



IRS HIRING AND TRAINING

Weaknesses in the Human Capital Office's Hiring, Recruitment, and Training Programs Are Undermining the IRS's Efforts to Achieve Appropriate Staffing to Meet Taxpayer Needs

WHY THIS IS A SERIOUS PROBLEM FOR TAXPAYERS

The *right to quality service* is a fundamental taxpayer right. High quality taxpayer service enables taxpayers to voluntarily comply with their tax filing and reporting obligations and thus facilitates tax compliance. Conversely, inadequate taxpayer service makes it more difficult for taxpayers to comply with their tax filing and reporting obligations, which can reduce tax compliance.

To improve taxpayer service, the IRS must have more employees and must ensure its employees are well trained. Over the past decade, the IRS's budget was reduced by more than 15 percent in inflation-adjusted terms, resulting in reduced staffing levels not seen since the 1970s.¹ As staffing has declined, so have taxpayer service levels. The IRS has not had enough employees to transcribe paper-filed returns, resulting in refund delays of ten months or longer for millions of taxpayers. It has not had enough employees to answer taxpayer telephone calls, with the result that only about one out of every ten calls is being answered by an IRS telephone assistor. It has not had enough employees to staff its Taxpayer Assistance Centers (TACs), causing some TACs to close and others to limit appointments. It has not had enough employees to process taxpayer correspondence, with delays of eight months or more common.

Not surprisingly, the IRS has ranked poorly in customer satisfaction surveys. The American Customer Satisfaction Index's ranking of federal agencies placed the Treasury Department, which interacts with the public primarily through the IRS, "dead last."² Forrester Research's U.S. Customer Experience Index ranked 221 companies and federal agencies and similarly found the IRS ranked last among all brands and agencies in customer satisfaction.³

With the additional funding Congress provided in the Inflation Reduction Act (IRA), the IRS now has sufficient resources to hire more employees and to train them. However, all IRS business units must work through the IRS's Human Capital Office (HCO) to hire employees, and the current pressures that HCO faces result in HCO being a bottleneck that impedes hiring across the agency. The IRS is taking too long to approve, process, and list job announcements, the quality of the announcements is often inadequate, and its initial screening of applications is taking too long and sometimes results in selecting candidates for consideration who are not, in the view of the business units, the most qualified.

EXPLANATION OF THE PROBLEM

The IRS is not only the nation's tax administrator but also a service provider and administrator of social benefits. Top quality service is fundamental to the IRS mission, and the success of this mission begins with its employees, future hiring, and continuous training. The pandemic contributed to the undermining of taxpayer service, notably with taxpayers experiencing significant delays in getting their returns processed, receiving their refunds, and receiving service in person and on its toll-free lines.⁴ This past filing season,⁵ the IRS received 73 million calls, telephone assistants answered ten percent of calls, and hold times averaged 29 minutes.⁶ Simply put, nine out of ten phone calls to the IRS went unanswered by telephone assistants. Many of the IRS's challenges stem from inadequate staffing, including limited staffing in Submission Processing and telephone call centers. In addition, the IRS estimates 63 percent (52,000 of 83,000) of employees are eligible to retire in the next six years.⁷ Hiring and adequately training the right quantity and quality of new employees while keeping up with the pace of retirements cannot be overstated as it will not only enhance taxpayer service but also protect taxpayer rights.

To gain further insight on hiring, recruitment, and training hurdles from the perspective of some of HCO's customers (IRS business, service, enforcement, and operations divisions) and to identify remaining obstacles that the IRS needs to address, TAS once again interviewed subject matter experts from various IRS Business Operating Divisions (BODs) in September and October 2022. These interviews gathered information on their experiences with IRS hiring, recruitment, and training, including barriers encountered and recommendations to strengthen the process for the future. In our discussions with the subject matter experts from different divisions, dissatisfaction was a theme, and several issues stood out:

- Hiring delays were a common issue raised in all interviews with varying levels of concern and significance;
- Issues with vetting of candidates by HCO including instances where an applicant was referred to the selecting official in a BOD but did not qualify despite HCO vetting;
- Delays in the hiring process due to fingerprinting and background checks;
- Issues with the bundling of hiring announcements caused BODs to compete for the same applicants;
- More resources and investment needed in overall IRS recruitment efforts;
- The lack of communication on what is happening with IRS University and long-term IRS training strategy and plans; and
- Difficulty securing training space, especially without enough advance notice.

While anecdotal, these comments by the BOD hiring and training officials are indicative that there is much the IRS must do internally to improve how it handles the hiring, recruitment, and training processes. While respondents were generally appreciative of the hard work of HCO staff and its willingness to help overall,

respondents believed that there was significant room for improvement. This was consistent with our analysis from discussions with HCO and the responses to our information requests that constituted the core of our research.

As the IRS faces the realities that come with an aging workforce, its inability to attract, hire, and retain younger generations of workers threatens its ability to fairly and efficiently administer the tax laws and provide the best possible customer service to our nation's taxpayers. There is no doubt that certain hurdles are outside of the IRS's control. However, to alleviate the problems highlighted above, the IRS needs to make significant changes and reallocate more resources to HCO's hiring and training efforts to support the mission of the IRS and prevent further harm to taxpayer service.

ANALYSIS

The IRA⁸ provided the IRS with much-needed funding (approximately \$80 billion over the next decade) and presents an excellent opportunity to improve taxpayer service. In September 2022, the Secretary of the Treasury announced plans for the IRS to first hire 5,000 more customer service representatives to enhance its telephone operations and triple the number of taxpayers served at TACs.⁹ Both services are fundamental to basic taxpayer service.

With this new funding, the IRS must prioritize and revolutionize its hiring, recruitment, and training processes. It should invest in revamping HCO as a foundation to its success. To improve IRS taxpayer service, HCO will need to recruit, hire, and train new employees on a historic scale the IRS has never attempted beyond its current capacities. HCO must do this while also keeping pace with the rate of attrition and accounting for the estimated 52,000 IRS employees expected to be lost through attrition within the next six years.¹⁰ To hire thousands of new employees over the next decade and replace employees who have retired or otherwise left, the IRS must increase its current hiring capacity to meet this demand and focus on the training of its employees. The IRS must be able to show Congress and the American public that the IRA funding is a good investment providing measurable and immediate impact. In addition to addressing hiring challenges with the new funding, the IRS must prioritize recruitment and counter recruitment challenges it faces in a competitive job market. The agency must work to revamp its training quality and overall training efficiency. The IRS has yet to start its long-awaited IRS University that was announced in response to a Taxpayer First Act requirement.¹¹

The IRS has recently made progress to address some recruitment and hiring challenges. On February 24, 2022, the U.S. Office of Personnel Management (OPM) granted the IRS limited Direct Hire Authority (DHA) for up to 10,000 employees to address immediate hiring needs more quickly within the IRS Wage and Investment (W&I) Division's Accounts Management and Submission Processing organizations.¹² The IRS has been working to hire up to 10,000 employees before this hiring flexibility ends on December 31, 2023.¹³ The IRS is also seeking to expand the use of Streamlined Critical Pay beyond information technology (IT) employees and increase the number of positions designated for Critical Position Pay beyond IT; this proposal is awaiting approval from the Treasury Department and OPM.¹⁴ Per our recommendation, the IRS is working on the documentation and justification required for submission of OPM Form 1397, Special Salary Rate Request Form, to request that OPM establish higher rates of basic pay or special rates for a group or category of General Schedule (GS) positions.¹⁵ To increase HCO's hiring capacity, in fiscal year (FY) 2021, HCO was given the authority to hire an additional 250 employees within HCO.¹⁶ The HCO Strategic Talent Analytics & Recruitment Solutions Office (HCO STARS) is also increasing staffing, with plans to add 15 recruiters in 2022 to meet IRS recruiting demands.¹⁷ Although TAS is encouraged to see incremental progress, the IRS has much more work to do to increase HCO hiring capacity, improve recruitment strategies, and start implementation of a robust training program. Below, we will highlight some of these remaining challenges that the IRS needs to address and offer recommendations to address them.

Hiring

As the IRS acknowledged in its Strategic Plan for FYs 2022-2026, attrition remains a significant challenge for the IRS because of its aging workforce.¹⁸ The majority of IRS hiring is simply to backfill positions due to retirements while there are relatively fewer planned new hires aimed at enhancing current staffing levels. Until the IRS releases its updated planning estimates, which take into account the enactment of the IRA, TAS does not have access to estimates or final hiring objectives within the IRS. TAS will continue to focus on hiring challenges and successes.

FIGURE 2.3.1, IRS Workforce Planning Estimates for FY 2023 Prior to Enactment of the IRA¹⁹

Business Operating Division	Planned Attrition Hires (100% Backfill)	FY 2023 New Hires (Pre-IRA)
Chief Financial Officer	37	41
Communications & Liaison	23	29
Criminal Investigation	238	274
Enterprise Digitalization & Case Management Office	5	61
Facilities Management & Security Services	79	0
Human Capital Office	180	252
Independent Office of Appeals	146	247
Information Technology	456	212
IRS NEXT	0	1
Large Business and International	338	559
National Headquarters (Reserved)	11	5
National Taxpayer Advocate (Taxpayer Services)	306	103
Office of Equity, Diversity & Inclusion	18	9
Office of Chief Procurement Officer	36	0
Office of Professional Responsibility	0	6
Office of Online Services	7	108
Office of the Chief Risk Officer	0	0
Privacy, Governmental Liaison & Disclosure	33	11
Research, Applied Analytics & Statistics	31	36
Return Preparer Office	15	16
Small Business/Self-Employed	3,164	2,280
Tax Exempt and Government Entities	106	183
Taxpayer Experience Office	1	35
Wage and Investment Taxpayer Services	6,276	4,400
Wage and Investment (Operations Support and Enforcement)	167	181
Whistleblower Office	1	5
Grand Total	11,674	9,054

Figure 2.3.1 shows the estimated attrition hiring and FY 2023 new hiring that the different BODs made prior to the enactment of the IRA. As illustrated, the IRS planned to backfill 11,674 positions in FY 2023, with the majority of those projected for the W&I and Small Business/Self-Employed Divisions. The IRS had also planned to hire 9,054 new hires prior to the enactment of the IRA in FY 2023. This figure shows how much of hiring is done to just keep up with the pace of attrition relative to new hires. It also provides a breakdown of the parts of the IRS for which the backfills and new hires are planned.

Figure 2.3.2 outlines the hiring activities of the IRS over the past three fiscal years. As illustrated in Figure 2.3.2, in the past three fiscal years, the IRS lost 2,986; 3,852; and 3,714 employees, respectively, due to retirement. The IRS made progress in FY 2022 in hiring more external hires than the two previous fiscal years. It lost fewer employees due to non-retirement separations relative to the two preceding years. Although these figures show an improvement, there is a lot to be done; as the IRS acknowledged in its Strategic Plan FY 2022-2026, it has an estimated 63 percent (52,000 of 83,000) of employees eligible to retire in the next six years.²⁰ Many of these positions will need to be filled to maintain the status quo in addition to any new hiring the IRS plans as a result of the increase in appropriations.

FIGURE 2.3.2, IRS Human Capital Office Processing of Hires, Non-Retirement Separations, and Retirements for FYs 2020-2022²¹

	FY 2020	FY 2021	FY 2022
Total External Hires	8,290	14,644	15,248
Non-Retirement Separations	8,775	10,610	8,031
Retirements	2,986	3,852	3,714
Sum of Non-Retirement Separations and Retirements	11,761	14,462	11,745
Total Hires (Internal and External)	17,007	23,506	23,821

The Human Capital Office Needs to Reduce the Average Cycle Time for Hires

The IRS has increased hiring efforts as a result of recent appropriation increases. With increased funding provided by the IRA, Treasury Secretary Janet Yellen committed to fully staffing all IRS TAC offices, increasing IRS telephone Level of Service to 85 percent, and cutting wait times for telephone service in half over the coming filing season.²² As of October 27, 2022, W&I had onboarded 4,000 new employees to help answer telephones, with the goal of hiring another 1,000 by year-end.²³ In FY 2022, the IRS hired 5,950 new hires, which includes the employees hired to assist with telephones via its DHA as of September 2022.²⁴

HCO made improvements to the hiring process in FY 2022. It expanded its use of contractors to support hiring and personnel security processes.²⁵ HCO entered into interagency agreements with OPM to support hiring and the U.S. Department of Veterans Affairs to support personnel security.²⁶ Additionally, in FY 2022, to support a surge in hiring activity, the IRS created a surge team of 58 individuals from different BODS to volunteer to assist with the onboarding portion of the hiring process in HCO.²⁷ HCO hired an additional 133 human resource specialists in FY 2022 as of September 24, 2022.²⁸ TAS commends HCO's efforts in these improvements.

However, TAS continues to remain concerned about the delays in hiring and the average cycle time for hires. The current hiring process remains lengthy and burdensome. The IRS needs to significantly shorten its average time-to-hire so it can compete better with the pace of other employers in the labor market. To measure success in this arena, OPM has set a time-to-hire goal – measured by the number of days that lapse after a request to hire is sent to an agency's Human Resources function until the day of a new employee's entrance on duty – of 80 calendar days.²⁹

FIGURE 2.3.3, Average Time to Hire and Average Cycle Time of All Regular Hiring and Filing Season Hiring for FY 2022³⁰

Type of Hire	Average Cycle Time From Announcement to Start Date (Entry on Duty)	Time to Hire (Overall Average)	Time to Hire (Without DHA)	Time to Hire (With DHA)
IRS Wide	109.16 Days	80.63 Days	87.04 Days	57.53 Days
IRS-Internal	94.42 Days	54.64 Days	54.64 Days	N/A
IRS-External	172.14 Days	90.41 Days	104.44 Days	57.53 Days

As shown in Figure 2.3.3, in FY 2022, the IRS's time-to-hire averaged 81 days overall, with 104 days for external hires without using DHA authority and 58 days for external hires using DHA.³¹ For a comparison, the IRS's time-to-hire average overall was about 88 days in FY 2021 (about 94 days when hiring external candidates), which is beyond the OPM goal but a significant improvement over the 120 days in FY 2019.³² Although the FY 2022 results of this measure are an improvement for the IRS, it does not show a complete picture of the hiring process. In FY 2022, the average cycle time from the start of a job announcement to the start date (entry on duty) of the new employee was 109 days overall but 172 days for external hires.³³ The background check and personnel security process, which are not under HCO's control, add time to this measure. Under the time-to-hire metric, external hires that applied to positions that were not DHA approved had to wait on average about 104 days before starting their new job.

One of the best ways to expedite the current hiring process is to allow the IRS additional flexibilities in hiring that bypass some of the most time-consuming and frustrating parts of the hiring process. One such method is via DHA, which refers to hiring individuals into the Competitive Civil Service (GS-15 and below or equivalent) in permanent or nonpermanent positions by bypassing some of the hiring processes to allow for quicker hiring.³⁴ Figure 2.3.3 also illustrates that DHA improves the average IRS time-to-hire relative to the overall time to hire. Based on these results, TAS recommends that the IRS pursue DHA for more critical positions across the service, beyond what has been requested to date, because the IRS will also need the appropriate support staff (*e.g.*, secretaries, analysts, managers) to support significant increases in technical and critical positions.³⁵ Given that many of these potential applicants applying externally may not be incentivized to wait 104 days (as shown above for hires without DHA) or a full 172 days (as shown above for average cycle time for external applicants), DHA, which averaged about 58 days for external hires, reduced the waiting period and placed the IRS in a much better position. Accordingly, TAS advocates for the IRS to expand this flexibility in hiring. TAS also advocates for more flexibilities, such as special pay rates. TAS recommends that the IRS continue to raise awareness internally about the process for special pay rates and encourage submission of OPM Form 1397, Special Salary Rate Request Form, to request that OPM establish higher rates of basic pay or special rates as needed for a group or category of GS positions.

The Human Capital Office Should Improve Communication With Business Operating Divisions on Applicant Qualifications and Improve Human Resources Specialist Training

During our interviews with subject matter experts from various BODs, several IRS organizations expressed concern that, in some cases, applicants for certain positions are determined to be unqualified when they are qualified and those who are not qualified are determined to be qualified. Some applicants were initially determined to be qualified for the position and subsequently selected; later, it was determined they were unqualified and had to be told they were no longer selected for the position. These errors and time delays are not good for the applicant or the IRS. TAS believes these mistakes are attributable to a lack of communication between HCO and the BODs and the need for better training for human resources specialists. It is imperative that human resources specialists be appropriately trained before qualifying applicants for positions. Failure to do so may negatively impact the organization, and in some cases,

the applicants. This is a work in progress, and HCO is working to address these concerns, but quick improvement is imperative to its success. TAS will continue to monitor the results of these efforts.

The IRS Should Invest in Upgrading the Current IRS Background Investigation System Technology to Eliminate Delays and Reduce Manual Workload

The IRS made improvements in the hiring process as highlighted above. However, barriers still exist in some areas, including the security clearance and fingerprinting processes. Fingerprinting appointment availability continues to be a challenge. Based on anecdotal information from interviews, some applicants must wait up to several weeks before they can get a fingerprint appointment to continue through the hiring process. TAS commends the IRS for launching a real-time Telephone Assistance Call Line in the Personnel Security office to assist applicants, employees, and contractors with background investigation issues that resulted in rejection.³⁶ The IRS also implemented an internal training plan for new hires to improve operations and supplemented staffing with contractor support, and in FY 2023, personnel security processes will undergo a review to determine areas for enhancement and improvement.³⁷ Although these measures will hopefully reduce the burden, more work is needed to improve this process as employees cannot be onboarded without necessary background checks and security clearance. To further streamline the personnel security and employee screening processes, TAS recommends that the IRS reallocate budgetary resources to invest in a web-based personnel security inventory management system to upgrade current IRS background investigation system technology to eliminate antiquated processes, reduce manual workload, and improve interconnection with other systems. A centralized, web-based personnel security inventory management system is a good investment that will help reduce the current delays in the hiring process.

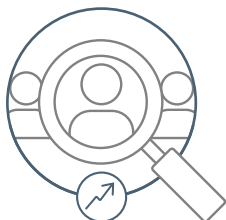
TAS also encourages HCO to work with IRS Facilities Management and Security Services, the Treasury Department, and other stakeholders to consider additional ways to shorten the security clearance, background check, and fingerprinting processes, including by considering outsourcing parts of the process to additional contractors.

Recruitment

The IRS Needs to Brand Itself as a Desired Agency to Work for and Reallocate Additional Budgetary Resources to the Human Capital Office's Strategic Talent Analytics and Recruitment Solutions Division to Expand Recruitment Efforts

In FY 2022, the IRS used digital tools to reach 47,338 potential candidates, with 2,891 candidates applying for positions.³⁸ It shared recruitment events and announcements with 1,558 public interest organizations.³⁹ It hosted 16 in-person direct-hire events and ten virtual direct hire events in FY 2022, engaging more than 24,900 people, with offers made for 5,363 positions for Clerks and Tax Examiners and 2,878 positions for Contact Representatives.⁴⁰

TAS commends the IRS for these recruitment efforts; however, the IRS has room for improvement in branding and marketing itself and developing long-lasting partnerships with academia and industry.



The IRS needs to recruit numerous high quality applicants promptly and needs to dramatically ramp up its recruitment efforts from current levels to meet its goal.

The IRS needs to recruit numerous high quality applicants promptly and dramatically ramp up its recruitment efforts from current levels to meet its goal. In today's job market, with employee expectations in a post-COVID-19 work environment, the average employee values having competitive benefits and more remote work flexibility. The IRS has made strides to increase attractive benefits such as its recent adoption of childcare subsidies for employees who meet certain income guidelines. The IRS is also offering recruitment bonuses and employee referral bonuses and exploring the use of student loan repayment, eldercare subsidies, and remote working options to attract talent.⁴¹ This is a great start, but the IRS needs to do more to market and advertise these benefits to potential job seekers.

The IRS should increase focus on and devote resources to marketing and branding itself to potential applicants as a great employer. Successful marketing and branding should demonstrate to prospective employees what the agency represents and what career paths are available and highlight current employee experiences through multiple channels. These efforts require a long-term investment by the agency.

While the IRS has made progress in recent years to deepen and expand collaborative partnerships with industry and academia, budget constraints have limited the resources dedicated to such partnerships. The IRS can do more to attract critically needed talent for a next-generation workforce prepared to deal with new challenges that originate from multiple interdisciplinary areas of study beyond the traditional degrees upon which the agency has long relied. More than ever, the IRS needs employees with backgrounds in statistics, applied mathematics, computer science and artificial intelligence, engineering, economics, finance, physics, and social sciences. To be competitive in recruiting top-notch talent, the IRS will need to dedicate even more resources to recruitment than it has done to date, including further expanding its current recruitment cadre and moving beyond the traditional recruitment tactics upon which it has relied. TAS recommends that the IRS reallocate additional budgetary resources to the HCO STARS team so it can implement an updated Strategic Recruitment Plan that will increase recruitment partnerships with private sector recruiting firms, universities, community colleges, and any other sources where diverse and qualified applicants may be underemployed.

Employee Retention

The IRS Needs to Reduce Employee Turnover Rates and Improve Employee Retention Rates

Once the IRS can recruit and hire employees, it must focus on employee retention to preserve the resources spent in the hiring and training processes. According to the IRS's Corporate Leadership Engagement Action Plan, it has an average estimated turnover cost of \$10,000 per employee.⁴² These are dollars wasted that the IRS has spent on recruiting, hiring, and training the departing employees. The IRS understands the importance of retaining employees and to demonstrate this, includes a strategy in its FYs 2022-2026 Strategic Plan to enhance retention through increased focus and analysis on mission-critical positions and improve succession planning to maintain institutional knowledge and reduce workload disruptions.⁴³ TAS commends the IRS for focusing on retention and implementing the action plan to ensure IRS leadership is focused on engaging its employees. However, TAS is concerned that the action plan may not be robust enough to retain employees with less than one year of service. In FY 2020, the IRS retained close to 80 percent of employees with less than one year of service, but that number decreased to less than 70 percent in FY 2021.⁴⁴ Further, the IRS had issues retaining employees under the age of 30 as retention rates between FYs 2020-2021 were between 63-68 percent for this age group, lower than employees above age 30.⁴⁵ TAS recommends that the IRS update its FYs 2022-2025 Corporate Leadership Engagement Action Plan to include specific actions the IRS will take to improve retention rates of employees with less than one year of service and employees under the age of 30 and specific actions to further reduce the overall turnover rates of employees. Perhaps if the IRS puts a greater focus on improving the employee experience and creating a sense of employee growth and community, it will not only help it build a healthier workforce but will also help reduce employee turnover costs in the long term.

Training

The IRS Needs to Provide a Dedicated Operational Budget for the Implementation and Operationalization of IRS University

New IRS employees cannot start working on day one – they need significant resources and time to receive quality training, which can often mean both classroom-type and on-the-job training over an extended period of time. A workforce equipped with next-generation skills needs advanced training, which requires investment and dedicated budgetary resources. For years, the IRS has been in the process of developing and implementing a comprehensive training strategy as described in the IRS’s Taxpayer First Act Report to Congress.⁴⁶ It is the National Taxpayer Advocate’s opinion that training and leveraging of existing skillsets are critical to the success of any organization. The IRS has the challenge of providing up-to-date training to existing employees and also training and developing a new workforce. The National Taxpayer Advocate has concerns as to the vision, organizational buy-in, and slow implementation of IRS University (IRSU) to be successfully implemented to meet the needs of the IRS workforce of the future and to reach the standing of a quality service organization.

However, despite the lack of dedicated funding in the past few years for this project, the IRS made some advancements in its implementation of IRSU. According to HCO’s responses to TAS information requests, HCO is partnering with the business units to implement IRSU in three phases.⁴⁷ In phase one, the IRS developed a training strategy, IRSU structure, and employee development life cycle.⁴⁸ The IRS designed, developed, and released new hire training and created a Customer Service/Taxpayer Experience school.⁴⁹ Phase two saw the completion of the job analysis and development of all 14 mission critical occupation competency models, skills assessments, and career paths.⁵⁰ Additionally, the IRS developed an IRSU playbook outlining how HCO will establish IRSU and its roles and responsibilities.⁵¹ While TAS has yet to review the materials or see concrete outcomes from the first two phases of IRSU, we are hopeful that the IRS is moving in the right direction and look forward to partnering with the IRS to improve its training program.

The IRS has yet to implement phase three of the IRSU plan, which includes acquiring a solution for automated skills assessments and career paths; fully operationalizing, opening, and utilizing IRSU; and standing up a Center of Excellence for the Treasury Department in FY 2023.⁵² According to HCO’s responses to TAS information requests, the IRS has neither a timeline for completion of phase three nor the required budgetary resources, leaving the agency at a critical juncture as timely completion of this phase is necessary to ensure an adequate training mechanism is operating and fully functional.⁵³ The IRS must be prepared to properly onboard its new employees and have robust training courses and options available to hit the ground running as new employees are hired. Hiring and training are foundational to the IRS’s mission and must be priority one for the agency. TAS plans to monitor the IRS progress in this area in FY 2023.

The IRS should work with the Department of the Treasury and the U.S. General Services Administration to expedite the federal procurement process for the implementation of IRSU. This should include requesting approval of blanket purchase agreements (BPAs) for facilities for training so HCO can fully implement phases one and two of its plan. BPAs are a type of federal procurement contract agreement established by a government buyer with a schedule contractor to fill repetitive needs for supplies or services under the Federal Acquisition Regulation.⁵⁴ The IRS has been allowed to award BPA contracts in IT in the past.⁵⁵ The use of BPAs would significantly reduce the time to acquire training expertise for both building IRSU and delivering technical, professional, and leadership training.⁵⁶ BPAs would also allow HCO to streamline current training acquisition and ensure the use of best-in-class vendors.⁵⁷

Without the appropriate reallocation of funding and a long-term investment in IRSU, the IRS will continue to struggle to build the envisioned workforce of the future. According to HCO’s responses to TAS information requests, HCO estimates that it will need \$123 million over five years to stand up and run IRSU.⁵⁸ In addition to startup costs, IRSU needs a dedicated and adequate operating budget.⁵⁹ The IRS

spends approximately \$45 million per year on training, which includes equipment, contracts, vendor fees, and training travel.⁶⁰ Funding for training has not increased for many years and is not sufficient to deliver the training IRS employees need.⁶¹ To meet demand, IRSU would require an initial operational budget of at least \$90 million, with a ten percent increase each year the IRS expands under the IRA.⁶² According to HCO, this is a great investment because it is just \$1,125 per employee per year on training and development.⁶³ TAS recommends that the IRS reallocate budgetary resources to provide an adequate, dedicated operational budget to HCO's teams leading the implementation of IRSU to establish the infrastructure to fully open IRSU and to better align IRS long-term training capacity with long-term hiring capacity.

Given the opportunity to create a new training program, the IRS must focus on a comprehensive plan that delivers both technical knowledge and practical experience to employees. Embedded in this strategy should be the means for employee career mobility and continued development of technical skills as employees shift their professional goals. A comprehensive training plan that interplays with a comprehensive hiring and recruitment strategy is key to a proper functioning IRS to ensure it has a pipeline of incoming and future talent that is trained and ready to achieve its mission year after year. The agency cannot accomplish that goal without first investing in the full implementation of IRSU. The implementation of IRSU was not funded in the past two years and was dependent on reallocating funding from other sectors.⁶⁴ Using the newly appropriated funds, the IRS must capitalize on the momentum to invest in IRSU to implement its corporate training model, actualize plans for reducing training time, and ensure training efficacy improves to meet all its employees' needs.

CONCLUSION AND RECOMMENDATIONS

With new funding provided by Congress, the IRS must prioritize, overhaul, and revolutionize its hiring, recruitment, and training processes. It should invest more in revamping HCO as a foundation to its success and gaining the trust of IRS leadership and employees. The IRS must implement further improvements in HCO's hiring capacity than it has to date. It must streamline processes to shorten the amount of time that it takes to hire new employees and hire the right employees. HCO must also dramatically increase its recruitment efforts and seek ways to be more competitive in its hiring. Furthermore, the IRS needs to demonstrate its successes, lead by example for current and future employees and leaders, expand efforts to brand itself as a desired agency to work for, and develop partnerships with academia and industry to attract top talent. To reduce delays in the hiring process attributable to personnel security and background checks, the IRS should invest in and upgrade its current background investigation system technology to eliminate delays and reduce manual workload. Additionally, the IRS needs to reduce employee turnover rates to better improve employee retention rates, especially among younger age employees. Finally, the IRS should invest in IRSU and provide a dedicated operational budget for the implementation and operationalization of IRSU and work within the organization to gain buy-in for its vision.

Preliminary Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. Pursue DHA authority for more critical positions across the service, beyond what has been requested to date, because the IRS will also need the appropriate support staff (*e.g.*, secretaries, analysts, managers) to support significant increases in technical and critical positions.
2. Continue to raise awareness internally about the process for special pay rates and encourage submission of OPM Form 1397, Special Salary Rate Request Form, to request that OPM establish higher rates of basic pay or special rates as needed for a group or category of GS positions.
3. Reallocate budgetary resources to invest in a web-based personnel security inventory management system to upgrade current IRS background investigation system technology to eliminate antiquated

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processes, reduce manual workload, and improve interconnection with other systems. This will further streamline the Personnel Security process and reduce delays during the employee background check and employee screening processes.

4. Reallocate additional budgetary resources to the HCO STARS team so it can implement an updated Strategic Recruitment Plan that will increase recruitment partnerships with private sector recruiting firms, universities, community colleges, and any other sources where diverse and qualified applicants may be underemployed.
5. Update its FYs 2022-2025 Corporate Leadership Engagement Action Plan to include specific actions the IRS will take to improve retention rates of employees with less than one year of service and employees under the age of 30 and specific actions to further reduce the overall turnover rates of employees.
6. Reallocate budgetary resources to provide the necessary dedicated operational budget to HCO's teams leading the implementation of IRSU to establish the infrastructure to fully open IRSU and to better align IRS long-term training capacity with long-term hiring capacity.

RESPONSIBLE OFFICIALS

Jeffrey Tribiano, Deputy Commissioner for Operations Support

Kevin McIver, IRS Human Capital Officer

Nikole Flax, Director, Inflation Reduction Act 2022 Transformation and Implementation Office

IRS COMMENTS

The IRS agrees that recruitment, hiring, and training are foundational to its ability to provide taxpayers with quality service and fair enforcement. This priority is reflected in both the IRS Strategic Plan FY 2022-2026 and the Human Capital Operating Plan. The Inflation Reduction Act provided significant multiyear funding that will allow the IRS to address critical human capital challenges in innovative and impactful ways. Our strategy to improve in these areas will be a key component in the agency's transformation plans, and our goal is a redesigned hiring process that is simplified, digitized, and automated, where possible, in order to reduce unnecessary applicant workload and minimize unnecessary delays.

Despite the challenges noted in the report, the IRS continues to make major strides in enhancing recruitment strategies and streamlining hiring activities. Time-to-hire has decreased from 120 days in FY20 to 81 days in FY22, while overall hiring has increased. Much of this improvement resulted from executing the Direct Hire Authority (DHA) OPM granted the IRS to hire up to 10,000 Accounts Management and Submission Processing employees through December 31, 2023.

In November 2022, OPM granted the IRS DHA for 14,300 positions, including 9,800 in enforcement, taxpayer service, technology modernization, and delivery of critical services, and 4,500 Operations Support positions including IT, Procurement, Human Resources, and Personnel Security. The IRS is developing a recruitment and hiring action plan for DHA positions and planning to increase DHA events.

These DHAs will further reduce the time-to-hire, and the IRS is pursuing innovative solutions to relieve bottlenecks in the post-selection process. For example, each DHA selectee requires appropriate pre-employment background investigation to ensure suitability and credentialing for

sensitive positions. In addition to hiring more personnel security specialists to conduct background investigations, the IRS is outsourcing parts of the process and exploring expanding alternate fingerprinting locations and improving technology. Executing these new DHAs will permit the IRS to quickly fill these positions and begin the transformation envisioned by the Inflation Reduction Act.

We have improved our ability to predict and prepare for hiring needs by improving hiring capacity and workforce planning processes and adding 400+ foundational hires in HCO in FY22. We have completed an assessment of our ability to retain employees and continue to expand programs to address challenges in this area and improve the employee experience, including a childcare subsidy program, student loan repayment program, and a roadmap for requesting special pay authorities. Still, we recognize that additional improvements are necessary to allow us to meet the challenges ahead.

We recognize the importance of a well-trained workforce in serving the taxpayer as well as the impact of career development and training on employee retention. As part of the 2021 Taxpayer First Act Report to Congress, the IRS outlined the framework for a new IRS University (IRSU) to serve as an innovative, centralized learning function to improve training and encourage collaboration across the organization. We appreciate the Advocate's support to fully fund IRSU.

TAXPAYER ADVOCATE SERVICE COMMENTS

TAS appreciates and has noted the IRS's efforts to date. However, based on our analysis, including interviews of HCO customers from across the IRS, the IRS has much more work to do to increase HCO hiring capacity, improve recruitment strategies, and start implementation of a robust training program. As the IRS noted, DHA has improved the time-to-hire, but the numbers have not improved much for non-DHA position hires. We encourage the IRS to continue to request that Congress and OPM provide DHA authority and additional hiring flexibilities as needed for more positions. One area of concern that still remains is the fingerprinting and background check processes, which need to be improved and the length of time for these processes be reduced. We hope the IRS makes significant changes in this area including by providing for more opportunities to implement automation "in order to reduce unnecessary applicant workload and minimize unnecessary delays," as the IRS envisions in its response.

The IRS states that it has "improved [its] ability to predict and prepare for hiring needs by improving hiring capacity and workforce." We have not seen that yet but look forward to seeing the results of these efforts in the coming years. We commend HCO in adding over 400 foundational hires in FY 2022, and we anticipate HCO will be able to make progress as a result of its increased capacity. We commend the IRS in recognizing the need to fully invest in IRSU so that it can implement its IRSU vision outlined in the Taxpayer First Act Report to Congress.

TAS will continue to advocate with internal and external stakeholders that the IRS receive the support and flexibilities it needs to meet its hiring needs so it can better serve taxpayers. TAS will also continue to offer insight and collaborate with the IRS so the IRS can achieve its mission of providing

quality service and protecting taxpayer rights. TAS will continue to advocate for the IRS's hiring, recruitment, and training needs and push the IRS to ensure it is providing adequate funding for IRSU.

RECOMMENDATIONS

Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. Pursue DHA authority for more critical positions across the service, beyond what has been requested to date, because the IRS will also need the appropriate support staff (*e.g.*, secretaries, managers) to support significant increases in technical and critical positions.
2. Continue to raise awareness internally about the process for special pay rates and encourage submission of OPM Form 1397, Special Salary Rate Request Form, to request that OPM establish higher rates of basic pay or special rates as needed for a group or category of GS positions.
3. Reallocate budgetary resources to invest in a web-based personnel security inventory management system to upgrade current IRS background investigation system technology to eliminate antiquated processes, reduce manual workload, and improve interconnection with other systems. This will further streamline the Personnel Security process and reduce delays during the employee background check and employee screening processes.
4. Reallocate additional budgetary resources to the HCO STARS team so it can implement an updated Strategic Recruitment Plan that will increase recruitment partnerships with private sector recruiting firms, universities, community colleges, and any other sources where diverse and qualified applicants may be underemployed.
5. Update its FYs 2022-2025 Corporate Leadership Engagement Action Plan to include specific actions the IRS will take to improve retention rates of employees with less than one year of service and employees under the age of 30 and specific actions to further reduce the overall turnover rates of employees.
6. Reallocate budgetary resources to provide the necessary dedicated operational budget to HCO's teams leading the implementation of IRSU to establish the infrastructure to fully open IRSU and to better align IRS long-term training capacity with long-term hiring capacity.

Endnotes

1. *On IRS Operations and Improving the Taxpayer Experience: Hearing Before the Subcomm. on Oversight of the H. Comm. on Ways and Means*, 117th Cong. (2022) (statement of Kenneth Corbin, Comm'r, Wage and Investment Division, and Chief Taxpayer Experience Officer, IRS).
2. American Customer Satisfaction Index, *Federal Government Report 2021*, at 3 (2022).
3. Katie Deighton, *Customer Experience Is Getting Worse*, WALL STREET J. (June 7, 2022), <https://www.wsj.com/articles/customer-experience-is-getting-worse-11654639388>.
4. For a more in-depth discussion of IRS processing delays, see Most Serious Problem: *Processing Delays: Paper Backlogs Caused Refund Delays for Millions of Taxpayers*, *supra*. For a more in-depth discussion of IRS telephone and in-person service, see Most Serious Problem: *Telephone and In-Person Service: Taxpayers Continue to Experience Difficulties and Frustration Obtaining Telephone and Face-to-Face Assistance to Resolve Their Tax Issues and Questions*, *infra*.
5. The IRS 2022 tax filing season for individuals began January 24, 2022, and ran until April 18, 2022. IRS, IR-2022-08, 2022 Tax Filing Season Begins Jan. 24; IRS Outlines Refund Timing and What to Expect in Advance of April 18 Tax Deadline (Jan. 10, 2022), <https://www.irs.gov/newsroom/2022-tax-filing-season-begins-jan-24-irs-outlines-refund-timing-and-what-to-expect-in-advance-of-april-18-tax-deadline>.

Most Serious Problem #3: IRS Hiring and Training

- 6 IRS, Joint Operations Center, Snapshot Reports: Enterprise Snapshot/Enterprise Total (week ending Apr. 23, 2022).
- 7 IRS, Pub. 3744, Strategic Plan Fiscal Year 2022-2026, at 14 (July 2022).
- 8 An Act to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14, Pub. L. No. 117-169, § 10301, 136 Stat. 1818 (2022).
- 9 Janet Yellen, Sec'y of Treasury, Remarks at IRS facility in New Carrollton, Maryland, (Sept. 15, 2022), <https://home.treasury.gov/news/press-releases/jy0952>.
- 10 *The Filing Season and IRS Budget: Hearing Before the S. Comm. on Finance*, 117th Cong. (Apr. 7, 2022) (statement of Charles Rettig, Comm'r, Internal Revenue), <https://www.irs.gov/newsroom/written-testimony-of-charles-p-rettig-commissioner-internal-revenue-service-before-the-senate-finance-committee-on-the-filing-season-and-the-irs-budget>. In his testimony, the Commissioner explains the IRS needs to hire 52,000 IRS employees to maintain current levels, due to losses through attrition within the next six years.
- 11 See IRS, Taxpayer First Act Report to Congress (Jan. 2021), <https://www.irs.gov/pub/irs-pdf/p5426.pdf>. The Taxpayer First Act, Pub. L. No. 116-25, § 2402, 133 Stat. 981, 1014 (2019) required that the Commissioner of Internal Revenue submit to Congress a written report providing a comprehensive training strategy for employees of the IRS.
- 12 IRS response to the National Taxpayer Advocate's 2021 Annual Report to Congress (Apr. 25, 2022); see 5 C.F.R. § 337.202 for the definition of Direct Hire Authority (DHA). As one federal agency website explains, DHA "expedites hiring by eliminating rating and ranking, veterans' preference, as well as typical selection procedures. All applicants who meet the minimum qualification requirements will be referred to the hiring manager for consideration and may be selected." Department of the Interior, *Direct Hire Authority Quick Reference Guide*, <https://www.doi.gov/sites/doi.gov/files/direct-hire-authority-quick-reference-guide.pdf> (May 4, 2021).
- 13 TAS Recommendations and IRS Responses, TAS Recommendation 2-3 (2021), <https://www.taxpayeradvocate.irs.gov/news/directory-entry/2021-msp-02-irs-recruitment-hiring-and-training/> (last visited Dec. 19, 2022); IRS response to the National Taxpayer Advocate's 2021 Annual Report to Congress (Apr. 25, 2022).
- 14 *Id.*; Critical pay authority is an authority provided under 5 U.S.C. § 5377 and 5 C.F.R. § 535. Section 2103 of the Taxpayer First Act, *Streamlined Critical Pay Authority for Information Technology Positions*, reinstated streamlined critical pay authority for positions in IRS IT operations (which had lapsed in 2013) until Sept. 30, 2025. This section also allows the IRS to pay recruitment, retention, relocation incentives, and performance bonuses to streamlined critical pay appointees in positions in IT operations. See IRC § 7812.
- 15 TAS Recommendations and IRS Responses, TAS Recommendation 2-4 (2021), <https://www.taxpayeradvocate.irs.gov/news/directory-entry/2021-msp-02-irs-recruitment-hiring-and-training/> (last visited Dec. 19, 2022). See also National Taxpayer Advocate 2021 Annual Report to Congress 51, 58-59 (Most Serious Problem: *IRS Recruitment, Hiring, And Training: The Lack of Sufficient and Highly Trained Employees Impedes Effective Tax Administration*), https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21_MSP_02_Recruitment.pdf.
- 16 TAS Recommendations and IRS Responses, TAS Recommendation 2-12 (2021), <https://www.taxpayeradvocate.irs.gov/news/directory-entry/2021-msp-02-irs-recruitment-hiring-and-training/> (last visited Dec. 19, 2022).
- 17 *Id.*
- 18 IRS, Pub. 3744, Strategic Plan FY 2022-2026, at 14 (July 2022).
- 19 IRS response to TAS information request (Oct. 31, 2022). The numbers in this figure are planning estimates and are based on 100 percent attrition backfills, the projected FY 2023 new hires, and on end-of-year Chief Financial Officer hiring ceiling guidance provided to the HCO Workforce Planning Office on August 24, 2022. These estimates do not reflect IRA planned increases, which HCO anticipates will result in larger increases in planned hiring.
- 20 IRS, Pub. 3744, Strategic Plan FY 2022-2026, at 14 (July 2022).
- 21 The data in this figure is derived from the HCO Human Capital Data Management & Technology Database and includes all employees – permanent, temporary, and seasonal. IRS responses to TAS information requests (Aug. 13, 2021; Oct. 29, 2021; Nov. 8, 2021; Dec. 15, 2021). HCO provided the FY 2022 data on October 31, 2022. IRS response to TAS information request (Oct. 31, 2022).
- 22 An Act to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14 (commonly referred to as the "Inflation Reduction Act of 2022"), Pub. L. No. 117-169, 136 Stat. 1818 (2022); see Janet Yellen, Sec'y of Treasury, Remarks at the IRS facility in New Carrollton, Maryland, <https://home.treasury.gov/news/press-releases/jy0952> (last visited Sept. 20, 2022).
- 23 IRS, IR-2022-191, IRS Quickly Moves Forward with Taxpayer Service Improvements; 4,000 Hired to Provide More Help to People During 2023 Tax Season on Phones (Oct. 27, 2022), <https://www.irs.gov/newsroom/irs-quickly-moves-forward-with-taxpayer-service-improvements-4000-hired-to-provide-more-help-to-people-during-2023-tax-season-on-phones>. For a more in-depth discussion of IRS telephone and in-person service, see Most Serious Problem: *Telephone and In-Person Service: Taxpayers Continue to Experience Difficulties and Frustration Obtaining Telephone and Face-to-Face Assistance to Resolve Their Tax Issues and Question*, *infra*.
- 24 IRS response to TAS information request (Oct. 31, 2022).
- 25 *Id.*
- 26 *Id.*
- 27 *Id.*
- 28 *Id.*
- 29 Erich Wagner, *OPM Announces Adjustments to Annual Time-to-Hire Metrics*, GovEXEC (Feb. 26, 2020) <https://www.govexec.com/management/2020/02/opm-announces-adjustments-annual-time-hire-metrics/163361/>. See also OPM, *Memorandum: Time-to-Hire Reporting Requirements* (Feb. 25, 2020), <https://www.chcoc.gov/content/time-hire-reporting-requirements-1>; Chief Human Capital Officers Counsel, *Updated Instructions for Reporting Annual Time-to-Hire (T2H) 3* (Dec. 2019), <https://chcoc.gov/sites/default/files/Time-to-Hire%20Instructions.pdf>.
- 30 IRS response to TAS information request (Oct. 31, 2022). This data was compiled by HCO using USA Staffing for the period between October 1, 2021, through September 30, 2022. Entry on Duty dates were only included in this count if an announcement was posted, and the announcement open period was fewer than 100 days.
- 31 IRS response to TAS information request (Oct. 31, 2022).

Most Serious Problem #3: IRS Hiring and Training

- 32 IRS responses to TAS information requests (Aug. 13, 2021; Nov. 8, 2021).
- 33 It is important to distinguish cycle time from time to hire. Cycle time is a measure that includes applicants who apply to rosters and can take longer as a result compared to time to hire because an applicant could apply to a roster 99 days after it opened. This is because for rosters and registers, the applicant does not apply to an announcement within a two-week window. In comparison, the measure of time to hire is based on the definition by OPM. It is measured by the number of days it takes to hire from the day a hiring request is sent to an agency's Human Resources function until the day of a new employee's entrance on duty. Erich Wagner, *OPM Announces Adjustments to Annual Time-to-Hire Metrics*, GovExec (Feb. 26, 2020), <https://www.govexec.com/management/2020/02/opm-announces-adjustments-annual-time-hire-metrics/163361/>. See also OPM, *Memorandum: Time-to-Hire Reporting Requirements* (Feb. 25, 2020), <https://www.chcoc.gov/content/time-hire-reporting-requirements-1>; Chief Human Capital Officers Council, *Updated Instructions for Reporting Annual Time-to-Hire (T2H)* 3 (Dec. 2019), <https://chcoc.gov/sites/default/files/Time-to-Hire%20Instructions.pdf>.
- 34 See 5 C.F.R. § 337.202 for the definition of DHA. As one federal agency website explains, DHA "expedites hiring by eliminating rating and ranking, veterans' preference, as well as typical selection procedures. All applicants who meet the minimum qualification requirements will be referred to the hiring manager for consideration and may be selected." Department of the Interior, *Direct Hire Authority Quick Reference Guide*, <https://www.doi.gov/sites/doi.gov/files/direct-hire-authority-quick-reference-guide.pdf> (May 4, 2021).
- 35 The IRS has requested additional DHA for critical Services and Enforcement and Operations Support positions. The Treasury Department submitted these requests to OPM on October 17, 2022. IRS response to TAS information request (Oct. 31, 2022). However, TAS believes that the IRS will require DHA for more positions.
- 36 IRS response to TAS information request (Oct. 31, 2022).
- 37 *Id.*
- 38 *Id.*
- 39 *Id.*
- 40 *Id.*
- 41 *Id.*
- 42 IRS, FYs 2022-2025 Corporate Leadership Engagement Action Plan 16 (July 13, 2022).
- 43 IRS, Pub. 3744, Strategic Plan FY 2022-2026 (July 2022).
- 44 IRS, FYs 2022-2025 Corporate Leadership Engagement Action Plan 29 (July 13, 2022).
- 45 *Id.*
- 46 See IRS, Taxpayer First Act Report to Congress (Jan. 2021), <https://www.irs.gov/pub/irs-pdf/p5426.pdf>.
- 47 IRS responses to TAS information requests (Oct. 20, 2022; Oct. 31, 2022).
- 48 *Id.*
- 49 *Id.*
- 50 *Id.*
- 51 *Id.*
- 52 *Id.*
- 53 *Id.*
- 54 See 48 C.F.R. § 8.405-3.
- 55 See, e.g., Alexandra Kelley, *IRS Awards \$70 Million Contract For Digital Modernization*, NEXTGov (Apr. 1, 2022), <https://www.nextgov.com/it-modernization/2022/04/irs-awards-70-million-contract-digital-modernization/363938/>.
- 56 IRS response to TAS information request (Oct. 31, 2022).
- 57 *Id.*
- 58 IRS responses to TAS information requests (Oct. 20, 2022; Oct. 31, 2022).
- 59 IRS response to TAS information request (Oct. 31, 2022).
- 60 *Id.*
- 61 *Id.*
- 62 *Id.*
- 63 *Id.*
- 64 IRS responses to TAS information requests (Oct. 20, 2022; Oct. 31, 2022).