



*The Internal Revenue Service Building Flood
Caused No Measurable Impact on Tax
Administration*

February 7, 2007

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This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 7, 2007

MEMORANDUM FOR COMMISSIONER, INTERNAL REVENUE SERVICE

FROM:

Michael R. Phillips
Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT:

Final Audit Report - The Internal Revenue Service Building Flood
Caused No Measurable Impact on Tax Administration
(Audit # 20065E015)

This report presents the results of our review of the closing of the Internal Revenue Service (IRS) National Headquarters building due to a flood. The overall objective of the review, initiated at the request of the Ranking Member of the United States Senate Committee on Finance, was to determine the extent and nature of disruptions to IRS operations and to identify the functions most affected by the flood. The request also asked that we determine the cost and challenges the IRS faced in dealing with the flood, how it plans to pay for remediation, and the impact on taxpayers and tax administration.

Impact on the Taxpayer

In June 2006, the subbasement and basement of the IRS National Headquarters building in Washington, D.C., were flooded with over 20 feet of water. The IRS responded by implementing business resumption plans that contain specific procedures for managing such events. While the flood displaced over 2,200 IRS personnel who worked in the building, we found no measurable impact on taxpayers and tax administration.

Synopsis

Heavy rains in the Washington, D.C., area on June 25, 2006, flooded the IRS National Headquarters building and caused extensive damage to electrical, heating, and air conditioning systems in the subbasement of the building. The water also destroyed offices, vehicles, furniture, and computer equipment located in the basement and garage. Damage estimates as of September 2006 show the General Services Administration and the IRS expect to spend



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approximately \$54 million to repair or replace equipment and restore the building to a safe and usable condition.

While the flood displaced over 2,200 IRS personnel who worked in the Headquarters building, we found no measurable impact on taxpayers and tax administration. We attribute this to the nature of the work performed at this building and the contingency plans the IRS had in place and implemented to manage the crisis. The IRS personnel who work in the Headquarters building are involved with strategy, program planning and monitoring, and other activities that do not require a significant amount of day-to-day contact with taxpayers. The IRS has also developed an array of contingency plans that contain specific procedures for managing situations that may disrupt normal operations.

Although we did not conduct indepth evaluations of each of the contingency procedures followed, we did inspect the damaged areas in the building, survey IRS executives and employees, and review a damage assessment prepared for the General Services Administration. In doing so, we noted considerable evidence that IRS officials closely monitored and coordinated efforts to recover from the flood and resume business operations as quickly as possible. A centralized office was established in New Carrollton, Maryland, where IRS officials worked to direct recovery and business resumption activities, coordinate administrative issues, track costs, and arrange temporary work space for personnel displaced by the building's closure.

The IRS reported, and we confirmed during a walk-through of the building, that cleanup and decontamination activities were completed by mid-July and dehumidifiers had been put in place to dry the building so rebuilding efforts could be promptly started. Notably, IRS top executives have started the process of assuring employees that the building will be returned to a safe and usable condition. This is a particularly important topic to continue addressing because our survey of 209 IRS employees who worked in the building before the flood found that 116 (56 percent) of the employees have health and safety concerns over returning to the building due to potential mold and other problems related to moisture-damaged areas.

While the IRS successfully continued operations following the flood and closure of its Headquarters building, we have observations in two areas that the IRS may find useful in preparing for and responding to future emergencies. Our first observation involves increasing the availability of laptop computers for telecommuting so more IRS personnel can continue working during emergencies. Many IRS personnel who were displaced by the flood were either unable to telecommute or unable to do so effectively, which resulted in granting IRS personnel approximately 101,000 hours of administrative leave (excused absence from work with no loss of pay) that may have otherwise lowered the \$4.2 million of salary costs associated with the leave.

Our second observation and possible next step the IRS could take is to complete a comprehensive assessment that captures the overall successes and lessons learned in responding



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to and recovering from the flood. Such an assessment could provide a roadmap for IRS officials to use in the future when faced with a similar challenge or one of greater magnitude.

Recommendations

We recommended the Chief Human Capital Officer develop a business case for deciding whether to expand telecommuting participation by increasing the availability of laptop computers for IRS personnel, including comparing the various costs and benefits associated with replacing desktop computers as they reach the end of their useful lives with laptop computers. Additionally, the Chief, Agency-Wide Shared Services, should ensure a comprehensive analysis is completed and well documented on the IRS' overall performance in responding to and recovering from the flood.

Response

IRS management partially agreed with the first recommendation and agreed with the second recommendation. The IRS agreed that expanding telecommuting participation and the use of laptops can serve business resumption needs. The IRS noted that, during its incident management and business resumption preparedness activities, it will advocate the consideration and use of telecommuting as a contingency planning strategy, encourage using laptops in emergency situations, and recommend that these decisions be included in its business resumptions plans. In its comments, however, the IRS also expressed the position that our first recommendation extended beyond the scope of its Chief Human Capital Officer's responsibility and, therefore, did not commit to developing a business case for deciding whether to expand telecommuting participation by increasing the availability of laptop computers for its personnel.

Although the IRS was not fully responsive to our first recommendation, it was to our second. The IRS indicated it is finalizing a document to capture the analysis conducted and lessons learned from the flood. Management's complete response to the draft report is included as Appendix VI.

Office of Audit Comment: We are pleased the IRS recognized the important role that telecommuting and the availability of laptops can play in preparing for and responding to emergency events, so the risk of disrupting Federal Government services is minimized. We are concerned, however, about the IRS' decision to advocate, rather than require, that its business units develop business case analyses for deciding whether to expand telecommuting participation by increasing the availability of laptop computers for its personnel. Without such analysis, business units may not be as likely to take all the necessary steps to ensure their personnel are well positioned to continue delivering services and performing operations in the event of an extended emergency.



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Copies of this report are also being sent to IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Small Business and Corporate Programs), at (202) 622-5894.



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Abbreviations

| | |
|------|---------------------------------|
| COOP | Continuity of Operations |
| GSA | General Services Administration |
| IRS | Internal Revenue Service |



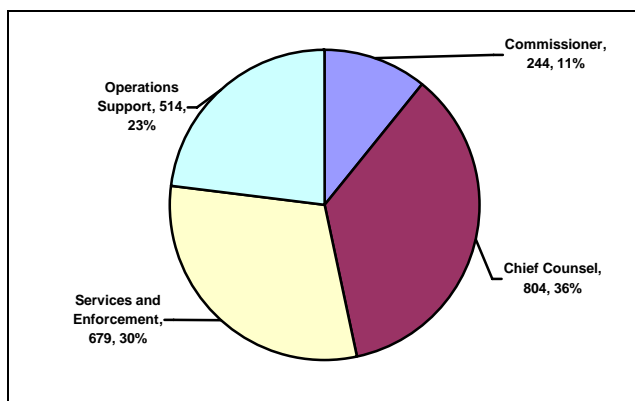
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Background

In late June 2006, a low-pressure system stalled off the East Coast and produced record rainfall in the Washington, D.C., area. According to the National Weather Service, the second greatest daily rainfall ever in Washington, D.C., occurred on June 25, 2006, when 7.09 inches fell in the city. The heavy rains overwhelmed storm water drainage systems and flooded the subbasement and basement of the Internal Revenue Service (IRS) National Headquarters building with over 20 feet of water.

The water from the storm severely damaged the building's electrical, heating, and air conditioning systems in the subbasement and destroyed offices, vehicles, furniture, and computer equipment located in the basement and garage. The approximately 2,200 employees who worked in the building, including the top executives of the IRS' four functional areas, were assigned temporary space in other IRS facilities or began telecommuting because of the repair and rebuilding efforts. As shown in Figure 1, the Office of Chief Counsel, the Deputy Commissioner for Services and Enforcement, and the Deputy Commissioner for Operations Support had the most personnel displaced.

Figure 1: IRS Headquarters Employees Displaced by the Flood



Source: Treasury Inspector General for Tax Administration analysis of IRS data.

The flood as well as other more significant events, such as the terrorist attacks on September 11, 2001, and Hurricane Katrina in 2005, highlight the need for the Federal Government to develop and maintain contingency plans that will ensure essential operations can continue to deliver services during a wide range of emergencies. To assist departments and agencies in this Government-wide Continuity of Operations (COOP) planning effort, the Department of Homeland Security has outlined required protocols that departments and agencies are required to incorporate into their individual COOP plans.

We initiated this and another review in response to a Congressional inquiry into the extent and nature of disruptions to IRS operations as a result of the flooding. This review focused on the



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general business resumption activities; the other review addressed issues associated with IRS computer operations as well as the protection and restoration of taxpayer data.¹ In addition, we anticipate conducting a third review to evaluate the contracting and payment disbursement processes that will be used to pay for the flood damages. Because the procurement activities will take place subsequent to the evaluation of the immediate impact and recovery from the flood, we determined that a separate evaluation and report on the procurement activities will be issued.

This review was performed in the IRS National Headquarters and its office of the Chief, Agency-Wide Shared Services, during the period July through October 2006. With the exception of evaluating IRS databases to validate the accuracy and reliability of the information, the audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

¹ *The Internal Revenue Service Adequately Protected Sensitive Data and Restored Computer Operations After the Flooding of Its Headquarters Building* (Reference Number 2007-20-023, dated January 26, 2007).



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Results of Review

Contingency Plans Were in Place and Promptly Implemented to Help Minimize the Impact on Taxpayers and Tax Administration

While the flood displaced over 2,200 IRS personnel who worked in the Headquarters building, we found no measurable impact on taxpayers and tax administration. We attribute this to the nature of the work performed at this building and the contingency plans the IRS had in place and implemented to manage the crisis. The IRS personnel who work in the Headquarters building are involved with strategy, program planning and monitoring, and other activities that do not require a significant amount of day-to-day contact with taxpayers. Most of the IRS employees that interact with taxpayers on a day-to-day basis, such as examiners, collectors, and taxpayer service personnel, work in offices across the country. However, the IRS Office of Chief Counsel, whose functions include providing legal interpretation of the internal revenue laws and representing the IRS in litigation, maintains a sizeable staff in the Headquarters building. Of significant note was this Office's effort to physically move a computer server containing millions of documents from the Headquarters building to New York, so the litigation team could resume work on a major tax litigation case by mid-July. This effort helped achieve a \$3.4 billion settlement in the case.

To ensure the nation's tax system continues to operate during situations that may disrupt normal operations, the IRS has developed an array of contingency plans in accordance with applicable Department of Homeland Security guidance. At the national level, the IRS COOP plan identifies essential functions and the resources necessary to operate the functions. It also identifies the order of succession and delegations of authority for decision-making purposes.

In addition to the national COOP plan, the IRS maintains four other contingency plans that are collectively referred to as the IRS Business Continuity Plan. The Business Continuity Plan consists of an Occupant Emergency Plan, Incident Management Plan, Business Resumption Plan, and Disaster Recovery Plan. The Occupant Emergency Plan is required for all IRS offices throughout the country and is designed to address safety issues of the employees and any visitors to a building at the time of an emergency. The remaining three contingency plans contain specific procedures for managing a crisis so business operations can be resumed as quickly as possible.

Because the flood occurred over a weekend when the building was closed, the Occupant Emergency Plan was not implemented, as the safety of employees and visitors was not an issue. Contrary to reports indicating the national COOP plan was implemented, IRS officials decided the flood did not reach the level of severity to warrant its activation. Instead, IRS officials



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focused their efforts on implementing contingency plan procedures designed to handle one of the biggest challenges presented by the flood—managing the crisis to minimize its impact on business operations.

Although we did not conduct indepth evaluations of each of the contingency procedures followed, we did inspect the damaged areas in the building, survey IRS executives and employees,² review a damage assessment prepared for the General Services Administration (GSA), and review documentation related to the IRS’ business resumption activities. In doing so, we noted considerable evidence that IRS officials closely monitored and coordinated efforts to recover from the flood and resume normal business processes as quickly as possible. A centralized office was established in New Carrollton, Maryland, where IRS officials employed guidelines developed and used during Hurricanes Katrina and Rita to direct recovery and business resumption activities, coordinate administrative issues, track costs, and arrange temporary work space for the personnel displaced by the building’s closure.

The IRS reported, and we confirmed during our walk-through, that cleanup and decontamination activities were completed by mid-July and dehumidifiers had been put in place to dry the building so rebuilding efforts could be promptly started. Notably, IRS top executives have started the process of assuring employees that the building will be returned to a safe and usable condition. This is a particularly important topic to continue addressing because our survey of 209 IRS employees who worked in the building before the flood found that 116 (56 percent) of the employees have health and safety concerns over returning to the building due to potential mold and other problems related to moisture-damaged areas. As summarized in Figure 2, our survey of IRS personnel, started the week of August 7, 2006, also surfaced a number of other noteworthy actions the IRS has completed in recovering from the flood and resuming business operations.

² See Appendices IV and V for details.



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Figure 2: Noteworthy Actions Completed by the IRS in Resuming Business Operations Identified During Our Surveys

| <i>Employee Responses</i> | <i>Percentage</i> |
|--|-------------------|
| Have full or limited access to normal work tools | 99% |
| Can do most or all of their job responsibilities | 97% |
| Communication with my manager has remained the same or improved | 91% |
| Access to computer information is the same or similar to what it was before the flood | 95% |
| <i>Executive Responses</i> | |
| Can effectively sustain operations for more than a year in current configuration | 71% |
| The building's closure disrupted work in terms of quantity and quality to some or to little or no extent | 73% |
| The building's closure had little or no effect on taxpayers served | 60% |
| Employees and managers that had access to work tools were affected to a moderate, some, or little or no extent | 78% |

Source: Treasury Inspector General for Tax Administration surveys of employees and executives.

Damage estimates as of September 2006 show the GSA will spend approximately \$36.8 million to respond to the flood and repair the IRS Headquarters building. The IRS is expecting to spend an additional \$17.2 million to move personnel to and from temporary rented work space, assist with cleanup efforts, and replace damaged equipment. The IRS intends to pay for the costs through the use of yearend savings (surpluses) and user fees.³ IRS officials told us they do not expect to make a supplemental budget request or postpone/cancel any tax administration activities to pay for the flood damages.

Issues Identified During the Flood Suggest Possible Next Steps for Internal Revenue Service Contingency Planning Efforts

While we found no measurable impact on the nation's tax system, we have observations in two areas that the IRS may find useful in preparing for and responding to emergencies in the future. Our first observation involves increasing the availability of laptop computers for telecommuting so more IRS personnel can continue working during emergencies. Another possible next step the IRS could take is to thoroughly analyze and document its overall performance in responding

³ User fees are defined as charges individuals and businesses are required to pay for special benefits received beyond those received by the general public and, in general, can be used to supplement the funding of a variety of IRS operations.



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to the flood. Such an assessment could provide an important tool for the IRS if it is faced with a similar or greater challenge in the future.

Increasing the availability of laptop computers for telecommuting could further strengthen the IRS' ability to continue working during emergencies

Commonly referred to as telecommuting, the practice of enabling employees to work at home or a location other than their regular office has generated considerable interest in both the private sector and Federal Government because of the potential benefits it offers. Telecommuting, if effectively implemented, has the potential to enhance COOP efforts so work can continue during emergency situations, save the costs of renting and maintaining office space, assist employers in attracting and retaining the best possible workforce, and relieve traffic congestion associated with commuting to and from offices.

To take advantage of the potential benefits offered, Congress began enacting a series of laws⁴ in 1995 that encourage and direct agencies to provide telecommuting solutions for a greater number of Federal Government employees. Several agencies are also actively involved in promoting the use of telecommuting as a best practice in Federal Government COOP planning efforts. Office of Personnel Management officials, for example, have reported coordinating efforts with GSA officials in making agency visits to reinforce the importance of and connection between telecommuting and COOP planning; they are collecting data on the progress being made in this area for Congress and other stakeholders. Additionally, the Federal Emergency Management Agency revised its continuity planning guidance⁵ to encourage agencies Federal Government-wide to add telecommuting to their COOP plans in the future; it anticipates making additional changes to further strengthen the guidance.

The IRS has a long history of enabling employees to work at home or a location other than their regular office. As we reported in 2005,⁶ the IRS first implemented a telecommuting program known as the Flexiplace Program in 1995, and by 2003 the IRS had estimated there were approximately 27,000 employees participating in the Program. Despite the popularity of the Flexiplace Program, the IRS Chief Human Capital Officer⁷ agreed to complete a number of

⁴ Some of the specific legislation that applies to telecommuting includes Making Appropriations for the Department of Transportation and Related Agencies, for the Fiscal Year Ending September 30, 2001, and for Other Purposes, Pub. L. No. 106-346, Section (§) 359 of October 23, 2000; Making Appropriations for Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, for the Fiscal Year Ending September 30, 2004, and for Other Purposes, Pub. L. No. 108-199, Division B, § 627 of January 23, 2004; and Making Appropriations for Foreign Operations, Export Financing, and Related Programs for the Fiscal Year Ending September 30, 2005, and for Other Purposes, Pub. L. No. 108-447, Division B, § 622 of December 8, 2004.

⁵ *Federal Preparedness Circular 65* (dated June 15, 2004).

⁶ *Improved Policies and Guidance Are Needed for the Telework Program* (Reference Number 2005-10-107, dated July 2005).

⁷ The IRS Chief Human Capital Officer has certain administrative responsibilities for gathering information about the Flexiplace Program and for monitoring the Program.



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recommended actions that the report identified were needed to make the Program more effective. However, to date, most of the actions have not been completed. The actions include one that involves providing needed logistical support and equipment for employees to work productively while telecommuting.

Because this and the other issues have yet to be resolved, many IRS personnel who were displaced by the flood were either unable to telecommute or unable to do so effectively, which created some hardships on IRS personnel. Approximately 40 percent of the IRS personnel we surveyed are expecting to experience longer commutes and incur additional costs when they are no longer reimbursed for reporting to their temporary office sites. Besides creating hardships, the inability to telecommute or do so effectively also resulted in granting IRS personnel approximately 101,000 hours of administrative leave (excused absence from work with no loss of pay) that otherwise may have been lower.

The IRS time reporting system data show that, in the first week following the flood, around 1,700 IRS personnel⁸ were placed on administrative leave, which is about 77 percent of the approximately 2,200 personnel who were working in the building. Although the analysis in Figure 3 shows the amount of administrative leave dramatically decreased in the ensuing weeks as alternate working sites were arranged, our analysis shows the administrative leave involved salary costs of approximately \$4.2 million.

Figure 3: Hours and Salary Costs Associated With Administrative Leave Taken After Closure of the IRS Headquarters Building

| Dates of Administrative Leave | Hours Involved | Salary Cost Involved |
|--------------------------------------|-----------------------|-----------------------------|
| June 26, 2006, through June 30, 2006 | 68,016 | \$2,968,832 |
| July 3, 2006, through July 7, 2006 | 23,726 | \$966,079 |
| July 10, 2006, through July 14, 2006 | 5,110 | \$150,269 |
| July 17, 2006, through July 21, 2006 | 2,773 | \$72,772 |
| July 24, 2006, and after | 1,643 | \$49,849 |
| Totals | 101,268 | \$4,207,801 |

Source: Treasury Inspector General for Tax Administration analysis of the IRS Single Entry Time Reporting System.

⁸ We calculated this number by dividing the number of administrative hours taken for the week by 40. However, some employees may have taken fewer than the full 40 hours, so a greater number of employees may have been on administrative leave at least part time.



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When considering the salary costs involved with the administrative leave taken, it is important to recognize what it does and does not represent. The administrative salary costs measure the costs associated with the productivity that may have been achieved had more IRS personnel been working. The administrative salary costs do not represent any additional outlays of funds. Consequently, the administrative salary costs are not included in the \$17.2 million of estimated costs described earlier in the report.

As the IRS moves forward with actions needed to make its telecommuting program more effective, available evidence suggests it will be particularly important to increase the availability of laptop computers that will give employees the ability to communicate remotely through the IRS network systems. We found, for example, that the GSA approved the use of its 14 Telework Centers in the Washington, D.C., metropolitan area for displaced IRS employees at no cost to the IRS. However, the IRS' ability to use these Centers was limited because only those employees who had laptops with the ability to connect⁹ to the IRS network were permitted to use the Centers. According to a July 14, 2006, IRS report, only four Headquarters employees had used one of these Centers. Moreover, we noted that a frequent concern expressed by IRS personnel during our survey was the limited availability of laptop computers.

The IRS could benefit by thoroughly analyzing and documenting its overall performance in responding to the flood

The IRS recognizes, as we have previously reported,¹⁰ the need for and importance of conducting a comprehensive analysis of the successes achieved and problems encountered when handling new challenges. An assessment can provide important lessons learned that can be used in responding to future emergency events. Although the IRS staff under the Chief, Agency-Wide Shared Services,¹¹ has already started evaluating what went well and what did not, we identified two areas of concern during our work that the IRS staff may find useful to include in their assessment.

To its credit, the IRS anticipated the building would not be accessible following the flood and relied on a variety of communication channels to inform its personnel of the building's closure. As a result, most of the IRS personnel we surveyed avoided the time and expense of reporting to the building. Figure 4¹² shows the various communication channels used and the relatively low percentage of IRS employees (15 percent) and executives (9 percent) in our survey who reported

⁹ The Enterprise Remote Access Project provides connectivity for the IRS' remote sites to the IRS Data Centers using Virtual Private Networks technology. This Project supports normal IRS business operations by providing access to standard networked IRS enterprise applications and resources.

¹⁰ *The Internal Revenue Service Successfully Accounted for Employees and Restored Computer Operations After Hurricanes Katrina and Rita* (Reference Number 2006-20-068, dated March 2006).

¹¹ The IRS Agency-Wide Shared Services Office, among other things, develops procedures and implements policy for the IRS' internal real estate and facilities management, personnel, procurement, and customer support activities.

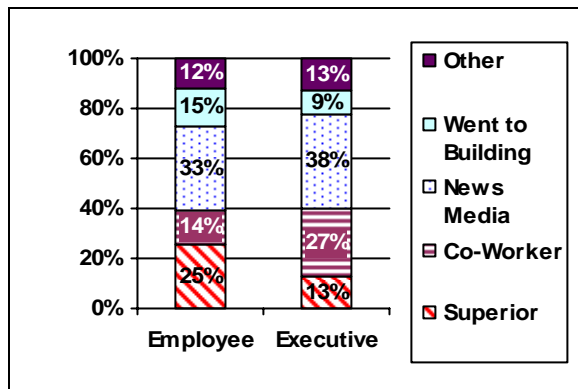
¹² Percentages may not total 100 percent due to rounding.



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to the building on the first workday following the flood. Subsequently, the IRS moved quickly to establish a web site on its Intranet to keep personnel informed as conditions were identified.

Figure 4: How Employees and Executives Learned of the Flood



Source: Treasury Inspector General for Tax Administration surveys of IRS employees and executives.

While the IRS reacted quickly to establish communications channels, ensuring telephone and voice mail listings for its personnel are promptly updated with accurate contact information following an emergency incident is an area of concern. The IRS telephone and voice mail systems are one of the primary means by which its personnel carry on the day-to-day business of administering our nation's tax system. Despite their importance, IRS officials were unable to provide us with accurate contact information for IRS personnel as of August 2, 2006, although most employees had returned to work by July 14, 2006.

The second area of concern involves ensuring IRS personnel are knowledgeable of their roles and responsibilities during emergency events. According to IRS contingency plans, certain IRS personnel are designated to assume responsibility for ensuring critical tax administration work processes continue to operate during emergency situations. Because of the important role these personnel have in IRS contingency plans, it is very important to ensure they are aware of their designations during emergencies. Our results from surveying 209 IRS employees found 58 (28 percent) did not know how they were designated following the flood. Of these 58 employees, we determined that 19 had in fact been designated as critical.

In the situation caused by the flood, the IRS was not adversely affected by the confusion over which employees were designated as critical. The IRS is fortunate that there was sufficient capability to resume critical administrative and tax administration work processes. However, a future emergency may require all critical employees to be available. Therefore, it is important for the IRS to ensure all employees understand their roles and responsibilities in an emergency and its aftermath.

Recommendations

Recommendation 1: The Chief Human Capital Officer should develop a business case for deciding whether to expand telecommuting participation by increasing the availability of laptop computers for IRS personnel using desktop computers. The business case should include a comparison of the various costs and benefits associated with replacing desktop computers as they



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reach the end of their useful lives with laptop computers having the capability of remotely connecting with IRS networks.

Management's Response: IRS management partially agreed with this recommendation. The IRS agreed that expanding telecommuting participation and the use of laptops can serve business resumption needs. The IRS noted, among other things, that during its incident management and business resumption preparedness activities it will advocate the consideration and use of telecommuting as a contingency planning strategy, encourage using laptops in emergency situations, and recommend that these decisions be included in its business resumptions plans. However, the IRS also expressed the position that our recommendation extended beyond the scope of its Chief Human Capital Officer's responsibility and, therefore, did not commit to developing a business case for deciding whether to expand telecommuting participation by increasing the availability of laptop computers for its personnel.

Office of Audit Comment: We are pleased the IRS recognized the important role that telecommuting and the availability of laptops can play in preparing for and responding to emergency events, so the risk of disrupting Federal Government services is minimized. We are concerned, however, about the IRS' decision to advocate, rather than require, that its business units develop business case analyses for deciding whether to expand telecommuting participation by increasing the availability of laptop computers for its personnel. Business case analysis is a well-recognized process in the Federal Government and private industry to demonstrate that a particular need exists and how that need can best be satisfied with available resources. Consequently, without such analysis, business units may not be as likely to take all the necessary steps to ensure their personnel are well positioned to continue delivering services and performing operations in the event of an extended emergency.

Recommendation 2: The Chief, Agency-Wide Shared Services, should ensure a comprehensive analysis is completed on the IRS' overall performance in responding to and recovering from the flood. The evaluation should identify all challenges the IRS faced in dealing with the emergency, including the successes and lessons learned. Additionally, the evaluation should be well documented to provide a roadmap for dealing with future emergency situations of this magnitude or greater.

Management's Response: IRS management agreed with this recommendation. The IRS indicated, among other things, it is finalizing a document to capture the analysis conducted and lessons learned from the flood.



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Appendix I

Detailed Objective, Scope, and Methodology

The objective of the review, initiated at the request of the Ranking Member of the United States Senate Committee on Finance, was to determine the extent and nature of disruptions to IRS operations and to identify the functions most affected by the flood. The request also asked that we determine the cost and challenges the IRS faces in dealing with the flood, how it plans to pay for remediation, and the impact on taxpayers and tax administration. During the review, we relied on databases provided to us by the IRS. We did not determine the accuracy and reliability of the information in any of the databases due to time constraints. To meet the objective, we:

- I. Reviewed the flood damage assessment report prepared for the GSA to identify preliminary findings and cost estimates associated with flooding.
- II. Reviewed a significant amount of material to gain an understanding of and the need for continuity planning. The sources included published literature, the Federal Emergency Management Agency *Federal Preparedness* Circular 65 (dated June 15, 2004), the four IRS contingency plans collectively referred to as its Business Continuity Plan, and prior Government Accountability Office and Treasury Inspector General for Tax Administration reports on continuity preparations.
- III. Interviewed IRS officials responsible for continuity planning and evaluated supporting documentation to determine whether the Business Continuity Plan was developed and activated and whether all or a portion of the Plan was implemented.
- IV. Used judgmental sampling (because this method was sufficient to meet our overall objective) in surveying 209 IRS employees and 45 executives who, according to IRS records, were assigned to the IRS Headquarters building at the time of the flood. We used the survey results to help identify the functions most affected by the flooding; the challenges the IRS faces in dealing with the damages; and the disruptions, if any, to normal operations.
- V. Analyzed supporting documentation and interviewed IRS Real Estate and Facilities Management office personnel and GSA officials responsible for assessing the flood damage to determine the costs incurred as a result of the flood and how the IRS plans to pay for the remediation.
- VI. Reviewed photographs and physically toured the basement level of the building to gain a better understanding of the nature and extent of the damages incurred.



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Appendix II

Major Contributors to This Report

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Philip Shropshire, Director
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Karen Stafford, Senior Auditor
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Appendix III

Report Distribution List

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Chief, Agency-Wide Shared Services OS:A
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Chief Counsel CC
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 Deputy Commissioner for Services and Enforcement SE
 Chief Counsel CC
 National Taxpayer Advocate TA



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Appendix IV

Employee Survey Results

The following text is the script we used when surveying 209 employees affected by the closure of the IRS Headquarters building due to the flood on June 25, 2006. Following the script are the survey questions and a summary of the responses to these questions.

“The Treasury Inspector General for Tax Administration (TIGTA), at the request of the Senate Finance Committee, is conducting an evaluation of the extent and nature of disruptions to IRS operations caused by the flooding at its Headquarters building. As part of the evaluation, we are surveying employees who, according to IRS records, were assigned to the building at the time of the flooding.

Your participation in the survey will help us identify the functions that were impacted the most by flooding. Additionally, it will help identify the challenges [the] IRS faces in dealing with the damages incurred and the disruptions, if any, to normal operations.”

1)“Are you working from?”¹

| | | |
|-----------|------------|-------|
| IRS Space | <u>90</u> | (43%) |
| GSA Space | <u>104</u> | (50%) |
| Home | <u>15</u> | (7%) |

2)“How did you find out the IRS building had been closed because of the flooding?”

| | | |
|------------------------|-----------|-------|
| My manager | <u>53</u> | (25%) |
| A co-worker | <u>30</u> | (14%) |
| The news media | <u>69</u> | (33%) |
| I went to the building | <u>32</u> | (15%) |
| Other | <u>25</u> | (12%) |

¹ Some percentages may not total 100 percent due to rounding.



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3)“Are you classified as a critical or noncritical employee?”²

| | | |
|---|------------|-------|
| I am classified as a critical employee | <u>74</u> | (35%) |
| I am classified as a noncritical employee | <u>101</u> | (48%) |
| I do not know how I am classified | <u>34</u> | (16%) |

4)“Are you designated as a COOP essential team member?”

| | | |
|---|------------|-------|
| Yes, I am a member of the COOP essential team | <u>21</u> | (10%) |
| No, I am not a member of the COOP essential team | <u>162</u> | (78%) |
| I do not know if I am a member of the COOP essential team | <u>26</u> | (12%) |

5)“When were you contacted with the arrangements for you to continue working?”

| | | |
|-----------------------------------|------------|-------|
| The week of June 26 th | <u>162</u> | (78%) |
| The week of July 3 rd | <u>30</u> | (14%) |
| The week of July 10 th | <u>9</u> | (4%) |
| The week of July 17 th | <u>2</u> | (1%) |
| The week of July 24 th | <u>3</u> | (1%) |
| I have never been contacted | <u>3</u> | (1%) |

6)“Did you telecommute after the event?” (If yes, continue; if no, skip to question #12)

| | | |
|--|------------|-------|
| Yes, I telecommuted following the flooding | <u>106</u> | (51%) |
| No, I did not telecommute following the flooding | <u>103</u> | (49%) |

7)“When was the expectation for you to telecommute communicated to you?”

| | | |
|---|-----------|-------|
| It was communicated to me before the flood | <u>12</u> | (11%) |
| It was communicated to me after the flood | <u>78</u> | (74%) |
| The expectation was not communicated to me; it was self-initiated | <u>16</u> | (15%) |

² While the survey responses show that 34 IRS personnel did not know how they were classified, IRS records indicate that 24 IRS personnel who responded to our survey mistakenly classified themselves as either a critical or noncritical employee. Consequently, we concluded that 58 of the employees surveyed did not know how they were designated.



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8)“Were you provided with adequate training before telecommuting?”

| | | |
|---|-----------|-------|
| Yes, I was provided with adequate training | <u>71</u> | (67%) |
| No, I was not provided with adequate training | <u>7</u> | (7%) |
| No, I was not provided with any training | <u>28</u> | (26%) |

9)“Had you adequate experience with telecommuting before the flooding situation made it necessary?”

| | | |
|--|-----------|-------|
| Yes, I had adequate experience | <u>78</u> | (74%) |
| No, I did not have adequate experience | <u>8</u> | (8%) |
| No, I had no experience with telecommuting | <u>20</u> | (19%) |

10)“Were you provided with adequate technical tools (such as computers) to telecommute?”³

| | | |
|---|-----------|-------|
| Yes, I was provided with adequate technical tools to telecommute | <u>51</u> | (49%) |
| No, I was not provided with adequate technical tools to telecommute | <u>43</u> | (41%) |
| I had no need to be provided with technical tools | <u>11</u> | (10%) |

11)“Were you provided with adequate technical assistance while you telecommuted?”

| | | |
|---|-----------|-------|
| Yes, I was provided with adequate technical assistance | <u>45</u> | (42%) |
| No, I was not provided with adequate technical assistance | <u>9</u> | (8%) |
| I had no need for technical assistance | <u>52</u> | (49%) |

12)“ Do you have access to your normal work tools to perform your work with minimal impact?”

| | | |
|---|------------|-------|
| I have full access to my normal work tools | <u>156</u> | (75%) |
| I have limited access to my normal work tools | <u>51</u> | (24%) |
| I do not have access to my normal work tools | <u>2</u> | (1%) |
| I do not need to access normal work tools | <u>0</u> | (0%) |

³ One employee surveyed who did telecommute did not respond to this question.



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13)“To what extent are you able to perform your job responsibilities?”

| | | |
|---|------------|--------|
| I can fully perform my job responsibilities | <u>160</u> | (77%) |
| I can do most of my job responsibilities | <u>43</u> | (21%) |
| I can do some of my job responsibilities | <u>6</u> | (3%) |
| I can do few of my job responsibilities | <u>0</u> | (0%) |
| I cannot perform my job responsibilities | <u>0</u> | (0%) |

14)“Rate the effect of the disruption that the IRS building closure has caused within your work unit.”

| | | |
|------------------------------|-----------|-------|
| No degree of disruption | <u>14</u> | (7%) |
| A small degree of disruption | <u>55</u> | (26%) |
| Some degree of disruption | <u>82</u> | (39%) |
| A great degree of disruption | <u>58</u> | (28%) |

15)“Describe the communications you are having with your manager.”

| | | |
|--|------------|-------|
| I have the usual communications; not much is different | <u>164</u> | (78%) |
| The communications are more frequent | <u>26</u> | (12%) |
| The communications are less frequent | <u>17</u> | (8%) |
| I haven’t had much communication | <u>2</u> | (1%) |

16)“Do you have the same or similar access to your computer information?”

| | | |
|---|------------|-------|
| I have the same or similar access | <u>199</u> | (95%) |
| I don’t have the same or similar access, but I can get my work done | <u>10</u> | (5%) |
| I do not have sufficient access to get my work done | <u>0</u> | (0%) |
| N/A, ⁴ I don’t usually use a computer to do my work | <u>0</u> | (0%) |

⁴ N/A means not applicable.



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17)“Are sufficient office supplies available for you to do your work?”

| | | |
|--|------------|-------|
| Yes, supplies have been provided | <u>128</u> | (61%) |
| Yes, supplies have been provided, but I still need some important items | <u>49</u> | (23%) |
| No, I have not received any supplies and I need them to accomplish my work | <u>13</u> | (6%) |
| This is not an issue for me | <u>19</u> | (9%) |

18)“Has the IRS Headquarters closure caused you significant hardship, increasing the time of your commute?”⁵

| | | |
|-----|------------|-------|
| Yes | <u>75</u> | (36%) |
| No | <u>134</u> | (64%) |

19)“Has the IRS Headquarters closure caused you significant hardship by changing the method of your commute?”

| | | |
|-----|------------|-------|
| Yes | <u>48</u> | (23%) |
| No | <u>161</u> | (77%) |

20)“When the building has been repaired and is ready to be reoccupied, do you have health and safety concerns?”

| | | |
|--|-----------|-------|
| I am concerned about whether the building will be safe | <u>2</u> | (1%) |
| I am concerned with the possible health risks | <u>60</u> | (29%) |
| I am concerned with both safety and health risks | <u>54</u> | (26%) |
| I have no concerns about either | <u>93</u> | (44%) |

⁵ The survey included 40 IRS personnel who answered “Yes” to both questions 18 and 19. Consequently, approximately 40 percent (83 out of 209) of the IRS personnel surveyed experienced longer commutes and incurred additional costs when reporting to their temporary office sites.



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Appendix V

Executive Survey Results

The following text is the script we used when surveying 45 executives affected by the closure of the IRS Headquarters building due to the flood on June 25, 2006. Following the script are the survey questions and a summary of the responses to these questions.

“The Treasury Inspector General for Tax Administration (TIGTA), at the request of the Senate Finance Committee, is conducting an evaluation of the extent and nature of disruptions to IRS operations caused by the flooding at its Headquarters building. As part of the evaluation, we are surveying executives who, according to IRS records, were assigned to the building at the time of the flooding.

Your participation in the survey will help us identify the functions that were impacted the most by flooding. Additionally, it will help identify the challenges [the] IRS faces in dealing with the damages incurred and the disruptions, if any, to normal operations.”

1)“How did you find out the IRS building had been closed because of the flooding?”¹

| | | |
|------------------------|-----------|-------|
| My superior | <u>6</u> | (13%) |
| A co-worker | <u>12</u> | (27%) |
| The news media | <u>17</u> | (38%) |
| I went to the building | <u>4</u> | (9%) |
| Other | <u>6</u> | (13%) |

¹ Some percentages may not total 100 percent due to rounding.



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2)“How were you assured the employees and managers that report to you directly or indirectly through a lower level manager were advised of the flood?” ✓

✓ Each executive surveyed identified all of the methods used to assure his or her employees were advised of the flood. Therefore, the totals of all the responses listed below will exceed 45 (number of executives surveyed).

| | |
|---|-----------|
| Telephone/Voice mail | <u>34</u> |
| Cell phone | <u>11</u> |
| Blackberry | <u>9</u> |
| Email | <u>13</u> |
| The news media | <u>10</u> |
| They went to the building | <u>3</u> |
| Relied on lower level managers to advise the employees/other managers | <u>11</u> |
| No basis to comment | <u>5</u> |

3)“What communication tools were working and available to you personally upon returning to work immediately following the flood (check all that apply)?”

| | | |
|----------------------|-----------|-------|
| Telephone/Voice mail | <u>3</u> | (7%) |
| Cell phone | <u>1</u> | (2%) |
| Blackberry | <u>1</u> | (2%) |
| Email | <u>0</u> | (0%) |
| Other | <u>40</u> | (89%) |

4)“What communication tools were working and available to the employees and managers that report to you directly or indirectly through a lower level manager when they returned to work immediately following the flood (check all that apply)?”

| | | |
|--|-----------|-------|
| Telephone/Voice mail were available to those that had access to the tools prior to the flood | <u>4</u> | (9%) |
| Cell phone was available to those that had access to the tool prior to the flood | <u>1</u> | (2%) |
| Blackberry was available to those that had access to the device prior to the flood | <u>0</u> | (0%) |
| Email was available to those that had access to the tool prior to the flood | <u>0</u> | (0%) |
| Other | <u>40</u> | (89%) |



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5)“To what extent are you familiar with your agency’s Continuity of Operations (COOP) plan as it applies to your operation?”

| | | |
|---------------------------------|-----------|-------|
| Very familiar | <u>21</u> | (47%) |
| More familiar than unfamiliar | <u>13</u> | (29%) |
| Neither familiar nor unfamiliar | <u>3</u> | (7%) |
| More unfamiliar than familiar | <u>6</u> | (13%) |
| Very unfamiliar | <u>2</u> | (4%) |
| No basis to judge | <u>0</u> | (0%) |

6)“Overall, how satisfied or dissatisfied are you with your COOP plan?”

| | | |
|------------------------------------|-----------|-------|
| Very satisfied | <u>20</u> | (44%) |
| More satisfied than dissatisfied | <u>17</u> | (38%) |
| Neither satisfied nor dissatisfied | <u>4</u> | (9%) |
| More dissatisfied than satisfied | <u>1</u> | (2%) |
| Very dissatisfied | <u>0</u> | (0%) |
| No basis to judge | <u>3</u> | (7%) |

7)“Overall, how satisfied or dissatisfied were you with how your COOP plan was implemented?”

| | | |
|--|-----------|-------|
| Very satisfied | <u>26</u> | (58%) |
| More satisfied than dissatisfied | <u>13</u> | (29%) |
| Neither satisfied nor dissatisfied – go to next question | <u>2</u> | (4%) |
| More dissatisfied than satisfied – go to next question | <u>0</u> | (0%) |
| Very dissatisfied – go to next question | <u>0</u> | (0%) |
| No basis to judge | <u>4</u> | (9%) |



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8)“To what extent is your lack of satisfaction due to a poorly conceived COOP plan versus poor implementation of the COOP plan?” ✓

✓ *This question received no responses because in the previous question the respondents did not indicate any dissatisfaction with how the COOP plan was implemented.*

| | | |
|---|----------|------|
| The COOP plan was very poorly conceived | <u>0</u> | (0%) |
| The COOP plan was poorly conceived | <u>0</u> | (0%) |
| The COOP plan was poorly implemented | <u>0</u> | (0%) |
| The COOP plan was very poorly implemented | <u>0</u> | (0%) |
| The COOP plan was poorly conceived and poorly implemented | <u>0</u> | (0%) |

9)“To what extent, if at all, could your COOP plan be improved?”

| | | |
|------------------------|-----------|-------|
| To a very great extent | <u>0</u> | (0%) |
| To a great extent | <u>3</u> | (7%) |
| To a moderate extent | <u>15</u> | (33%) |
| To some extent | <u>13</u> | (29%) |
| To little or no extent | <u>8</u> | (18%) |
| Do not know | <u>6</u> | (13%) |

10)“To what extent, if any, could lessons be learned from implementing your COOP Plan?”

| | | |
|------------------------|-----------|-------|
| To a very great extent | <u>5</u> | (11%) |
| To a great extent | <u>5</u> | (11%) |
| To a moderate extent | <u>14</u> | (31%) |
| To some extent | <u>10</u> | (22%) |
| To little or no extent | <u>5</u> | (11%) |
| Do not know | <u>6</u> | (13%) |



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11) "In your opinion, how long can you and your staff effectively sustain operations in your current configuration?"

| | | |
|--|-----------|-------|
| 1 month | <u>0</u> | (0%) |
| More than 1 month but less than 3 months | <u>0</u> | (0%) |
| 3 – 6 months | <u>9</u> | (20%) |
| 6 – 9 months | <u>4</u> | (9%) |
| 9 – 12 months | <u>0</u> | (0%) |
| More than a year | <u>32</u> | (71%) |

12) "To what extent, if at all, did the IRS building closure disrupt your operation's work in terms of its quantity and quality?"

| | | |
|------------------------|-----------|-------|
| To a very great extent | <u>0</u> | (0%) |
| To a great extent | <u>2</u> | (4%) |
| To a moderate extent | <u>10</u> | (22%) |
| To some extent | <u>20</u> | (44%) |
| To little or no extent | <u>13</u> | (29%) |
| Do not know | <u>0</u> | (0%) |

13) "To what extent, if at all, did the IRS building closure adversely affect taxpayers served by your operations?"

| | | |
|------------------------|-----------|-------|
| To a very great extent | <u>0</u> | (0%) |
| To a great extent | <u>1</u> | (2%) |
| To a moderate extent | <u>0</u> | (0%) |
| To some extent | <u>4</u> | (9%) |
| To little or no extent | <u>27</u> | (60%) |
| Do not know | <u>0</u> | (0%) |
| N/A | <u>13</u> | (29%) |



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14)“To what extent, if at all, did the IRS building closure adversely affect the job performance (quantity and quality) of the employees and managers that report to you directly or indirectly through a lower level manager?”

| | | |
|------------------------|-----------|-------|
| To a very great extent | <u>0</u> | (0%) |
| To a great extent | <u>1</u> | (2%) |
| To a moderate extent | <u>4</u> | (9%) |
| To some extent | <u>21</u> | (47%) |
| To little or no extent | <u>19</u> | (42%) |
| Do not know | <u>0</u> | (0%) |

15)“To what extent, if at all, did the IRS building closure adversely affect the ability of the employees and managers in your operation to access the work tools they need for performing their job?”

| | | |
|------------------------|-----------|-------|
| To a very great extent | <u>2</u> | (4%) |
| To a great extent | <u>8</u> | (18%) |
| To a moderate extent | <u>12</u> | (27%) |
| To some extent | <u>10</u> | (22%) |
| To little or no extent | <u>13</u> | (29%) |
| Do not know | <u>0</u> | (0%) |

16)“How would you rate the communications and assistance you are receiving from personnel in the IRS Agency-Wide Shared Services Office?”

| | | |
|-----------|-----------|-------|
| Excellent | <u>27</u> | (60%) |
| Good | <u>12</u> | (27%) |
| Adequate | <u>6</u> | (13%) |
| Poor | <u>0</u> | (0%) |
| Very Poor | <u>0</u> | (0%) |



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17)“Taking everything into consideration, how would you rate the quality and amount of the information you are receiving about the damage done and repairs needed to the building?”

| | | |
|-----------|-----------|-------|
| Excellent | <u>23</u> | (51%) |
| Good | <u>9</u> | (20%) |
| Adequate | <u>11</u> | (24%) |
| Poor | <u>1</u> | (2%) |
| Very Poor | <u>1</u> | (2%) |

18)“Did you telecommute after the event?”

| | | |
|-----|-----------|---------|
| Yes | <u>12</u> | (27%) |
| No | <u>33</u> | (73%) ✓ |

✓ The 12 executives that responded yes continued; those that answered no skipped down to question #24.

19)“When was the expectation for you to telecommute communicated to you?”

| | | |
|---|----------|-------|
| It was communicated to me before the flood | <u>2</u> | (17%) |
| It was communicated to me after the flood | <u>1</u> | (8%) |
| The expectation was not communicated to me; it was self-initiated | <u>9</u> | (75%) |

20)“Were you provided with adequate training before you telecommuted?”

| | | |
|---|-----------|-------|
| Yes, I was provided with adequate training | <u>10</u> | (83%) |
| No, I was not provided with adequate training | <u>0</u> | (0%) |
| No, I was not provided with any training | <u>2</u> | (17%) |

21)“Did you have adequate experience with telecommuting before the flooding situation made telecommuting necessary?”

| | | |
|---|-----------|-------|
| Yes, I had adequate experience prior to being asked | <u>11</u> | (92%) |
| No, I did not have adequate experience prior to being asked | <u>0</u> | (0%) |
| No, I had no experience with telecommuting | <u>1</u> | (8%) |

22)“Were you provided with adequate technical tools (such as computers) to telecommute?”

| | | |
|------------------------------|-----------|--------|
| Yes | <u>12</u> | (100%) |
| No | <u>0</u> | (0%) |
| I had no need for such tools | <u>0</u> | (0%) |



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23)“Were you provided with adequate technical assistance during the time you were expected to telecommute?”

| | | |
|--|----------|-------|
| Yes | <u>8</u> | (67%) |
| No | <u>0</u> | (0%) |
| I had no need for technical assistance | <u>4</u> | (33%) |

24)“ Did any of your employees and managers telecommute after the event?”

| | | |
|--|-----------|---------|
| Yes, all of my employees telecommuted | <u>5</u> | (11%) |
| Yes, some of my employees telecommuted | <u>29</u> | (64%) |
| None of my employees telecommuted | <u>11</u> | (24%) ✓ |

✓ *The remaining questions apply only to those executives that answered yes.*

25)“When did you communicate to your employees and managers the expectation for them to telecommute?”

| | | |
|--|-----------|-------|
| Before the flood | <u>4</u> | (12%) |
| After the flood | <u>27</u> | (79%) |
| I did not communicate the expectation to them; it was self-initiated | <u>3</u> | (9%) |

26)“In your opinion, were your employees and managers provided with adequate training before they began telecommuting?”

| | | |
|--|-----------|-------|
| Yes | <u>29</u> | (85%) |
| No | <u>1</u> | (3%) |
| No, they were not provided with any training | <u>4</u> | (12%) |

27)“In your opinion, did your employees and managers have adequate experience with telecommuting before the flooding situation made telecommuting necessary?”

| | | |
|---|-----------|-------|
| Yes, they had adequate experience | <u>31</u> | (91%) |
| No, they did not have adequate experience | <u>3</u> | (9%) |
| No, they had no experience with telecommuting | <u>0</u> | (0%) |



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28)“In your opinion, were your employees and managers provided with adequate technical tools (such as computers) to telecommute?”

| | | |
|--|-----------|-------|
| Yes, they were provided with adequate technical tools | <u>20</u> | (59%) |
| No, they were not provided with adequate technical tools | <u>11</u> | (32%) |
| They did not need to be provided with technical tools | <u>3</u> | (9%) |

29)“In your opinion, were your employees and managers provided with adequate technical assistance during the time they were expected to telecommute?”

| | | |
|---|-----------|-------|
| Yes, they were provided with adequate technical assistance | <u>23</u> | (68%) |
| No, they were not provided with adequate technical assistance | <u>1</u> | (3%) |
| They did not need technical assistance | <u>10</u> | (29%) |



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Appendix VI

Management's Response to the Draft Report



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

RECEIVED
JAN 16 2007

JAN 16 2007

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: CARL T. FROELICH 
CHIEF, AGENCY-WIDE SHARED SERVICES

SUBJECT: Draft TIGTA Audit Report (#20065E015) – The Internal Revenue Service Building Flood Caused No Measurable Impact on Tax Administration

I reviewed the subject report and shared it with other IRS organizations; attached is our response to the report's recommendations.

We appreciate your acknowledgement that "IRS has a long history of enabling employees to work at home or a location other than their regular office." Our managers have the authority to approve employee participation in the program and required equipment needs as laptops; subject to business requirements, employee eligibility criteria, and agreements between IRS and the National Treasury Employees Union (NTEU). The Chief Human Capital Officer (CHCO) is responsible for telework policy and program oversight including negotiating agreements with NTEU on the equipment to be provided to employees approved for flexiplace.

In 2007, the CHCO will issue guidance in the Internal Revenue Manual on IRS' Telework Program that supports including telework as an on-going contingency business strategy. The Program emphasizes the value of implementing telecommuting as part of business resumption activities and the necessity of implementing telework agreements in advance to ensure that training is provided to employees and managers.

We understand the intent of Recommendation 1 and agree that expanding telecommuting participation and use of laptops can serve business resumption needs. However, the Recommendation extends beyond the CHCO's scope of responsibility. Based on corporate policy, it is a Business Unit decision to consider expansion of its telework program or use of laptop computers. Regardless of business strategy or situational drivers, business cases must be



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thoroughly defined based on need and available funding. Additional assistance from IRS' support organizations¹ may be required. Any business case to achieve your recommendation at a minimum must consider:

- If the duties of the particular position can be efficiently executed from a remote location;
- The feasibility and cost of providing network accessibility, software, and/or automated systems from a remote location; and
- The physical/data/computer security implications of working from a remote location.

Regarding Recommendation 2, the Lessons Learned from Hurricanes Katrina and Rita resulted in significant enhancements in the incident management and business resumption processes. These enhancements included: the development of Emergency Operations Center Checklists and Templates; an addendum to the Incident Management Plan; establishment of processes to ensure employee emergency contact information is readily available; and more clearly defined communication roles, responsibilities, and processes. IRS' cumulative experiences served as our baseline to address the Headquarters flood situation and the analysis of this situation is completed.

Each emergency is different and our post-recovery activities have identified best practices resulting in improvements to react quickly and execute Incident Management Plans and infrastructure response decisively with more precision. We critique every situation and actively seek ways to continuously improve our emergency management and business resumption/disaster recovery processes and procedures.

If you have any questions, please call me at (202) 622-7500 or Stephen Kunze, Deputy Director, Employee Support, at (202) 283-9391. For matters addressing audit follow-up and liaison, please call Greg Rehak at (202) 622-3702

Attachment

¹ Business cases are multi-faceted decision documents. As such, Business Units may need assistance from Modernization & Information Technology Services to address technical matters and Mission Assurance and Security Services for physical/data/computer security issues. Chief Financial Officer assistance may be sought concerning funding or other required financial analyses as return-on-investment, depreciation & expensing assets, etc.



The Internal Revenue Service Building Flood Caused No Measurable Impact on Tax Administration

Recommendation 1: The Chief Human Capital Officer should develop a business case for deciding whether to expand telecommuting participation by increasing the availability of laptop computers for IRS personnel, including comparing the various costs and benefits associated with replacing desktop computers as they reach the end of their useful lives with laptop computers.

RATIONALE FOR CLOSURE: The Senior Commissioner's Representatives (SCRs) conduct annual table top exercises and training throughout the fiscal year with the Business Units and support organizations as part of IRS' incident management and business resumption preparedness activities. Annually training is provided to each local Incident Management Team (IMT) which includes the Business Resumption Plan (BRP) Coordinators. During these table top exercises and training sessions, the SCRs will advocate the consideration and use of telecommuting as a contingency planning strategy, encourage using laptops in emergency situations where none are currently available, and recommend that these decisions be included in their business resumption plans. In addition, the SCR Branch is developing on-line training for the local IMTs and BRP coordinators that includes information on using telecommuting and laptops in the Business resumption module.

COMPLETION DATE: January 8, 2007

RESPONSIBLE OFFICIAL: Director, Employee Support Services, AWSS

Recommendation 2: The Chief, Agency-Wide Shared Services, should ensure a comprehensive analysis is completed and well documented on the IRS' overall performance in responding to and recovering from the flood.

RATIONALE FOR CLOSURE: Engaging in table top exercises and performing analyses identified best practices and Lessons Learned from past disasters and is now an integral part of our business resumption/disaster recovery procedures. We have completed a comprehensive analysis and developed Lessons Learned from the Headquarters flood situation; this document is being finalized. The Business Units and support organizations participated in daily meetings during the Headquarters Flood and in post-recovery activities which included individual meetings with IMT and BRP coordinators. As a result, IRS has engaged actions to implement improvements in IRS' incident management and business resumption processes such as additional procedures to better track the removal of assets. Efforts are underway to create an omnibus incident management document incorporating Lessons Learned from various incidents (i.e., Hurricanes Katrina/Rita, fire alarms, headquarters flood, etc) to engage continuous improvement in our emergency management and incident response efforts.

COMPLETION DATE: January 16, 2007

RESPONSIBLE OFFICIAL: Director, Employee Support Services, AWSS