

May 2003

TAX
ADMINISTRATION

Workforce Planning
Needs Further
Development for IRS's
Taxpayer Education
and Communication
Unit



G A O

Accountability * Integrity * Reliability

TAX ADMINISTRATION

Workforce Planning Needs Further Development for IRS's Taxpayer Education and Communication Unit

Why GAO Did This Study

Strategic workforce planning helps ensure that agencies have the right people with the right skills in the right positions to carry out the agency mission both in the present and future.

The Internal Revenue Service's (IRS) Taxpayer Education and Communication (TEC) unit within its Small Business and Self-Employed Division assists some 45 million small business and self-employed taxpayers. Given the number of taxpayers it is to assist and changes in its priorities and strategies, GAO was asked to determine whether TEC has a workforce plan that conforms to critical elements for what should be in a plan and how it should be developed and implemented.

What GAO Recommends

GAO recommends that the IRS Commissioner ensure that the TEC workforce plan is developed in conformance with the critical elements of what a plan is to include and how a plan is to be developed and implemented.

The Commissioner provided comments that neither explicitly agreed nor disagreed with GAO's recommendation, but said IRS had an integrated strategy that addressed issues raised in the report. GAO believes the strategy is useful but did not provide sufficient detail to ensure the TEC workforce plan would conform to the critical elements.

www.gao.gov/cgi-bin/getrpt?GAO-03-711.

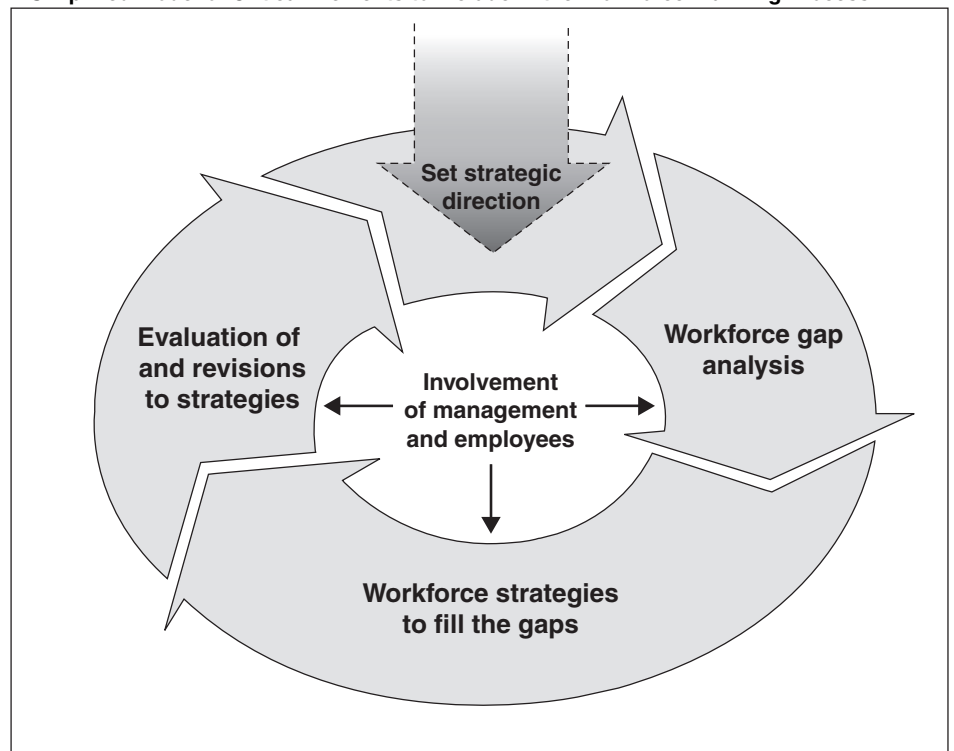
To view the full report, including the scope and methodology, click on the link above. For more information, contact Michael Brostek at (202) 512-9110 or brostekm@gao.gov.

What GAO Found

Although it has existed for more than 2 and a half years, TEC does not have a strategic workforce plan that includes certain critical elements. (See figure below.) For example, it has not identified gaps between the number, skills, and locations of its current workforce and the workforce it will need in the future, and the strategies to fill gaps. Such a workforce plan for TEC could be developed by IRS, the Small Business and Self-Employed Division, and/or TEC. Small Business and Self-Employed Division officials said that TEC does not have a strategic workforce plan because they focused on creating the division and units such as TEC to begin addressing taxpayer needs, and because they first wanted to gain some experience with TEC as a new unit.

IRS and the Small Business and Self-Employed Division are creating a process for developing a workforce plan for TEC that in broad terms would incorporate the critical elements common to workforce planning. However, it is not yet clear whether the workforce plan for TEC will be developed and implemented consistent with these critical elements. For example, IRS and the Small Business and Self-Employed Division have not analyzed the skills that the TEC workforce will need to meet its program goals or outlined the process and data to be used to do these analyses.

A Simplified Model of Critical Elements to Include in the Workforce Planning Process



Source: GAO.



G A O

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

May 30, 2003

The Honorable Olympia Snowe
Chair
Committee on Small Business and Entrepreneurship
United States Senate

The Honorable Christopher H. Bond
United States Senate

In all federal agencies, employees are their most important asset in accomplishing their missions and achieving their goals. The Government Performance and Results Act of 1993 (GPRRA)¹ calls for agencies and their operating divisions to address human capital in the context of performance management and requires annual performance plans to describe how agencies will use resources to accomplish their strategic direction and program goals. As part of human capital management, strategic workforce planning helps ensure that organizations have the right number of staff with the right skills and competencies in the right locations to fulfill their goals both now and in the future given the strategies they have adopted to carry out their missions.

Certain critical elements are common in workforce plans and planning processes across leading private and public organizations: (1) involving top management and employees in developing and implementing a workforce plan, (2) analyzing gaps between the workforce that exists currently and that will be needed in the future, (3) devising strategies (e.g., hiring or training) to fill workforce gaps, and (4) evaluating the strategies to ensure that they yield the workforce needed and to make revisions as necessary.

In an August 2002 report,² the Treasury Inspector General for Tax Administration (TIGTA) voiced specific concerns that the Internal Revenue Service's (IRS) workforce planning documents do not focus on

¹ Pub. L. No. 103-62.

² Treasury Inspector General for Tax Administration, *Expansion of the Workforce Planning Process Would Increase Opportunities to Identify and Address Staffing Risks*, Reference Number: 2002-10-154 (Washington, D.C.: August 2002).

long-term planning. IRS has assumed overall responsibility for developing an IRS-wide workforce plan, which its divisions and units are to support and can supplement with more detailed plans.

Within IRS, the Taxpayer Education and Communication (TEC) unit in the Small Business and Self-Employed Division (SB/SE)³ were both created in October 2000 during IRS's reorganization. TEC is to serve about 45 million small businesses and self-employed taxpayers primarily through efforts to better educate them about their tax obligations. Although the other two units in SB/SE combined many organizations and functions that had existed prior to IRS's reorganization, TEC was a new unit with new or expanded responsibilities. TEC was to have over 1,200 staff by fiscal year 2002 in 15 major field locations and an annual budget of over \$60 million. Since its inception, TEC has (1) not reached its staffing level (it had 718 staff as of March 2003), (2) reduced the number of major field locations to 7, and (3) added priorities and strategies for providing education and outreach to SB/SE taxpayers.

Because TEC serves many taxpayers and has had the above changes, you asked us to determine whether TEC has a workforce plan that conforms to the critical elements for what should be in a plan and how the plan should be developed and implemented. To do so, we interviewed IRS officials and reviewed IRS workforce planning documents, reviewed guidance by central management agencies such as the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) on the critical elements of workforce planning, and reviewed our reports on human capital management. We did not evaluate the adequacy of TEC's program goals (or operational priorities).⁴

Results in Brief

Although TEC has existed for more than 2 and a half years, IRS has not ensured that TEC has a strategic workforce plan that includes the critical elements of a plan, such as identifying any gaps between the number, skills, and locations of the current workforce and the workforce needed in the future, and strategies to fill these gaps. Without a strategic workforce

³ SB/SE's three operating units are TEC, Customer Account Services, and Compliance.

⁴ IRS's system includes an alignment of unit, division, and IRS strategic goals. TEC has operational priorities that are commonly thought of as program goals. For clarity, we refer to TEC's operational priorities as program goals that are to link to and support SB/SE's program goals.

plan, TEC has less assurance that it has the necessary workforce to meet its current program goals and to manage changes in its programs and goals. SB/SE officials said that TEC does not have a strategic workforce plan because they focused on creating TEC to address SB/SE taxpayers' needs, and because they first wanted to have some experience with TEC as a new unit.

IRS and SB/SE are creating a process for developing a workforce plan for TEC that in broad terms would incorporate the critical elements common to workforce planning by leading private and public organizations. However, it is not yet clear whether the workforce plan for TEC will be developed and implemented consistent with these critical elements. For example, IRS and SB/SE have not analyzed the skills that the TEC workforce will need to meet its program goals or outlined the process and data to be used for these analyses. In developing and implementing a strategic workforce plan for TEC, IRS and SB/SE will have to meet challenges, such as gathering reliable data on the skills that the current workforce has and the future workforce that TEC will need.

Given the uncertainty about how the strategic workforce plan for TEC will be developed, we recommend that the IRS Commissioner ensure that the TEC workforce plan is developed in conformance with the critical elements for what a plan is to include and how it is to be developed and implemented.

In a letter dated May 28, 2003, the Commissioner of the IRS provided comments that neither explicitly agreed nor disagreed with GAO's recommendation. However, the Commissioner said he believed IRS had a set of integrated strategies that address the issues raised in our report. Although the steps the Commissioner listed as the integrated strategies are useful, we did not see sufficient detail in the material IRS provided on these steps during our review to be assured that the TEC workforce plan would be sufficiently developed and implemented in accordance with the critical elements. (See p. 13 for a discussion of agency comments, which are reprinted in app. I.)

Background

SB/SE was formed to address various issues affecting small business and self-employed taxpayers, such as filing tax returns and paying taxes. SB/SE's strategic goals include increasing compliance and also reducing burden among SB/SE taxpayers. As part of SB/SE, TEC is to use various strategies, including providing education, outreach, assistance, and other services, to support SB/SE taxpayers in understanding and complying with

tax laws. IRS created TEC in response to concerns that IRS should better balance such services with its enforcement efforts.

In serving taxpayers, TEC is to partner with government agencies, small business groups, tax practitioner groups, and other stakeholders that could advance its education and outreach efforts. To meet an overall goal of increasing voluntary compliance, TEC's four program goals or priorities are to combat abusive tax schemes, reduce taxpayer burden, promote electronic filing, and negotiate agreements with SB/SE taxpayers on specific ways to voluntarily comply with tax laws.

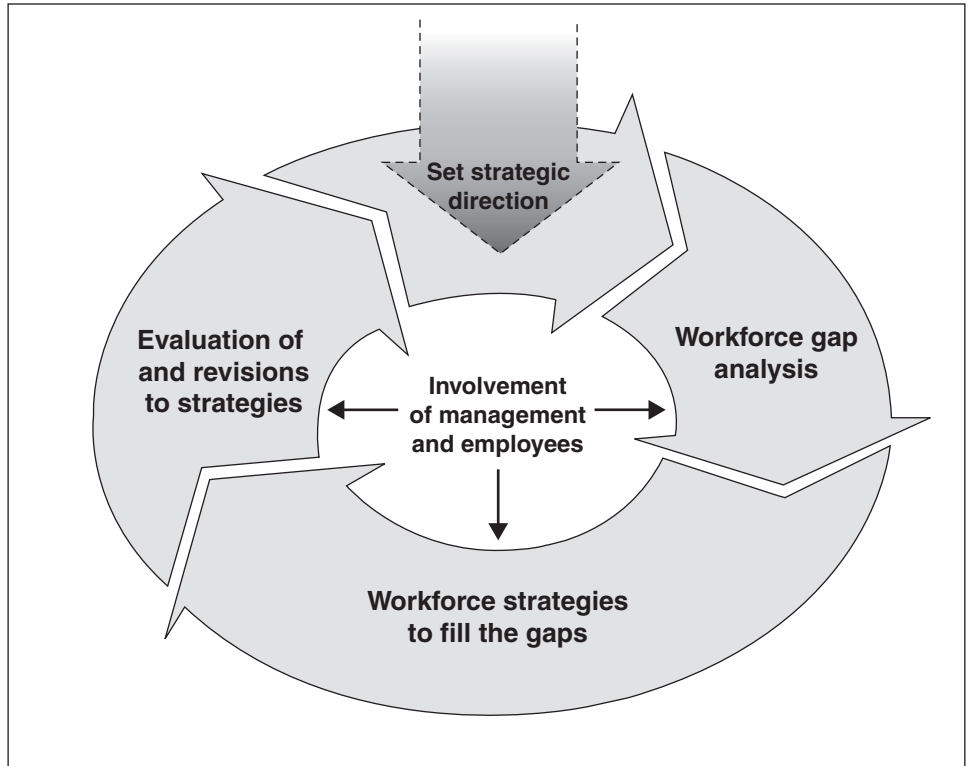
Recent events underscore the importance of human capital management and strategic workforce planning. For example, we designated strategic human capital management as a governmentwide, high-risk area in January 2001, and it was also placed at the top of the President's Management Agenda in August 2001. In addition, OMB and OPM have made efforts to improve human capital management and strategic workforce planning.⁵

Critical Elements in Workforce Planning

The goal of strategic workforce planning is to ensure that the right people with the right skills are in the right place at the right time. Agency approaches to workforce planning can vary with their particular needs and missions. Nevertheless, looking across existing successful public and private organizations, certain critical elements recur as part of a workforce plan and workforce planning process. Although fluid, this process starts with setting a strategic direction that includes program goals and strategies to achieve those goals and flows through the critical elements to evaluating the workforce plan. Figure 1 uses a simple model to show these critical elements and their relationships to the agency's overall strategic direction and goals.

⁵ Based on an OMB standard on strategic human capital management, OPM issued its *Human Capital Assessment and Accountability Framework* in October 2002, which lists six "Human Capital Standards for Success," including one on workforce planning.

Figure 1: A Simplified Model of Critical Elements to Include in the Workforce Planning Process



Source: GAO.

Note: Workforce planning is a continual process that involves interaction among the critical elements and may reshape how the workforce accomplishes its work and achieves the agency's mission in the future.

Before developing a workforce plan, an agency first needs to set a strategic direction and program goals. Setting a strategic direction and program goals is part of the general performance management principles that Congress expects agencies to follow under GPRA. A workforce plan should be developed and implemented to help fulfill the strategic direction

and program goals.⁶ The critical elements of what this plan should include and how it should be developed follow.

- **Involvement of management and employees:** Involving various staff (from the top to the bottom) cuts across the other critical elements. Involving staff in all phases of workforce planning can help improve the quality of the plan because staff are directly involved with the daily operations. Further, vetting proposed workforce strategies to management and those most affected by those decisions can build support for the plan and facilitate obtaining the resources needed to implement the plan and meet program goals. Establishing a communication strategy that involves various staff can create shared expectations and a clear reporting process about the workforce plan.
- **Workforce gap analysis:** Analyzing whether gaps exist between the current and future workforce needed to meet program goals is critical to ensure proper staffing. The workforce plan should assess these gaps, to the extent practical, in a fact-based manner. The absence of fact-based analyses can undermine an agency's efforts to identify and respond to current and emerging challenges.⁷ Thus, the characteristics of the future workforce should be based on the specific skills and numbers of staff that will be needed to handle the expected workload. The analysis of the current workforce should identify how many staff members have those skills and how many are likely to remain with the agency over time given expected losses due to retirement and other attrition. The workforce gap analyses can help justify budget and staffing requests by connecting the program goals and strategies with the budget and staff resources needed to accomplish them.
- **Workforce strategies to fill the gaps:** Developing strategies to address any identified workforce gaps creates the road map to move from the current to the future workforce needed to achieve

⁶ See U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: March 2002), and *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, [GAO-03-293SP](#) (Washington, D.C.: November 2002).

⁷ See U.S. General Accounting Office, *High-Risk Series: Strategic Human Capital Management*, [GAO-03-120](#) (Washington, D.C.: January 2003).

the program goals. Strategies can involve how the workforce is acquired, developed and trained, deployed, compensated, motivated, and retained. Agencies need to know their flexibilities and authorities when developing the strategies, and to communicate the strategies to all affected parties.⁸

- Evaluation of and revisions to strategies: Evaluating the results of the workforce strategies and making any needed revisions helps to ensure that the strategies work as intended. A key step is developing performance measures as indicators of success in attaining human capital goals and program goals, both short- and long-term. Periodic measurement and evaluation provides data for identifying shortfalls and opportunities to revise workforce plans as necessary.⁹ For example, an evaluation may indicate whether the workforce plan adequately considered barriers to achieving the goals, such as insufficient resources to hire and train the full complement of staff identified as necessary by the workforce gap analysis.

Across the critical elements of a workforce plan, data collection and analysis provide fundamental building blocks. Having reliable data is particularly important to doing the workforce gap analysis. Early development of the data provides a baseline by which agencies can identify current workforce problems. Regular updating of the data enables agencies to plan for improvements, manage changes in the programs and workforce, and track the effects of changes on achieving program goals.

Status of Workforce Planning at IRS

IRS issued an Internal Revenue Manual (IRM) section for internal review and comment in March 2003, and IRS expects to finalize it in June 2003. The section outlines a strategic workforce planning system and model, and discusses the roles and responsibilities of IRS and its divisions in this system.

⁸ See U.S. General Accounting Office, *Results-Oriented Cultures: Using Balanced Expectations to Manage Senior Executive Performance*, [GAO-02-966](#) (Washington, D.C.: Sept. 27, 2002).

⁹ Strategic workforce plans are similar to an agency's strategic plans under GPRA in that both types of plans include strategies for achieving annual and long-term goals and are linked to the strategic goals. See U.S. General Accounting Office, *Managing for Results; Strengthening Regulatory Agencies Performance Management Practices*, [GAO/GGD-00-10](#) (Washington, D.C.: Oct. 28, 1999).

For example, IRS is to be responsible for developing the strategic workforce plan across IRS and for analyzing current and future workforce needs. The divisions are to be responsible for providing requested data to IRS's workforce planning office and for translating the IRS-wide plan into their operations. Thus, a strategic workforce plan for a unit within a division could be developed by IRS, the division, or the unit. If developed by the division or unit, the workforce plan is to be consistent with IRS-wide strategic and workforce plans.

Objective, Scope, and Methodology

Our objective was to determine whether TEC has a workforce plan that conforms to the critical elements for what should be in a plan and how it should be developed and implemented. To meet this objective, we

- reviewed human capital literature—including OPM's Human Capital Assessment and Accountability Framework—as well as workforce planning models at OPM, OMB, and IRS, among others;
- reviewed TIGTA and GAO reports on human capital and workforce planning;
- reviewed IRS and SB/SE documents on their strategic program plans, the plan that guided TEC's creation and initial staffing, and the annual TEC staffing plan as well as IRS's draft IRM section on strategic planning and workforce analyses (section 6.251) as of March 2003; and
- interviewed SB/SE and TEC officials on their goals, strategies, and staffing plans as well as IRS and SB/SE Workforce Council officials to determine their purposes, activities, time lines, and challenges.

We conducted our work at IRS and SB/SE headquarters from February 2003 through April 2003 in accordance with generally accepted government auditing standards. We did not attempt to analyze the adequacy of any analyses done to develop a workforce plan for TEC or the program goals and strategies. The Commissioner of IRS provided comments on a draft of this report, which are discussed in the "Agency Comments and Our Evaluation" section and are reprinted in appendix I.

TEC Has Not Had a Strategic Workforce Plan and Questions Remain on How This Plan Will Be Developed and Implemented

Since its inception in October 2000, TEC has operated with short-term staffing plans that do not meet the critical elements of what a strategic workforce plan should include and how it should be developed. IRS and SB/SE are taking steps to develop a strategic workforce plan that will include TEC. However, questions remain about how the critical elements will be developed and implemented for TEC.

TEC Does Not Have a Workforce Plan That Includes the Critical Elements

TEC does not have a strategic workforce plan that includes the critical elements, such as analyses of the workforce gaps and strategies. Without such a workforce plan, TEC has less assurance that it has the necessary workforce to meet its current program goals and to manage changes in its programs and goals. IRS and SB/SE officials said that TEC does not have a strategic workforce plan because of the effort in creating the division and its units such as TEC to meet SB/SE taxpayer needs. These officials said this effort has been a significant undertaking, which delayed the workforce planning. SB/SE officials also said that they needed to have some experience with TEC as a new unit and some data on its new TEC workforce before developing a strategic workforce plan for TEC.

Since its inception, TEC has operated under two types of staffing plans that did not use the critical elements of a workforce plan. One plan was developed prior to TEC's creation in October 2000 to guide the hiring and allocation of 1,209 full-time positions for TEC.¹⁰ The other plan annually allocates the number of TEC staff to its various locations, functions (e.g., partnership outreach or marketing service) and four priorities (e.g., combat abusive tax schemes and promote electronic filing). Although both plans reflect analyses of the number of TEC staff by location, these plans did not address what a TEC workforce plan should include under the critical elements. For example, the plans did not identify any gaps in the workforce needed, any strategies to fill the gaps, or any measures for evaluation purposes.

¹⁰ For various reasons such as budget and recruitment difficulties, and program goal changes, TEC has not filled all these authorized positions and had 718 staff on board as of March 2003. TEC also has received 13 additional positions by assuming responsibility in November 2001 for promoting electronic filing.

**IRS and SB/SE Are
Developing a Workforce
Plan for TEC, but
Questions Remain**

Recognizing the need for workforce planning, both IRS and SB/SE are developing strategic workforce plans and a planning process for TEC and other IRS entities that broadly reflect the critical elements. However, questions remain because of the lack of details on how any workforce plan for TEC will address the critical elements.

IRS and SB/SE each convened workforce planning councils, consisting of executives and human capital managers, to oversee the development of a strategic workforce plan that would include TEC. IRS started its council in the fall 2001 at the direction of the IRS commissioner. SB/SE started its council in February 2003 to create a more detailed workforce plan for TEC and its other units than would be provided in the IRS-wide plan.

Our review of IRS and SB/SE documents showed that they both intend to use the critical elements of strategic workforce planning. These documents include models and discussion that reference the critical elements. For example, these models refer to elements such as analyzing the gap in the workforce and developing strategies to reduce the workforce gap.

Although IRS and SB/SE are taking steps to develop a strategic workforce plan for TEC, these steps have not yet produced enough details to specify how the critical elements will be developed and implemented for TEC. IRS and SB/SE officials said that they recognize the need to further define how the strategic workforce plan will be developed and implemented over time.

For example, the degree to which top management and employees will be involved in developing and implementing the workforce plan for TEC is not yet clear. The draft IRM section refers to their involvement but does not provide details on the extent and nature of their involvement.

As for identifying any workforce gaps at TEC, it is not clear what analyses will be done. As of April 2003, neither IRS nor SB/SE has analyzed the type of TEC workforce needed in the future to meet program goals or the skills of the current TEC workforce. Both types of analyses are needed to determine the gap between the current TEC workforce and the workforce needed in the future. Nor is it clear how and when these analyses will be done. SB/SE officials said that given resource limitations, they have not done the necessary workforce analyses for TEC or developed an implementation schedule for when the analyses would be done.

As of April 2003, IRS or SB/SE analyses have dealt with other workforce issues. While useful, the analyses do not address the TEC workforce gap in terms of the skills needed now or in the future to meet program goals, particularly newer ones such as promoting electronic filing or negotiating voluntary compliance agreements. For example,

- IRS has analyzed 12 mission-critical positions in terms of potential losses (e.g., retirement) from the current number of positions. These analyses have not focused on TEC because the analyses, as well as the eventual IRS-wide workforce plan, are intended to be done at a high level with minimal references to TEC.¹¹
- SB/SE asked officials in TEC and its other units in February 2003 to use a checklist to self-assess their current workforce and planning capabilities against OPM criteria. SB/SE has not indicated how it will verify and use the subjective check marks made by the officials to determine workforce gaps in TEC, particularly in skills needed.
- No analyses have been provided to justify plans for fiscal year 2004 to hire 250 additional staff in TEC to combat abusive tax schemes and to not hire any additional staff to address three other TEC goals. IRS and SB/SE workforce officials had told us that the 250 staff estimate came from the budget and finance staff in SB/SE. In a subsequent meeting during May 2003, TEC and SB/SE officials said that IRS has decided against any staff expansion in TEC due to other budget considerations.

Finishing the analyses of TEC workforce gaps is important for the rest of the workforce plan. The other two critical elements involving strategies and evaluation cannot be finished until IRS and SB/SE know the specific needs of the current and future TEC workforces.

As IRS and SB/SE officials develop and implement a workforce plan for TEC, major challenges are likely to arise. For example, these officials cited the challenge of balancing daily operational demands with the capacity to forecast workforce needs in terms of staff numbers, skills, and locations. Another challenge is gathering reliable data on the attrition, retirement,

¹¹ Most of the analyses combine the tax specialist position with the tax resolution representative and tax compliance officer positions. Distinctions are important because the skills for these positions vary. Furthermore, the analyses do not break out the tax specialists who work in TEC from elsewhere in IRS.

and skills of the current workforce to do analyses that are critical to workforce planning. IRS and SB/SE officials also pointed to budget fluctuations that could limit their strategies to close gaps in the workforce needed by TEC over time. For example, the budget may be insufficient to replace losses of TEC workforce skills due to retirement. Finally, they said that if the workforce plan could adversely affect current TEC employees, dealing with employee unions to address the concerns could be a challenge. We have reported on these and other challenges that any agency faces in doing successful workforce planning.¹²

Conclusions

As discussed in our previous reports, and echoed by OPM and OMB guidance, a strategic workforce plan enables an agency to identify gaps in its current and future needs, select strategies to fill the gaps, and evaluate the success of the plan to make revisions that may be needed to better meet program goals. Such a workforce plan does not yet exist for TEC. Without such a plan, TEC is less likely to have the right number of staff with the right skills in the right places at the right time to address its priorities. Further, it is difficult to justify budget and staffing requests if the workforce needs are not known.

IRS and SB/SE have started taking steps to develop a strategic workforce plan for TEC based on the critical elements under OPM and OMB guidelines, and our guidelines for what a plan is to include and how it is to be developed and implemented. However, IRS and SB/SE have not yet identified many details on how the plan for TEC will incorporate the elements. Without these details, we cannot be certain that the critical elements will be used and contribute to the program goals.

Recommendation for Executive Action

Given the uncertainty on how the workforce plan for TEC will be developed and implemented, we recommend that the Commissioner of Internal Revenue ensure that the workforce plan for TEC be developed in conformance with the critical elements for what a plan should include and how a plan should be developed and implemented.

¹² See U.S. General Accounting Office, *Acquisition Workforce: Status of Agency Efforts to Address Future Needs*, [GAO-03-55](#) (Washington, D.C.: Dec. 18, 2002).

Agency Comments and Our Evaluation

We requested comments on a draft of this report from IRS. The Commissioner of Internal Revenue provided written comments in a letter dated May 28, 2003. (See appendix I.) These comments neither explicitly agreed nor disagreed with our recommendation to ensure that a workforce plan for TEC is developed in conformance with the critical elements of what a plan should include and how it should be developed and implemented.

The Commissioner did say that IRS strongly endorses the development of a strategic workforce plan and that IRS has made progress on this effort, listing eight steps that have been taken. The Commissioner also said that the steps were a set of integrated strategies that reflect IRS's commitment to improve its workforce planning efforts and that they addressed the issues raised in our report. To the extent that IRS had told us about how these steps contributed to a workforce plan for TEC, our report discusses them when we describe IRS's efforts to create such a plan using the critical elements. Although we believe that these steps are useful, we made our recommendation because we did not see enough details to be assured that a workforce plan for TEC would be sufficiently developed and implemented in accordance with the critical elements.

We are encouraged that IRS strongly endorses development of a strategic workforce plan. We look forward to seeing a workforce plan for TEC.

As we agreed with your staff, unless you publicly release the contents of this report earlier, we will not distribute it until 30 days after its issue date. At that time, we will send copies of this report to the Ranking Minority Member of the Senate Committee on Small Business and Entrepreneurship. We will also send copies to the Commissioner of Internal Revenue and other interested parties. We will make copies available to others on request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

This report was prepared under the direction of Thomas Short, Assistant Director. Other major contributors include Catherine Myrick and Grace Coleman. If you have any questions or would like additional information, please contact me at (202) 512-9110 or brostekm@gao.gov or Thomas Short at (202) 512-9110 or www.shortt@gao.gov.



Michael Brostek
Director, Tax Issues

Appendix I: Comments from the Internal Revenue Service



COMMISSIONER

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

May 28, 2003

Mr. Michael Brostek
Director, Tax Issues
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Brostek:

We reviewed the draft GAO report titled, *Tax Administration: Workforce Planning Needs Further Development for IRS's Taxpayer Education and Communication Unit* (GAO-03-711), dated May 2003.

We strongly endorse the development of a strategic workforce plan and have made progress on this effort. Using a Workforce Planning model based on the Office of Personnel Management's (OPM) guidance, we have:

- Convened a Workforce Planning Council comprised of top managers from Small Business/Self Employed (SB/SE) and Taxpayer Education and Communication (TEC) to ensure leadership involvement in the process.
- Performed a self-assessment of the current state of human capital in SB/SE including TEC, using the Human Capital Assessment and Accountability Framework (HCAAF). HCAAF is an integrated approach to human management developed by three federal oversight agencies: The Office of Management and Budget, The Office of Personnel Management and the General Accounting Office.
- Developed clear links between the SB/SE Strategic Plan and the workforce planning effort, using the HCAAF "Six Standards For Success."
- Identified and clearly linked SB/SE programs and initiatives to our SB/SE Strategic Plan to allow us to address the gaps we identified in our human capital assessment. The programs and initiatives include:
 - Succession Planning
 - Career Pathing
 - Accelerated Training Programs
 - New Retention Strategies
 - Employee Satisfaction Surveys
 - Quality of Work Life Programs.
- Performed extensive data analysis of the SB/SE workforce including TEC. Demographic data, attrition rates, migration rates, retirement eligible rates were analyzed.
- Begun to develop a workforce plan to match our workforce's current state with the anticipated future state, in order to bridge job competency gaps and replace lost talent.

-2-

- Committed to completing the workforce plan by October 1, 2003, as one of our Strategic Plan deliverables.
- Published a corporate level Workforce Analysis Report and Multi-Year Staffing Plan (03-07) in April 2003 that included SB/SE tax specialists.

We believe this set of integrated strategies reflects our commitment to improve our workforce planning efforts and addresses the issues raised in your report.

I would be happy to provide additional information about our progress. If you need more information, please contact Robert Hunt, Director, Taxpayer Education and Communication, at (202) 283-2627.

Sincerely,


Mark W. Everson

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The General Accounting Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site (www.gao.gov) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to www.gao.gov and select "Subscribe to daily E-mail alert for newly released products" under the GAO Reports heading.

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
 TDD: (202) 512-2537
 Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Public Affairs

Jeff Nelligan, Managing Director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G Street NW, Room 7149
Washington, D.C. 20548