

GAO Highlights

Highlights of [GAO-19-176](#), a report to congressional requesters

Why GAO Did This Study

IRS faces a number of challenges that pose risks to meeting its mission if not managed effectively. Key to addressing IRS's challenges is its workforce. Cultivating a well-equipped, diverse, flexible, and engaged workforce requires strategic human capital management.

GAO was asked to review IRS's enterprise-wide strategic workforce planning efforts. GAO assessed (1) how IRS defines its workforce needs and develops strategies for shaping its workforce; (2) the extent to which IRS identified the critical skills and competencies it will require to meet its goals, and its strategy to address skills gaps in its workforce; and (3) the extent to which IRS's Human Capital Office has the capacity to hire employees in hard to fill positions.

GAO analyzed trends in staffing across IRS and in selected mission critical occupations; compared IRS strategic workforce management processes, practices, and activities with federal regulations and leading practices; analyzed IRS documents and interviewed agency officials.

What GAO Recommends

GAO is making six recommendations to IRS that include implementing its delayed workforce planning initiative, evaluate actions to improve the agency's hiring capacity, and address changes in its processes that have contributed to hiring delays. IRS agreed with GAO's recommendations. GAO also recommends Treasury clarify guidance to IRS on a forthcoming workforce planning system. Treasury agreed with the recommendation.

View [GAO-19-176](#). For more information, contact James R. McTigue, Jr. at (202) 512-9110 or McTigueJ@gao.gov.

March 2019

INTERNAL REVENUE SERVICE

Strategic Human Capital Management is Needed to Address Serious Risks to IRS's Mission

What GAO Found

The Internal Revenue Service (IRS) has scaled back strategic workforce planning activities in recent years. IRS officials told GAO that resource constraints and fewer staff with strategic workforce planning skills due to attrition required IRS to largely abandon strategic workforce planning activities.

However, a number of indicators, such as increasing rates of retirement eligible employees and declining employee satisfaction, led IRS to determine that continuing to make short-term, largely nonstrategic human capital decisions was unsustainable. One way IRS sought to address these issues was to develop a strategic workforce plan and associated workforce planning initiative. Initiative implementation, however, is behind schedule and on hold. IRS attributed the delay to a combination of: 1) personnel resources redirected to implement Public Law 115-97—commonly referred to as the Tax Cuts and Jobs Act, 2) lack of workforce planning skills within its Human Capital Office, and 3) delayed deployment at the Department of the Treasury (Treasury) related to a new workforce planning system. As a result, IRS lacks information about what mission critical skills it has on board, where skills gaps exist, and what skills will be needed in the future.

IRS staffing has declined each year since 2011, and declines have been uneven across different mission areas. GAO found the reductions have been most significant among those who performed enforcement activities, where staffing declined by around 27 percent (fiscal years 2011 through 2017). IRS attributed staffing declines primarily to a policy decision to strictly limit hiring. Agency officials told GAO that declining staffing was a key contributor in decisions to scale back activities in a number of program and operational areas, particularly in enforcement, where the number of individual returns audited from fiscal years 2011 through 2017 declined by nearly 40 percent.

IRS has skills gaps in mission critical occupations, and the agency's efforts to address these skills gaps do not target the occupations in greatest need, such as tax examiners and revenue officers. However, the results of an interagency working group effort that began in 2011, and was intended to address skill gaps among IRS revenue agents and other occupations with skills gaps across the government, may hold important lessons for addressing skills gaps in other mission critical occupations at IRS.

IRS's Human Capital Office has limited staffing capacity to hire employees in hard to fill positions, which holds risks for the agency's ability to implement the Tax Cuts and Jobs Act. IRS is undertaking a variety of activities to improve its hiring capacity, but has not determined how each activity will be evaluated and will contribute to increased hiring capacity or associated outcomes. In addition, changes in the agency's hiring processes have been confusing to managers and contributed to hiring delays. Clear guidance on hiring request requirements would better position IRS to avoid the risk of hiring delays for mission critical occupations.