized environment. Although most redeployed employees were satisfied with their new jobs, many were dissatisfied with the quality and availability of redeployment information, assistance, and training. These employees said that they needed a more consistent, thorough, and understandable explanation of the redeployment process and how and when their jobs would be affected. They also said that they needed (1) information on available assistance, training, and job vacancies; (2) job placement assistance, including help in determining the qualifications required by the new jobs; and (3) more and better qualified OJT instructors.

Recommendation to the Commissioner of Internal Revenue

We recommend that, as a part of managing any future redeployment effort, the Commissioner of Internal Revenue consider ways to improve management communications with employees concerning redeployment assistance, information, and training. In doing so, IRS might ask itself such things as whether it is providing information that clearly explains (1) redeployment policies and procedures; (2) which jobs are expected to be eliminated, continued, and redesigned and when; and (3) the nature and extent of available redeployment assistance.

Agency Comments and Our Evaluation

We requested comments on a draft of this report from the Commissioner of Internal Revenue and the National President of NTEU, or their designees. We received written comments from IRS' Chief, Management and Administration, on September 11, 1996, and NTEU's National President on

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September 17, 1996. We also met with both parties, separately, on September 13, 1996, to discuss their comments. Neither party raised any objection to our recommendation or to the factual content of this chapter.

IRS Staffing in January 1994 and January 1996

Table I.1: IRS Staffing in January 1994 and January 1996

| Appointment type | Staffing as of 01/94 | Staffing as of 01/96 |
|---|-----------------------------|-----------------------------|
| Career and career conditional/nonseasonal | 100,558 | 99,164 |
| Career and career conditional/seasonal | 24,261 | 21,634 |
| Term/nonseasonal | 506 | 612 |
| Term/seasonal | 2,318 | 2,401 |
| Temporary/nonseasonal | 2,949 | 2,465 |
| Temporary/seasonal | 230 | 168 |
| Totals | 130,822 | 126,444 |

Source: GAO analysis of IRS staffing data.

Overview of IRS' Redeployment Planning

In July 1994, we reported that the fundamental human resource planning tasks facing IRS included

- identifying its workforce requirements—the number of workers, types of positions, and skills needed to operate in the new environment;
- assessing the knowledge, skills, and abilities of its existing workforce;
- determining the gap between existing workforce capabilities and those required for the new environment; and
- developing detailed recruiting, training, retraining, and redeployment plans to meet projected workforce requirements while providing continued employment for its current workforce.³⁵

IRS has taken several steps toward satisfying those recommendations and related ones made in earlier reports by us and the National Research Council. Specifically, IRS developed independent models that produced initial estimates of future workforce requirements for key functions such as customer service, submission processing, and resources management support services. The outputs from the various workforce requirements models then became inputs for a redeployment model, which compared these estimated workforce requirements to the estimated supply of workers (i.e., the existing workforce, adjusted for expected attrition), by site, job series, and grade for fiscal years 1995 through 2001.

Outputs from the redeployment model were then used as the starting points for site-specific redeployment plans, which were approved in October 1994. These plans had to be consistent with redeployment policies and procedures established by IRS and NTEU.

According to IRS officials, the workforce requirements models and the redeployment model will be refined and reused periodically to keep human resource plans in sync with modernization plans and schedules.

In November 1995, according to the IRS official in charge of the Business and Employees Competency Reengineering Project, IRS acquired off-the-shelf skill assessment tools for eight core jobs.³⁶ In June 1996, the same official said that IRS had completed the testing needed to confirm the validity of these tools in assessing the skills and other competencies needed to effectively perform the eight core jobs and was awaiting test

³⁵GAO/GGD-94-159.

³⁶According to the IRS official, the eight core jobs are revenue agent, revenue officer, tax auditor, customer-service representative, taxpayer service representative, ACS tax examiner, service center collection tax examiner, and nonpipeline tax examiner.

results. After some experience using these tools to identify training needs for individuals redeployed to core jobs, and provided that NTEU concurs, IRS intends to use skill assessment results to help select individuals for redeployment to the core jobs. Because many returns processing employees whose jobs will no longer be needed are lower-graded clerical employees who lack basic communication or math skills, such tools could prove useful in determining training needs and making redeployment selections.

Information on How We Selected the IRS Sites We Visited and the Employees and Supervisors We Interviewed

To do this study, we visited IRS service centers in Atlanta, Brookhaven, Cincinnati, and Fresno and district offices in Atlanta, Baltimore, Cincinnati, and San Francisco. At those locations, we administered structured interviews to a total of 188 employees who had been redeployed to new jobs, 30 supervisors who had gained a total of 346 redeployed employees, and 24 supervisors who had lost a total of 412 redeployed employees.

We selected the Atlanta and Fresno service centers because IRS had estimated that each would lose nearly 3,000 jobs as their returns-processing functions were phased out. Fresno was also a prototype customer-service center and the first operational customer-service units were established there in January 1994. We selected the Brookhaven and Cincinnati service centers because initial customer-service units were rolled out at these sites in the fall of 1994.

We selected the Atlanta, Cincinnati, and San Francisco district offices because their TPS and ACS call sites were scheduled to be phased out in conjunction with the planned consolidation of customer-service locations. We selected the Baltimore District Office because it had been designated as a continuing customer-service site. Furthermore, unlike the Atlanta, Cincinnati, and San Francisco areas, which were designated as host sites for resources management support services, the Baltimore area was designated as a client site for such services. This meant that resources management positions in Baltimore were being eliminated.

In the absence of a centralized IRS database that identified the universe of redeployed employees, we worked with IRS to develop, for each of the eight locations, a database of employees who were reassigned between November 1993 (the date of the Redeployment Understanding) and April 1995. Temporary reassignments were not included in the databases. For sampling purposes, we selected employees who changed their job series and/or work unit. From these databases, we judgmentally selected a cross section of redeployed employees to interview, considering such factors as their previous functional area experience and grade level.

We used April 30, 1995, as the cutoff point to help ensure that the redeployed employees would have had several months to adjust to their new jobs by the time our structured interviews were administered. We administered those interviews from August through December 1995. Subsequent analysis showed that the 188 employees had been in their new jobs from about 4 to 22 months, and, on average, about 11 months.

Appendix III
Information on How We Selected the IRS
Sites We Visited and the Employees and
Supervisors We Interviewed

As agreed with IRS, for the service centers we visited, we selected employees reassigned to compliance functions as tax examiners and correspondence examiners and to customer-service units as tax examiners. For the district offices, we selected employees reassigned as revenue agents, revenue officers, tax auditors, and tax examiners. In addition, we administered structured interviews to a few employees who were redeployed to various types of jobs in newly established District Office Research and Analysis units.³⁷

The results of our employee interviews are not projectable because statistical sampling methods were not used. We judgmentally selected samples because, among other things, (1) a centralized universe of redeployed employees was not available when we began our work and (2) the use of statistical sampling methods would have required considerably more audit time and resources, with the results only projectable on a site-by-site basis.

In selecting supervisors to interview, we generally attempted to (1) select gaining supervisors who had received at least one of the employees included in our sample of redeployed employees and (2) select losing supervisors who were in the functional areas at each location that had lost the greatest number of redeployed employees.

Table III.1 shows the numbers and types of structured interviews done at each site.

³⁷District Office Research and Analysis units are to help IRS' National Office of Research and Analysis identify ways to improve compliance for segments of taxpayers that share certain characteristics or behaviors.

**Appendix III
Information on How We Selected the IRS
Sites We Visited and the Employees and
Supervisors We Interviewed**

Table III.1: Structured Interviews by Site

| Site | Number of interviews | | |
|---------------------------------|----------------------|---|---|
| | Redeployed employees | Supervisors who gained redeployed employees | Supervisors who lost redeployed employees |
| Atlanta District | 25 | 5 | 5 |
| Atlanta Service Center | 25 | 5 | 5 |
| Baltimore District ^a | 17 | 4 | ^b |
| Brookhaven Service Center | 25 | 5 | 5 |
| Cincinnati District | 23 | ^c | ^c |
| Cincinnati Service Center | 23 | ^c | ^c |
| San Francisco District | 25 | 5 | 4 |
| Fresno Service Center | 25 | 6 | 5 |
| Total | 188 | 30 | 24 |

^aFewer employee interviews were needed at Baltimore because generally only its resources management and information systems employees were eligible for redeployment.

^bWe did not interview any losing supervisors because (1) we diverted staff to complete work at Brookhaven after we closed our New York Field Office and (2) we did not expect the relocation of resources management and information systems employees to have a direct effect on either the customer service or compliance function.

^cWe were unable to complete the planned interviews at both Cincinnati locations because of the closure of our Cincinnati Field Office.

Changes in Staffing at Service Center Processing Divisions

Table IV.1: Changes in Processing Division Staffing Between January 1994 and December 1994

| Appointment type | As of 01/94 | Left IRS | To other IRS areas | Changed appointment type | From other areas | New to IRS | As of 12/94 |
|-------------------------------|---------------|----------------|--------------------|--------------------------|------------------|--------------|---------------|
| Career and career conditional | 18,282 | (2,997) | (1,182) | (6) | 385 | 14 | 14,496 |
| Term | 1,784 | (828) | (17) | 126 | 5 | 2,849 | 3,919 |
| Temporary | 783 | (352) | (2) | (120) | 1 | 608 | 918 |
| Totals | 20,849 | (4,177) | (1,201) | | 391 | 3,471 | 19,333 |

Source: GAO analysis of IRS staffing data as of January 8, 1994, and December 10, 1994.

Table IV.2: Changes in Processing Division Staffing Between December 1994 and January 1996

| Appointment type | As of 12/94 | Left IRS | To other IRS areas | Changed appointment type | From other areas | New to IRS | As of 01/96 |
|-------------------------------|---------------|----------------|--------------------|--------------------------|------------------|--------------|---------------|
| Career and career conditional | 14,496 | (1,663) | (1,872) | 1,562 | 397 | 3,872 | 16,792 |
| Term | 3,919 | (1,640) | (164) | (1,332) | 3 | 1,053 | 1,839 |
| Temporary | 918 | (480) | (19) | (230) | 0 | 713 | 902 |
| Totals | 19,333 | (3,783) | (2,055) | | 400 | 5,638 | 19,533 |

Source: GAO analysis of IRS staffing data as of December 10, 1994, and January 6, 1996.

Comments From the Internal Revenue Service

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



CHIEF MANAGEMENT
AND ADMINISTRATION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

September 11, 1996

Mr. Charles Bowsher
Comptroller General
United States General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Bowsher:

We have received your draft Report, TAX ADMINISTRATION: Lessons Learned From IRS' Initial Experience in Redeploying Employees, and appreciate the opportunity to comment on it.

Overall, we found the information in the report to be factual; however, there are four general points and several specific text comments we would like to make.

GENERAL POINTS

1. In our opinion, the report's discussion of the timing of redeployment oversimplifies the issue. In retrospect, the IRS did allow reassignments to occur too soon. If, however, IRS' modernization plans had proceeded on the schedule envisioned when the Redeployment Understanding was signed, this statement would not be true.

The report implies that redeploying employees years before their jobs are eliminated is an inefficient strategy, and that the IRS should not have begun redeploying employees until shortly before their jobs were eliminated. However, a redeployment on the scale originally envisioned by the IRS must be done over multiple years to place as many employees as possible in vacant, continuing positions. If the IRS waited until one or two years before the jobs were abolished to begin to redeploy employees, the IRS would not have nearly enough vacancies to absorb all of the displaced employees. In fact, even though the IRS began redeploying employees years before jobs were expected to be eliminated, the IRS projected that it still would not place all employees impacted by IRS modernization plans. This was especially true for Service Centers, where more than a third of the positions were anticipated to be eliminated. Under these circumstances, the IRS believed the best course of action was to redeploy employees several years in advance of eliminating the positions.

2. The compliance hiring initiative was an opportunity to redeploy many employees who were in non-continuing positions. The original IRS redeployment plan was to redeploy current employees to the continuing positions as they became vacant, and

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Mr. Charles Bowsher

backfill the non-continuing positions with employees on temporary and term appointments. These backfills would not have compounded the redeployment problem because the IRS would have made a limited commitment to these employees, and they would not have to be redeployed. If the IRS had not used these new positions for redeployment, and instead filled them with external hires, the number of employees still occupying non-continuing positions when the transition was scheduled to occur would have been much larger. Therefore, the IRS used these new positions to place redeployment eligible employees, knowing that some inefficiencies would occur, but that the number of employees to be redeployed would be less with this strategy. The IRS only began backfilling positions with career and career-conditional employees in 1995, when it became apparent that the modernization schedule had slipped substantially.

See comment 1.

3. The use of a Reduction-in-Force (RIF) is now an active option for the IRS. We have recently communicated a timetable to all employees which indicates that a RIF will be conducted in the field no later than January 31, 1997, and in the National Office no later than March 31, 1997. Overall, the Service plans to eliminate approximately 5,000 overhead and staff positions through this process. Naturally, we will attempt to reduce the number of employees subject to a RIF by utilizing various transition tools, such as internal placement, voluntary outplacement services, early-out retirement, and incentive buy-outs, if applicable. In this context, we are currently negotiating various impact and implementation issues with NTEU.

See comment 1.

4. The Service has unilaterally terminated the Redeployment Understanding with NTEU, effective August 23, 1996. The resulting, ongoing RIF negotiations with NTEU give us an opportunity to immediately make use of the lessons we learned from our experiences with the Redeployment Understanding.

SPECIFIC TEXT COMMENTS

Now on page 11.
See comment 2.

1. *Page 14 of the report:* The statement "IRS' plan, as of February 1996, was to have . . . (2) 5 of the 10 centers function as submission processing centers . . ." is slightly inaccurate. In February 1996, we realized that we may need more than five submission processing centers; we recommend that you change the statement to say ". . . (2) **at least 5** of the 10 centers function as submission processing centers . . ."

Now on page 19.
See comment 2.

2. *Page 27 of the report:* Footnote 20 is confusing and inaccurate. We suggest that you delete the footnote. The statement the footnote refers to is accurate, and the same issue is covered sufficiently on page 39 of the report.

-3-

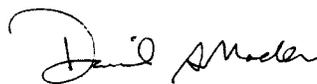
Mr. Charles Bowsher

3. *Page 39 of the report.* The second sentence of the second paragraph should be reworded. We suggest the following wording: "Although the Council decided at that time not to undesignate employees who occupied positions that would, over time, be transformed into the new customer-service positions, the Council did restrict the lateral movement of employees out of these new positions after they had used their Redeployment Eligible status to be selected for such positions." This action did provide some degree of "closure" in filling these positions.

4. *Page 42 of the report.* This page states the GAO recommendation that we renegotiate the Redeployment Understanding to address the problems identified in the report. As I commented earlier, the Redeployment Understanding with NTEU has been terminated. All references to renegotiating the Redeployment Understanding should be eliminated from this report. We are currently moving forward to affect the transition of "at risk" employees prior to a RIF.

If you have any questions, please do not hesitate to contact us.

Sincerely,


David A. Mader

Now on page 30.
See comment 2.

Now on page 32.
See comment 2.

The following are GAO' comments on IRS' letter dated September 11, 1996.

GAO Comments

1. These developments, which occurred after we had completed our audit work, are reflected on pp. 2 to 3 and 10.
2. These suggested changes have been made.

Comments From the National Treasury Employees Union

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



September 17, 1996

Ms. Lynda D. Willis, Director
Tax Policy and Administration Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Ms. Willis:

I would like to thank you for the opportunity to review and comment on the proposed GAO report entitled **TAX ADMINISTRATION: Lessons Learned From IRS' Initial Experience in Redeploying Employees** prior to its release.

In the Statement of Purpose, the GAO states that its "objective was to determine whether there were lessons to be learned from (1) IRS' initial use of these procedures and their impact on IRS' operations and (2) the reaction of redeployed employees and their supervisors to redeployment and the redeployment process." Given these two stated objectives, as I stated during our meeting on Friday, September 13, 1996, I believe that the report is fatally flawed in its design, particularly with regard to its first stated objective, and that it fails to present any data to support the majority of the conclusions that are reached.

As an example, one of the principal findings of the report states that the "redeployment procedures led to premature reassignments and operational inefficiencies." The report goes on to state that, "The redeployment procedures also limited IRS' ability to reinvest experience. Although many employees were currently performing largely the same work as was planned for redesigned jobs, the Redeployment Understanding generally required the IRS to fill positions by reassigning, based on seniority, redeployment-eligible volunteers. This requirement could result in the selection of inexperienced employees from unrelated areas because it does not allow the IRS to consider staff who are already doing similar work."

Such a statement is simply inaccurate. The Redeployment Agreement does allow the IRS to consider staff who are already doing similar work and who volunteer for consideration for such new positions. In addition, in order to accurately conclude that the Redeployment Agreement led to "premature reassignments and operational inefficiencies," the report must present some comparative analysis of the operational impact of the Redeployment Agreement versus some alternative selection procedure such as the use of the traditional competitive selection or reassignment procedures which are widely used in the federal sector. There is no such analysis or data presented in your proposed report.

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See comment 1.

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When NTEU and the IRS entered into the discussions which led to the establishment of the 1993 National Redeployment Agreement, the IRS was in the process of reengineering its internal business processes, of reorganizing its headquarters, regional, district, service center, and computer center operations, and of redesigning many of the jobs which were being performed within the existing work environment. It was estimated that these changes would eliminate approximately 18,000 jobs, primarily within IRS tax processing divisions, within a five year period (1993-1998). One of our goals was to redeploy these experienced IRS employees into enhanced compliance and customer service activities. In order to accomplish such a task using traditional federal sector human resource and personnel practices, the Agency would have been required to follow competitive selection procedures to fill all vacancies and may have been forced to conduct a reduction in force in order to complete such a transition. It was agreed that both procedures would be extremely time-consuming and expensive, and both procedures rely heavily on a highly subjective and flawed performance appraisal system.

As a result, the parties agreed to the terms of the National Redeployment Agreement. It was agreed that the terms of this agreement would allow the Agency to evaluate and objectively select employees who met the minimum qualifications for a position in a faster, more efficient, and less-costly manner. As I stated earlier, in order to accurately state that the "redeployment procedures led to operational inefficiencies," as reported in this draft GAO report, one would have to present some comparative analysis of operational efficiency and productivity using the competitive selection process or some alternative selection/reassignment process.

In an attempt to provide such support for its conclusion, the draft GAO report states that "according to two internal IRS studies, the service center divisions responsible for processing tax returns experienced significant productivity declines during the 1995 filing season, in part due to redeployment. For example, processing divisions lost productivity because more than 1,400 employees who were experienced in processing returns were redeployed to compliance and customer service jobs and replaced by inexperienced employees who were either newly hired or reassigned from other areas." In order to accurately attribute such an alleged decrease in processing division productivity to the redeployment procedures, the GAO report would have to present some data to support a conclusion that the impact on processing division productivity would have been less significant if the 1,400 compliance and customer service jobs were filled using competitive selection, or reassignment procedures. There is no data presented in this GAO report which would support such a conclusion.

Instead, during our discussions, it appeared that the GAO conclusions were based on an erroneous assumption that the IRS could have simply reassigned, either voluntarily or involuntarily, its most qualified and most experienced employees into these 1,400 compliance and customer service jobs without any further consideration and without any negative impact on processing division productivity. As I stated during our discussions, such an assumption is simply in error. First, our experience has been that any attempt to involuntarily reassign employees from their current positions to other positions generally has a negative impact on employee morale, overall performance, and productivity. Second, in order to legally conduct such a reassignment, either voluntarily or involuntarily, the position to which an employee is being reassigned can offer no higher grade or grade potential than the position which the

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employee currently occupies. This significantly reduces the area of consideration for potential candidates and greatly reduces the viability of such an option. Third, it appears that GAO assumes that none of the 1,400 positions which would be vacated by the reassignment of such experienced employees would need to be backfilled. In other words, once such employees were reassigned into new positions, their current positions would simply be abolished. Such an assumption is simply not correct. In service centers that are being transitioned to customer service sites and in those that are being transitioned into submission processing centers, any net loss in overall positions which may result from such transitions will primarily impact service center processing divisions. The number of compliance and customer service positions are expected to remain constant or increase in the future. As a result, not only will such positions need to be filled as vacancies occur, but it is expected that such positions will offer valued career opportunities for qualified employees throughout each service center, particularly among those employees who currently work in IRS processing divisions. Thus, in either case, IRS processing divisions are expecting to be impacted by a loss of experienced employees as the Agency transitioned itself to its new organizational structure.

I hope you will take these comments into consideration. I would strongly encourage you to reflect on the focus of this proposed report, its findings, and the lack of supporting data that has been presented to date, prior to the issuance of your final report. As an alternative, I would suggest that you simply consider reporting on your findings concerning your second stated objective, i.e., "the reactions of redeployed employees and their supervisors to the redeployment process." Again, thank you for the opportunity to raise NTEU's concerns over this draft report. I look forward to working with you in the future.

Sincerely,



Robert M. Tobias
National President

The following are GAO's comments on NTEU's letter dated September 17, 1996.

GAO Comments

1. We have reworded the statement to make our point more clear (see p. 4 of the report). Pursuant to the Redeployment Understanding, IRS had to select volunteers on the basis of seniority. Thus, IRS had to select more senior, less experienced volunteers for positions before less senior but more experienced persons could be selected.

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