

National Treasury Employees Union



**Testimony
Of
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“NTEU Views on Empowering the IRS Workforce”

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**IRS Oversight Board Hearing
B- 318 Rayburn House Office Building
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Chairwoman Killefer, Members of the Board, and other distinguished guests, my name is Colleen Kelley and I am the National President of the National Treasury Employees Union (NTEU). As you know, NTEU represents 150,000 federal employees in 28 federal agencies and departments, including the men and women who work at the Internal Revenue Service. I appreciate you giving me the opportunity today to present recommendations for empowering the IRS workforce.

First, I would like to thank the Board for its ongoing efforts to help secure increased funding for the IRS, so that the IRS can fairly administer our tax laws and ensure the American taxpayers are getting the services they need. The Board's independent voice has been extremely valuable to legislators and other policymakers, and has led to marked improvements in IRS operations.

The IRS is at a critical point in its history, and more importantly, at a critical point in its modernization efforts. We have made tremendous progress over the past years, and a lot of that credit goes to former IRS Commissioner Charles Rossotti. He will be greatly missed at the IRS. What we will miss with Commissioner Rossotti's departure is his testimony on behalf of the IRS on Capitol Hill, the credibility he worked hard to earn there, and the credibility he brought to the Agency, which he used to increase respect and resources for the agency. And I will miss the fact that in every setting I ever heard Charles speak, his first recognition was to frontline employees for the work they do, declaring that any success he or the IRS had was because of the employees.

Unfortunately, even though the Administration had known about Commissioner Rossotti's departure for many months, and had more than enough time to recruit and appoint a permanent successor, they failed to do so until naming Mark Everson on January 13. Even though I have great respect for Mark Everson and Acting Commissioner Robert Wenzel, the agency will be hard pressed to focus on the future – let alone the current filing season – with a permanent Commissioner just being nominated at this late date.

In some ways, 2002 was a very successful year for the IRS. By all standards, employees once again delivered a successful filing season and the response from taxpayers and practitioners was positive. In addition, many employees made a smooth transition into new positions and there was more compliance hiring.

But in many ways, 2002 was a very difficult year for NTEU and the IRS. Many frontline employees will tell you employee morale is worse than it was a year ago. A number of issues have contributed to this declining IRS workforce morale.

For example, reorganization issues still exist operationally within divisions and functions and between functions and divisions. The stated focus of the reorganization was to empower frontline employees and frontline managers to solve problems at the lowest possible level. Frontline employees have a lot of ideas about how to do things better at the IRS, and involving them benefits the IRS, the employees, and most importantly, the taxpayers. Unfortunately, the reorganization thus far has done more to make employees feel less empowered. The new IRS continues to be seen by employees as having pulled all of the decision making to the top of the divisions and functions. Productivity will increase in an environment where employees feel valued and their work is recognized and rewarded.

Furthermore, the IRS reorganization still seems to lack a coherent long-term strategy for dealing with the current IRS employees when pipelines are shut down as a result of more taxpayers filing their returns electronically. For example, thousands of jobs are already being eliminated at the Brookhaven Service Center. While the IRS had committed to retraining and redeploying affected employees to different positions, and there was even talk about bringing new programs to Brookhaven, these have yet to occur, and over 1,000 employees are facing a potential RIF.

Next, on the heels of our most successful work together in 2001, we moved to some of the worst work we have ever done together, bargaining a new term agreement. This Administration's disregard for federal employee unions was very transparent with the anti-employee proposals put forward by management, which threatened our union's ability to represent frontline employees. The proposals attacked NTEU as an institution, our chapter jurisdiction, our structure, and our leaders. The bargaining and subsequent implementation of the agreement is threatening what was already a fragile relationship between NTEU and IRS.

There also remain other issues that continue to jeopardize IRS operations. For example, clerical and support positions are still not being filled everywhere they are needed, and they are not being filled at the grade these secretaries deserve. And while the agency is making some progress in providing more training hours for the employees, the bad news is that it is often not the training employees identify as being needed.

I believe the greatest impediment to a higher performing IRS workforce, is the agency's increased movement toward government contractors performing the important work of the IRS. The IRS, along with every other federal agency, is privatizing more and more government functions. For example, at OMB's direction, the IRS is working with contractors to develop a plan to privatize tax collection services. Most in the IRS recognize that a pilot project to privatize tax collection several years ago was a costly disaster for the American taxpayers. The Administration would like to see the day when unaccountable private companies perform tax collection functions at the IRS. The IRS Oversight Board should take a strong stand against privatizing these inherently governmental tax collection functions.

Tax collection is just the tip of the iceberg of the privatization going on at the IRS. The IRS also is attempting to privatize the jobs of those who manage and maintain the IRS employee workstations – this function is referred to as seat management – and with it risk giving contractors access to taxpayer data that is stored on IRS computers.

And now, at OMB's direction, the IRS is undertaking an effort to privatize tax law assistance telephone functions. Currently, when a taxpayer calls the IRS to seek information about a certain tax provision, or how to fill out a form, that call is routed to an IRS employee who is an expert in the area the taxpayer is seeking information about. Under the new proposed initiative, the taxpayer will call the same IRS phone number, but that call could now be routed to a private contractor. If that contractor gives out the wrong information, it is too bad for the taxpayer, but it is fine for the contractor, since they will still collect their contract payment. Of course under this new initiative, it is still going to be the IRS that is held accountable for the

mistake, and the public perception of the IRS workforce will only decline, even though it was a contractor that gave the bad advice.

Privatization at the IRS continues despite the lack of any accountability or oversight of contractors. The IRS simply does not have the staffing or systems in place to monitor the work of contractors. As a result, it seems that once a contractor gets a contract, that work is out the door and rarely - if ever - scrutinized again. I know the Board is familiar with the Mellon Bank fiasco, a case where this contractor lost, shredded, and removed 70,000 taxpayer checks worth \$1.2 billion in revenues.

And the Board is probably also aware that Accenture, a contractor performing a number of different services for the IRS has incorporated in Bermuda to avoid paying taxes in the U.S. Isn't it ironic that a contractor that avoids paying taxes is collecting yours? What is this saying to the men and women who work at the IRS everyday who are subject to termination if they file their tax returns just one day late.

It is a disservice to the taxpayers, and a disservice to IRS employees to continue to privatize more and more government work before we even have systems in place to know if contracting out is saving money or improving the delivery of services. Instead of rushing to privatize more government work, the IRS should develop better contractor oversight systems and make the necessary investments today in increased agency staffing, resources, and better training, so that the taxpayers can get government services delivered by IRS employees at even lower costs and increased efficiency tomorrow.

Next, an issue that continues to have a chilling effect on the ability of IRS employees to do their jobs is section 1203 of the IRS Restructuring and Reform Act. Commonly known as the "Ten Deadly Sins," section 1203 outlines ten infractions for which IRS employees must be fired. One of these infractions is the untimely filing of federal income taxes even when a refund is due.

NTEU is very appreciative of the efforts of the IRS Oversight Board in supporting changes to Section 1203, and we hope you will continue your efforts. Without question, Section 1203 is impeding the ability of the IRS to perform its mission. NTEU believes that the most important change for Congress to make to Section 1203 would be to drop the mandatory termination provision from the law. We have always believed that violations of any of the ten offenses should be taken seriously, but mandatory termination is unduly harsh and should not be the only disciplinary action available.

Finally, NTEU is very concerned that funding levels for the IRS will be cut in Fiscal Year 2003 and frozen in 2004. Improving customer service, enhancing tax return processing, and increasing tax compliance can only happen if the Administration and Congress support increased funding for staffing, more advanced technology and equipment, and better training. Funding cuts at the IRS will undoubtedly wipe away the progress that has been made at the IRS over the past years.

The IRS Oversight Board needs to be concerned about the future of the IRS. Who would want to come work for the IRS in this environment? The men and women working there today are concerned that their jobs could be privatized tomorrow regardless of whether or not

privatization costs more and the services are compromised. More resources and more time on IRS training programs continue to be needed. The reorganization has disenfranchised frontline employees. And recruitment and retention programs are not as good as they could be. NTEU supports an environment where individuals want to come to work at the IRS and where current employees want to continue their work on behalf of the American taxpayers. Unfortunately, all of the anecdotal information I have is that most employees are planning to leave the IRS within months of their retirement eligibility date.

Without question, frontline employees share management's commitment to delivering business results and customer satisfaction. They are committed to delivering first-class customer service to the taxpayers and they are committed to enforcing the tax code in a fair manner. However, few frontline employees see the same management commitment to employee satisfaction. NTEU would like to see a future where a balance is struck among taxpayer satisfaction, business results and employee satisfaction. Striking this balance will be the true mark of success.

I thank you for holding this important hearing today. NTEU is willing to assist you in any way possible.