



Treasury Inspector General for Tax Administration

**DUE TO THE LACK OF EXPERIENCED USERS,
THE BENEFITS OF PERFORMANCE-BASED
ACQUISITION ARE NOT BEING FULLY
REALIZED**

Issued on April 11, 2008

Highlights

Highlights of Report Number: 2008-10-098 to the Internal Revenue Service Deputy Commissioner for Operations Support.

IMPACT ON TAXPAYERS

When used properly, performance-based acquisition (PBA) increases performance, innovation, and competition and results in better value for the Federal Government. In addition, it shifts much of the risk from the Federal Government to industry and allows the Federal Government to focus its monitoring efforts on the desired outcomes rather than on how the work is to be performed. This saves taxpayer dollars because significantly fewer contract administration resources are needed.

WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether the Internal Revenue Service (IRS) is effectively managing its use of PBA, from preparation of performance work statements through surveillance of service quality and performance. The Federal Acquisition Regulation states that agencies must use PBA to the maximum extent practicable when acquiring services. Also, the Office of Management and Budget sets Federal Government-wide goals for the use of PBA for eligible service actions.

WHAT TIGTA FOUND

When used, PBA was performed in accordance with established guidelines. However, the IRS' overall use of PBA is well below the goals established by the Federal Government.

Lack of internal expertise within program offices on how to implement PBA as an acquisition strategy, insufficient time to complete procurements, lack of a vigorous planning phase, and the inability by program managers to define requirements contributed to the underuse of PBA.

To determine why PBA was not used more often, TIGTA reviewed 20 acquisitions that the Office of Procurement

(Procurement) advised would have been good PBA candidates. Only one Contracting Officer Technical Representative with whom TIGTA discussed these acquisitions had any formal PBA training. This lack of knowledge, education, and experience within the business units is one of the primary barriers for not using PBA. Because program offices, not Procurement, have primary responsibility for defining requirements, TIGTA believes that program office participation is essential to ensuring the effective use of PBA as a cost-effective business practice.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Deputy Commissioner for Operations Support, with the support, assistance, and input from the Deputy Commissioner for Services and Enforcement, ensure that program office management develops and implements a comprehensive plan to meet Federal Government goals for use of PBA methods. These methods should emphasize the collective responsibility of program offices and Procurement to plan, manage, and execute PBA. Further, if not already included, the insertion of PBA use as a measure in individual performance standards may provide the necessary incentive to achieve PBA goals and advantages. In addition, program personnel involved in writing contract requirements should be trained in PBA methods. The Director, Procurement, should continue to advocate and educate program personnel on the benefits of PBA.

In their response to the report, IRS officials agreed with our recommendations and stated that a memorandum was distributed encouraging program office management to emphasize the importance of using PBA and their collective responsibility in planning, managing, and executing PBA. However, IRS management believes inclusion of PBA use in performance standards should be at the discretion of business unit managers.

Procurement plans to continue to provide training opportunities for program office personnel but cannot require attendance at those courses. Individual managers make the determination based on employees' assignments and developmental needs.

Procurement also generated an action-forcing event memorandum that emphasizes the requirement for all program officials to use PBA strategies and the many opportunities offered by Procurement to learn about PBA.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2008reports/200810098fr.pdf>

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