

**Information on Employee Training Is Not
Adequate to Determine Training Cost or
Effectiveness**

September 2003

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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.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

September 29, 2003

MEMORANDUM FOR COMMISSIONER EVERSON

Gordon C. Milbourn III

FROM: Gordon C. Milbourn III
Assistant Inspector General for Audit (Small Business and
Corporate Programs)

SUBJECT: Final Audit Report - Information on Employee Training Is Not
Adequate to Determine Training Cost or Effectiveness
(Audit # 200210037)

This report presents the results of our review of the Fiscal Year (FY) 2002 training information provided by the Internal Revenue Service (IRS) for the IRS Oversight Board's assessment. The overall objective of this audit was to evaluate for accuracy and completeness the FY 2002 training information. The IRS Oversight Board requested that the Treasury Inspector General for Tax Administration make this evaluation.

In summary, the training data provided to the IRS Oversight Board by the IRS were not adequate for the Board to perform an assessment or to develop a baseline of training in the IRS. The data did not provide basic information to show how training funds and resources were used or any measure of their effectiveness. There were problems with the usefulness and reliability of the training records entered into the Administrative Corporate Education System (ACES). The costs of training courses and the allocation of training resources cannot be determined from the information recorded in either the ACES or the IRS financial system.¹ While the IRS plans to implement a new Learning Management System (LMS) with enhanced capabilities, the plans are not adequate to demonstrate that the limitations of the data in the ACES and the IRS financial system will be corrected by the implementation of the LMS.

¹ The IRS currently uses the Automated Financial System (a computer-based financial accounting system used to track appropriations and expenditures) and plans to migrate to the new Integrated Financial System in FY 2004.

We recommended that the Commissioner direct all IRS staff to use the ACES. We also recommended that the Chief Human Capital Officer ensure that the data in ACES are periodically reviewed and the data limitations of ACES be addressed in the new LMS, and work with the Chief Financial Officer (CFO) to develop a system to allocate training costs down to the individual course and student level.

Management's Response: The Chief Human Capital Officer generally agreed with our conclusion and recommendations. The Chief Human Capital Officer will propose a policy to require that all business units use the LMS and believes that the LMS will address the validity and course number issues associated with the ACES. The Chief Human Capital Officer will work with the CFO (using the new Integrated Financial System) to provide reliable cost information and produce needed summary data. Although the Chief Human Capital Officer has proposed corrective actions, she stated that the workload involved in developing the new LMS and retiring the ACES requires her to defer corrective actions until the LMS is implemented in FY 2004, causing some corrective actions to not be in place until July 2005. We believe that to ensure the accuracy and completeness of the LMS, corrective actions need to be completed before the LMS is made available to all employees in August 2004. Management's complete response to the draft report is included as Appendix VI.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions, or your staff may call Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

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Information on Employee Training Is Not Adequate to Determine Training Cost or Effectiveness

Background

In January 2002, the Internal Revenue Service (IRS) Oversight Board approved a plan to provide oversight of training throughout the IRS. As one of the initial steps in this process, the Board planned an assessment of the status of training in the IRS to establish a baseline for management and measurement. The information needed for this assessment included the IRS training structure (training providers and curricula), plans, budget, and expenses. The Committee Chairman of the IRS Oversight Board's Committee on Personnel and Organization, Steve H. Nickles, requested that the Treasury Inspector General for Tax Administration evaluate for accuracy and completeness the training information provided by the IRS for the Board's assessment.

As of October 5, 2002, the IRS had over 119,000 employees. Employees receive training in classroom settings, through on-the-job training and computer "e-learning," and from outside vendors. For Fiscal Year (FY) 2002,¹ approximately 92,000 IRS employees received some type of training; 7.7 million hours of employee training were recorded in the IRS training database, the Administrative Corporate Education System (ACES). The IRS FY 2002 training budget was \$111 million.

The IRS has long expressed concerns with its abilities to (1) keep accurate and complete information on training (including the cost) needed to determine effectiveness, and (2) use its training budget in the most cost-effective manner. An IRS document entitled *A Compendium for Corporate Education* published in 1993 noted that:

At the present time, the Service has no accurate system in place to account for the true costs of training or to measure the efficiency or effectiveness of training delivery. The processes that have been established, such as ARTS [Automated Regional Training System], are inadequate, as only limited and often outdated information is available. Although over \$50 million (known costs) have been

¹ As of September 18, 2002.

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spent annually on training during the past few years, it cannot be determined whether these expenditures were cost effective.

The IRS currently uses the ACES, which is the first IRS-wide training management information system. It evolved from the need to collect information and report on training for the entire IRS. In the early 1990s, the IRS was aligned into seven regions in addition to its National Office. The regions each recorded and reported training separately for the staff in the region. At that time, one region developed and was using a database known as the ARTS. The ARTS was implemented nationally and became known as the ACES. This change to a national system occurred in part to address several of the recommendations contained in a 1991 study,² including the following:

- Develop guidelines for determining the benefits of training in quantifiable terms.
- Require a cost/benefit analysis before scheduling training activities.
- Revise the training planning process to improve linkages with the strategic planning process.
- Allocate sufficient training funds to fully support a quality training program.

Most of the information on training the IRS provided to the IRS Oversight Board came from the ACES. However, certain information that could not be obtained from the ACES came from other records and systems as noted in this report.

This review was conducted from August 2002 through June 2003 and covered training records and costs associated with FY 2002. Site visits were made to IRS staff in the Headquarters Offices of the Chief Counsel and Strategic Human Resources in Washington, D.C., the Wage and Investment (W&I) Division and Appeals Division staffs in Atlanta, Georgia, and the Small Business/Self-Employed (SB/SE) Division staff in Cincinnati, Ohio. The audit was

² This study is referred to as the Chivatero Study.

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Training Data Were Not Adequate or Reliable to Perform an Assessment or Establish Baselines

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.

The training data the IRS provided to the IRS Oversight Board were not adequate for it to perform an assessment or to develop a baseline of training in the IRS. The Office of Strategic Human Resources staff first requested training data from the IRS business units in June 2002 and provided these data to the Board in November 2002. The data did not provide basic information to show how training funds and resources were used or any measure of their effectiveness. The data did not include:

- The number and cost of IRS staff involved in training activities.
- IRS training contracts with the expected benefits, costs, and allocation of those costs for the contracts.
- A consistent explanation of the associated costs and method of training or time periods needed to complete the core curricula for the major job series.
- The number, type, cost, and allocation of other types of training such as:
 - Continuing Professional Education (CPE).
 - Updates based on changes in the organization, processes, or law.
 - Self-development.

Most of the course and student data were provided from the ACES.

The ACES has limitations

The ACES can be used to schedule training, document the training that has been provided, and assist in budget tracking and projection. However, the IRS business units do not consistently use the ACES to assist in budget tracking and projection, the Office of Chief Counsel generally does not use the ACES, and there are errors and omissions in the ACES.

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Using the ACES for budget purposes is very labor intensive. Estimates are entered first; then when budgets are adjusted during the year, manual adjustments must be made. This results in the need for duplicate input because budget tracking is performed primarily through the Automated Financial System (AFS).³ As such, only one of the four divisions we reviewed used the ACES for limited budget purposes.

The Office of Chief Counsel maintains its own training database for its 2,400 employees (about 2 percent of the total IRS work force and training budget). The Office of Chief Counsel system indicates that Chief Counsel employees received 30,366 hours of instruction in FY 2002. However, the Office of Chief Counsel system does not record any outservice or self-study training. In FY 2002, the Office of Chief Counsel distributed approximately \$300,000 for outservice training to its field offices. Additionally, if an Office of Chief Counsel employee takes a course approved for other IRS employees, it is generally recorded in the ACES database. In FY 2002, there were 408 training records (representing 6,210 training hours) in the ACES for Office of Chief Counsel employees. The training hours were sometimes also recorded in the Office of Chief Counsel system.

Some course numbers do not have adequate descriptions and are used to record many different courses

Only 2,606 (55 percent) of the 4,713 courses listed in the ACES Course Catalog were actually taught during FY 2002 (through September 18, 2002). However, the ACES shows many more courses as having been taught because course titles and numbers are not used consistently in the system. There were 11,428 different courses recorded in the ACES. Some of the course numbers in the ACES Course Catalog have titles and descriptions that are very general, and they were used to record many different courses listed in the ACES, including some courses that do not appear to fit the

³ A computer-based financial accounting system used by the IRS to track appropriations and expenditures. The IRS expects to migrate to the new Integrated Financial System in FY 2004.

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general descriptions. Some of the course numbers used in the system are not listed in the ACES Course Catalog at all. Table 1 provides examples of course numbers that were used for a variety of different courses.

Table 1: Examples of General Course Numbers That Were Used for Many Different Courses

Course Number	Course Catalog Definition	Number of Different Courses Using the Course Number ⁴
3227	MICROMASH CPE	624
5699	Outservice Training	561
5700	SB/SE Local Training ⁵	627
9899	Headquarters - Supplies, Services, and Outservice Training	719

Source: The ACES as of September 18, 2002.

When one course number is used for many courses, it defeats the purpose of using the number to provide useful data on course content and attendance. It makes it difficult to assess what skills or knowledge the training was intended to enhance. In many instances, there were differences in the course titles recorded for the same course, which further increased the difficulty in obtaining useful data from the ACES.

There is not adequate guidance to ensure that course numbers and course titles are assigned and used in a manner that will allow an assessment of the types of training provided. The IRS-wide Program Managers in the Office of Strategic Human Resources and in each business unit are responsible for reviewing the ACES Course Catalog at least once each year to ensure its accuracy;⁶ however, there is no indication that these reviews have addressed the problem with the use of general course numbers.

⁴ Based on course titles entered in the ACES.

⁵ Course numbers are assigned to the functions by number series (e.g., 6100 is for the Appeals Division and 6600 is for the W&I Division).

⁶ Internal Revenue Manual 6.410.1.5.2.1 (10-01-2001).

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Some training was either not recorded accurately or not recorded at all in the ACES

To determine the accuracy of the information in the ACES, we conducted two employee surveys. In our first survey (of employees who received training), we selected a random sample of 291 FY 2002 employee training records from a universe of 309,433 training records recorded in the ACES as of September 18, 2002. Of the employees surveyed, 219 (75 percent) responded; 11 (5 percent) of these stated that there were errors in their training records. The types of errors reported were:

- The student did not attend the training.
- The number of training hours was not correct.
- The course number on the record was not correct.

In our second survey, we selected a random sample of 250 employees from the 31,541 employees for whom there were no training records in the ACES for FY 2002, as of September 18, 2002. Of the employees surveyed, 125 (50 percent) responded; 14 (11 percent) of these employees reported that they did receive training in FY 2002.

Overall, these errors occurred because the employees responsible for the recording and input of the training information did not follow IRS procedures. In certain instances, the information was just not transcribed correctly from the forms.

We also noted other problems with ACES data:

- Internet e-learning courses (provided by Skillsoft) were not automatically recorded on the ACES. This occurred because a process was not in place to download this information to the ACES. During FY 2002, IRS employees completed 3,469 Skillsoft courses.
- Training hours associated with 1 course were overstated by 62,792 hours. The 47 employees attending this course had a total of 78,960 hours recorded when they actually received only 16,168 hours. The ACES does

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not have validity checks to prevent the input of erroneous data.

- Most (86 percent) of the training records were not input into the ACES within 12 calendar days of the training end date, as required. Moreover, 32 percent were not input within 30 days. Not having timely input makes it difficult for the IRS to use the ACES to determine which employees have been trained or to plan for future training. IRS management informed us that 1 of the reasons why training records were not input within the required 12 days is that the requirement is no longer a performance measure; therefore, it is not given much attention.

These problems all reduce the reliability of the data needed to perform an adequate assessment of IRS training.

Overall, the amount of money budgeted for training each year for FYs 1994 through 2002 has increased at an average annual rate approximately 4 percent greater than the yearly increases in the overall IRS budget.⁷

**The Costs of Training Courses
Cannot Be Determined From the
Information Recorded**

Table 2: IRS Training As a Percentage of the Total IRS Budget

Fiscal Year	Total IRS Budget (in Millions)	Training Budget (in Millions)	Percentage of Budget Allocated to Training
1994	\$7,352	\$64	0.87%
1995	\$7,483	\$63	0.84%
1996	\$7,348	\$31 ⁸	0.42%
1997	\$7,205	\$57	0.79%
1998	\$7,805	\$82	1.05%
1999	\$8,417	\$89	1.06%
2000	\$8,216	\$106	1.29%
2001	\$8,841	\$114	1.29%
2002	\$9,422	\$111	1.18%

Source: IRS statistics and the AFS.

⁷ The annualized increase for FYs 1994 to 2002 was 3.1 percent for the overall IRS budget and 7.1 percent for the IRS training budget.

⁸ The training budget for FY 1996 was significantly reduced because of a Federal Government employee furlough during budget negotiations.

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The budgeted amounts do not include the salaries for the IRS training staff in the National Headquarters and in the various IRS business units and functions. Nor do they include overhead costs such as in-house instructors and training facilities.

The ACES has the capacity to record some actual training costs, but generally the business units recorded only estimated travel costs (employees provide these estimates before or during training) and some other estimated costs. The IRS uses the AFS to record all operational expenses including training; however, the AFS cannot provide detailed information down to the course or student level. Moreover, there are a number of other costs that are not tracked in enough detail on the AFS to be traceable to the courses provided. These costs include the following:

- Fees paid to private contractors/instructors.
- Course books/materials.
- Equipment.
- Classroom or hotel rentals.
- Course development.

The AFS tracks expenses down to subcategories such as tuition or travel, which can be identified by the business unit that incurs the costs, but it cannot track costs to the courses or employees/students. Additionally, the Office of Strategic Human Resources staff is responsible for providing and tracking general training that can be taken by employees in any business unit (such as general manager or leadership training). The Office of Strategic Human Resources does not allocate any of its training costs to the business units or to the courses.

In addition, the IRS uses a number of contracts in its training efforts. These contracts include everything from analysis and course development, which are often multiyear contracts (such as a \$56 million contract awarded to Science Application International Corporation and a \$41 million contract to Computer Sciences Corporation), to renting hotel conference rooms for training events. In FY 2002, the IRS spent about \$31 million (about 28 percent of the total

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training budget) on these contracts. Again, without detailed information in the AFS, the contract costs cannot be traced to the specific courses and employees/students.

Training allocation by business unit

Part of the cost of training can be assigned to each IRS business unit because of the information identified on the AFS. However, these amounts do not reflect the allocation of costs related to the salaries of IRS training staff, overhead, IRS-wide training contracts, and certain training paid for by the Office of Strategic Human Resources. For example, the W&I and SB/SE Divisions account for about 77 percent (5.9 million) of the total number of training hours (7.7 million) recorded in FY 2002; however, on the AFS, only 36 percent (\$40 million of \$111 million) of the training budget can be traced to these business units.

The Planned New Learning Management System May Not Improve the Reliability of Training Information

The IRS Restructuring and Reform Act of 1998 (RRA 98)⁹ directed the IRS to reorganize and modernize. As part of the reorganization, the IRS developed a new mission statement emphasizing its responsibility to provide top-quality service. To fulfill this mission, the IRS must continually train its workforce to develop new and refined knowledge and skills.

The IRS has decided that employees require more effective and efficient learning support, including skill and competency assessment and management, online course delivery and scheduling, evaluation, and comprehensive administrative management. To help accomplish this, in May 2001, the Office of Strategic Human Resources developed the requirements for a new Learning Management System (LMS). In October 2002, the IRS purchased a new LMS and planned to release the initial phase in August 2003. When fully implemented, the LMS is expected to provide the following:

⁹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

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- Learning Delivery.
- Instructor-led Course Tools and Resources.
- Content Management.
- Performance Management.
- Collaborative Learning.
- Competency Management.

The implementation of this system is expected to occur in three phases:

First phase (*Release 1*) - will focus primarily on administration and online learning delivery, including the management of online registration, online approvals, automatic notifications, and basic reporting. During this phase, the LMS will serve 40,000 users.

Second phase (*Release 2*) - will extend *Release 1* capabilities to all users and add delivery of online content through the LMS, resource management, competency management, and expanded reporting. *Release 2* enhancements also include online learning assessment and evaluation, individual career planning, and integration with the IRS financial system. By June 2004, these capabilities should be available and all ACES data should be converted to the LMS.

Third phase (*Release 3*) - will integrate the LMS with HR Connect (a human resource information system) and other IRS systems.

IRS officials stated that some of the *Release 2* capabilities might be delayed due to funding constraints. As of May 2003, the IRS needed about \$2.7 million to complete *Release 2*.

Despite the improvements planned for the LMS, it is not expected to capture training costs for each course and student, which is needed to be able to identify how training funds are spent, and there is no indication that the IRS' new accounting system (the Integrated Financial System (IFS), scheduled to be implemented in FY 2004) will allocate costs or capture the information at the course or student level.

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Without a process to ensure data are properly recorded, the IRS may continue to have a problem with the reliability of its training information. This will be a special problem because of the need to convert the training data in the ACES to the LMS.

Because many different courses are assigned the same general course numbers in the ACES and course titles are not used consistently, it will not be possible for the IRS to systemically convert all of the data from the ACES to the LMS. In addition, a better course numbering scheme is needed to ensure that the LMS can be used to identify the types of training provided and the skills addressed.

Recommendations

1. The Commissioner should require all business units to use the IRS training management information systems (the ACES and its successor the LMS) as their official system of records.

Management's Response: The Chief Human Capital Officer (formerly titled Director, Strategic Human Resources) will recommend a policy requiring all business units to use the LMS.

Office of Audit Comment: The Chief Human Capital Officer does not plan to present the policy recommendation until December 2004, which is 4 months after the LMS is to be made available to IRS staff. This policy should be decided upon before the LMS is available to IRS staff.

2. The Chief Human Capital Officer should ensure the new LMS has the appropriate validity checks to ensure data on training courses, costs, and CPE hours are correct, to avoid input errors.

Management's Response: The LMS is expected to be automated and, therefore, little manual input will be needed. Reports will be designed to assist in ensuring the accuracy of the data that are entered.

Office of Audit Comment: Management's response does not address systemic validity checks for the data that will be entered into the system. In addition, the reports to assist in

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verifying the accuracy of the data should be made available in August 2004, when the system is accessible to all IRS employees, rather than in March 2005 as proposed in management's response.

3. The Chief Human Capital Officer should ensure that a better course numbering scheme is developed in the LMS to be used to identify the types of training provided and the skills addressed. The new scheme should limit or eliminate the use of general course numbers. Prior course numbers should also be correlated with the new course numbers that will be used for the LMS.

Management's Response: The LMS course numbering scheme will eliminate the use of general course numbers, and the existing ACES course-numbering pattern will not be part of the LMS.

Office of Audit Comment: Management's response indicates this recommendation will be implemented by October 1, 2004; however, we believe it should be completed by August 2004 when the LMS is scheduled to be available to all IRS employees.

4. The Chief Human Capital Officer should ensure that periodic reviews of ACES (and when implemented LMS) data are conducted to verify ACES data and make any needed corrections.

Management's Response: The ACES data will be reviewed some time in FY 2004 to validate the data moved to the LMS, and periodic reviews of the LMS data will be established once the LMS is fully operational.

Office of Audit Comment: It is not clear from management's response whether the ACES data will be validated before or after it is moved to the LMS. We believe it should be validated before it is moved to the LMS.

5. The Chief Human Capital Officer and the Chief Financial Officer (CFO) should develop a method of properly allocating training costs to courses and employees/students.

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Management's Response: The LMS staff will work with the CFO's staff to ensure the LMS will provide the needed financial data without duplicating the IFS.

6. The Chief Human Capital Officer and CFO should ensure the IRS training and financial systems (the LMS and IFS) can provide information (in report form) needed for the IRS to assess its own training efforts. Summary data such as the number of students trained, number of courses taught, student attendance by course and curricula, and total cost of the training courses and curricula (including properly allocated costs of the Learning and Education group staffs and appropriate overhead) should constitute the minimum requirements of the report. The systems should also provide the ability to assess, for each job series, employees who have met the minimum core curriculum requirements and those who have not.

Management's Response: With *Release 2*, the LMS will report summary training data while the IFS is expected to provide needed cost information. The Chief Human Capital Officer and CFO will design standard reports integrating data from each system. After the IFS is implemented, quarterly expense reports will be issued. Additionally, the Chief Human Capital Officer and CFO will develop a methodology to allocate overhead costs.

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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to evaluate for accuracy and completeness the Fiscal Year (FY) 2002 training information provided by the Internal Revenue Service (IRS) for the IRS Oversight Board's assessment. We conducted this audit at the request of the Oversight Board. To accomplish this objective, we completed the following steps:

- I. Reviewed the data in the IRS training database, the Administrative Corporate Education System (ACES), to determine if the source of training data provided to the IRS Oversight Board is complete and accurate.
 - A. Determined whether the ACES Course Catalog is updated yearly and includes only courses that are currently being taught.
 - B. Obtained a computer extract of ACES data for FY 2002 (through September 18, 2002). We performed an overall analysis of the ACES data to determine whether:
 1. Training information was input timely.
 2. Course numbers and titles were unique and used consistently (as listed in the FY 2002 ACES Course Catalog).
 3. Training hours entered appeared to be reasonable.
 - C. Selected two random samples of ACES data to evaluate their accuracy. The first sample of 291 training records was taken from a universe of 309,433 training records recorded in the ACES for FY 2002 (through September 18, 2002). The second sample of 250 individual IRS employees was drawn from a universe of 31,541 employees (through September 18, 2002) for whom no training was recorded in the ACES database. For both samples, a survey was sent via e-mail to IRS employees and/or their supervisors. The sizes of the samples were based on a 95 percent confidence level, a precision level of ± 5 percent, and an expected error rate of no more than 20 percent.
- II. Reviewed the financial data related to training in the ACES and the IRS Automated Financial System¹ to determine if the source of financial data related to training provided to the IRS Oversight Board is complete and accurate.
 - A. Obtained information on the IRS training budget for FYs 1994 through 2002.
 - B. Obtained information to determine if the following costs were properly allocated to the IRS business units and the training courses provided:

¹ A computer-based financial accounting system used by the IRS to track appropriations and expenditures. The IRS expects to migrate to the new Integrated Financial System in FY 2004.

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1. IRS training contracts.
 2. IRS instructor salaries/fees paid to private contractors/instructors.
 3. Course books/materials.
 4. Equipment.
 5. Space (classroom or auditorium rentals).
 6. Course development and scheduling (salaries of other support staff).
- III. Reviewed information related to the IRS' planned new Learning Management System to determine whether the enhancements planned for the new system will increase the reliability and usefulness of training information and identification and allocation of training costs.

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Appendix II

Major Contributors to This Report

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Appendix III

Report Distribution List

Deputy Commissioner for Operations Support OS
Deputy Commissioner for Services and Enforcement SE
Chief, Appeals AP
Chief Counsel CC
Chief Financial Officer OS:CFO
Commissioner, Small Business/Self-Employed Division SE:S
Commissioner, Wage and Investment Division SE:W
Chief Human Capital Officer OS:HC
National Taxpayer Advocate TA
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Office of Management Controls OS:CFO:AR:M
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 Chief Human Capital Officer OS:HC

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Appendix IV

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. This benefit will be incorporated into our Semiannual Report to the Congress.

Type and Value of Outcome Measure:

Reliability of Information – Potential. The Internal Revenue Service (IRS) Fiscal Year (FY) 2002 training budget was \$111 million. The training data provided to the IRS Oversight Board by the IRS were not adequate for the Board to perform an assessment or to develop a baseline of training in the IRS. The data did not provide basic information to show how training funds and resources were used or any measure of their effectiveness (see page 3).

Methodology Used to Measure the Reported Benefit:

The training budget amount is based on information in the IRS Automated Financial System.¹

¹ A computer-based financial accounting system used by the IRS to track appropriations and expenditures. The IRS expects to migrate to the new Integrated Financial System in FY 2004.

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Appendix V

Training Summary Information for Selected Business Units¹

Wage and Investment Division

The Wage and Investment (W&I) Division staffing ranged from 40,757 to 46,247. There are 69 different job series² in the business unit; 8 of them account for 90 percent of the entire W&I Division work force. To support training, there are 138 W&I Division employees in the Learning and Education (L&E) group. The ratio of W&I Division employees to L&E group employees is approximately 311 to 1.

Summary Information

Courses offered by course number	1,345
Employee training hours provided	3,096,269
Employees trained	34,513

Method of Providing Training

	Classroom	On-the-Job Training (OJT)	Outservice	Self-study	Total
Training Records	115,778	185	865	8,192	125,020

Allocated Training Costs

Fiscal Year (FY) 2002	Travel	Training	Supplies	Total
Amount	\$8,352,443	\$2,771,427	\$121,504	\$11,244,374
Percent of Total	74%	25%	1%	100%

¹ Summary training information is from the Administrative Corporate Education System (ACES) for Fiscal Year (FY) 2002 (as of September 18, 2002), except for training costs, which are the costs shown in the Automated Financial System (AFS) for FY 2002. The AFS is a computer-based financial accounting system used by the Internal Revenue Service (IRS) to track appropriations and expenditures. Training costs shown are only those costs allocated in the AFS to the IRS business units. As noted in this report, not all training costs are allocated.

² As of December 14, 2002.

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Courses With Highest Attendance

Attendance Rank	Course Titles	Number of Employees Attending
1	Shared Topics	4,339
2	Integrated Submission and Remittance Processing - Submission Processing Training for New Hires	4,176
3	Refresher Training - 2002	2,678
4	Customer Communications (Courtesy and Professionalism)	2,147
5	National Agreement Training for Managers	2,145

**Information on Employee Training Is Not Adequate
to Determine Training Cost or Effectiveness**

Small Business/Self-Employed Division

The Small Business/Self-Employed (SB/SE) Division staffing ranged from 43,679 to 45,012. There are 64 different job series³ in the business unit; 11 of them account for 92 percent of the entire SB/SE Division work force. To support training, there are 194 SB/SE Division employees in the L&E group. The ratio of SB/SE Division employees to L&E group employees is approximately 256 to 1.

Summary Information

Courses offered by course number	1,490
Employee training hours provided	2,854,011
Employees trained	33,109

Method of Providing Training

	Classroom	OJT	Outservice	Self-study	Total
Training Records	88,602	316	950	12,292	102,160

Allocated Training Costs

FY 2002	Travel	Training	Supplies	Total
Amount	\$21,017,688	\$5,646,014	\$152,241	\$26,815,943
Percent of Total	78%	21%	Less than 1%	100%

Courses With Highest Attendance

Attendance Rank	Course Titles	Number of Employees Attending
1	Report Generation Software Stand Alone NT Version 2.0	4,512
2	Refresher Training – 2002	3,751
3	National Agreement Training for Managers	3,617
4	100% Accountability	1,397
5	Customer Communications (Courtesy and Professionalism)	904

³ As of December 14, 2002.

**Information on Employee Training Is Not Adequate
to Determine Training Cost or Effectiveness**

Office of Chief Counsel⁴

The Office of Chief Counsel staffing ranged from 2,436 to 2,448. There are 25 different job series⁵ in the business unit; 8 of them account for 94 percent of the entire Office of Chief Counsel work force. To support training, there are 11 Office of Chief Counsel employees in the L&E group. The ratio of Office of Chief Counsel employees to L&E group employees is approximately 221 to 1.

Summary Information

Courses offered by course number	174
Employee training hours provided	36,576
Employees trained	1,512

Method of Providing Training (only recorded for training in the ACES)

	Classroom	OJT	Outservice	Self-study	Total
Training Records	272	0	4	132	408

Allocated Training Costs

FY 2002	Travel	Training	Supplies	Total
Amount	\$766,103	\$931,326	\$54,710	\$1,752,139
Percent of Total	44%	53%	3%	100%

Courses With Highest Attendance

Attendance Rank	Course Titles	Number of Employees Attending
1	Finance & Management (F&M) Customer Service Training – Video	400
2	F&M Manager Training	400
3	Closing Agreements – Interactive Video Teleconference	179
4	Litigation Ethics – Interactive Video Teleconference	179
5	Cross-Examining Witnesses – Interactive Video Teleconference	162

⁴ Office of Chief Counsel information is a combination of that from the Chief Counsel training database and the ACES.

⁵ As of December 14, 2002.

**Information on Employee Training Is Not Adequate
to Determine Training Cost or Effectiveness**

Appeals Division

Appeals Division staffing ranged from 1,850 to 1,964. There are 21 different job series⁶ in the business unit; 8 of them account for 95 percent of the entire Appeals Division work force. To support training, there are 14 Appeals Division employees in the L&E group. The ratio of Appeals Division employees to L&E group employees is approximately 137 to 1.

Summary Information

Courses offered by course number	206
Employee training hours provided	95,680
Employees trained	1,541

Method of Providing Training

	Classroom	OJT	Outservice	Self-study	Total
Training Records	2,792	6	184	208	3,190

Allocated Training Costs

FY 2002	Travel	Training	Supplies	Total
Amount	\$2,469,038	\$181,675	\$10,576	\$2,661,289
Percent of Total	93%	7%	Less than 1%	100%

Courses With Highest Attendance

Attendance Rank	Course Titles	Number of Employees Attending
1	Appeals/Large and Mid-Size Business – Continuing Professional Education (CPE)	276
2	National Agreement Training for Managers	191
3	Technical CPE for General Appeals Area 5	156
4	Collection Issues Training for Appeals - Phase 1	146
5	Technical CPE for General Appeals Area 4	144

⁶ As of December 14, 2002.

Information on Employee Training Is Not Adequate
to Determine Training Cost or Effectiveness

Appendix VI

Management's Response to the Draft Report

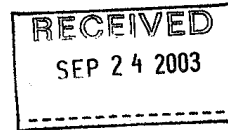
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CHIEF HUMAN CAPITAL OFFICER

SEP 24 2003



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



SEP 24 2003

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR
TAX ADMINISTRATION

FROM: Beverly Ortega Babers *BOB*
Chief Human Capital Officer

SUBJECT: TIGTA Draft Audit Report, # 200210037, "Information on Training
Provided to Internal Revenue Service Employees Is Not
Adequate to Determine Training Cost or Effectiveness"

We agree that the information on training we provided to our employees is not adequate to determine training cost or effectiveness. We have, over the years, attempted to use the Administrative Corporate Education System (ACES) to track training delivery costs and at one time, training development costs. The system was internally developed to assist with training delivery and was originally designed as a local system. Later we expanded it to a consolidated servicewide system. We added patches to this system in an attempt to adapt it as a budget planning and tracking system.

We have recently procured a learning management system that will enhance our ability to manage and deliver training. The initial release of the Enterprise Learning Management System (ELMS) in August will allow our Small Business/Self-Employed and Wage & Investment operating divisions to use ELMS to provide e-learning courses for 3,500 employees. All IRS employees are expected to have access to ELMS by August 2004. We will work with the Chief Financial Officer to ensure that the Integrated Financial System and ELMS will be able to provide sufficient detail to account for training costs and effectiveness.

For FY 2004, ACES will continue to be the training system of record servicewide. During FY 2004, we will use resources only to provide user support, systems operations and maintenance, and reporting capabilities. Due to the workload involved to configure ELMS for servicewide deployment and to retire ACES within the planned timeframe, we propose to implement the recommendations of this report with the enterprise-wide deployment of ELMS and retirement of ACES.

Attached is our plan to implement the corrective actions for the recommendations in your report. If you have any questions, please contact Linda McCullar, Director, Learning and Education Division at (202) 283-9209.

Attachment

Information on Employee Training Is Not Adequate to Determine Training Cost or Effectiveness

TIGTA Draft Audit Report – Information on Training Provided to Internal Revenue Service Employees Is Not Adequate to Determine Training Cost or Effectiveness (Audit # 200210037)

Recommendation 1: The Commissioner should require all business units to use the IRS training management information systems (the ACES and its successor the LMS) as their official system of records.

Corrective Action: We will prepare a policy for approval by the Human Resources Board, establishing the Learning Management System (LMS) as the official IRS training management information system. This recommended policy will require all business units to use the Enterprise Learning Management System (ELMS).

Implementation Date:

Proposed Date: December 1, 2004 (All training delivered in FY 2005)

Responsible Official: Chief Human Capital Officer

Recommendation 2: The Chief Human Capital Officer (formerly titled Director, Strategic Human Resources), should ensure the new LMS has the appropriate validity checks to ensure data on training courses, costs, and CPE hours are correct, to avoid input errors.

Corrective Action: The ELMS is automated so there is little or no need for manual input of training hours. For those instances when manual input may be required, we will design reports to assist us with ensuring the accuracy of data entry. These reports will help us to correct input errors and take corrective action to eliminate future errors.

Implementation Date:

Proposed Date: March 1, 2005

Responsible Official: Chief Human Capital Officer

Recommendation 3: The Chief Human Capital Officer should ensure that a better course numbering scheme is developed in the LMS to be used to identify the types of training provided and the skills addressed. The new scheme should limit or eliminate the use of general course numbers. Prior course numbers should also be correlated with the new course numbers that will be used for the LMS.

Information on Employee Training Is Not Adequate to Determine Training Cost or Effectiveness

Corrective Action: The ELMS will have a component ID number scheme which will eliminate the use of general course numbers. The component identifiers will be unique and contain sections that will designate the training type and level. The existing ACES course-numbering pattern will not be a part of the ELMS, but will exist for the purpose of ordering published materials. Crosswalks will be developed where and as long as appropriate.

Implementation Date:

Proposed Date: October 1, 2004

Responsible Official: Chief Human Capital Officer

Recommendation 4: The Chief Human Capital Officer should ensure that periodic reviews of ACES (and when implemented the LMS) data are conducted to verify ACES data and make any needed corrections.

Corrective Action: A review of the current ACES data will be conducted in FY 2004 to validate the data moved over to ELMS. Once ELMS is fully operational, periodic reviews of the data will be established and corrective action will be required.

Implementation Date:

Proposed Date: March 1, 2005

Responsible Official: Chief Human Capital Officer

Recommendation 5: The Chief Human Capital Officer and the Chief Financial Officer should develop a method of properly allocating training costs to courses and employees/students.

Corrective Action: The CFO is making strides toward implementing the Integrated Financial System (IFS) that will provide reliable cost-based information. The new IFS is scheduled to become operational in FY 2004. The IFS will contain a cost accounting module that will more reliably trace financial data to where the resources are used. The ELMS staff is scheduling meetings to determine the financial needs for ELMS without duplicating IFS. As part of Release 2, we plan on a design which will properly track training costs by course and student.

Information on Employee Training Is Not Adequate to Determine Training Cost or Effectiveness

Implementation Date:

Proposed Date: October 1, 2004

Responsible Officials: Chief Financial Officer and Chief Human Capital Officer

Recommendation 6: The Chief Human Capital Officer and the Chief Financial Officer should ensure the IRS training and financial systems (the LMS and the Integrated Financial System) can provide information (in report form) needed for the IRS to assess its own training efforts. Summary data such as the number of students trained, number of courses taught, student attendance by course and curricula, and total cost of the training courses and curricula (including properly allocated costs of the L&E group staffs and appropriate overhead) should constitute the minimum requirements of the report. The systems should also provide the ability to assess, for each job series, employees who have met the minimum core curriculum requirements and those who have not.

Corrective Action #1:

The ELMS Release 2 will be able to report summary data such as the number of students trained, number of courses taught, student attendance by course and curricula. The IFS will provide cost-based information on the total cost of training including the direct and indirect cost associated with the Learning and Education staff. However, the data needed to report on IRS's training efforts will have to be compiled from two systems (IFS and ELMS). This situation will continue for the foreseeable future. The CFO staff will work with the owners of the ELMS to address the accuracy of the data used to support the reporting requirements on the total cost of training. The Chief Human Capital Officer and CFO will design standard reports integrating data from each system. We plan to issue quarterly expense reports after IFS is implemented.

Implementation Date:

Proposed Date: July 1, 2005

Responsible Officials: Chief Financial Officer and Chief Human Capital Officer

Corrective Action #2:

The CHCO, working with the data provided by ELMS and IFS, will develop a methodology to allocate overhead costs such as room rental and contract instructors to individual training programs.

**Information on Employee Training Is Not Adequate
to Determine Training Cost or Effectiveness**

Implementation Date:

Proposed Date: October 1, 2005

Responsible Officials: Chief Financial Officer and Chief Human Capital Officer