



## Treasury Inspector General for Tax Administration

### THE INTERNAL REVENUE SERVICE BUILDING FLOOD CAUSED NO MEASURABLE IMPACT ON TAX ADMINISTRATION

Issued on February 7, 2007

## Highlights

Highlights of Report Number: 2007-30-028 to the Internal Revenue Service Commissioner.

### IMPACT ON TAXPAYERS

In June 2006, the subbasement and basement of the Internal Revenue Service (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, TIGTA found no measurable impact on taxpayers and tax administration.

### WHY TIGTA DID THE AUDIT

This audit was initiated at the request of the Ranking Member of the United States Senate Committee on Finance. TIGTA's objective 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 TIGTA 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.

### WHAT TIGTA FOUND

The IRS personnel who work in the Headquarters building are involved with activities that do not require a significant amount of day-to-day contact with taxpayers. However, many IRS personnel 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.

In addition, the IRS needs to complete a comprehensive assessment that captures the overall successes and lessons learned in responding 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.

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### WHAT TIGTA RECOMMENDED

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. 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.

In regard to our first recommendation, the IRS agreed that expanding telecommuting participation and the use of laptops can serve business resumption needs, noting 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. 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.

TIGTA is pleased the IRS recognized the import 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. TIGTA is 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.

In responding to our second recommendation, the IRS indicated, among other things, it is finalizing a document to capture the analysis conducted and lessons learned from the flood.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2007reports/200730028fr.pdf>.

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