TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Plans to Close the Austin Tax Processing Center Should Be Halted Until Hiring Challenges and Substantial Backlogs at Remaining Centers Are Addressed

February 7, 2022

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HIGHLIGHTS: Plans to Close the Austin Tax Processing Center Should Be Halted Until Hiring Challenges and Substantial Backlogs at Remaining Centers Are Addressed

Final Audit Report issued on February 7, 2022 **Report Number 2022-40-015**

Why TIGTA Did This Audit

This audit was initiated to evaluate the IRS's efforts to close the Fresno Tax Processing Center and its continued planned closure of the Austin Tax Processing Center. This is the third audit that addresses the consolidation of Tax Processing Centers to two end-state sites (Kansas City, Missouri, and Ogden, Utah), as the IRS announced originally in September 2016.

Impact on Taxpayers

Tax return projections show that electronic filing will continue to increase, resulting in decreased paper processing operations at the Tax Processing Centers. As a result, the IRS continues its Tax Processing Center consolidations and will end its Submission Processing operations in Fresno, California, by September 2021 and Austin, Texas, by September 2024. At the end of this consolidation process, two Tax Processing Center locations, Kansas City and Ogden, will remain.

What TIGTA Found

The IRS continues to experience challenges hiring and retaining an adequate workforce to meet its workload demands at the Tax Processing Centers. As of August 2021, TIGTA estimates that the IRS is facing a total staffing deficiency in its Submission Processing function of around 2,598 employees. Although the IRS has several initiatives underway to help address its hiring shortages, to date these approaches have not been successful. Further, the hiring shortfalls have been exacerbated since the Coronavirus Disease 2019 pandemic and are resulting in millions of tax returns not being timely processed, refunds not being timely issued, and taxpayers not timely receiving assistance with their tax account issues. On June 14, 2021, IRS management noted that they will take a strategic pause to their consolidation efforts until early 2022.

In addition, the transfer of work not directly related to the processing of tax returns further hampers the Submission Processing function's ability to deliver its core mission of processing tax returns and addressing tax accounts. For example, the Fresno Tax Processing Center transferred work related to three specialty programs to the Kansas City and Ogden Tax Processing Centers, each of which had and continue to have millions of returns not processed and other account work remaining unworked. This specialty program work requires resources which could otherwise be directed to process the backlogged work.

Finally, outdated mail processing equipment is contributing to the loss of millions of dollars in revenue and the inefficient use of limited resources. This places its operations at risk for inefficient and untimely execution of tax return processing. For example, this outdated equipment cannot properly detect remittances. In Calendar Year 2021 alone, the IRS reports $56 million in lost opportunity costs due to untimely check deposits. Yet the cost to replace or rebuild the current equipment is only a fraction of those lost costs, ranging from $360,000 to $650,000.

What TIGTA Recommended

TIGTA made six recommendations for improvements, including that the IRS postpone the closure of the Austin Tax Processing Center until hiring and backlog shortages are addressed.

IRS management agreed with five of the six recommendations. The IRS did not agree to postpone the closure of the Austin Tax Processing Center until hiring and backlog shortages are addressed. The IRS plans to make a decision about the Austin consolidation and communicate that decision to all Submission Processing employees once the Submission Processing Center Consolidation revalidation is complete.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

February 7, 2022

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Plans to Close the Austin Tax Processing Center Should Be Halted Until Hiring Challenges and Substantial Backlogs at Remaining Centers Are Addressed (Audit #202140017)

This report presents the results of our review to evaluate the Internal Revenue Service's efforts to close the Fresno Tax Processing Center and its continued planned closure of the Austin Tax Processing Center. This review was part of our Fiscal Year 2021 Annual Audit Plan and addresses the major management and performance challenge of *Supporting an Enhanced Taxpayer Experience*.

Management's complete response to the draft report is included as Appendix II.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. If you have any questions, please contact me or Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services).

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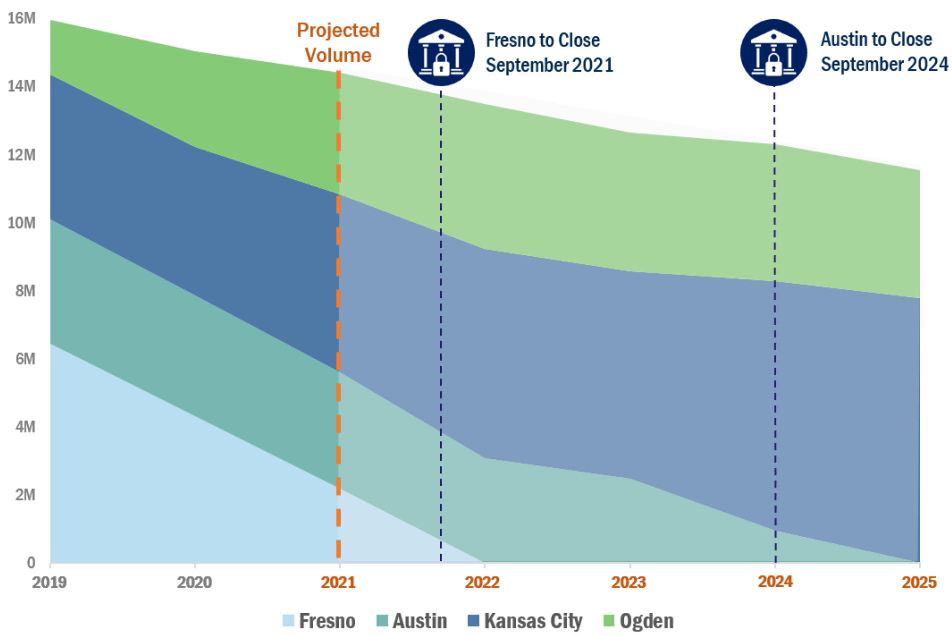
Background

This report presents the results of our continued assessment of the Internal Revenue Service's (IRS) efforts to consolidate its Tax Processing Centers. As we previously reported, on September 14, 2016, the IRS Commissioner announced plans to consolidate paper tax return processing to the Kansas City, Missouri, and Ogden, Utah, Tax Processing Centers.[1] These two Tax Processing Centers are the end-state sites that will remain open. As part of these efforts, the IRS ended its Submission Processing function operations in Fresno, California, as of September 2021 with plans to cease processing at its Austin, Texas, Tax Processing Center in September 2024.

A primary factor supporting its continued consolidation is the continued decrease in paper tax return filings. For example, of the more than 148 million individual returns that the IRS received in the 2021 Filing Season, 94 percent were electronically filed (e-filed). This represents an increase of 2 percent from 2019, in which 92 percent of individual tax returns were e-filed. The IRS also estimates that the business tax return e-file rate will continue to rise from 57 percent to 69 percent from 2019 to 2025.[2] Figure 1 shows the projected decrease in paper-filed tax returns.

Figure 1: Total Projected Volumes of Paper Individual Tax Returns (by Calendar Years (CY) 2019 Through 2025)



Source: IRS Statistics of Income Publication 6186 (2020 Update), Calendar Year Return Projections for the United States and IRS campuses.

[1] Treasury Inspector General for Tax Administration, Report No. 2020-40-019, *A Strategy Is Needed to Address Hiring Shortages As Efforts Continue to Close Tax Processing Centers* (Mar. 2020).

[2] Projection rates are based on calendar year projections for partnerships, corporations, and employment returns.

Prior Treasury Inspector General for Tax Administration (TIGTA) review cites strategy needed to address hiring shortages as efforts continue to close Tax Processing Centers

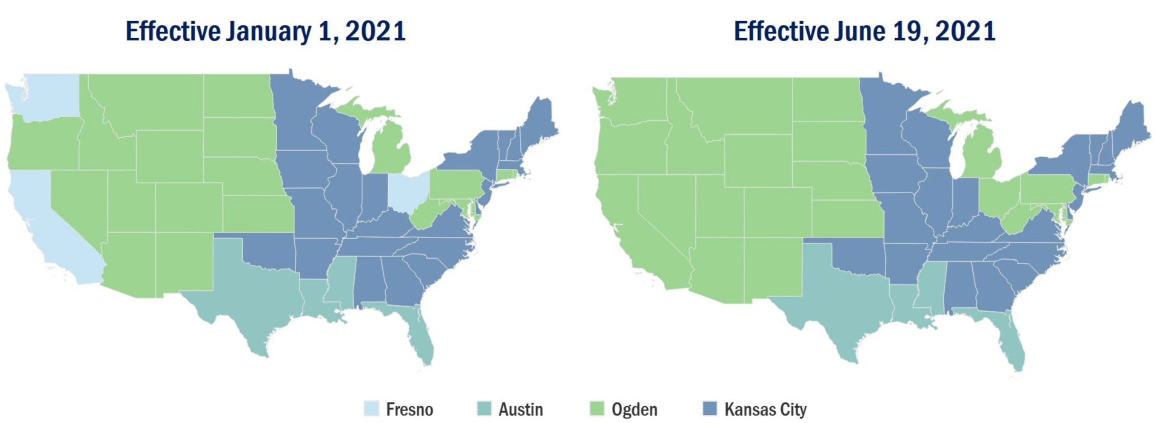
This is the third audit that addresses the consolidation of Tax Processing Centers to two end-state sites (Kansas City and Ogden) as the IRS originally announced in September 2016. Our March 2020 review found that the inability to adequately hire personnel needed to process paper-filed tax returns will continue to be of concern to the IRS. In particular, the IRS was unable to adequately address hiring needs in both the Kansas City and Ogden Tax Processing Centers for the 2019 Filing Season, yet it plans to substantially increase the number of tax returns sent for processing at these sites when the Fresno and Austin sites are closed.

We recommended that the Commissioner, Wage and Investment Division, develop a long-term recruitment strategy to ensure that the end-state Tax Processing Centers are staffed sufficiently. This strategy should also include contingency plans to address hiring shortages. The IRS agreed with this recommendation and established a Recruitment and Retention Team in July 2019 to provide recruitment services to all areas of the IRS. IRS management stated that contingency planning to address hiring shortages is an ongoing effort and will vary by year depending on internal and external conditions affecting staffing and the overall workforce environment.

Results of Review

As part of the IRS's continued efforts to consolidate Tax Processing Centers, the IRS stopped processing all tax returns at the Fresno Tax Processing Center on June 19, 2021.[3] Figure 2 shows the transition of those States previously submitting paper tax returns to the Fresno Tax Processing Center to the Ogden Tax Processing Center for CY 2021.

Figure 2: Individual Paper Returns Map, Pre- and Post-Fresno Closure



Source: IRS-approved 2021 State mapping.

Similar to previous closures, the IRS initiated efforts to minimize the impact of the closure on employees located at the Fresno Tax Processing Center. For example, the IRS had 2,985 career-conditional employees when the decision to close this site was announced. As of October 9, 2021, the IRS reports that:

[3] Amended returns continued to be processed through the end of July 2021.

- 1,428 (48 percent) moved into other continuing IRS positions.
- 1,445 employees (48 percent) separated from the Fresno Tax Processing Centers since the announcement of the consolidation.
- Of the employees that were placed into new positions, 270 graduated from the IRS's Reskilling Academy, which provides employees with skills and competencies needed to transition to tax examiner or customer service representative positions available in other functional areas.

As a result of the various initiatives detailed previously, the remaining impacted employee count is 112 employees.

However, as we have continued to report, each year the IRS has a significant shortfall in its ability to hire the personnel needed for its Submission Processing function.[4] For example, as of May 18, 2021, after the extended filing deadline, the IRS had a hiring shortfall in its Kansas City and Ogden Tax Processing Centers of 814 individuals it estimated as being needed to meet demand. Despite this ongoing significant hiring shortfall, the IRS continues to close Tax Processing Centers. Furthermore, the justification for continued consolidation is the increase of e-filing as it relates to individual tax return filings. The two end-state sites, Kansas City and Ogden Tax Processing Centers, also process business tax returns. During CY 2021, the e-file rate for business tax returns was estimated at around 62 percent. As noted previously, the IRS expects the e-file rate to continue to rise.

Finally, further straining the limited resources at the Kansas City and Ogden Tax Processing Centers is the inability to address substantial backlogs of returns to be processed and other tax account work. In May 2021, we reported that the backlog of returns, correspondence, and other types of tax account work resulting from the Coronavirus Disease 2019 (COVID-19) pandemic has and will continue to have a significant impact on the associated taxpayers.[5] Backlogs that affected the IRS's ability to deliver the 2020 Filing Season now continue into the 2021 Filing Season. For example, as of the week ending July 31, 2021, the IRS reports having about 11.8 million paper tax returns still waiting to be processed and almost 10.6 million cases in other key tax processing functions that still need to be addressed. Whereas, for this same time last year, the IRS reported having more than 4.8 million tax returns waiting to be processed and about 5.4 million cases in other key tax processing functions that still needed to be addressed.

Continued Significant Hiring Shortages and Substantial Backlogs at End-State Sites Need to Be Addressed by Management When Determining Whether to Continue With the Austin Tax Processing Center Closure

The continued and ongoing hiring shortfalls of employees needed to fill mission-critical positions to enable the IRS to timely process tax returns and assist taxpayers with tax account issues warrant the ongoing development of new hiring and retention initiatives and strategies. Approaches to date continue to result in significant hiring shortfalls which, since the COVID-19 pandemic, have been exacerbated in the 2020 Filing Season and now the 2021 Filing Season,

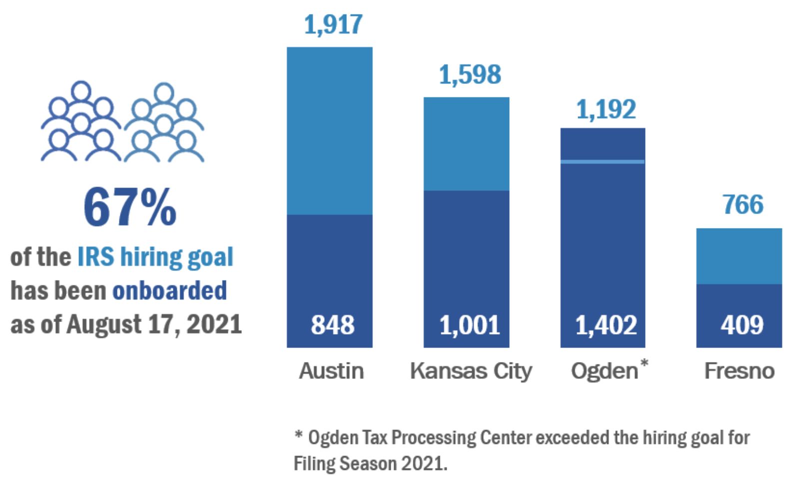
[4] These employees are responsible for sorting mail, transcribing paper tax returns, resolving errors on tax returns, and providing tax account assistance to taxpayers.

[5] TIGTA, Report No. 2021-40-038, *Interim Results of the 2021 Filing Season* (May 2021).

resulting in millions of tax returns not being timely processed, refunds not being timely issued, and taxpayers not timely receiving assistance with their tax account issues.

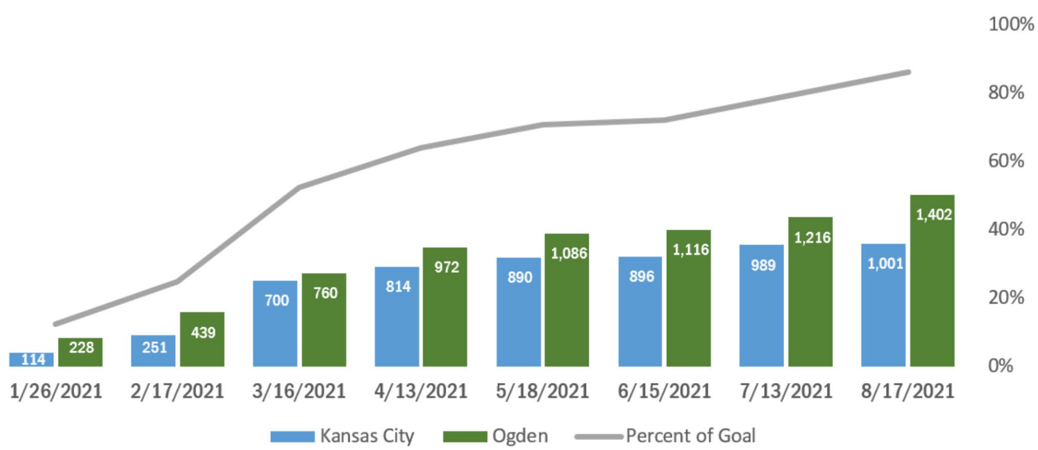
In May 2021, we reported our concerns about the IRS's continued challenges hiring sufficient staff to simultaneously work the backlog and process Tax Year 2020 returns.[6] As of August 17, 2021, the IRS on-boarded 3,660 (67 percent) of its hiring goal of 5,473 employees. We estimate that the IRS is facing a total staffing deficiency in its Submission Processing function of around 2,598 employees.[7] Figure 3 shows the progress of hiring at each of the Tax Processing Centers.

Figure 3: Hiring Progress as of August 17, 2021



Source: TIGTA analysis of IRS Hiring Statistics as of August 17, 2021.

Figure 4: End-State Site Progress of Hiring Goals



Source: TIGTA analysis of IRS hiring statistics as of August 17, 2021.

[6] TIGTA, Report No. 2021-40-038, *Interim Results of the 2021 Filing Season* (May 2021).

[7] The staffing deficiency is calculated by identifying the 1,813 in remaining needs from the IRS Submission Processing hiring goal less employees on-boarded as of August 17, 2021 (5,473 – 3,660) and identifying the 785 employees from the total workforce who were not working as of August 13, 2021.

When we discussed the inability to adequately staff mission-critical jobs at its Tax Processing Centers with IRS management, they explained there are a number of challenges that impede their hiring efforts. Figure 5 provides a synopsis of these top hiring challenges.

Figure 5: Top Staffing Concerns

Top staffing concerns

Seasonal workforce. *A seasonal workforce does not provide permanent employment or desirable schedules and shifts.*

Competitive pay. *The Submission Processing function has several low-grade clerical positions, such as mail clerks in its Receipt and Control Operations. These employees can find similar entry-level positions in private industry for higher pay.*

Overlapping applications. *Applicants often apply to multiple job openings, reducing the true number of candidates available to fill vacancies.*

Applicants fallout. *Applicants fallout through the process because of their failure to respond or failure to pass a pre-screen suitability for tax compliance and background fingerprinting. Additionally, there are often candidates who do not show up for work after they have been hired.*

On-boarding time. *The length of time it takes to onboard a new employee may be contributing to lower on-boarding numbers.*

Source: TIGTA-generated figure based on IRS concerns.

We previously recommended and management agreed to develop a long-term recruitment strategy to ensure that the end-state Tax Processing Centers are sufficiently staffed.[8] These initiatives include:

- **Contracting with a temporary hiring agency.** The IRS contracted with an external agency to provide 232 temporary employees from December 1, 2020, through September 26, 2021. However, management noted that the contractor experienced similar hiring struggles, and the IRS believes that another season of evaluation is needed to determine the long-term efficacy of this mitigation strategy. As of June 1, 2021, only 123 employees (53 percent of targeted needs) were on-boarded.
- **Consolidating clerical position descriptions.** The IRS is working towards consolidating clerical (grades 3, 4, and 5) position descriptions to three positions in an attempt to improve hiring and retention for filing season positions. Management identified approximately 5,000 IRS employees who could be converted into one of these three new positions. Reclassification will not only allow the IRS to offer a more competitive paygrade to its employees but also give it the flexibility to move employees to areas within its Submission Processing function where personnel shortages exist.

[8] TIGTA, Report No. 2020-40-019, *A Strategy Is Needed to Address Hiring Shortages As Efforts Continue to Close Tax Processing Centers* (Mar. 2020).

However, management noted that, once the clerical position descriptions are consolidated, employees would have to reapply for the new positions. When we asked management to explain why existing employees would need to reapply, they stated that the new clerical position descriptions include substantively new and higher graded duties and responsibilities from the prior position descriptions. Management also noted that this effort will result in an increased cost of $33.4 million.

- **Adjusting filing season hiring.** The IRS changed its time frame to begin recruiting and hiring filing season personnel to a continuous year-round process. For example, for the 2022 Filing Season, the IRS began its recruitment activities in June 2021.
- **Offering post of duty neutral positions.** IRS management indicated that they plan to consider offering post of duty neutral positions, with a goal to place as many affected employees working in Submission Processing sites being closed. We asked management if this option was being offered to affected employees at the Fresno Tax Processing Center. Management explained that the Fresno Tax Processing Center was a complete liquidation reduction in force,[9] meaning that all Submission Processing function positions at this center were eliminated.

In addition to these strategies, Executive Order 14003, *Protecting the Federal Workforce*, was published on January 22, 2021, directing the Office of Personnel Management to provide recommendations for increasing the minimum wage for Federal employees to $15 per hour. The IRS provided data to the Office of Personnel Management identifying 1,225 employees[10] who currently do not meet the $15 per hour wage rate and estimating that it would cost the IRS $7 million to implement this new requirement. The Executive Order did not specify any due dates for this report.

On January 21, 2022, subsequent to our receiving management's response to our report, the Office of Personnel Management issued guidance on how agencies should adjust pay rates for affected employees. The $15 minimum hourly rate policy is effective beginning on the first day of the applicable pay period on or after January 30, 2022. When asked about this new guidance, the IRS stated it will take the necessary actions to increase the salaries of impacted employees to meet the requirements of the Executive Order.

Closure of the Austin Tax Processing Center

As detailed previously, the IRS has several initiatives underway to help address its hiring shortage. However, to date these approaches and strategies are not successfully mitigating the IRS's significant hiring shortfalls, which has been exacerbated since the COVID-19 pandemic. These hiring shortfalls are resulting in millions of tax returns not being timely processed, refunds not being timely issued, and, taxpayers not timely receiving assistance with their tax account issues.

Furthermore, as we have previously reported, one of the contingency strategies IRS has relied on to address end-state hiring deficiencies is the transferring of tax returns between Tax Processing

[9] In a complete liquidation reduction in force, there are no available positions and the entire competitive area and existing positions are abolished based on series, grade, and geographical location.

[10] The IRS provided these figures to the Office of Personnel Management based on data pulled in January 2021. These employees represent about 1.5 percent of the total IRS workforce.

Centers. This strategy continued again in the 2021 Filing Season with the Fresno, Kansas City, and Ogden Tax Processing Centers transferring work to the Austin Tax Processing Center in an effort to reduce backlogs and workloads that could not be addressed due to limited staffing. For example, in CY 2021, as of August 11, 2021, these sites transferred around 1.7 million individual tax returns and approximately 276,000 of other types of work, such as transcript requests, to Austin for processing. As we have reported previously, the transfer of work between centers will be limited when only two end-state sites remain.[11]

In response to our continued concern as to the IRS's inability to address its backlog of tax returns and tax account work, we asked management if there are plans to cease actions regarding the planned closure of the Austin Tax Processing Center in September 2024. On June 14, 2021, management noted that they would take a strategic pause and halt actions to close the Austin Tax Processing Center. Specifically, management is pausing their consolidation annual revalidation and any potential changes to the consolidation plan until early Fiscal Year (FY) 2022. The strategic pause only delays the decision-making process of whether or not to continue with closure of the Austin Tax Processing Center.

We remain concerned as to any plans the IRS may have to ultimately close the Austin Tax Processing Center. The IRS estimates a five-year net savings of $94 million will be achieved by closing the Center. This seems relatively insignificant when considering an annual budget of around $12 billion and the additional burden that will be placed on taxpayers resulting from continued and new backlogs of work that will result from moving return processing including international return processing to remaining end-state sites.

TIGTA raises concern with delay in announcing the halting of actions to close the Austin Tax Processing Center

Although a decision was made to take a strategic pause postponing the annual revalidation of closing the Austin Tax Processing Center, on July 6, 2021, IRS management stated that they were planning to delay informing personnel at the Austin Tax Processing Center until October 2021. According to IRS management, the decision to delay this announcement was made so as not to negatively impact ongoing final steps for the closure of the Fresno Tax Processing Center. On both June 29, 2021, and July 23, 2021, we notified IRS management of our concerns with their plans to delay communications, also noting our disagreement with their justification for the delay. Yet the IRS maintained its position that message timing and consistency are critical. As of November 19, 2021, the IRS still had not made any communications to its staff.

Management's delay is resulting in highly experienced staff continuing to leave the Austin Tax Processing Center, as they are not aware of the delay and reevaluation on the part of IRS management. During a walkthrough at the Austin Tax Processing Center in November 2021, several programs indicated that staff was leaving due to the anticipated closure. For example, Individual Taxpayer Identification Number operations management stated that they have already lost 75 employees in CY 2021 and anticipate the loss to be around 120 employees by the end of 2021. In addition to the losses in the Individual Taxpayer Identification Number operation, the Austin Submission Processing function lost 340 employees in key tax return

[11] TIGTA, Report No. 2020-40-019, *A Strategy Is Needed to Address Hiring Shortages As Efforts Continue to Close Tax Processing Centers* (Mar. 2020).

processing positions such as tax examining clerks, mail and file clerks, and data transcribers.[12] While the reasons for employees leaving cannot be determined using the IRS's data, we believe that by notifying impacted employees sooner, the IRS could prevent additional losses of its experienced workforce.

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Allocate adequate funding to support Submission Processing function transition of its clerical staff to the new, higher graded position descriptions.

> **Management's Response:** The IRS agreed with this recommendation and has submitted a request for approximately $39 million under the Fiscal Year 2024 budget formulation process to provide a permanent increase in annual funding levels that will support the cost of upgrading the positions and maintaining them at the higher level. IRS management is also evaluating options and the associated trade-offs involved to upgrade the position descriptions from existing appropriations. Additionally, management stated that the recent 2.2 percent increase to the General Schedule Base Pay Scale, plus the adjustment for locality pay, raised a portion of the affected employees above the $15 per hour rate, which should alleviate some of the pressure of competing with outside employers for workers.

Recommendation 2: Postpone any further steps for closing the Austin Tax Processing Center until hiring shortages and backlogs of work at end-state sites are adequately addressed.

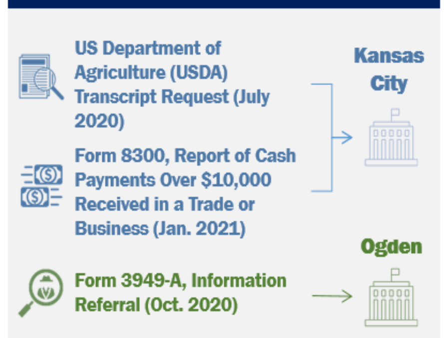
> **Management's Response:** The IRS disagreed with this recommendation. IRS management stated that the Submission Processing Center Consolidation revalidation is ongoing and a decision on the Austin consolidation will be made once the revalidation is completed. This decision will then be communicated to all Submission Processing employees.
>
> > **Office of Audit Comment:** Although management states their decision is still pending review, we believe our report clearly lays out the reasons that management should halt the closure of the Austin Tax Processing Center. While the estimated five-year net cost savings of $94 million is an important consideration, the drawbacks of this closure are substantial. There is increased potential for additional burden on taxpayers resulting from continued backlogs. Further, there will be new backlogs resulting from moving return processing work, including international tax return processing, to the remaining end-state sites. Additionally, as noted in management's response, the COVID-19 pandemic has affected the IRS in several ways, the most significant of which is not having an adequate number of applicants. Closing the Austin Tax Processing Center will eliminate a key contingency strategy IRS' uses to address end-state hiring deficiencies. It would eliminate the ability to transfer tax returns and other account work to the Austin Tax Processing Center in an effort to reduce backlogs and workloads that could not be addressed due to limited staffing.

[12] Data from the Treasury Integrated Management Information System as of June 5, 2021.

Transfer of Work Not Directly Related to the Processing of Tax Returns Further Hampers the Submission Processing Function's Ability to Deliver Its Core Mission

IRS management continues to move specialty program work, not related to the Submission Processing function's core mission of processing tax returns and addressing tax accounts, to both the Kansas City and Ogden Tax Processing Centers. For example, the Fresno Tax Processing Center transferred work related to three specialty programs to the Kansas City and Ogden Tax Processing Centers, each of which had and continue to have millions of returns not processed and other account work remaining unworked.

Three specialty programs transitioned from the Fresno Tax Processing Center in FYs 2020 and 2021



The Submission Processing function plays a critical role in the administration of the Nation's tax system by serving as the intake operation for the IRS. When we inquired about the strategic reasons as to how specialty programs became absorbed into the Submission Processing function, which continues to experience hiring shortages and backlogs of work, the IRS noted several factors, including that other areas requested the Submission Processing function's involvement or the Submission Processing function had available resources. The IRS also noted that Wage and Investment Division leadership agreed that the specialty program work was distributed appropriately. Moreover, the decision on where to place these three Fresno specialty programs was based on available workstations at the two end-state sites.

The following information details this specialty program work that has no direct connection to the Submission Processing function's core mission yet requires resources which could otherwise be directed to process tax returns and assist taxpayers with their tax accounts.

Processing of Form 8300 transitioned to the Kansas City Tax Processing Center

The Form 8300[13] program is owned by the Small Business/Self-Employed (SB/SE) Division's Specialty Examination Bank Secrecy Act group in Detroit, Michigan. The Submission Processing function's role in this program is to have data entry clerks input data from the paper-filed Forms 8300 into a web-based portal. This task does not require any additional IRS systems; the clerk simply converts the paper-filed form into an electronic copy. Once the Submission Processing function completes the data entry, it sends the paper forms back to the program owners in Detroit. The Submission Processing function's responsibility for this program originates from a 2017 Service Level Agreement in which the Submission Processing function agreed to assist the SB/SE Division's Specialty Examination Bank Secrecy Act group to alleviate a backlog of Forms 8300 needing to be processed. Although the Service Level Agreement includes a timeline for the parties to revisit and modify its terms, IRS management stated that they did not have a reason to request any changes until FY 2021 when the Tax Processing Center

[13] The Form 8300 is used as an intelligence strategy to create financial pictures or data points that could provide indicators of potential financial criminal and counterterrorism matters.

changed from Fresno to Kansas City. This is despite experiencing continued staffing shortages since FY 2017 and having to shut down the Tax Processing Centers from the end of March 2020 until June 2020 due to the COVID-19 pandemic.

We presented our concerns to IRS management on May 26, 2021, highlighting the need to alleviate the Submission Processing function's workload and implement a viable solution for the IRS to continue to process these forms without assistance from the Submission Processing function. Management noted that the Service Level Agreement will be reassessed with appropriate recommendations in September 2021. Additionally, a recent legislative proposal is underway to require certain filers to e-file Forms 8300.[14] As of March 30, 2021, the paper filing rate for these forms was approximately 86 percent. The IRS noted that this was much higher than previous years due to the backlog. If the legislative proposal is not enacted, the IRS needs to holistically evaluate the impact of the Form 8300 work and update its Service Level Agreement accordingly.

During subsequent discussions with IRS management, they reiterated that the program is appropriately placed in the Submission Processing function and noted that the SB/SE Division transferred 18 full-time equivalents to the Submisison Processing function to permanently fund this program. Management also explained that, because the Submission Processing function has been doing this work for several years, it can complete the work more effeciently versus if it was transferred back to the SB/SE Division.

The SB/SE Division also noted the Form 8300 is a high-profile workstream that has been impacted by the delays in Submission Processing due to the COVID-19 pandemic and backlog. Because the SB/SE Division and other functions within the IRS need these documents to carry out compliance and enforcement activities, we believe the SB/SE Division should collaborate with the Submission Processing function to identify and implement an interim solution(s) until the backlog of tax return processing is brought to a more manageable level. The Service Level Agreement allows a pause in processing Forms 8300 so the Submission Processing function can deliver the filing season. According to the IRS, this is in and of iself an interim solution that allows Submission Processing to deliver its core mission. However, we believe that postponing processing of one program so that another can deliver its own is not beneficial to overall tax administration.

The Deputy Commissioner for Services and Enforcement should:

Recommendation 3: Identify and implement interim solutions that will address the resource constraints currently being placed on the Submission Processing function due its backlog.

> **Management's Response:** The IRS agreed with this recommendation and plans to continue meeting with stakeholders on a regular basis to identify interim solutions that accommodate resource needs. IRS management also plans to continue pursuing potential opportunities for automation of data entry into the Treasury Financial Crimes Enforcement Network web portal throughout Fiscal Year 2022.

[14] 86 Fed. Reg. 39910, *Electronic-Filing Requirements for Specified Returns and Other Documents* (July 23, 2021).

Processing of Form 3949-A transferred to the Ogden Tax Processing Center

Similarly, the Submission Processing function inherited the Form 3949-A Information Referral program.[15] It reviews these forms and routes them to other business units for case processing. However, the Submission Processing function suspended the processing of these forms from March 2020 through April 2021 so that it could focus on higher priority workloads due to the COVID-19 pandemic and associated backlog. We believe that the justification to suspend the program seems to clearly support the notion that this program does not inherently belong in Submission Processing. In FY 2019, and until the program was shut down due to the backlog in FY 2020, the Submission Processing function used 34,477 person-hours (16 full-time equivalents) and approximately $668,000 to work this program.

According to information obtained from the SB/SE Division, leads from the Form 3949-A program resulted in $123 million in tax assessments for FYs 2018 through 2020. In December 2020, the Ogden Tax Processing Center received around 59,000 forms from Fresno. However, as of July 6, 2021, the IRS reported approximately 82,000 Forms 3949-A needing to be processed. The delay in processing means that many of these forms will not be considered because of reduced statute times to review the cases and lack of resources.

We presented our concerns to IRS management on May 26, 2021, noting that it has been almost a decade since we first recommended a feasibility study for developing an online Form 3949-A to ensure that sufficient information is collected so the forms can be routed directly to the appropriate function for classification.[16] Management noted that, at the beginning of CY 2021, the IRS initiated a project under the Enterprise Digitalization and Case Management Office to standardize and modernize the various IRS referral programs, *e.g.*, Whistleblower and Information Referral. The Form 3949-A digitalization effort will offer a public web portal via IRS.gov that allows users to fill out the Form 3949-A or upload a copy or image of the form. The IRS will then receive the form for assignment to the appropriate business unit to process. However, at this stage in development, the digital intake of the Forms 3949-A will not remove intake and routing processes from the Submission Processing function. The Submission Processing function will continue to process both paper and electronic submissions and route them to the appropriate business units for review. The final goal of the digital intake system is to automatically route these forms directly to the business units. According to IRS management, they are gaining efficiencies through the digital intake of the Form 3949-A, which will assist in restoring this workload source to the business units.

The Deputy Commissioner for Services and Enforcement should:

Recommendation 4: Ensure that timely advancements are made to the digital platform of Forms 3949-A to develop automatic routing of the forms directly to the business units to alleviate the Submission Processing workload.

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[15] This program processes information referrals received from individuals and businesses reporting suspected instances of Federal tax fraud, *e.g.*, claims of false exemptions, unreported income, *etc.*

[16] TIGTA, Report No. 2012-40-106, *The Process for Individuals to Report Suspected Tax Law Violations Is Not Efficient or Effective* (Sept. 2012), and TIGTA, Report No. 2019-40-040, *Improvements Are Needed to Correct Continued Deficiencies in the Processing of Taxpayer Referrals of Suspected Tax Fraud* (May 2019).

Management's Response: The IRS agreed with this recommendation and plans to identify those capabilities required to support the implementation of automatic routing of Forms 3949-A directly to business units.

USDA transcripts program transitioned to the Kansas City Tax Processing Center

The Submission Processing function is responsible for providing the USDA with tax transcripts, which are used to verify income levels to help determine eligibility for Federal Farm Program applicants. The IRS provides this service as part of an annual reimbursable agreement with the USDA. For FY 2021, the reimbursable agreement value was around $1.1 million. The USDA program transitioned from the Fresno to Kansas City Tax Processing Center in July 2020, and the IRS has trained a total of 27 employees in the Return and Income Verification Services unit to work this program. The Return and Income Verification Services unit performs a variety of other responsibilities apart from processing these USDA transcript requests. This includes processing transcripts related to disaster relief (for both individual taxpayers and on behalf of the Small Business Administration), photocopy requests, and transcript requests made by individual taxpayers. As of November 5, 2021, there was a total of 856,209 transcripts awaiting processing, of which 651,499 (76 percent) were assigned to the Kansas City Tax Processing Center.

The IRS is currently piloting e-file options for the USDA to submit its transcript requests, which it anticipates will be available to all States by September 2021. These requests would be received and transmitted back to the USDA electronically. Additionally, the IRS is expected to realize a reduced workload in this unit due to the Taxpayer First Act of 2019,[17] which mandates that the IRS automate the transcript request Return and Income Verification Services unit workload by 2023. Additionally, the IRS has stated that the transcript inventories continue to decrease in this unit.[18] For the USDA program, inventories dropped by 15 percent from FY 2018 through FY 2020. For example, in FY 2018, USDA transcript inventories were approximately 1.4 million in receipts, and for FY 2021, as of June 25, 2021, they were around 943,000. Although the inventory of work has been slowly decreasing, the Kansas City Tax Processing Center has had to transfer some of this work to the Austin Tax Processing Center in order to focus on other programs. With the anticipated and continued decrease in workload, we believe that the USDA program is appropriately placed within the Submission Processing work stream. However, the IRS should monitor and evaluate the placement of this work if the IRS does not meet its target dates to allow the USDA to electronically submit and receive its transcripts or the transcript inventories do not continue to decline as anticipated.

The Commissioner, Wage and Investment Division, should:

Recommendation 5: Evaluate the placement of USDA transcript work if the IRS does not meet its automation targets or the inventories do not continue to decline as anticipated.

Management's Response: The IRS agreed with this recommendation. IRS management shares weekly updates with executive leadership to inform them of the program's status and confirm proper placement of the USDA transcript program. As of September 20, 2021, automation for the USDA program is shown to be fully paperless,

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[17] Pub. L. No. 116-025.

[18] TIGTA, Report No. 2021-45-017, *Additional Security Processes Are Needed to Prevent Unauthorized Release of Tax Information Through the Income Verification Express Service Program* (Feb. 2021).

and 3,078 counties have suspended mailing Form CCC-941, *Commodity Credit Corporation Average Adjusted Gross Income (AGI) Certification and Consent to Disclosure of Tax Information,* requests to the IRS. IRS management has also suspended mailing reject notices to the USDA in lieu of electronic delivery. As anticipated, the inventories declined to the point that all electronic USDA inventory is current and timely.

Outdated Mail Processing Technology Is Contributing to the Loss of Millions of Dollars in Revenue and the Inefficient Use of Limited Resources

The Tax Processing Centers use the Service Center Automated Mail Processing System (SCAMPS) to process incoming mail.[19] SCAMPS is a cornerstone to mainstream processing of tax returns and related taxpayer correspondence. However, SCAMPS equipment in place at these sites is 20 years old and has not had any significant technical upgrades in more than 15 years. Moreover, the IRS had not taken any significant actions to review and assess needed equipment upgrades, replacement options, *etc.,* until we raised the numerous concerns brought to our attention by employees responsible for using this system to process incoming mail. For example, on April 19, 2021, we notified management of our concern regarding management's inaction to develop a strategy to update and/or replace SCAMPS equipment even though it had limited technological capabilities and there were frequent requests for maintenance. We noted that, since the start of Filing Season 2021 in January 2021 through March 2021, SCAMPS machines had been serviced almost 300 times. In response to our concerns, IRS management stated that attributing a high priority for replacing SCAMPS due to the required number of times the machines needed to be serviced (either through routine or repair maintenance) as the causation of an expedited review was unnecessary.

> **The IRS is using mail processing equipment with no significant upgrades in 15 years, placing its operations at risk.**

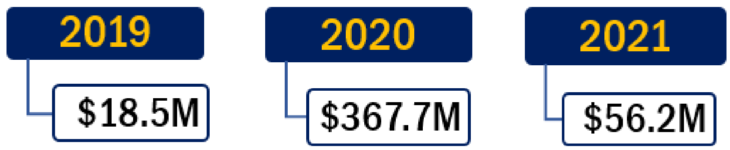
When we received management's response and their conclusion that "an expedited review was unnecessary," we responded that it seems management may be unaware of the operational challenges that have been raised yet remain unaddressed and ongoing with these machines. Based on the results from our May 2021 walkthrough at the Kansas City Tax Processing Center and discussions with frontline employees, in our opinion an expedited review to address the following concerns and ultimately upgrade or replace this equipment should be a high priority. The following is a synopsis of the concerns raised, some of which remain unaddressed and are resulting in lost revenue to the Federal Government, breakdown of these machines, and inefficient use of resources:

- **Continued inability of the SCAMPS machine to effectively identify remittances included with mail being processed.** SCAMPS does not effectively identify remittances included with mail being processed. This functionality is so poor that the Kansas City Tax Processing Center has turned off its remittance detection technology because it was inaccurately reading correspondence mail as having a check remittance. The Submission

[19] The IRS has 12 SCAMPS machines in operation. The SCAMPS automatically open, count, sort, and detect remittances at a rate of between 15,000 to 25,000 per hour.

Processing function process does not place a high-level reliance on the SCAMPS machine to identify and isolate remittances due to its limitations. Instead, the SCAMPS machine is used to open the envelopes and do a preliminary sort to identify those with a high potential for a remittance. These envelopes are then routed to staff to extract the contents and identify remittances for further processing. This is contributing to delays in depositing those remittances. In CY 2021 through June 3, 2021, the IRS lost $56.2 million in interest because remittances were not deposited within 24 hours of receipt.[20]

Figure 6: Lost Costs Associated With Untimely Check Deposits



Source: IRS Remittance Processing System Identification Reports from January 1, 2019, through June 3, 2021.

According to the IRS, the purchase of improved technology to identify remittances would contribute to a reduction of lost opportunity costs in future years.

- **Outdated dust collectors**. We observed at least five jams of the SCAMPS machine during a 10 to 15 minute period due to the SCAMPS equipment in Kansas City not having updated dust collectors to properly clear debris from the machines and prevent jams. We were advised that equipment was so aged that the Kansas City Tax Processing Center could not obtain appropriate supplies to help alleviate these jams. Similar problems were occurring previously in both Austin and Ogden; however, each site had purchased updated equipment independently to address this concern.

  Management Action: In response to our concerns, management purchased new equipment for the Kansas City Tax Processing Center to help alleviate SCAMPS jams.

- **Support for SCAMPS system software is set to expire**. We were also informed that SCAMPS Microsoft XP software and the support were set to expire. In June 2021, the IRS contacted the vendor for an evaluation of an upgrade. The IRS has not provided us with additional information as to the actions it plans to take to resolve this issue.

- **Slicers at times cut the correspondence along with the envelope, necessitating IRS employees to reconstruct and tape this correspondence.** During our walkthrough, the IRS noted that this is an ongoing issue that has yet to be addressed. The operators of SCAMPS machines monitor the operation of the slicers, and they or the on-site technical representative can adjust the misaligned slicers. This issue is resolved once identified at the local level and is not an issue that is elevated to Submission Processing Headquarters. When we brought our concern to management's attention, they responded that some cut or sliced mail is unwelcome but an inevitable result of mechanical operation.

[20] The 2020 opportunity costs are disproportionately high when compared to prior and subsequent years. We believe this is attributed to the COVID-19 pandemic when the IRS shut down its facilities, including the mail processing.

Subsequent to our bringing the previously mentioned concerns to IRS management's attention on June 7, 2021, they agreed that replacing SCAMPS is in fact a high priority. During our review, the IRS initiated market research on available equipment options. However, management explained that this process is very lengthy due to procurement requirements.

Limited sorting capabilities are resulting in an inefficient use of resources

In addition to the technology challenges noted previously, employees expressed concerns that SCAMPS has very limited sorting capabilities.[21] After SCAMPS performs a preliminary sort, the IRS must then complete a secondary, manual sort of the opened mail. This manual sort is labor intensive, and it becomes difficult to manage and ensure a smooth process when the Tax Processing Centers are also facing staffing challenges. SCAMPS is currently limited in the number of programmable sorts due to capacity and spacing requirements for the sorting bins. For example, Ogden uses 32 programmable sorts, while Kansas City uses around 40 sorts. However, technology has vastly improved since the last upgrade to SCAMPS, and there are additional sort options the IRS could be pursuing to help reduce the volume of manual sorting.

Management squanders opportunity to pilot upgrades to existing mail processing technology

On September 9, 2021, we presented our position to the IRS that, since it is disassembling the SCAMPS machines in Fresno as part of the consolidation efforts, we believed this would be an excellent opportunity to update one of these existing machines with the most up-to-date, state-of-the-art components such as camera systems and check detection devices. This would allow the IRS to stage its upgrade to SCAMPS and determine if the improved technology helps solve its technology and sorting concerns without purchasing new equipment all at once.

We contacted the vendor for SCAMPS and learned that the IRS cannot upgrade just one component, such as the remittance reader. Instead, it would have to do a complete overhaul for each component to function optimally. According to the vendor, a new SCAMPS machine would cost $650,000, while rebuilding and refreshing the existing equipment would cost only $365,462. These costs are only a fraction of the lost opportunity costs the IRS is currently incurring. The vendor also stated that, depending on its workload, a newly upgraded system would take about six weeks to construct.

On September 20, 2021, the IRS approved the decision to excess the two remaining SCAMPS machines, thus wasting an opportunity to pilot an upgrade as we had suggested. Instead, these machines were sold through the General Services Administration excess process and removed from the Fresno Tax Processing Center on October 28, 2021. The IRS's decision to excess the machine was because there was not enough time to secure funding for disassembling the machines before the building closed in November 2021.

The Commissioner, Wage and Investment Division, should:

Recommendation 6: Ensure that efforts to evaluate and purchase updated or new mail opening/sorting technology are timely executed.

[21] SCAMPS can be programmed to sort by return type or by notice based on the last four digits in the zip code, which are called the Code Format Number.

Management's Response: The IRS agreed with this recommendation and plans to take the actions necessary for the evaluation and purchase of a replacement for the equipment used for opening and sorting mail and ensure that those necessary actions are carried out timely. Because this procurement action is dependent on funding and is subject to competing priorities, IRS management will reevaluate continuing actions if implementation is not successful within three years.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective was to evaluate the IRS's efforts to close the Fresno Tax Processing Center and its continued planned closure of the Austin Tax Processing Center. To accomplish our objective, we:

- Reviewed the process the IRS has in place to monitor actions to close the Fresno Tax Processing Center.
- Identified and evaluated IRS recruitment and retention strategies to ensure that Tax Processing Centers are adequately staffed to meet workload demands as centers are closed. We interviewed Submission Processing personnel to evaluate the efforts to extend the filing season, use a temporary hiring agency, consolidate position descriptions, and adjust filing season hiring.
- Identified and evaluated the specialty programs worked at the Fresno Tax Processing Center. We obtained the status of the programs' transitions to the end-state sites of either Kansas City or Ogden.
- Evaluated the business case for replacing outdated mail processing technology to improve the pipeline processing. We obtained documentation outlining existing concerns with SCAMPS technology, met with management to discuss their concerns and determine their progress in researching newer technology, and identified benefits of upgrading to newer equipment.
- Evaluated the business case for closing the Austin Tax Processing Center. We met with IRS management to discuss the plans for continued consolidation of the Austin Tax Processing Center, including reviewing the hiring challenges, digitization efforts, and review of Austin's primary specialty program. We also reviewed IRS reliance on the Austin Tax Processing Center through transshipment reports.

Performance of This Review

This review was performed with information provided by the Wage and Investment Division's Submission Processing function; the Chief, Human Capital Office; and the Small Business/Self-Employed Division during the period December 2020 through September 2021. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services); Diana M. Tengesdal, Director; Nina A. Hill, Audit Manager; Gwendolyn S. Gilboy, Lead Auditor; Cindy K. Hung, Auditor; and Hee Koo Kang, Auditor.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the processes in place for the timely consolidation of the Fresno site, goals and plans for recruitment, and continued plans for the consolidation of the Austin Tax Processing Center. We evaluated these controls by reviewing IRS procedures in the Internal Revenue Manual and SharePoint sites, performing walkthroughs of Tax Processing Centers, meeting with IRS management and subject matter experts, identifying staffing goals and hiring plans, assessing the functionality of mail processing equipment, and evaluating the placement and implementation of specialty programs.

Appendix II

Management's Response to the Draft Report

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

COMMISSIONER
WAGE AND INVESTMENT DIVISION

January 14, 2022

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Kenneth C. Corbin Digitally signed by Kenneth C. Corbin Date: 2022.01.14 12:13:58 -05'00'
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Plans to Close the Austin Tax Processing Center Should Be Halted Until Hiring Challenges and Substantial Backlogs At Remaining Centers Are Addressed (Audit #202140017)

Thank you for the opportunity to review and comment on the subject draft report. Every year, the volume of tax returns and other documents filed electronically has increased while paper filings have correspondingly decreased. For example, of the more than 148 million individual returns that the IRS received in the 2021 filing season, 94 percent were electronically filed (e-filed). This represents an increase of two percentage points from 2019 where 92 percent of individual tax returns were e-filed. We also estimate that the business tax return e-file rate will continue to rise from 57 percent to 69 percent from 2019 to 2025.[1] The significant increase in electronic filing and its efficiencies has presented the IRS with opportunities to reduce the footprint of our Submission Processing Centers (SPCs). By adjusting staffing and vacating aging, less efficient physical space to reflect the needs of paper processing more accurately, we are able to realize savings that give direct value to taxpayers in the form of more efficient use of the tax dollars that fund ongoing tax administration.

The report details shortfalls in the IRS's ability to hire the personnel needed for the Submission Processing function. This is an ongoing challenge as staffing deficiencies have continued to impact the IRS. These challenges have been exacerbated due to the COVID-19 pandemic. We have addressed the staffing shortfalls by contracting with a temporary hiring agency and adjusting filing season hiring. We are also consolidating clerical position descriptions to provide more flexibility to move employees to areas within the Submission Processing function where personnel shortages exist.

[1] IRS Statistics of Income Publication 6186 (2020 Update), *CY Return Projections for the United States and IRS Campuses*. Projection rates are based on calendar year projections for partnerships, corporations, and employment returns.

The report also discusses the backlog of work in the SPCs. The Submission Processing function plays a critical role in the administration of the nation's tax system by serving as the intake operation of the IRS. We have made significant progress in developing and deploying an online application to address the submission and processing of information referrals by initiating a project under the Enterprise Digitization and Case Management Office to standardize and modernize the various IRS referral programs (*e.g.*, Whistleblower, Information Referral). Efficiencies are being gained through the digital intake of Form 3949-A, *Information Referral*, which will streamline the steps the Submission Processing function follows to route this work to other business units. Partnering with the Information Technology organization, we continue to develop the tool for uploading the electronic Form 3949-A, with automatic routing to be available in future versions of the tool. The electronic form will require less handling than the paper form, shortening processing time, trimming processing costs, and freeing up time that can be directed to other programs. Additionally, a recent legislative proposal is underway to require certain filers of Form 8300, *Report of Cash Payments Over $10,000 Received in a Trade or Business*, to file electronically.[2]

The report suggests halting the closure of the Austin SPC, stating that IRS is losing experienced staff and unable to meet the necessary hiring needs. We have compared attrition rates dating back to calendar year 2015, and the staffing losses are similar to those prior to the initial announcement of consolidation in September of 2016. The COVID-19 pandemic has affected the IRS in several ways, and not having an adequate number of applicants is one of the major impacts. This impact has been widespread among various market segments. Each year since the SPC consolidation initiative began, the IRS has carefully reviewed and revalidated the consolidation plan. Due to legislative mandates and the uncertainties created by the pandemic, the revalidation was strategically paused in 2021. We have also decided to continue hiring permanent employees in the Austin SPC for the 2022 filing season. Once the consolidation revalidation is completed, we will announce any updates to the plan in 2024. This information was provided to all Submission Processing employees on Tuesday, December 7, 2021.

The IRS leadership team has continually focused on the employees' health and safety by offering targeted administrative leave to all qualifying Wage and Investment Division employees whose work could not be performed remotely in a telework environment. This leave was used by a significant number of employees impacted by the pandemic and it had a significant effect on this data. Also mentioned is the outdated equipment used to assist with mail separation efforts, the Service Center Automated Mail Processing System (SCAMPS). This equipment has been used for many years. The machines are under contract and serviced routinely. While the outdated mail processing technology contributes some delay to the deposit of incoming remittance, it is not the sole cause of Lost Opportunity Cost (LOC). Though updated remittance identification

[2] 86 Fed. Reg. 39910, *Electronic-Filing Requirements for Specified Returns and Other Documents* (July 23, 2021).

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technology may be available, the steps following the use of the SCAMPS would still be required as the contents of the envelopes would still need to be manually extracted and moved to the deposit function for processing into Treasury accounts. The report creates a false impression of a greater level of impact by the SCAMPS equipment on the LOC. The use of the term “squanders” incorrectly implies that the IRS had ample space to store an extra SCAMPS machine along with funding to not only perform technology updates, but to also move and store the equipment while the updates are being performed. Management explored all possible opportunities to use the two SCAMPS machines at the Fresno campus. There were no viable opportunities that could be exercised prior to the termination of the lease agreement for the building in which the machines were housed.

Our responses to the recommendations are enclosed. If you have any questions, please contact me, or a member of your staff may contact Dietra Grant, Director, Customer Account Services, Wage and Investment Division, at 470-639-3504.

Attachment

Attachment

Recommendations

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 1
Allocate adequate funding to support Submission Processing function transition of its clerical staff to the new, higher graded position descriptions.

CORRECTIVE ACTION
The transition of clerical staff to higher graded position descriptions is a goal of the IRS. An Enterprise Unfunded Requirements request for approximately $39 million has been submitted under the fiscal year 2024 budget formulation process to provide a permanent increase in annual funding levels that will support the cost of upgrading the positions and maintaining them at the higher level. Outside of the initiative to upgrade the position descriptions, the recent 2.2 percent increase to the General Schedule Base Pay Scale, plus the adjustment for locality pay, has raised a portion of the affected employees above the $15 per hour rate, alleviating some of the pressure of competing with outside employers for workers. We are also evaluating options and the associated trade-offs involved to upgrade the position descriptions from existing appropriations.

IMPLEMENTATION DATE
February 15, 2024

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 2
Postpone any further steps for closing the Austin Tax Processing Center until hiring shortages and backlogs of work at end-state sites are adequately addressed.

CORRECTIVE ACTION
The Submission Processing Center Consolidation revalidation is on-going. Once the revalidation is complete, a decision will be made on the Austin consolidation scheduled in 2024. This decision will then be communicated to all SP employees.

IMPLEMENTATION DATE
N/A

RESPONSIBLE OFFICIAL
N/A

CORRECTIVE ACTION MONITORING PLAN
N/A

Recommendations

The Deputy Commissioner, Services and Enforcement, should:

RECOMMENDATION 3
Identify and implement interim solutions that will address the resource constraints currently being placed on the Submission Processing function due its backlog.

CORRECTIVE ACTION
The Submission Processing function will continue to meet with stakeholders on a regular basis to identify interim solutions that accommodate resource needs and continue to pursue potential opportunities for automation of data entry into the Treasury Financial Crimes Enforcement Network web portal. This will be a continuous effort throughout fiscal year 2022.

IMPLEMENTATION DATE
December 15, 2022

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 4
Ensure that timely advancements are made to the digital platform of Forms 3949-A to develop automatic routing of the forms directly to the business units to alleviate the Submission Processing workload.

CORRECTIVE ACTION
We will identify those capabilities required to support implementation of automatic routing of Forms 3949-A directly to business units. The Enterprise Digitalization and Case Management Office and the Information Technology organization will work together to plan, schedule, and implement this additional work in future Enterprise Case Management (ECM) Program Increments when capacity becomes available, subject to the prioritization of this work by the ECM Executive Steering Committee.

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IMPLEMENTATION DATE
October 15, 2022

RESPONSIBLE OFFICIAL
Co-Director, Enterprise Digitalization and Case Management Office (Case Management)

CORRECTIVE ACTION MONITORING PLAN
We will monitor this corrective action as part of our internal management control system.

Recommendations

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 5
Evaluate the placement of USDA transcript work if the IRS does not meet its automation targets or the inventories do not continue to decline as anticipated.

CORRECTIVE ACTION
An update is shared with executive leadership, weekly, to inform the Commissioner, Wage and Investment Division, of the program's status and to confirm proper placement of the United States Department of Agriculture (USDA) transcript program. The USDA backlog was transshipped from the Kansas City Submission Processing Center (SPC) to the Austin SPC and was received in Austin on July 1, 2021. The oldest received date for the inventory was April 11, 2021. The transshipment decision was two-fold. First, to manage inventory corporately and second, for knowledge management. The Austin SPC completed the USDA paper backlog of over 176,000 requests on Tuesday, August 10, 2021.

As of Monday, September 20, 2021, automation for the USDA program is shown to be fully paperless. 3,078 counties have suspended mailing Form CCC-941, *Commodity Credit Corporation Average Adjusted Gross Income (AGI) Certification and Consent to Disclosure of Tax Information*, requests to the IRS. We have also suspended mailing reject notices to the USDA in lieu of electronic delivery. As anticipated, the inventories declined to the point that all electronic USDA inventory is current and timely.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 6
Ensure that efforts to evaluate and purchase updated or new mail opening/sorting technology are timely executed.

CORRECTIVE ACTION
We will take the actions necessary for the evaluation and purchase of a replacement for the equipment used for opening and sorting mail and ensure those necessary actions are carried out timely. Because this procurement action is dependent on funding and is subject to competing priorities, we will reevaluate continuing actions if implementation is not successful within three years.

IMPLEMENTATION DATE
December 15, 2024

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
We will monitor this corrective action as part of our internal management control system.

Appendix III

Glossary of Terms

Term	Definition
Filing Season	The period from January through mid-April when most individual income tax returns are filed.
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.
Full-Time Equivalent	A measure of labor hours in which one full-time equivalent is equal to eight hours multiplied by the number of compensable days in a particular fiscal year.
Service Center Automated Mail Processing System	Submission Processing Centers use SCAMPS to open, sort, and count incoming mail at a rate of between 15,000 per hour to 25,000 per hour. SCAMPS detects remittances within envelopes and identifies balance due notices for expedited payment processing. SCAMPS can be programmed to sort by return type or by notice. SCAMPS does not collect, use, store, or share Sensitive But Unclassified or Personally Identifiable Information.
Treasury Integrated Management Information System	An official, automated personnel and payroll system for storing and tracking all employee personnel and payroll data. It is outsourced to USDA National Finance Center and managed by the Department of the Treasury.

Appendix IV

Abbreviations

COVID-19	Coronavirus Disease 2019
CY	Calendar Year
E-Filed; E-File	Electronically Filed; Electronic File
FY	Fiscal Year
IRS	Internal Revenue Service
SB/SE	Small Business/Self-Employed
SCAMPS	Service Center Automatic Mail Processing System
TIGTA	Treasury Inspector General for Tax Administration
USDA	United States Department of Agriculture

To report fraud, waste, or abuse,
call our toll-free hotline at:

(800) 366-4484

By Web:

www.treasury.gov/tigta/

Or Write:

Treasury Inspector General for Tax Administration

P.O. Box 589

Ben Franklin Station

Washington, D.C. 20044-0589

Information you provide is confidential, and you may remain anonymous.