



March 2019

INTERNAL REVENUE SERVICE

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

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.

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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.

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Abbreviations

ARC	Administrative Resource Center
CI	Criminal Investigation
EHRI	Enterprise Human Resources Integration
ETS	Employment, Talent and Security
FAST	Federal Agency Skills Team
FEVS	Federal Employee Viewpoint Survey
FTE	full time equivalent
HCO	Human Capital Office
HR	Human Resources
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
IT	Information Technology
ITM	Integrated Talent Management
LB&I	Large Business and International
MAX	MAX Information System
MCO	mission critical occupation
OMB	Office of Management and Budget
OPM	Office of Personnel Management
SB/SE	Small Business/Self-Employed
SES	Senior Executive Service
TE/GE	Tax Exempt and Government Entities
TIGTA	Treasury Inspector General for Tax Administration
Treasury	Department of the Treasury
W&I	Wage and Investment
WBP	Worklife Benefits and Performance

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March 26, 2019

The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
House of Representatives

The Honorable Vern Buchanan
House of Representatives

The Internal Revenue Service’s (IRS) mission is to “provide America’s taxpayers with top-quality service by helping them understand and meet their tax responsibilities as well as enforce the law with integrity and fairness to all.” For fiscal year 2017, IRS reported that it:

- collected more than \$3.4 trillion in gross taxes;
- processed more than 245.4 million federal tax returns and supplemental documents and issued almost 122 million refunds amounting to almost \$437 billion;
- provided taxpayer assistance through almost 495.6 million visits to IRS.gov;
- assisted more than 63.2 million taxpayers through correspondence, its toll-free telephone helpline, or at Taxpayer Assistance Centers; and
- audited almost 1.1 million tax returns.¹

At the same time, IRS faces a number of challenges that pose risks to meeting its mission if not managed effectively. IRS’s budget has declined by about \$2.1 billion (15.7 percent) from fiscal years 2011 through 2018, after adjusting for inflation. Concurrent with declining resources are increasing responsibilities, including implementing relevant aspects of the Foreign Account Tax Compliance Act; Patient Protection and Affordable Care Act; and Public Law 115-97—commonly referred to as the Tax Cuts and Jobs Act—which included significant changes to corporate and individual tax law.² In addition to these new mandates, we have

¹Internal Revenue Service, *Internal Revenue Service Data Book, 2017* (Washington, D.C.: March 2018).

²To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, Pub. L. No. 115-97, 131 Stat. 2054 (Dec. 22, 2017) (hereafter Tax Cuts and Jobs Act).

previously reported IRS faces a number of ever-evolving and significant challenges protecting taxpayer information, preventing identity theft and fraud, and modernizing an aging technology infrastructure. For these reasons and others, IRS's enforcement of tax laws has been on our High-Risk List since we first established the list in 1990.³

Key to addressing IRS's challenges is its workforce. In our past work, we have noted how an organization's workforce defines its character, affects its capacity to perform, and represents its knowledge base.⁴ An agency's workforce, including its human capital office, can play a central role in transforming an agency into a high-performing organization. Cultivating a well-equipped, diverse, flexible, and engaged workforce requires strategic workforce planning. Strategic workforce planning addresses two critical needs: (1) aligning an organization's human capital program with its current and emerging mission and programmatic goals; and (2) developing long-term strategies for acquiring, developing, and retaining staff to achieve those programmatic goals.

You asked us to review IRS's enterprise-wide strategic workforce planning efforts. In this report, we assess (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 describe 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.

To address objective 1, we reviewed IRS's implementation of strategic workforce planning practices by comparing legal, regulatory, and policy requirements; standards for internal controls; and leading practices in strategic workforce planning with IRS practices and processes.⁵ We analyzed documents that explain IRS's programs, policies, and practices designed to help the agency recruit, develop, and retain the critical staff needed to achieve program goals, and interviewed IRS officials. We met with Department of the Treasury (Treasury) and Taxpayer Advocate

³GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, [GAO-17-317](#) (Washington, D.C.: Feb. 15, 2017).

⁴GAO, *Federal Workforce: Opportunities Exist for OPM to Further Innovation in Performance Management*, [GAO-19-35](#) (Washington, D.C.: Nov. 20, 2018).

⁵GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

Service officials to understand their role and responsibilities for coordinating with and providing oversight of IRS activities. We compared IRS's practices for monitoring and evaluating progress toward human capital goals, including bi-monthly reporting, with requirements articulated in Office of Personnel Management (OPM) regulations and leading practices we have previously identified for monitoring and measuring program performance.⁶ We analyzed results from the 2011 through 2017 Federal Employee Viewpoint Survey (FEVS) and compared them with IRS activities to determine how well those activities meet staff needs.⁷ We analyzed OPM's Enterprise Human Resources Integration (EHRI) data to determine retirement eligibility of senior and nonsenior IRS staff and staff across the federal government.

To address objective 2, in addition to activities we performed to address objective 1, we analyzed Office of Management and Budget data to determine trends in the number of full-time equivalents (FTE).⁸ We interviewed IRS business division officials and reviewed documents related to IRS tax examiners and revenue officers. We selected these two mission critical occupations from a nongeneralizable sample based on a number of factors, including the results of a Treasury risk assessment, to illustrate how IRS has implemented strategies, policies, and processes for identifying and addressing skills gaps, among other purposes. We interviewed Treasury, OPM, and IRS officials to determine how they identified and addressed skills gaps among another mission-critical occupation, IRS revenue agents. To determine staffing trends within these occupations, we analyzed data from EHRI. We interviewed IRS officials to understand how its Human Capital Office (HCO) conducts skills and competency assessments. We analyzed IRS's audit rate of individual and corporate returns for fiscal years 2011 through 2017 based on data reported by IRS in its annual Data Book.

⁶GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

⁷FEVS measures employees' perceptions of whether, and to what extent, conditions characterizing successful organizations are present in their agencies. OPM has conducted this survey every year since 2010. From 2002 to 2008, OPM administered the survey biennially.

⁸FTEs reflect the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year.

To address objective 3, we reviewed documentation related to IRS human resources (HR) hiring requirements, including the Internal Revenue Manual (IRM) and policies explaining the exception hiring process.⁹ We interviewed officials from each of IRS’s major business divisions—Wage and Investment, Large Business and International, Tax Exempt and Government Entities, and Small Business/Self-Employed—to further understand their hiring experience and impressions of time-to-hire and candidate quality results. We reviewed the results of skills and competency assessments previously conducted of IRS’s HR workforce. We interviewed senior officials responsible for IRS’s hiring function. We also reviewed the purpose of systems used to process and onboard new hires. To examine how staffing changed for hiring human resource managers from fiscal years 2011 through 2017, we analyzed EHRI data. To assess data reliability, we reviewed our past data reliability assessments of systems we used and conducted electronic testing to evaluate the accuracy and completeness of the data used in our analyses. For EHRI and FEVS, we also conducted interviews with knowledgeable agency officials. We determined the data from these systems were sufficiently reliable for our purposes.

We conducted this performance audit from August 2017 to March 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The mission of IRS’s HCO includes providing “human capital strategies and tools for recruiting, hiring, developing, retaining, and transitioning a highly-skilled and high-performing workforce to support IRS mission accomplishments,” and developing and implementing “technology-enabled systems and processes to improve human capital planning and management and empower employees to achieve their potential.”¹⁰ HCO

⁹IRS defines the Internal Revenue Manual as “the primary, official compilation of instructions to staff that relate to the administration and operation of the IRS. The IRM ensures that employees have the approved policy and guidance they need to carry out their responsibilities in administering the tax laws or other agency obligations.” Internal Revenue Manual § 1.11.2.2 (Oct. 11, 2018).

¹⁰Internal Revenue Manual § 1.1.22.1 *Human Capital Office* (Nov. 2, 2017).

is headed by the Human Capital Officer who reports to the Deputy Commissioner for Operations Support and is to “provide executive leadership and direction in all matters relating to the Service’s employees, overseeing the design, development, and delivery of comprehensive, agency-wide human capital management and development programs that contribute to the Service’s vision and mission.”¹¹

Worklife Benefits and Performance (WBP) and Employment, Talent and Security (ETS) are two subdivisions within HCO responsible for supporting many of IRS’s strategic human capital management activities. Among WBP’s responsibilities are:

- agency-wide strategic workforce planning;
- workforce planning consultation and support;
- OPM/Treasury/IRS workforce planning pilots, projects, and initiatives;
- workforce analytics;
- IRS workforce data reporting;
- analyzing workforce projections; and
- attrition analysis.

ETS is responsible for providing policies, products, and services that support business efforts to identify, recruit, hire, and advance a workforce with the competencies necessary to achieve current and future organizational performance goals. In particular, ETS “partners with business units to develop strategic hiring plans that drive the hiring decision by planning, executing and evaluating the type of position to be filled based on agency-wide workforce, attrition and workload needs.”¹²

Strategic Human Capital Management – High-Risk Area

Strategic human capital management, which includes workforce planning activities, is a persistent challenge across the federal government. We designated strategic human capital management across the government as a high-risk issue in 2001 because of the federal government’s long-standing lack of a consistent strategic approach to human capital management. In February 2011, we narrowed the focus of this high-risk

¹¹Ibid.

¹²Internal Revenue Manual § 1.1.22.1.1 *Employment, Talent and Security Division* (Nov. 2, 2017).

issue to the need for agencies to close skills gaps in mission-critical occupations. Agencies can have skills gaps for different reasons: they may have an insufficient number of employees or their employees may not have the appropriate skills or abilities to accomplish mission-critical work. Moreover, current budget and long-term fiscal pressures, the changing nature of federal work, and a potential wave of employee retirements that could produce gaps in leadership and institutional knowledge threaten to aggravate the problems created by existing skills gaps. Mission-critical skills gaps both within federal agencies and across the federal workforce continue pose a high risk to the nation because they can impede the government from cost-effectively serving the public and achieving results.

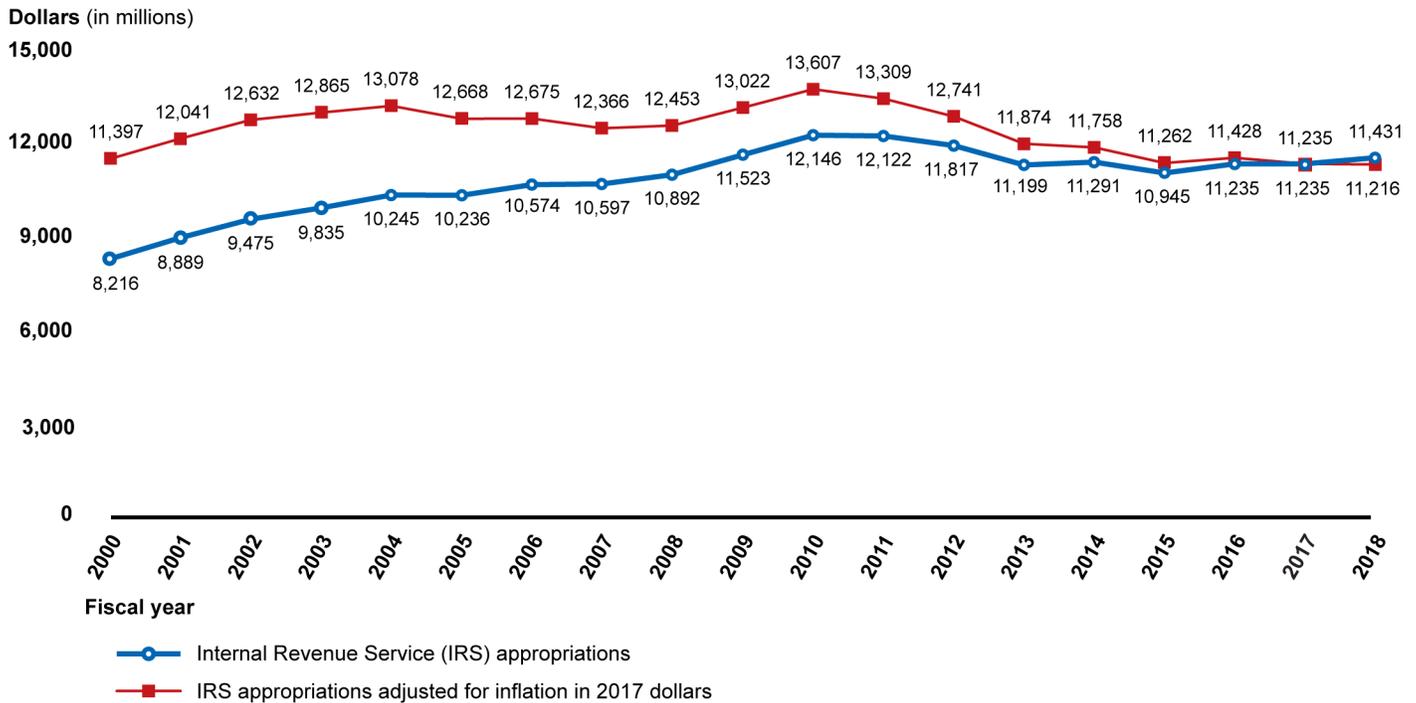
IRS Budget

IRS's budget declined by about \$2.1 billion (15.7 percent) from fiscal years 2011 through 2018 (see figure 1).¹³ The President's fiscal year 2019 budget request was \$11.135 billion. This amount is less than the fiscal year 2000 level for IRS, after adjusting for inflation. IRS requested an additional \$397 million to cover implementation expenses for Tax Cuts and Jobs Act over the next 2 years and received \$320 million for implementation pending submission of a spending plan, which IRS provided in June 2018. We previously reported IRS would direct the majority of the money toward technological updates.¹⁴

¹³After adjusting for inflation during this time period. All budget amounts are presented in 2017 dollars.

¹⁴See GAO, *2018 Tax Filing: IRS Managed Processing Challenges and Enhanced Its Management of Tax Law Changes*, [GAO-18-471](#) (Washington, D.C.: Sept. 10, 2018) for more information.

Figure 1: IRS Appropriations Nominal and Inflation Adjusted (2017 Dollars, in Millions), from Fiscal Years 2000 through 2018



Sources: GAO analysis of Congressional Research Service reports for fiscal years 2000 through 2004, Internal Revenue Service Congressional Justifications for fiscal years 2005 through 2017, and Department of the Treasury Appropriations Act, 2018, Pub. L. No. 115-141, div. E, title I, 132 Stat. 348 (Mar. 23, 2018). | GAO-19-176

Note: Inflation adjustments were made using Bureau of Economic Analysis data and Congressional Budget. Office projections of the fiscal year chain weighted gross domestic product price index.

The Tax Cuts and Jobs Act made a number of significant changes to the tax law affecting both individuals and corporations.¹⁵ For example, for individual taxpayers, for tax years 2018 through 2025, tax rates were lowered for nearly all income levels, personal exemptions were eliminated while the standard deduction was increased, and certain credits, such as the child tax credit, were expanded.¹⁶ To implement the changes, IRS must (1) interpret the law; (2) create or revise hundreds of tax forms, publications, and instructions; (3) publish guidance and additional materials; (4) reprogram return processing systems; and (5) hire

¹⁵Pub. L. No. 115-97, 131 Stat. 2054.

¹⁶Pub. L. No. 115-97, §§ 11001, 11021(a), 11022(a), 11041, 131 Stat. 2054, 2054-59, 2072-73, 2073-74, 2082-85 (Dec. 22, 2017). For individual taxpayers, the changes in the law sunset after December 31, 2025. For corporate taxpayers, the tax changes are permanent and do not expire.

additional staff and train its workforce to help taxpayers understand the law. IRS's HCO estimated that the agency would need to hire and train new staff to fill approximately 1,100 positions requiring a variety of competencies, and provide additional training on tax law changes for current employees.¹⁷ HCO will be responsible for recruiting and hiring new employees with the needed skills.

IRS is in the Early Stages of Defining and Addressing its Workforce Needs

IRS Strategic Workforce Planning Is Fragmented and Activities to Address Skills Needs Are Not Routinely Performed

IRS has scaled back strategic workforce planning activities in recent years. Prior to 2011, IRS staff within its HCO or other dedicated program office conducted and coordinated agency-wide strategic workforce planning efforts. IRS officials told us that resource constraints and fewer staff with strategic workforce planning skills due to attrition since 2011 required HCO to largely abandon strategic workforce planning activities. Instead, HCO generally focused its efforts on completing HR transactions, such as retirements and benefits processing, meeting legal compliance activities, and facilitating hiring of seasonal employees.

Since 2011, key human capital activities—such as developing an inventory of skills, identifying skills gaps, and attrition forecasting—became increasingly fragmented and shifted to the individual business divisions and program offices. IRS officials cited management familiarity of programmatic needs, challenges, processes, and culture as a benefit of workforce planning autonomy at business divisions and program offices. However, the officials told us these activities were often performed only to the extent those divisions had the time, resources, and top management interest. As a result, the quality of key human capital activities was uneven across the agency, if performed at all. In addition, HCO officials told us the lack of an agency-wide strategy and HCO authority to manage and coordinate strategic workforce planning efforts put the agency at greater risk for

¹⁷[GAO-18-471](#).

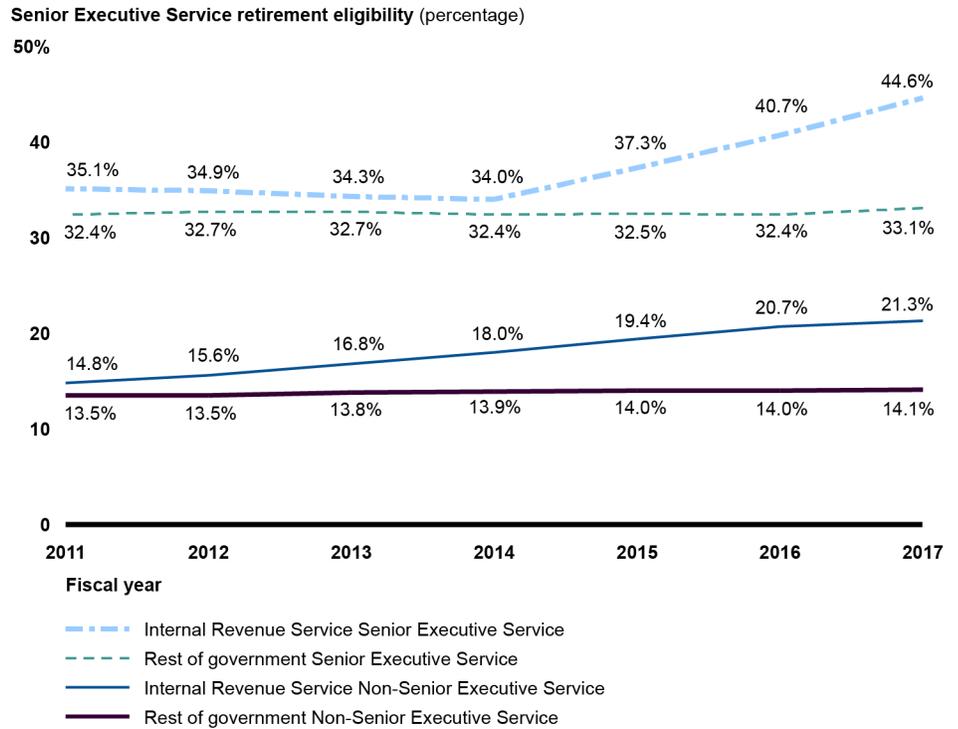
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- unnecessary duplication of effort in HR activities;
 - development of redundant and generally noninteroperable systems used to maintain human capital information; and
 - failure to effectively identify and retain personnel with critical skills and experience across the agency.

IRS's Information Technology (IT) is an example of an individual program office that has taken steps to address skills needs. IT developed a skills and competency inventory of its workforce. IRS officials told us maintaining and updating the inventory has been particularly helpful to informing IT hiring and training decisions, given the rapid nature of change in the technology industry and competition for top talent from the private sector. In June 2018, we found IRS had not fully implemented any of the key IT workforce planning practices we have previously identified.¹⁸ We recommended IRS should fully implement IT workforce planning practices, including (1) setting the strategic direction for workforce planning; (2) analyzing the workforce to identify skills gaps; (3) developing strategies and implementing activities to address skills gaps; and (4) monitoring and reporting on progress in addressing skills gaps. IRS agreed with our recommendation, but stated its efforts to address these issues were limited solely due to diversion of IT resources to implementation of the Tax Cuts and Jobs Act. We concluded that until the agency fully implemented these practices, it would continue to face challenges in assessing and addressing the gaps in knowledge and skills that are critical to the success of its key IT investments.

A number of indicators led IRS to determine that continuing to make short-term, largely nonstrategic human capital decisions was unsustainable, according to IRS officials. For example, IRS has relatively high rates of employees eligible to retire. Nearly half of IRS's Senior Executive Service (SES) is eligible to retire (see figure 2). Retirement eligibility rates among both SES and non-SES employees is not only greater than the rate at other federal agencies, but are also trending higher according to our analysis of OPM data.

¹⁸GAO, *Information Technology: IRS Needs to Take Additional Actions to Address Significant Risks to Tax Processing*, [GAO-18-298](#) (Washington, D.C.: June 28, 2018).

Figure 2: Retirement Eligibility Rates, IRS and Government-wide, Senior Executive Service and Non-Senior Executive Service Employees, Fiscal Years 2011-2017



Source: GAO analysis of Office of Personnel Management data. | GAO-19-176

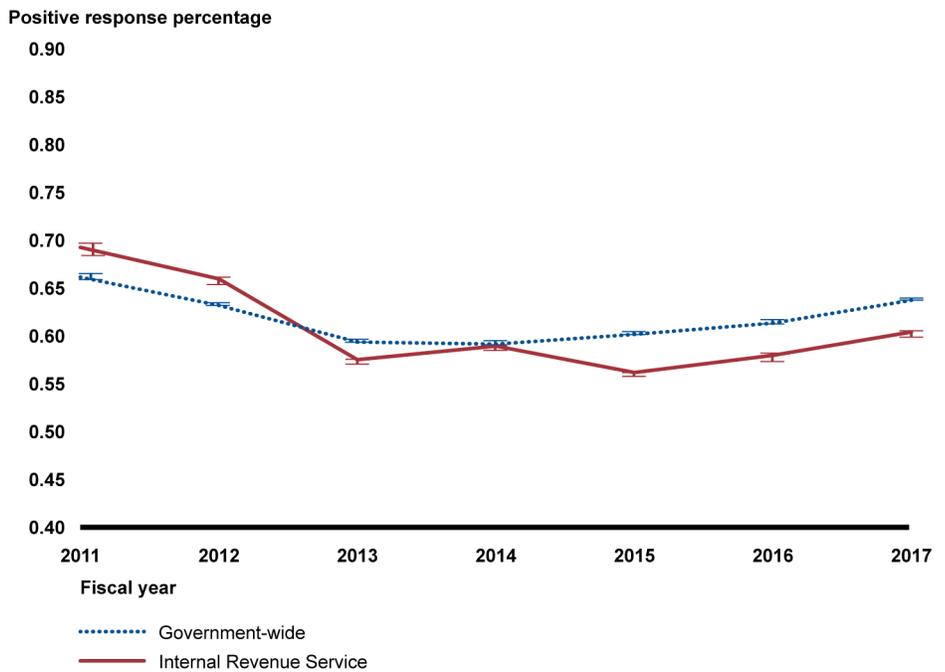
We have previously reported that the high rate of federal employees eligible for retirement creates both an opportunity and a challenge for agencies.¹⁹ If accompanied with appropriate strategic and workforce planning, it may create an opportunity for agencies to align their workforce with needed skills and leadership levels to meet their existing and evolving mission requirements. However, it means agencies will need succession planning efforts as well as effective sources and methods for recruiting and retaining candidates to avoid the loss of technical expertise in mission-critical skills. IRS is trying to mitigate the loss of institutional memory and meet its current obligations by re-employing recently retired employees (also known as re-employed annuitants). However, according to HCO officials, as of October 2018, the agency is struggling to bring recently retired employees back in part because many had taken other

¹⁹GAO, *Federal Workforce: Lessons Learned from Engaging Millennials and Other Age Groups*, GAO-16-880T (Washington, D.C.: Sept. 29, 2016).

employment. HCO is focusing on other activities, such as contract staffing services, to meet workload demands. As we discuss later in this report, IRS is taking a number of actions to address staffing shortages, but the effectiveness of those efforts are not yet known.

IRS's FEVS results also indicate the agency is at risk of losing employees with critical skills. For example, IRS's results for the Global Satisfaction Index—a measure generated by OPM that combines employees' responses about satisfaction with their job, pay, the organization, and their willingness to recommend their organization as a good place to work—fell below the government-wide average in 2013. Relatedly, our analysis of fiscal year 2016 IRS exit survey results found 32 percent of separating employees indicated poor office morale strongly influenced their decision to leave. Though improving since 2015, IRS continued to lag behind the government-wide average as of 2017, the most recent year of data available at the time of this study (see figure 3).

Figure 3: FEVS Global Satisfaction Index Rating Trends, IRS and Government-wide, Calendar Years 2011-2017



Source: GAO analysis of the Office of Personnel Management's Federal Employee Viewpoint Survey data. | GAO-19-176

Key Initiative Delay Has Hampered IRS's Ability to Fully Address Its Workforce Needs

In 2016, IRS determined the agency needed to develop a strategic workforce plan and conduct related workforce planning activities to help mitigate the risks associated with fragmented human capital activities as discussed above, according to HCO officials. IRS provided authority to HCO to be the central coordinating body to lead that effort, hereafter referred to as the workforce planning initiative. In March 2018, IRS issued an update to its Internal Revenue Manual stating HCO's responsibilities.²⁰ For example, IRS provided HCO authority to:

- conduct strategic workforce planning annually that is aligned with Treasury's mission, goals, and objectives;
- perform data analysis of the current and future workforce, identify gaps, and submit solutions that will enable the organization to meet its mission, goals, and objectives;
- ensure the existence and integration of human capital planning functions into the workforce planning process, including skills assessments, competency models, recruitment planning, training and development, and retention and succession planning;
- provide guidance and direction for IRS-wide workforce planning efforts;
- ensure the implementation of an agency-wide skills assessment and competency model framework; and
- communicate commitment for a consistent, repeatable, and systematic workforce planning process to enable improved and integrated management of human capital initiatives.

The IRM also describes IRS's workforce planning process, which includes a five-phase strategic workforce planning model that is intended to align with OPM's workforce planning model (see figure 4).

²⁰IRM § 6.250.2 *Internal Revenue Service Strategic Workforce Planning* (Mar. 8, 2018).

Figure 4: Stages of IRS Strategic Workforce Planning Model



Source: GAO analysis of Internal Revenue Service (IRS) documents. | GAO-19-176

Implementing the strategic workforce planning model and conducting related initiative activities could help the agency ensure its human capital programs align with its mission, goals, and objectives through analysis, planning, investment, and measurement, as required in federal regulation.²¹ Furthermore, we determined elements of the initiative addressed key principles we have previously identified for effective

²¹5 C.F.R. § 250.203. Strategic human capital management systems and standards.

workforce planning.²² For example, the model includes steps to analyze the workforce to determine the critical skills and competencies the agency needs to achieve current and future programmatic results, and to monitor and evaluate the agency's progress toward its human capital goals. As a result, the initiative could position IRS to systematically identify the workforce needed for the future, develop strategies for identifying and closing skills gaps, and shape its workforce.

However, IRS's implementation of its workforce planning initiative has been delayed. Phase 1 (Enterprise Strategy and Planning) of the workforce planning initiative was underway as of the first quarter of fiscal year 2018, and IRS was scheduled to complete this phase by the second quarter of fiscal year 2018. IRS reports show the agency originally anticipated completing all five phases by June 2018. According to IRS officials, however, IRS now anticipates Phase 1 activities to resume after the opening of the 2020 tax filing season and, as of November 2018, could not estimate a completion date for any of the five phases.

The workforce planning initiative has been delayed for three primary reasons, according to IRS documents and officials:

1. **Redirection of resources to Tax Cuts and Jobs Act implementation.** IRS granted extensions at the request of business divisions and commissioner-level organizations that needed to redirect resources to support the implementation of Tax Cuts and Jobs Act. To implement the 119 provisions of the Tax Cuts and Jobs Act, we reported that IRS would need to (1) interpret the law; (2) create or revise nearly 500 tax forms, publications, and instructions; (3) publish guidance and additional materials; (4) reprogram 140 interrelated return processing systems; (5) hire additional staff and train its workforce to help taxpayers understand the law and how it applies to them; and (6) conduct extensive taxpayer outreach.²³ In addition to redirecting staff, IRS has used overtime and compensatory hours to complete necessary activities in time for the 2019 filing season.
2. **Lack of workforce planning skills.** As part of a Treasury pilot, IRS conducted a self-assessment of key competencies within HCO as well as within business division-based HR offices. The assessment found

²²[GAO-04-39](#).

²³[GAO-18-471](#).

competency around workforce planning was among the lowest ranked skills within HCO. According to HCO officials, IRS lacks training and resources available to help its human capital staff develop competency in workforce planning. HCO officials told us they plan to leverage IRS's Workforce Planning Council to develop strategic workforce planning skills.²⁴ HCO officials told us the council has training designed to help the HR staff understand how to gather data, use technology, and perform other activities that contribute to IRS's strategic workforce planning efforts. In addition to a lack of strategic workforce planning skills, a number of key HCO personnel with strategic workforce planning expertise have recently separated from IRS, according to HCO officials.

- 3. Information system deployment delay.** Treasury is developing the Integrated Talent Management system (ITM). Treasury intends ITM to provide the agency with greater visibility of its total workforce, and help its bureaus, including IRS, with workforce planning activities such as succession planning and competency management. Treasury officials told us as of November 2018, ITM is still in development and its deployment has been delayed for a number of reasons, including the need for Treasury to complete system implementation plans and user guides, and address system administration issues at the bureaus.

IRS HCO officials told us they opted to wait on ITM rather than moving forward with a number of Phase 2 (Workforce Analysis) activities. IRS HCO officials said they needed this, or a similar software tool, to ensure reliable data capture, make analysis more efficient, and help managers conduct routine updates of workforce planning efforts rather than static, one-time data calls. HCO also opted to wait for ITM to avoid potentially redundant reprogramming of existing systems. However, HCO officials noted that even when ITM is eventually deployed, IRS would need to train business divisions on its use, further lengthening the time needed before conducting Phase 2 activities. Treasury officials told us that ITM would complement rather than replace existing systems and processes.

²⁴According to IRS, the purpose of the council, which was established in 2017, is to provide a corporate focus and coordinated approach to workforce planning issues, policies, and strategies. The council is composed of business unit representatives from across IRS with responsibility for planning, analyzing, and forecasting human capital resources.

Our analysis of Treasury documents and interviews with Treasury and IRS HCO officials found it was unclear when an ITM module related to talent management and strategic workforce planning will be deployed and available for IRS's use, the functions it will include, and how IRS's existing systems and processes would be affected. As a result, IRS lacks the information needed to make staffing and technology decisions related to the workforce planning initiative, putting the initiative at risk of further delay.

IRS Could Improve Reporting on the Status of its Workforce Planning Initiative

Treasury is required to conduct data-driven reviews via HRstat.²⁵ HRstat is a strategic human capital performance evaluation process that identifies, measures, and analyzes human capital data to inform the impact of an agency's human capital management on organizational results with the intent to improve human capital outcomes. HRstat is also a proven leadership strategy that can help agency officials monitor their progress towards addressing important human capital efforts, such as closing skills gaps.²⁶

Treasury uses HRstat to monitor the progress of its bureaus in meeting their human capital goals, including IRS's implementation of the workforce planning initiative. In preparation for the data-driven reviews, each bureau, including IRS, submits HRstat information to Treasury. Treasury and bureau officials discuss the results and make related strategic decisions during bi-monthly Human Capital Advisory Council meetings. Our review of IRS HRstat reports, however, found additional information is needed to more fully reflect the status of the workforce planning initiative and related challenges. For example:

- in the January, March, May and July 2018 HRstat submissions, IRS 1) reported a status of green (on schedule) for "Increased efforts for development of long-term IRS workforce staffing plan", and 2) indicated under Key Issues/Challenges that completing the initiative was dependent on ITM deployment;
- in the July 2018 HRstat submission, IRS moved several milestones to future fiscal years, and identified ITM delays as a significant risk to the workforce planning initiative schedule;

²⁵5 C.F.R. § 250.207.

²⁶GAO, *Federal Workforce: OPM and Agencies Need to Strengthen Efforts to Identify and Close Mission-Critical Skills Gaps*, [GAO-15-223](#) (Washington, D.C.: Jan. 30, 2015).

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- in the September 2018 HRstat submission, IRS reported the status of the workforce planning initiative was no longer on schedule. The report identified ITM delays as the cause, but did not include other reasons for the delay, specifically the redirection of resources to Tax Cuts and Jobs Act implementation and a lack of strategic workforce planning skills within HCO.

Federal strategic human capital standards state agencies are to communicate in an open and transparent manner to facilitate cross-agency collaboration to achieve mission objectives.²⁷ In addition, agency leaders should hold managers accountable for knowing the progress being made in achieving goals and, if progress is insufficient, understand why and having a plan for improvement.²⁸ More complete HRStat information could help IRS and Treasury take fuller advantage of a key opportunity to discuss and address workforce planning initiative delays at Human Capital Advisory Council meetings.

IRS is Not Fully Addressing Skills Gaps in Its Workforce

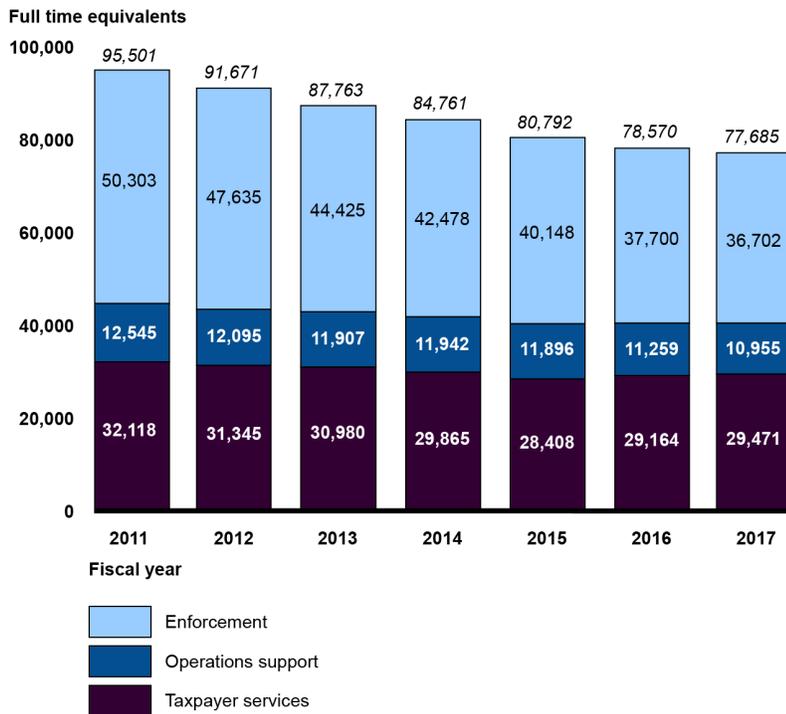
Strict Hiring Limits Contributed to Annual Declines in IRS Full-Time Equivalent Since 2011

IRS full-time equivalents (FTE) have declined each year since 2011, and declines have been uneven across different mission areas (see figure 5). From fiscal years 2011 through 2017, IRS FTEs declined from 95,501 to an estimated 77,685, an 18.7 percent reduction. Our analysis of the President's Budget data produced by OMB found the reductions have been most significant within IRS Enforcement, where staffing declined by 27 percent (fiscal years 2011 through 2017). In comparison, staff supporting Taxpayer Service activities declined by 8.2 percent, while staff within Operations Support declined by 12.7 percent (fiscal years 2011 through 2017.) IRS estimated FTEs would continue to decline across the three areas in fiscal year 2018.

²⁷5 C.F.R. § 250.203.

²⁸GAO, *Managing For Results: Data-Driven Performance Reviews Show Promise But Agencies Should Explore How to Involve Other Relevant Agencies*, [GAO-13-228](#) (Washington, D.C.: Feb. 27, 2013).

Figure 5: IRS FTEs, Fiscal Years 2011-2017



Source: GAO analysis of Office of Management and Budget data. | GAO-19-176

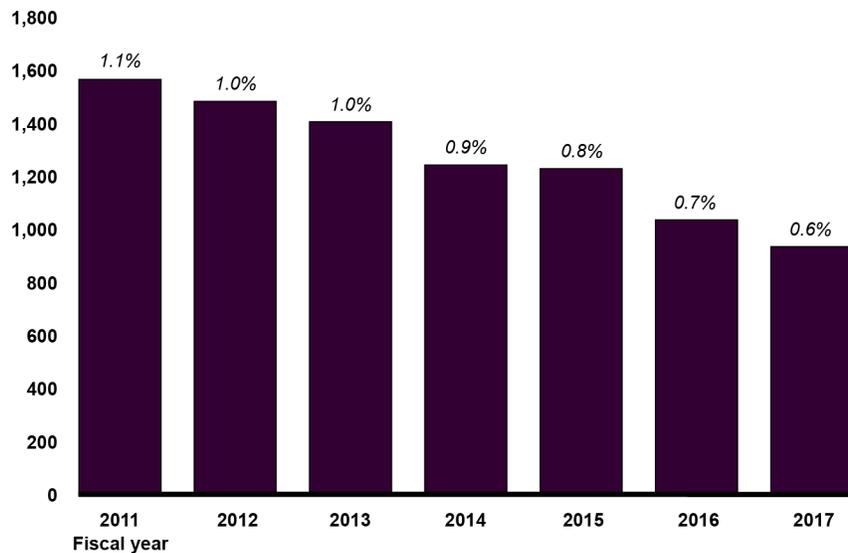
IRS attributed staffing declines primarily to a policy decision to strictly limit hiring. According to IRS, declining budgets over multiple years necessitated decisions for how to reduce and control labor and labor-related costs, which accounted for around 74 percent of its budget allocations in fiscal year 2017. One way IRS sought to control costs was its decision to implement the Exception Hiring Process beginning in fiscal year 2011. The process effectively froze replacement of employees lost to attrition in most program areas, placed limits on external (nonseasonal) hiring, added additional approval steps for new hires, and placed priority on acquiring information technology and cybersecurity staff, according to IRS officials. The Exception Hiring Process remains in place, but as we discuss later, has evolved over time because IRS has received supplemental funding and other priority areas have emerged. IRS also limited overtime and training as a means of controlling costs.

Declining Staffing Contributed to IRS Decisions to Scale Back Enforcement Activities

Available staff was a key factor in decisions to scale back a number of program activities, most predominantly in enforcement, according to IRS officials. IRS officials told us that, unlike other areas where the agency is legally required to perform certain functions, the agency has flexibility to curtail many enforcement activities when attrition rates increase. Auditing tax returns, for example, is a critical part of IRS's strategy to ensure tax compliance and address the tax gap, or the difference between taxes owed and those paid on time. Our analysis of IRS data shows the number of individual returns audited has declined each year between fiscal years 2011 through 2017, a 40 percent decline (see figure 6).

Figure 6: IRS Individual Return Audits (Examinations) and Audit Rates, Fiscal Years 2011 through 2017

Number of individual returns examined (in thousands)



Source: GAO analysis of IRS Data Book data. | GAO-19-176

Note: The annual percentage of individual returns audited (audit rate) is displayed above each bar.

Reduced audit rates were not limited to individual returns. IRS data show that audit rates of large corporations with assets \$10 million or greater declined from 17.7 percent in fiscal year 2011 to 7.9 percent in fiscal year 2017.

We have previously reported on other areas in which staffing declines affected IRS operations, including fewer nonfiler investigations, private

letter rulings, elimination of a bankruptcy program, and increases in the time needed to close innocent spouse appeals.²⁹ In addition, we have made recommendations to IRS to better target its limited enforcement resources so it can, for example, 1) maximize revenue yield of the income tax, and 2) more effectively audit large partnerships. IRS agreed with the recommendations and took some action to close them. As of October and July 2018, respectively, those recommendations have not been fully addressed.³⁰

IRS Has Skills Gaps in Key Occupations

As previously discussed, IRS is in the initial stages of implementing a strategic workforce planning model, which could provide IRS with information needed to understand what critical skills and competencies are needed to meet its mission. However, according to IRS officials, the agency has not used such a framework in recent years, making it difficult to determine where skills gaps exist.

Nonetheless, our analysis of Treasury documents, Enterprise Human Resources Integration data, and interviews with agency officials found IRS currently has skills gaps in key occupations. In fiscal year 2017, Treasury conducted a department-wide analysis of mission critical occupations (MCO) at risk of skills gaps. Treasury analyzed four factors to determine and rank MCOs at highest risk for skills gaps: 1) 2-year

²⁹For more information on nonfiler investigations, private letter rulings, and the bankruptcy program, see GAO, *IRS 2016 Budget: IRS Is Scaling Back Activities and Using Budget Flexibilities to Absorb Funding Cuts*, [GAO-15-624](#) (Washington, D.C.: June 24, 2015). For more information on innocent spouse appeals, see GAO, *Tax Administration: Opportunities Exist to Improve Monitoring and Transparency of Appeal Resolution Timeliness*, [GAO-18-659](#) (Washington, D.C.: Sept. 21, 2018).

³⁰See GAO, *Large Partnerships: With Growing Number of Partnerships, IRS Needs to Improve Audit Efficiency*, [GAO-14-732](#) (Washington, D.C.: Sept. 18, 2014); and *Tax Gap: IRS Could Significantly Increase Revenues by Better Targeting Enforcement Resources*, [GAO-13-151](#) (Washington, D.C.: Dec. 5, 2012).

retention rate, 2) quit rate, 3) retirement rate, and 4) applicant quality.³¹ Analysis of these factors can help build the predictive capacity of agencies to identify mission critical skills gaps as they emerge.³² The following are the MCOs relevant to IRS that Treasury determined to be at medium or moderate risk for skills gaps, in order of risk:

- financial analyst,
- human resources specialist,
- revenue officer,
- tax specialist,
- contact representative,
- tax examiner,
- financial administration,
- economist,
- revenue agent,
- IT specialist, and
- tax law specialist.

In light of staff attrition since 2011, particularly within enforcement occupations, we selected tax examiners and revenue officers to demonstrate how IRS has implemented strategies, policies, and processes for identifying and addressing skills gaps, and to identify critical instances where those efforts have affected IRS's ability to identify and close critical skills gaps.

³¹Treasury used a Multi-Factor Model to gain a common understanding of the gaps associated with the workforce. The model is a standardized, data-driven approach that is comprised of four factors that use government-wide comparable data as well as occupation-specific data. The 2-year retention rate is calculated based on the total number of days spent on board within a 2-year period. The quit rate is calculated by comparing the year-end onboard number of employees with the number of all quits during the same period. Quits include voluntary resignations and separations by the agency if an employee declines a new position or relocation. The retirement rate is calculated by comparing the year-end onboard number of employees with the number of all retirements during the same time period. Applicant quality is calculated by looking at the average manager score on a specific question: "Applicants referred had the skills to perform the job." This question is based on a 10-point scale and is a part of the Chief Human Capital Officer Council's Manager Satisfaction Survey.

³²[GAO-15-223](#).

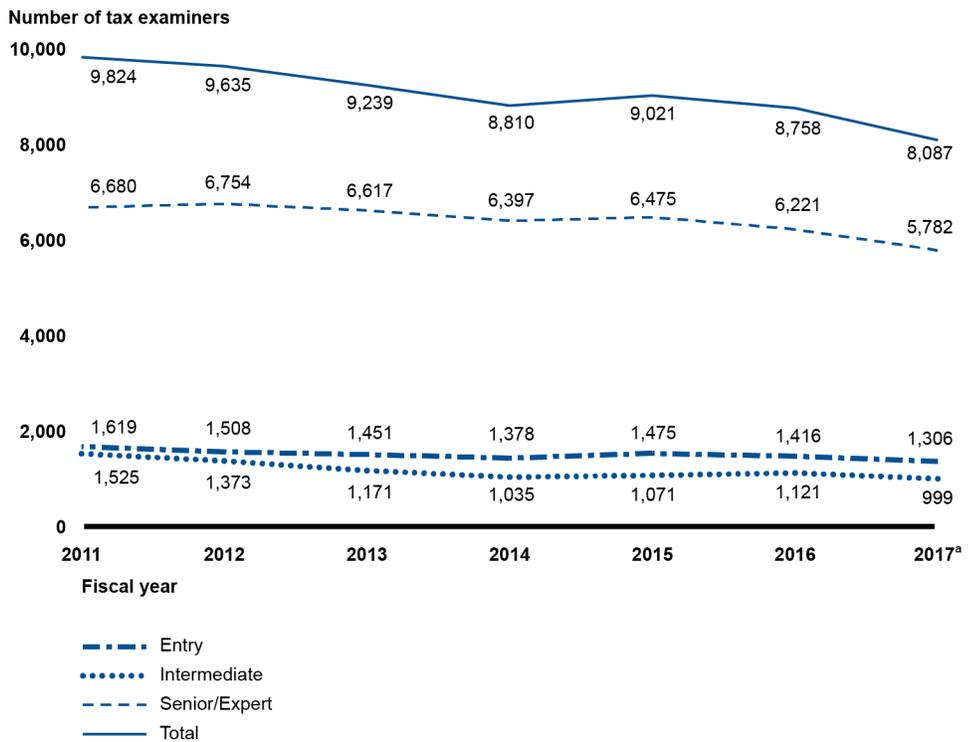
Tax Examiners

Tax examiners are responsible for responding to taxpayer's inquiries regarding preparation of a variety of tax returns, related schedules and other documentation; resolving account inquiries; advising taxpayers of enforcement actions; and managing sensitive case problems designated as requiring special case handling. In addition, tax examiners analyze and resolve tax-processing problems; adjust taxpayer accounts; prepare and issue manual refunds; and compute tax, penalty, and interest.

IRS documents note that the level of supervision, complexity, contacts, and the scope of assigned workload varies for tax examiners across performance levels. At the entry level, tax examiners are responsible for receiving and initiating contacts with taxpayers to gather information and resolve issues, and to gain compliance with laws and regulations while dealing with taxpayers that may be evasive under sensitive situations. At the intermediate level, tax examiners are responsible for handling a wide variety of the most difficult or sensitive tax processing problems. Their work products affect the taxpayer's filing status and tax liability for current, prior, and future reporting requirements. At the senior—or expert—level, tax examiners serve as a work leader over employees engaged in accomplishing tax examining work, as well as perform a full range of examination duties that include adjusting tax, penalty, and interest on taxpayers' accounts and closing cases.

Our analysis of OPM data found that, from fiscal years 2011 through 2017, the agency lost 18 percent of its total tax examiner workforce (see figure 7). Additionally, the number of tax examiners in the intermediate level declined by 34 percent during that same period. IRS officials told us replacing tax examiners is particularly difficult not only because of the general hiring restrictions affecting the entire IRS, but also because of the significant amount of specialized expertise that must be developed to perform in a specific area of tax law.

Figure 7: Tax Examiners on Board, by Skill Level, Fiscal Years 2011-2017



Source: GAO analysis of Office of Personnel Management data. | GAO-19-176

According to IRS officials, in 2018 and in response to declining tax examiner personnel, IRS doubled the dollar amount thresholds tax examiners use to select refunds for additional audit. IRS officials told us this means thousands of refunds that would have received additional scrutiny due to errors or anomalies are no longer considered for follow-up review by tax examiners, and the government is potentially missing significant opportunities to collect revenue and enforce tax laws.

Three of the four business divisions within IRS identified skill gaps among its tax examiners.

- Large Business and International (LB&I).** According to LB&I officials, long-term vulnerability with their tax examiners is a major concern, in part because LB&I has been unable to replenish its tax examiner workforce given external hiring constraints and internal promotion concerns (i.e., internal promotions can leave staffing gaps at the lower ranks putting them at risk for skills gaps). According to

LB&I officials, having fewer tax examiners—specifically fewer tax examiners in key geographic locations—is affecting its mission. For example, LB&I reviews tax returns of foreign nationals and overseas taxpayers, which are predominantly paper-based returns and have to be processed manually. LB&I officials told us manual paper return processing is time intensive and, with fewer tax examiners, puts IRS at greater risk of having to pay interest to taxpayers for withholding refunds due to processing delays.

- **Small Business/Self-Employed (SB/SE).** According to SB/SE officials, gaps among tax examiners are evident and, as a result, SB/SE has reduced work plans and increased the use of overtime. Within SB/SE’s Campus Exam/Automated Underreporter program, officials identified staffing gaps that they attributed to the general inability to hire behind attrition. According to SB/SE officials, as managers and lead vacancies arise, tax examiners are often detailed to fill the positions, which reduce the number of tax examiners available to perform the work.
- **Wage and Investment (W&I).** According to W&I officials, they have identified tax examiner skills gaps within their Accounts Management, Submission Processing, and Return Integrity and Compliance Services programs. To address identified skills gaps within W&I, officials said they conduct annual Strategic Hiring Summits bringing together stakeholders and business partners to jointly address filing season staffing needs, staffing barriers and gaps, and hiring lessons learned from prior filing seasons. According to W&I officials, these efforts continue to improve their targeted hiring and timeliness of its onboarding efforts. Other strategies that W&I plans to implement are to bring in tax examiners earlier and provide them with the full spectrum of training upfront rather than spreading the training out over months or years. Additionally, they said tax examiners are going to be cross trained on multiple types of inventory to increase their skills and to address inventory backlogs.

Revenue Officers

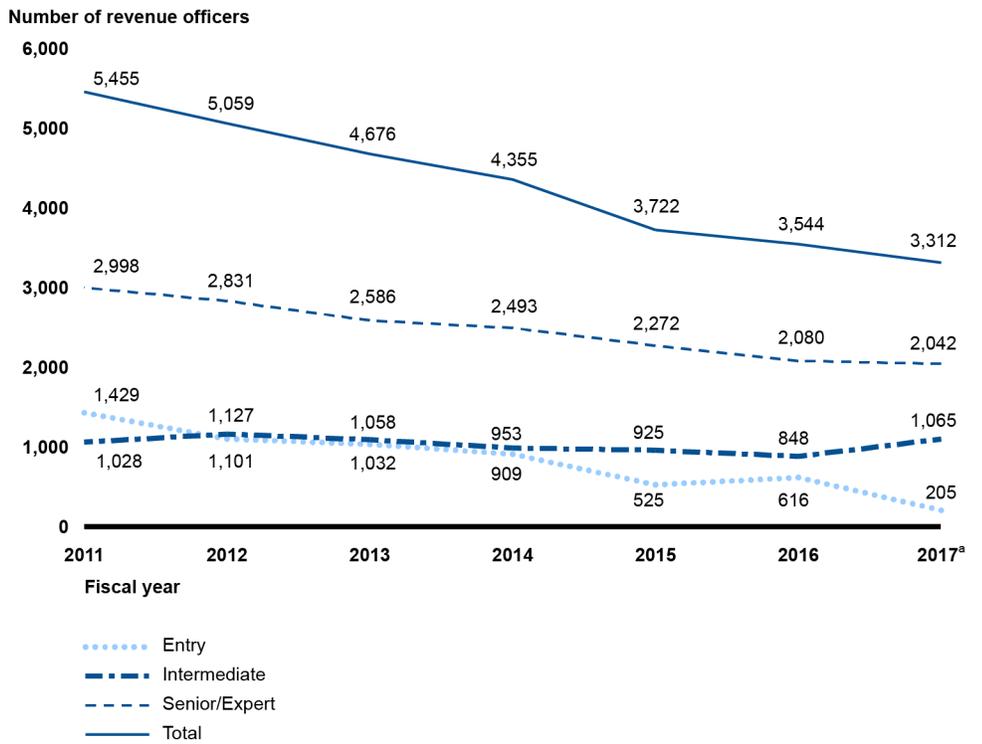
Revenue officers are IRS civil enforcement employees who are trained to conduct face-to-face contact with business and individual taxpayers who have not resolved their tax obligations in response to prior correspondence or contact. The role of revenue officers involves explaining to taxpayers why they are not in compliance, advising them of their financial obligation, and when necessary, taking appropriate enforcement action. According to IRS, the goal is voluntary taxpayer compliance through payment arrangements or compromises. However, for taxpayers that remain noncompliant, revenue officers are trained to take civil enforcement actions, such as filing a notice of lien to protect the

government's interest, including and up to seizing personal and business property.

According to IRS officials, it takes 4 to 5 years to train a new hire to become an experienced senior or expert revenue officer. The senior or expert levels are of particular importance to IRS's enforcement efforts. An internal IRS study completed in June 2018 found that 84 percent of all successful fraud referrals came from revenue officers at the senior/expert skill level. Senior revenue officers also serve as classroom instructors and perform on-the-job training of intermediate and entry-level staff. According to IRS officials, this additional responsibility directly affects senior revenue officers' ability to work fraud cases.

Our analysis of OPM data shows that the total number of revenue officers at IRS declined by nearly 40 percent from fiscal years 2011 through 2017, and entry-level revenue officers declined by 86 percent during that same period (see figure 8). IRS officials told us the declines were due to a combination of attrition, limited hiring, and promotions.

Figure 8: Revenue Officers on Board, by Skill Level, Fiscal Years 2011-2017



Source: GAO analysis of Office of Personnel Management data. | GAO-19-176

IRS decided to scale back nonfiler investigations in light of declining staffing, according to IRS officials. We reported in tax year 2010 that IRS started 3.5 million individual nonfiler cases and 4.3 million business nonfiler cases.³³ In tax year 2014, nonfiler cases dropped to 2 million for individuals and 1.8 million for businesses, a reduction of 43 percent and 58 percent, respectively.³⁴ More recently in fiscal year 2018, IRS data show nonfiler investigations declined to 0.8 million for individuals and 0.4 million for businesses.

³³ GAO-15-624.

³⁴ Ibid.

IRS Collaborated with OPM and Treasury to Address Skills Gaps among Revenue Agents

Since we designated addressing agencies' mission critical occupation skills gaps as a high-risk area in 2011, OPM and agencies have launched a number of initiatives to close skills gaps. For example, in 2011, OPM and the Chief Human Capital Officer Council established an interagency working group to identify mission critical occupations (MCO) at high risk for skills gaps. The working group, also known as the Federal Agency Skills Team (FAST), identified skills gaps in six government-wide occupations, such as cybersecurity, human resources (HR) specialists, and acquisition. The FAST also identified agency-specific MCOs at high risk for skills gaps, which included IRS revenue agents. Subsequently, Treasury was designated leader of a FAST subteam to develop a plan for closing skills gaps among revenue agents. Treasury convened a group of revenue agents from each of IRS's business divisions, IRS human resource specialists with workforce planning expertise, and members of IRS's training group. Table 1 shows the process the subteam used to identify and address the causes of revenue agent skills gaps.

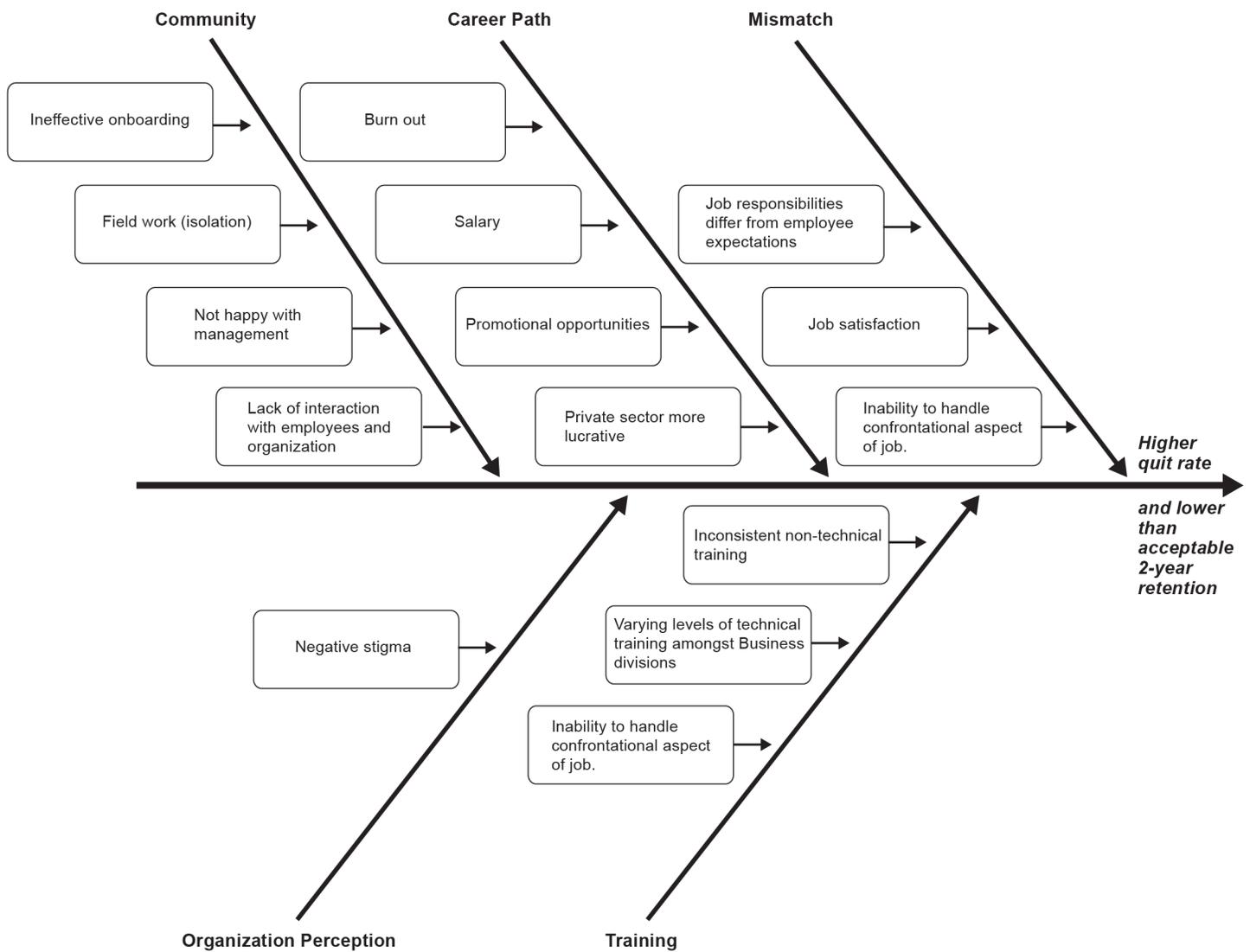
Table 1: FAST Root Cause Analysis Process – Skills Gaps among Revenue Agents

Process Step	Results
Analyze human capital trends to determine the most significant reasons for the skills gap	<ul style="list-style-type: none"> Higher than acceptable quit rate Lower than acceptable 2-year retention rate
Establish a team to develop a strategy to address the skills gap	<ul style="list-style-type: none"> Workforce planning specialists Senior revenue agents from each of IRS's business operating divisions
Identify the potential causes of the skills gap (see figure 9)	<p>Higher than acceptable quit rate</p> <ul style="list-style-type: none"> Job-related stress Office morale <p>Lower than acceptable 2-year retention rate</p> <ul style="list-style-type: none"> Access to developmental opportunities Pay level in relations to job responsibilities and performance Office morale Ability to participate in decision-making Job-related stress
Validate causes through data analysis	<p>Validated causes using:</p> <ul style="list-style-type: none"> Exit interview surveys Federal Employment Viewpoint Survey results Workforce data related to retirement and attrition Other IRS retention study data
Gather consensus on improvements needed to address skills gaps	<ul style="list-style-type: none"> Access to developmental opportunities Ability to participate in decision-making
Develop strategies to address MCO skills gaps	<ul style="list-style-type: none"> Issued "IRS Closing Skills Gaps Action Plan and Report"

Source: GAO analysis of IRS FAST report. | GAO-19-176

The FAST brainstormed potential causes for skills gaps among revenue agents (see figure 9). According to FAST documents, this process helped the team understand the range of contributing factors that led to lower than acceptable 2-year retention rates and a high quit rate among revenue agents.

Figure 9: Potential Causes FAST Considered for Skills Gaps among Revenue Agents



Source: Department of Treasury, Federal Agency Skills Team: Revenue Agents. | GAO-19-176

Now that FAST identified the potential causes for the two indicators, Treasury officials told us IRS is responsible for developing and implementing strategies to close skills gaps among its revenue agents and reporting on its progress. According to IRS documents, as of July 2018, the agency established communications with revenue agents to increase awareness about detail and developmental opportunities that are posted on IRS's Service-wide Detail Opportunities web page, and is developing a plan for more effectively including revenue agents in management training.³⁵ Related IRS performance measures show that posted detail opportunities for revenue agents have increased from 24 in fiscal year 2016 to 69 in fiscal year 2018.

IRS's HCO Provides Services to Help Address Skills Gaps, but Does Not Have the Capacity to Fully Meet Needs

For a limited number of mission critical occupations, HCO provides support to business divisions and program offices that need help addressing workforce capacity concerns. For example, HCO conducts competency assessments when a business division or program is seeking to identify the top candidates for hire or promotion. Determining critical competencies can help agencies effectively meet demographic, technological, and other forces that are challenging government agencies to change activities they perform and the goals that they must achieve, how they do their business, and even who does the government's business.³⁶ HCO also conducts skills assessments when a division or program office needs to determine the skill level of their existing employees for the purposes of training, hiring, retention, or staffing decisions. Agencies can use both competency and skills assessments to help identify and address skills gaps.

For competency assessments, HCO officials told us they develop annual work plans that prioritize assessment scheduling for certain occupations based on factors including available funding, business division, or program office staff availability to assist HCO with subject matter expertise, and the age of the competency model or assessment. For example, in 2017, HCO supported a competency assessment for special agents within its Criminal Investigations (CI) division. CI special agents are forensic accountants searching for evidence of criminal conduct. HCO

³⁵A detail is the temporary assignment of an employee to a different position or set of duties for a specified period when the employee is expected to return to his/her regular duties at the end of the assignment.

³⁶[GAO-04-39](#).

officials told us competency assessments for special agents are a priority due to rapidly evolving sophistication of schemes to defraud the government and increasing use of automated financial records. IRS used information resulting from the competency assessment to revamp the special agent hiring process. According to HCO officials, results from the competency assessment have helped IRS reduce the cost and time to assess applicants while improving the overall candidate pool.

Skills assessments supported by HCO have been used in some limited cases to help IRS identify and address skills gaps among certain MCOs. According to HCO officials, they provide skills assessments upon request by a business division and program office, assuming personnel and funding resources are available. IRS business divisions or program offices cover costs associated with large-scale assessments where contractor support is needed to supplement HCO's staff. Skills assessments among occupations with smaller populations usually do not incur costs to the divisions. HCO has supported requested skills assessments of information technology specialists, revenue agents, and human resources specialists in recent years. IRS documents show these assessments were used in part to identify and address skills gaps within these occupations.

Unlike competency assessments, however, IRS does not create a work plan or otherwise prioritize skills assessments to address those occupations most in need. As discussed above, Treasury has identified MCOs at moderate to high risk for skills gaps, yet skills assessments have not addressed all the occupations identified as highest risk. Leading practices in strategic workforce management state that agencies should determine the critical skills and competencies its workforce needs to achieve current and future agency goals and missions, and identify gaps, including those that training and development strategies can help address.³⁷ A work plan for addressing skills gaps could help IRS remediate gaps on a timely basis. Without a plan, IRS risks having to continue scaling back mission-critical activities as it has done in recent years.

³⁷For more information on best and leading practices in strategic human capital management, see https://www.gao.gov/key_issues/leading_practices_in_human_capital_management/issue_summary.

IRS Faces Challenges in Its Ability to Hire Key Employees

HCO Has Limited Staffing Capacity to Hire New Employees

As previously discussed, Treasury found IRS is at risk of skills gaps among its mission critical occupations, including its HR specialists. In light of related agency-wide hiring limits, IRS offered early retirement incentives for eligible hiring specialists and did not backfill other specialists when they left the agency. HCO has lost more than half of its hiring specialists since 2011. According to HCO, the hiring skills of remaining specialists atrophied as those specialists were redirected to other priority HR areas.

Many of HCO's hiring and other HR responsibilities, however, have remained constant or increased. For example, in fiscal year 2017, IRS hired around 6,700 seasonal employees to assist with the filing season and HCO expects that number to increase in future fiscal years. HCO officials told us the pace of internal hiring (i.e., promotions) remained constant over the past several years. IRS has recently prioritized hiring to address information technology and cybersecurity areas, as well as implementation of the Tax Cuts and Jobs Act. As a result of the combination of fewer hiring specialists and new hiring requirements, HCO officials said its capacity to hire and carry out other important human capital and HR functions is highly strained.

In 2018, HCO identified improving hiring capacity as its top priority and is exploring a variety of options, including:

- **HCO surge contracting:** Contractors will be used in locations across the employment offices to assist with hiring and personnel security.
- **Leverage Administrative Resource Center (ARC) services.** ARC is part of Treasury and provides administrative services, including HR support for various federal agencies. HCO engaged ARC in May 2018 to assist with developing hiring qualifications.
- **OPM shared services.** IRS is exploring use of OPM shared services for help in the hiring process.
- **Business-based HR teams:** Teams within the divisions have been given authority to post internal merit promotion supervisory vacancy announcements, which will reduce HCO's workload for this function.

HCO will retain responsibility for building positions, setting pay, and processing personnel actions, and will provide a dedicated point of contact for questions and quality review.

- **Federal Executive Board team:** A group of Interagency Agreement detailees supported by Wage and Investment (W&I) to work W&I vacancy announcement backlogs. IRS officials told us that, as of November 2018, this option had not been successful.
- **HCO interagency detail opportunity:** Employees detailed from other federal agencies into HR positions throughout HCO using interagency agreements.

HCO officials told us they are generally monitoring the status of these activities, but cited competing priorities as a reason they have not determined how each activity will be evaluated in achieving increased hiring capacity and associated outcomes. Periodic measurement of an agency's progress toward human capital goals and the extent that human capital activities contributed to achieving programmatic goals provides information for effective oversight by identifying performance shortfalls and appropriate corrective actions.³⁸ Without a means for gauging the relative success of its capacity-building activities, IRS risks spending its limited HCO resources on activities that may not help the agency meet its desired hiring outcomes.

IRS Has Identified Hiring Risks Related to Tax Cuts and Jobs Act Implementation

IRS established a risk register as part of efforts to identify, prioritize, and mitigate risks to IRS's implementation of the Tax Cuts and Jobs Act, including a number of risks related to its ability to hire. A risk register is used to identify the source of risks, owners to manage the treatment of those risks, and track the success of risk mitigation strategies over time. Risk registers or other comprehensive risk reports are an essential element of a successful enterprise risk management program.

The risk register shows that a lack of strategic workforce planning in recent years is contributing to a number of risks IRS has faced in implementing the Tax Cuts and Jobs Act. For example:

- Large Business and International (LB&I) is having difficulty hiring senior advisors needed to develop training and compliance strategies. The risk register indicates mitigation efforts in this area, such as

³⁸[GAO-04-39](#).

extending detail opportunities, have failed and there are potential major impacts to the program. According to LB&I officials, staffing declines in related skills prior to the Tax Cuts and Jobs Act have exacerbated difficulties in this area.

- Business units have been unable to identify critical hiring needs for the Tax Cuts and Jobs Act. As of October 2018, HCO is coordinating with business units to help determine hiring needs so that it can prioritize agency hiring efforts.
- In a related risk, IRS determined the lack of personnel and resources within W&I may hinder its ability to identify hiring needs for the fiscal year 2019 filing season. According to IRS, “the [2019] filing season may be impacted by significant resource constraints largely due to onboarding concerns, resulting in lost revenue, increased cost, and significant reputational impact to the IRS.” As of October 2018, IRS stated it has completed necessary hiring plans and determined this risk has minimal to no impact to IRS’s ability to carry out the upcoming filing season.

Table 2 shows additional examples of risks related to hiring identified by IRS, steps the agency is taking to mitigate those risks, and the status as of October 2018.

Table 2: Examples of Hiring Risks IRS Identified in Its Implementation of the Tax Cut and Jobs Act, Mitigation Activities, and Status as of October 2018

Risk description	Mitigation Activities and Status
Background check delays for Information Technology contractors	Background investigations are being expedited by the IRS HCO. HCO Personnel Security had on boarded approximately 40 new staff and additional contract support to assist with background investigations.
Information technology hiring	The Office of Personnel Management approved the direct hire request in August 2018. IRS referred applicants to the information technology program offices and extended job offers. IRS has determined direct hire authority has successfully helped mitigate the risk and subsequently lowered the risk level.
Insufficient hiring resources	IRS awarded contract for hiring support in June 2018. IRS approved HCO to hire additional human resources specialists to assist with hiring.
Insufficient resources in Small Business Self Employed (SB/SE) to implement 29 provisions of the Tax Cuts and Jobs Act. There are at least four new SB/SE provisions requiring a range of implementation activities including creation of new tax forms, instructions to significant published guidance, and internal/external training and communication.	SB/SE received approval to permanently reassign a manager to help implement these provisions. As of September 2018, IRS considers risk mitigation strategies in this area to be on track and there is minimal impact to no impact on the program.

Source: GAO analysis of IRS Documents. | GAO-19-176

Note: The mitigation activities in this table are not comprehensive of all activities IRS reports taking in its risk register.

In September 2018, the Treasury Inspector General for Tax Administration (TIGTA) reviewed IRS's information technology readiness for implementing Tax Cuts and Jobs Act. TIGTA reported IRS used standard position descriptions for hiring efforts and had not defined specific knowledge, skills, abilities, and other requirements necessary for positions it expects to hire for Tax Cuts and Jobs Act implementation, and/or back-filling existing positions due to personnel performing related activities. We did not review position descriptions for the purposes of this report. However, as previously discussed, without information about what skills and skills gaps exist across the agency, IRS lacks important information needed to inform hiring and training resource decisions.

Changes to IRS's Hiring Process Have Contributed to Hiring Delays

It can take a year or longer from the time when a supervisor notifies his or her division of a staffing need to the time the employee is on board, according to IRS documents and our interviews. HCO officials attributed much of this time to gathering required information and approvals associated with IRS's "Exception Hiring Process."

In fiscal year 2011, IRS instituted the process in part to help the agency prioritize hiring decisions in a highly constrained budget environment. The Exception Hiring Process added approval layers to IRS's regular hiring requirements, including direct approval from the Deputy Commissioner for Operations Support, the Deputy Commissioner for Services and Enforcement, or the Chief of Staff for direct reports to the Commissioner. Also as part of this process, the Chief Financial Officer performs a cost assessment to determine the affordability of any requested new hire, and HCO determines if multiple hiring requests can be consolidated into a smaller number of positions.

Our review of IRS budget operating guidance and interviews found Exception Hiring Process requirements have changed over time. Initially in 2011, every new hire was subject to the Exception Hiring Process. Since 2011, hiring requirements have eased in some circumstances. For example, in 2014, business division directors were given authority to approve internal hires (i.e., promotions) within their own business division. More recently, new hires in cybersecurity, information technology, or those needed to implement the Tax Cuts and Jobs Act were not subject to the same requirements as hiring requests in other occupations.

According to HCO officials, easing hiring requirements in certain circumstances was necessary to help the agency bring on critical hires more quickly. However, based on their interactions with managers in the

business divisions, HCO officials said the evolving and nonuniform Exception Hiring Process requirements has been confusing to managers requesting new hires. Business divisions and program offices often submitted hiring requests without required information or approvals. This has resulted in hiring delays, according to HCO officials. HCO officials told us that issuing clearer guidance to business managers would help ensure business divisions submit hiring requests that are complete, which would reduce the risk of hiring delays.

Conclusions

In light of declining resources and increasing requirements, IRS is taking the initial steps to reinstate a strategic approach to workforce planning that the agency scaled back in recent years. IRS has recently provided its HCO with authority to lead and coordinate agency-wide strategic workforce planning efforts. However, full implementation of an IRS initiative to conduct agency-wide strategic workforce planning has been put on hold as other activities have taken priority, and a key workforce planning system being developed by Treasury has been delayed. As a result, these efforts remain fragmented, and IRS lacks an inventory of its current workforce, has neither developed the competency and staffing requirements nor conducted agency-wide activities associated with analyzing the workforce to identify skills gaps, or developed strategies to address skills gaps. Additionally, IRS could improve reporting of its progress in addressing skills gaps. This critical information will help provide assurance that its fragmented human capital activities are well managed or that resources are being effectively allocated.

High attrition among IRS employees, particularly in complex enforcement occupations and lower-than-average employee satisfaction rates, puts IRS at continued risk of skills gaps. These skills gaps have already been a significant contributor to IRS's decisions to scale back important enforcement activities that are critical to promoting voluntary compliance and closing the tax gap. However, IRS has not targeted its limited resources to addressing issues among the mission critical occupations most at risk of skills gaps. Instead, activities such as skills gaps assessments are only conducted to the extent business divisions and program offices make resources available, and management is aware of and inclined to seek assistance from IRS's HCO. Reporting on the results of efforts to close skills gap and developing a work plan or other mechanism for prioritizing assessments would better position IRS to address key gaps. Additionally, the results of an interagency working group effort 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 among mission critical occupations at IRS.

Each of these issues is exacerbated by limited capacity within HCO, which has redirected its resources to implementing the Tax Cuts and Jobs Act and meeting other routine transactional human resource requirements. HCO is leveraging a range of activities intended to help the agency meet immediate hiring needs. Measuring the extent to which each of activities is effective would help HCO target resources to the most effective activities as it seeks to improve its capacity for hiring employees in hard to fill positions in the future. In addition, issuing clear guidance on hiring request requirements would better position IRS to avoid hiring delays for mission-critical occupations.

Recommendations for Executive Action

We are making seven recommendations, six to IRS and one to Treasury. Specifically:

The Commissioner of the IRS should fully implement the workforce planning initiative, including taking the following actions: (1) conducting enterprise strategy and planning, (2) conducting workforce analysis, (3) creating a workforce plan, (4) implementing the workforce plan, and (5) monitoring and evaluating the results. (Recommendation 1)

The Secretary of the Treasury should issue clarifying guidance to IRS about the Integrated Talent Management system, including when the workforce planning and talent management modules will be deployed and available for IRS's use, the functions it will include, and how IRS's existing systems and processes within business divisions and program offices will be affected. (Recommendation 2)

The Commissioner of IRS should ensure the Human Capital Officer improves reporting for its workforce planning initiative in its bi-monthly HRstat information submissions to Treasury. The submissions should include the original implementation schedule, changes to the original schedule, delays in implementation and each of their causes, and IRS's strategy to address the causes of those delays. (Recommendation 3)

The Commissioner of IRS should ensure the Human Capital Officer and Deputy Commissioner for Services and Enforcement report the results of efforts to close skills gaps among revenue agents, including lessons learned, that may help inform strategies for conducting skills gap

assessment efforts for other mission critical occupations.
(Recommendation 4)

The Commissioner of IRS should ensure the Human Capital Officer and Deputy Commissioner for Services and Enforcement collaborate to develop a work plan or other mechanism that prioritizes and schedules skills assessments for mission critical occupations at highest risk of skills gaps, such as those identified by Treasury or where key activities have been scaled back, for the purposes of developing a strategy to close the gaps. (Recommendation 5)

The Commissioner of IRS should direct the Human Capital Officer to measure the extent to which each of its activities for improving hiring capacity are effective in producing desired hiring capacity outcomes, including strategies used to mitigate hiring risks associated with Tax Cuts and Jobs Act implementation hiring. (Recommendation 6)

The Commissioner of IRS should direct the Human Capital Officer and Chief Financial Officer to issue clarifying guidance on the current Exception Hiring Process, including clarifying areas where hiring limitations that were used in previous years are no longer applicable. (Recommendation 7)

Agency Comments and Our Evaluation

We provided a draft of this report to the Commissioner of the Internal Revenue Service, the Secretary of the Treasury, and the Acting Director of the Office of Personnel Management for review and comment. In a letter from IRS's Deputy Commissioner for Operations Support, reproduced in appendix II, IRS agreed with our six recommendations directed to it. The letter states there is room for improvement in implementing its strategic workforce plan and the associated workforce planning initiative, and IRS will provide a detailed corrective action plan in their 180-day response to Congress. IRS also provided technical comments, which we incorporated as appropriate.

For Treasury, the Acting Director, Human Capital Strategic Management, the Office of the Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer, emailed comments stating Treasury agreed with the one recommendation directed to it. In the comments, Treasury wrote, "the [Deputy Assistant Secretary for Human Resources and Chief Human Capital Officer] will continue to provide guidance, policy and direction on how the ITM is used to meet Workforce Planning objectives." Treasury provided technical comments on the recommendation directed

to it, and we revised the recommendation as appropriate to recognize that bureaus, not Treasury, implement the ITM.

OPM did not have comments.

We are sending copies of this report to interested congressional committees, the Commissioner of IRS, the Secretary of the Treasury, and other interested parties. This report will also be available at no charge on our website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512- 9110 or McTigueJ@gao.gov. Contact points for our offices of Congressional Relations and Public Affairs are on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "James R. McTigue, Jr." with a stylized flourish at the end.

James R. McTigue, Jr.
Director, Tax Issues
Strategic Issues

Appendix I: Objectives, Scope, and Methodology

You asked us to review the Internal Revenue Service's (IRS) enterprise-wide strategic workforce planning efforts. In this report, we assess (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 describe 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.

For our first objective, to determine how IRS defines its workforce needs, we conducted a review of IRS's implementation of its strategic workforce planning process. We compared IRS's strategic workforce planning guidance, policies, and procedures, as well as the Department of the Treasury's (Treasury) guidance and policies to (1) Office of Personnel Management (OPM) regulations and guidance on strategic workforce planning, (2) our reports on key principles for effective strategic workforce planning, and (3) standards for internal controls.¹ To describe how IRS workforce planning process aligns with standards, we reviewed IRS's documentation of its programs, policies, and practices for recruiting, developing, and retaining the staff needed to achieve program goals. We compared that information with requirements articulated in OPM regulations and best practices we has identified. To include prior actions and concerns previously identified as related to IRS's strategic human capital planning, we reviewed our prior relevant reports and those from the Treasury Inspector General for Tax Administration.

We also used several databases to examine IRS's workforce trends. To analyze trends in IRS's full-time equivalent employment, we used the Office of Management and Budget's (OMB) budget database, MAX Information System (MAX), for fiscal years 2011 through 2017.² To analyze employee engagement and employee global satisfaction at IRS, we analyzed IRS results from OPM's fiscal years 2011 through 2017

¹GAO, *Standards for Internal Controls in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014); *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003); *Government Printing Office: Advancing GPO's Transformation Effort through Strategic Human Capital Management*, [GAO-04-85](#) (Washington, D.C.: Oct. 20, 2003); and *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: Mar. 15, 2003).

²OMB's MAX Information System is used to support OMB's federal management and budget processes. OMB uses it to collect, validate, analyze, model, collaborate with agencies on, and publish information relating to its government-wide management and budgeting activities.

Federal Employee Viewpoint Survey (FEVS). To determine retirement eligibility of SES and non-SES IRS staff, we analyzed data in OPM's Enterprise Human Resources Integration (EHRI) database.³ To assess the reliability of EHRI, OMB Max, and FEVS data, we reviewed our past data reliability assessments and conducted electronic testing to evaluate the accuracy and completeness of the data used in our analyses. For EHRI and FEVS, we also interviewed knowledgeable agency officials. We determined the data used from these three systems to be sufficiently reliable for our purposes.

We supplemented our review of documentation by interviewing relevant IRS, Treasury, and OPM officials. We interviewed IRS officials from the Human Capital Office including the Human Capital Officer, Large Business & International (LB&I), Small Business Self Employed (SB/SE), Tax Exempt and Government Entities (TE/GE), and Wage & Investment (W&I) business divisions to understand how IRS assesses its workforce needs and develops strategies for shaping its workforce. We interviewed OPM officials about regulatory requirements and their perspective on strategic human capital planning requirements, as well as their experience working with Treasury and IRS. We met with Treasury and Taxpayer Advocate Service officials to understand their role and responsibilities for coordinating with and providing oversight of IRS activities. We reviewed IRS's practices and related documentation for monitoring and evaluating progress toward human capital goals, including Treasury's HRStat reports.

For objective 2, to assess the extent IRS identified and described critical skills required to meet its goals, in addition to activities performed to address objective 1, we selected a nongeneralizable sample of occupations identified by IRS as mission critical to illustrate how IRS has implemented strategies, policies, and processes for identifying and addressing skills gaps, and to identify critical instances where those efforts have affected IRS's ability to identify and close critical skills gaps. Because IRS's workforce planning efforts are generally conducted by mission critical occupations (MCO), we selected MCOs as our unit of analysis. We excluded MCOs with characteristics that made them unlikely

³EHRI is an Office of Personnel Management (OPM) database used to analyze the federal workforce and support decision-making on human resources issues across the federal government. It contains data on federal employees' occupation series, pay, retirement plan, and other characteristics. Agencies are responsible for regularly submitting their data files to OPM. OPM then loads the data into EHRI.

to yield new or useful information for the purposes of our report. MCOs were excluded from our analysis if they (1) were under review as part of our recent or ongoing work, (2) had small numbers of staff (less than 100), or (3) were assessed by Treasury to be at low risk for skills gaps. The Treasury assessment ranked MCOs in order of risk for skills gaps based on

- 2-year retention rate,
- quit rate,
- retirement rate, and
- applicant quality.

Based on these criteria, we selected revenue officers and tax examiners as occupational case illustrations representing tax enforcement activities. These two occupations, in tandem with discussion of Treasury's efforts to close skills gaps among revenue agents, while not generalizable, provided illustrative examples for this objective. We analyzed IRS's audit rate of individual and corporate returns to show a change in the number of audits for fiscal years 2011 through 2017 based on data reported by IRS in its annual Data Book.

To obtain information to illustrate the current state of the selected MCOs located within the four business divisions, we sent the business divisions a semistructured set of written questions coupled with a request to provide corroborating documents to support their responses. We asked each business division for information about related MCOs, including:

- hiring data and retirement eligibility rates for MCOs;
- skills, competency, or staffing gaps identified among its MCOs; and
- any resource tradeoff decisions made as a result of skills gaps.

To supplement the information we gathered from responses to our written question responses, we also reviewed IRS and Treasury documents for addressing skills gaps for revenue agents that were conducted after we identified mission critical skills gaps as a government-wide high-risk issue in 2011.

For objective 3, to assess the extent IRS's Human Capital Office has the capacity to hire employees in hard to fill positions, we reviewed documentation related to IRS hiring requirements, including the Internal Revenue Manual and policy explaining the Exception Hiring Process. We interviewed division directors from each of IRS's major business divisions

(W&I, LB&I, TE/GE, and SBSE) to understand their hiring experience and impressions of time-to-hire and candidate quality results related to the exception hiring process. We interviewed senior officials responsible for IRS's hiring function. We reviewed documentation related to systems used to process and onboard new hires.

We conducted this performance audit from August 2017 to March 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Internal Revenue Service



DEPUTY COMMISSIONER

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

March 6, 2019

Mr. James R. McTigue, Jr.
Director, Tax Policy and Administration
Strategic Issues Team
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. McTigue:

Thank you for providing the draft report "Strategic Human Capital Management is Needed to Address Serious Risks to IRS's Mission (GAO-19-176, JC #101682). We appreciate the opportunity for the Department of the Treasury and the IRS to review and respond to the draft.

We are pleased that the Government Accountability Office recognizes the important roles that the Department of the Treasury and the IRS plays in tax administration. Key to addressing IRS's challenges is its workforce. Cultivating a well-equipped, diverse, flexible, and engaged workforce requires strategic human capital management. 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.

The Human Capital Office is dedicated to making the IRS an employer of choice and a leader in human capital planning and management. HCO's fundamental role is ensuring the success of every business unit by providing human capital strategies and tools for recruiting, hiring, developing, retaining, and transitioning a highly-skilled and high-performing workforce to support IRS mission accomplishments. Human capital is a critical link to business strategies and organizational success. Within the IRS the term "human capital" represents the philosophy that linking critical human capital assets to business strategies ultimately leads to organizational success, and that HCO employees serve as critical partners in the attainment of the IRS vision.

We appreciate your recommendations and agree that there is always room for improvement in implementing a strategic workforce plan and the associated Workforce Planning initiative. As indicated in the enclosure, we agree with six recommendations

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and are reviewing them carefully. We have referred the second recommendation to the Department of the Treasury for response. We will provide detailed corrective action plans in our 180-day letter response to Congress.

Again, thank you for the report and the valuable feedback. We provided technical comments on the draft separately. If you have questions, please contact me, or a member of your staff may contact Robin D. Bailey, Jr., IRS Human Capital Officer, at 202-317-7600.

Sincerely,



Jeffrey J. Tribiano
Deputy Commissioner for
Operations Support

Enclosure

Enclosure

**GAO Recommendation and the IRS Responses to
Draft Report GAO-19-176 Strategic Human Capital Management is Needed to
Address Serious Risks to IRS's Mission (JC #101682)**

Recommendation:

1. The Commissioner of the IRS should fully implement the Workforce Planning initiative, including taking the following actions: (1) conducting enterprise strategy and planning, (2) conducting workforce analysis, (3) creating a workforce plan, (4) implementing the workforce plan, and (5) monitoring and evaluating the results. (Recommendation 1).

Comment:

The IRS agrees with Recommendation 1.

Recommendation:

2. The Secretary of the Treasury should issue clarifying guidance to IRS about the Integrated Talent Management (ITM) system, including when the workforce planning and talent management modules will be deployed and available for IRS's use, the functions it will include, how IRS should implement the system, and how IRS's existing systems and processes within business divisions and program offices will be affected. (Recommendation 2).

Comment:

The IRS has referred this recommendation to Treasury.

Recommendation:

3. The Commissioner of IRS should ensure the Human Capital Officer accurately reports the status of its Workforce Planning initiative in its bi-monthly HRstat information submissions to Treasury. The submissions should include the original implementation schedule, changes to the original schedule, delays in implementation and each of their causes, and IRS's strategy to address the causes of those delays. (Recommendation 3).

Comment:

The IRS agrees with Recommendation 3.

Recommendation:

4. The Commissioner of IRS should ensure the Human Capital Officer and Deputy Commissioner for Services and Enforcement report the results of efforts to close skills gaps among revenue agents, including lessons learned, that may help inform strategies for conducting skills gap assessment efforts for other mission critical occupations. (Recommendation 4).

Comment:

The IRS agrees with Recommendation 4.

Recommendation:

5. The Commissioner of IRS should ensure the Human Capital Officer and Deputy Commissioner for Services and Enforcement collaborate to develop a work plan or other mechanism that prioritizes and schedules skills assessments for mission critical occupations at highest risk of skills gaps, such as those identified by Treasury or where key activities have been scaled back, for the purposes of developing a strategy to close the gaps. (Recommendation 5).

Comment:

The IRS agrees with Recommendation 5.

Recommendation:

6. The Commissioner of IRS should direct the Human Capital Officer to measure the extent to which each of its activities for improving hiring capacity are effective in producing desired hiring capacity outcomes, including strategies used to mitigate hiring risks associated with Tax Cuts and Jobs Act implementation hiring. (Recommendation 6).

Comment:

The IRS agrees with Recommendation 6.

Recommendation:

7. The Commissioner of IRS should direct the Human Capital Officer and Chief Financial Officer to issue clarifying guidance on the current Exception Hiring Process, including clarifying areas where hiring limitations that were used in previous years are no longer applicable. (Recommendation 7).

Comment:

The IRS agrees with Recommendation 7.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact:

James R. McTigue, Jr., (202) 512-9110 or McTigueJ@gao.gov

Staff

Acknowledgments:

In addition to the contact named above, Tom Gilbert (Assistant Director), Shea Bader (Analyst-in-Charge), Crystal Bernard, Jacqueline Chapin, James Andrew Howard, Meredith Moles, Steven Putansu, and Robert Robinson made major contributions to this report. Devin Braun, Regina Morrison, Erin Saunders-Rath, and Sarah Wilson provided key assistance.

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