TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

The IRS Has Reduced Its Overall Space Footprint; However, a Significant Amount of Unneeded Office Space Still Remains

June 5, 2024

Report Number: 2024-100-027

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HIGHLIGHTS: The IRS Has Reduced Its Overall Space Footprint; However, a Significant Amount of Unneeded Office Space Still Remains

Final Audit Report issued on June 5, 2024 **Report Number 2024-100-027**

Why TIGTA Did This Audit

According to the IRS, it will spend approximately $600 million on real estate costs in Fiscal Year (FY) 2024. This includes 516 office buildings totaling approximately 22.3 million square feet.

This follow-up audit was initiated to assess continuing efforts to reduce the associated costs related to the IRS's real estate footprint, including the leveraging of workstation sharing as part of its space reduction efforts and the efficient allocation of space for future projected needs.

Impact on Tax Administration

The Federal Government's continuing struggle with excess and underused space has needlessly cost taxpayers millions of dollars. In March 2015, the Office of Management and Budget issued a memorandum requiring all Executive Branch agencies to move aggressively to dispose of surplus properties held by the Federal Government, make more efficient use of the Government's real estate assets, and reduce total square footage of domestic office and warehouse inventory.

The Government Accountability Office reported that the Federal Government could better manage its real estate portfolio by effectively disposing of unneeded buildings and collecting reliable real estate data. More recently, the Department of the Treasury issued bureau-specific guidance to the IRS on annual space planning and office utilization. After personnel, rent is one of the IRS's largest operating expenses.

What TIGTA Found

Since FY 2018, the IRS has reduced its overall space footprint by approximately 2 million rentable square feet, from 24.3 million to 22.3 million, which represents a reduction of approximately 8 percent. However, additional efforts to address long-term space planning are needed to increase efficient space allocation and realization of its associated cost savings. Specifically, the IRS lacks a long-term space reduction plan that clearly specifies the space reductions it expects to achieve annually beyond FY 2026, and that sufficiently decreases its unneeded office space by maximizing the space savings associated with current practices in remote work, telework, and workstation sharing/hoteling.

In FY 2023, more than one-half of IRS buildings had a workstation occupancy rate of 50 percent or less. In addition, the IRS has not implemented workstation sharing/hoteling for approximately 61 percent of its employees on frequent telework.

Lastly, TIGTA previously recommended that the IRS improve the accuracy of the workstation occupancy information contained in the Graphic Database Interface system, which is used to assist with long-term space planning efforts. While TIGTA has found that since its last review, the IRS has enhanced its internal controls over occupancy information accuracy using standardized building validations in the Graphic Database Interface system walkthrough reports, documentation could be improved.

Until the IRS develops and maintains an overall long-term space reduction plan fully addressing and maximizing space savings associated with current telework policy, it will continue to struggle to sufficiently address the significant amount of unneeded space that it currently occupies.

What TIGTA Recommended

TIGTA recommended that the Chief, Facilities Management and Security Services, should: 1) develop and maintain a long-term space reduction plan that includes annual space reductions the IRS expects to achieve, aligns with Department of the Treasury Workspace Management requirements, and sufficiently decreases unneeded office space by maximizing the space savings associated with current IRS practices in remote work, telework, and workstation sharing/hoteling; 2) reevaluate existing planned reduction projects to ensure that they reflect current IRS telework policy; and 3) clarify the instructions for the Graphic Database Interface system walkthrough report to require an entry in key fields to document the results of the workstation information validation.

The IRS agreed with all three recommendations and stated they have developed corrective actions to address each.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20024

June 5, 2024

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Matthew A. Weir
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The IRS Has Reduced Its Overall Space Footprint; However, a Significant Amount of Unneeded Office Space Still Remains (Audit No.: 202310011)

This report presents the results of our review to assess continuing efforts to reduce the associated costs related to the Internal Revenue Service's (IRS) real estate footprint, including the leveraging of workstation sharing as part of its space reduction efforts and the efficient allocation of space for future projected needs. This review is part of our Fiscal Year 2024 Annual Audit Plan and addresses the major management and performance challenge of *Managing Inflation Reduction Act Transformation Efforts*.

Management's complete response to the draft report is included as Appendix IV. If you have any questions, please contact me or Bryce Kisler, Assistant Inspector General for Audit (Management Services and Exempt Organizations).

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Background

According to the Internal Revenue Service (IRS), it will spend approximately $600 million on real estate costs in Fiscal Year (FY) 2024. This includes 516 office buildings totaling approximately 22.3 million square feet.[1] After personnel, rent is one of the IRS's largest operating expenses.

In March 2015, the Office of Management and Budget (OMB) issued a memorandum requiring all Executive Branch agencies to move aggressively to dispose of surplus properties held by the Federal Government, make more efficient use of the Government's real estate assets, and reduce total square footage of domestic office and warehouse inventory relative to an established baseline.[2]

Federal real estate management has remained on the Government Accountability Office's (GAO) High Risk List since January 2003, due to the Federal Government's continuing struggle with excess and underused space, which has needlessly cost taxpayers millions of dollars. In April 2023, the GAO reported that the Federal Government could better manage its real estate portfolio by effectively disposing of unneeded buildings, collecting reliable real estate data, and improving the security of Federal facilities.[3]

In September 2023, the Department of Treasury issued bureau-specific policy and guidance to the IRS on annual space planning and office utilization.[4] The policy and guidance requires the IRS to minimize rent costs and ensure that appropriate measures are taken to evaluate employee workspace utilization to maintain a vacancy rate not greater than 20 percent of total workstations and offices. The policy and guidance also provided information regarding agency hoteling and the assignment of workstations and offices for telework participants.

The Facilities Management and Security Services (FMSS) function is charged with providing facilities and physical security services for the IRS. IRS properties generally fall into two categories: Government owned or leased (typically through the General Services Administration). The Chief, FMSS, is responsible for developing and administering long-term space strategy and ensuring effective space utilization is promoted throughout the IRS while the FMSS project management office provides oversight and technical support for the execution of real estate projects.

The IRS's process for planning space reduction projects starts with identifying buildings with upcoming lease expiration dates and preparing a Strategic Facility Plan, including an analysis of whether the building could potentially be closed and staff consolidated into nearby buildings, staff relocated to a smaller space lease, or if excess office space could be released back to the lessor. This is typically done several years in advance of the lease expiration to provide

[1] The 516 buildings represent all buildings leased or owned by the IRS as of September 29, 2023, but excludes parking lots, daycare centers, Criminal Investigation storage facilities, warehouses, and alternate telework sites.

[2] OMB, Management Procedures Memorandum No. 2015-01, *Implementation of OMB Memorandum M-12-12 Section 3: Reduce the Footprint* (Mar. 2015).

[3] GAO, GAO-23-106203, *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas* (Apr. 2023).

[4] Treasury Directive 72-02-IRS, *Bureau-Specific Policy and Guidance Related to Workspace Management* (Sept. 1, 2023).

adequate time to plan and execute a potential space project. The FMSS function relies on information contained in its Graphic Database Interface (GDI) system to assist with long-term space planning efforts. The GDI system contains data related to the IRS's real estate portfolio as well as workstation level information such as seating assignments, room types, vacant workstations, and business unit assignments.

In April 2018, the Treasury Inspector General for Tax Administration (TIGTA) reported that the IRS had not capitalized on its underused workstation reduction cost savings that could be achieved from better use of employee workspace sharing or hoteling, such as reduced rental, workstation buildout, and furnishing equipment costs.[5] However, since our last report, the IRS has increased its implementation of teleworking and remote work, specifically during the Coronavirus Disease 2019 Pandemic. Eligible employees with a signed telework agreement can now work from home on an ad-hoc, recurring, frequent, or full-time (remote) basis.[6]

The 2022 National Agreement between the IRS and the National Treasury Employees Union states that full-time employees who are designated as frequent teleworkers for six months preceding the date of a formal notice of a proposed space change will not be assigned a workstation, but instead will be provided an unassigned workstation at a ratio of not less than three employees for each workstation (3-to-1). In addition, in March 2023, the IRS introduced the Remote Work Project. As of September 2023, the Remote Work Project had 8,424 participants. Participants in the Remote Work Project are required to go into the office infrequently and, therefore, no longer require a workstation.

In February 2024, the IRS Commissioner announced that the IRS would begin taking steps to increase on-site work for teleworkers. Specifically, starting in May 2024, executives, managers, and non-bargaining unit IRS employees with telework agreements in the Washington, D.C. National Capital Region will need to be in the office 50 percent of the time.[7]

Results of Review

Progress Has Been Made in Reducing Unneeded or Underused Real Estate

Since FY 2018, the IRS has reduced its overall space footprint by approximately 2 million rentable square feet (RSF), from 24.3 million to 22.3 million, which represents a reduction of approximately 8 percent.[8] Figure 1 shows the changes in the IRS's real estate portfolio for FYs 2018 through 2023.

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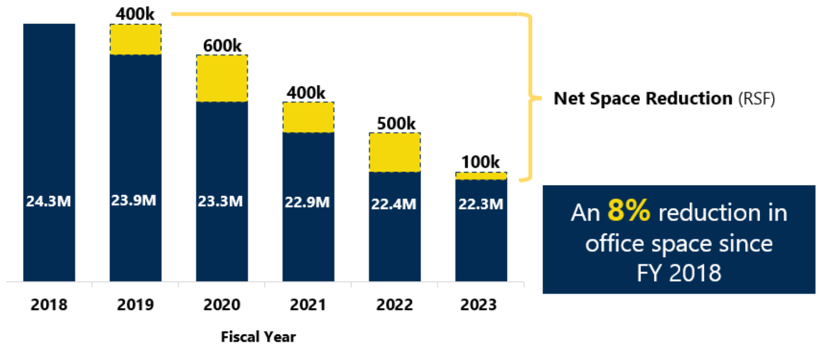
[5] Workstation sharing is when two or more employees are assigned to an individual workstation. Hoteling is the sharing of unassigned workstations when in the building, generally reserved for employees participating in frequent telework. TIGTA, Report No. 2018-10-020, *More Effective Workstation and Office Utilization Could Result in Rental Cost Savings* (Apr. 2018).

[6] The IRS defines frequent telework as an eligible employee, with an approved telework agreement, scheduled to work from an approved telework location (typically home) for more than 80 hours each month.

[7] Impacted offices include the IRS Headquarters and the New Carrollton Federal Building.

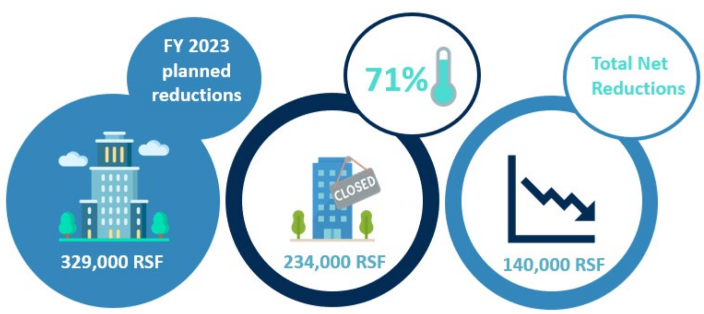
[8] This figure does not include space that is designated as joint space. The General Services Administration defines joint space as any space used by all tenants in a building such as food service, fitness, and childcare centers.

Figure 1: Changes in the IRS's Real Estate Portfolio for FYs 2018 Through 2023



Source: GDI Facilities Consolidated Data Plus Reports for FYs 2018 through 2023. The numbers in this figure are rounded.

In FY 2023, the IRS originally planned for 30 space reduction projects, totaling approximately 329,000 RSF. However, we found that just 10 of the 30 planned projects were completed by September 30, 2023. Although only 10 of the projects were completed, the scope of the projects totaled approximately 234,000 RSF or 71 percent of the IRS's space reduction plan for FY 2023. Five of the 10 completed projects resulted in significantly larger reductions in the RSF than anticipated. The IRS also completed its planned space addition projects in FY 2023 that resulted in approximately 118,000 added square feet. In addition, there were also unplanned space reductions and additions resulting in an additional net reduction of more than 24,000 square feet. The total net space change because of both planned and unplanned projects during FY 2023 was a reduction of approximately 140,000 RSF. See Appendix III for a detailed summary of the IRS's FY 2023 space changes.



As of September 2023, the IRS closed or consolidated over 200,000 RSF.

Long-Term Space Planning Efforts Need Improvement

Although the IRS has made progress in reducing its unneeded office space, additional efforts to address long-term space planning are important to increasing efficient space allocation and realizing its associated cost savings. In FY 2023, more than one-half of IRS buildings had a workstation occupancy rate of 50 percent or less. This is due in part to the increased use of telework and remote work, which requires less space per employee. Additionally, the IRS lacks a long-term space reduction plan that clearly specifies the space reductions it expects to achieve annually beyond FY 2026 and how it will sufficiently decrease its unneeded office space.

Sixty-one percent of frequent teleworkers are not participating in workstation sharing/hoteling

The IRS has partially implemented workstation sharing/hoteling for approximately 39 percent of its employees on frequent telework. Specifically, as of September 2023, there were 9,084 out of 23,253 frequent teleworkers either sharing a workstation at a 2-to-1 ratio or higher or hoteling in IRS office space.[9] However, the IRS could achieve a significant future space savings and associated rental cost savings by increasing its rates of workstation sharing/hoteling for frequent teleworkers and incorporating this savings when calculating its long-term space reduction goals.

The remaining 14,169 IRS employees (61 percent) in frequent telework status were assigned to an individual workstation. Moving these employees to a 2-to-1 workstation sharing/hoteling ratio, for example, could potentially eliminate up to 7,084 unneeded workstations resulting in a potential space reduction of 396,704 RSF. At an average cost of $27.30 per RSF in FY 2023, this unneeded space is costing the IRS approximately $10.8 million per year.[10] Typically, these individual workstation assignments occur because there is an excess of workstations available and, therefore, employees were not removed from individual desk assignments.

We recognize that a 100-percent workstation sharing/hoteling rate at all locations is not always practical and space reduction projects often take several years to plan and complete. However, implementing a 2-to-1 workstation sharing/hoteling ratio where it is practical to do so would better achieve compliance with the OMB's guidance to make more efficient use of the Government's real estate assets and reduce the IRS's total square footage while still allowing the flexibility to accommodate support of a 50 percent in-office presence for teleworkers, as needed.

Individual workstation occupancy rates have not improved despite ongoing space reduction projects

Although the IRS has reduced its overall space footprint by approximately 2 million square feet since FY 2018, its overall individual workstation occupancy rate decreased during that period from 65 percent in FY 2018 to 60 percent in FY 2023. This decrease in the workstation occupancy rate occurred because the IRS's need for workstations decreased at a faster pace than its elimination of unneeded workstations through space reduction projects. Figure 2 compares the IRS workstation occupancy rates for FYs 2018 through 2023.

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[9] We did not include IRS campuses and Computing Centers in this calculation because they are IRS-specific facilities, which limits IRS space reduction efforts to closing the entire facility and shifting the work performed to another location.

[10] We calculated the potential rental savings by taking the average IRS workstation size and multiplying it by the average IRS cost per square foot as of September 2023. We calculated that the average size of an IRS workstation was 56 square feet and that the average IRS cost per square foot was $27.30.

Figure 2: Workstation Occupancy Trends

FY	2018	2019	2020	2021	2022	2023
Vacant Workstations	32,758	31,669	30,146	31,069	31,275	32,558
Occupied Workstations	60,970	60,043	59,534	57,677	54,793	49,013
Total Workstations	93,728	91,712	89,680	88,746	86,068	81,571
Workstation Occupancy Rate	**65%**	**65%**	**66%**	**65%**	**64%**	**60%**

Source: TIGTA analysis of GDI Facilities Consolidated Data Plus Reports September 2018 through September 2023.

As of September 2023, over one-half (51 percent) of all IRS buildings had a workstation occupancy rate of 50 percent or less. Figure 3 shows the building workstation occupancy rates across the IRS.

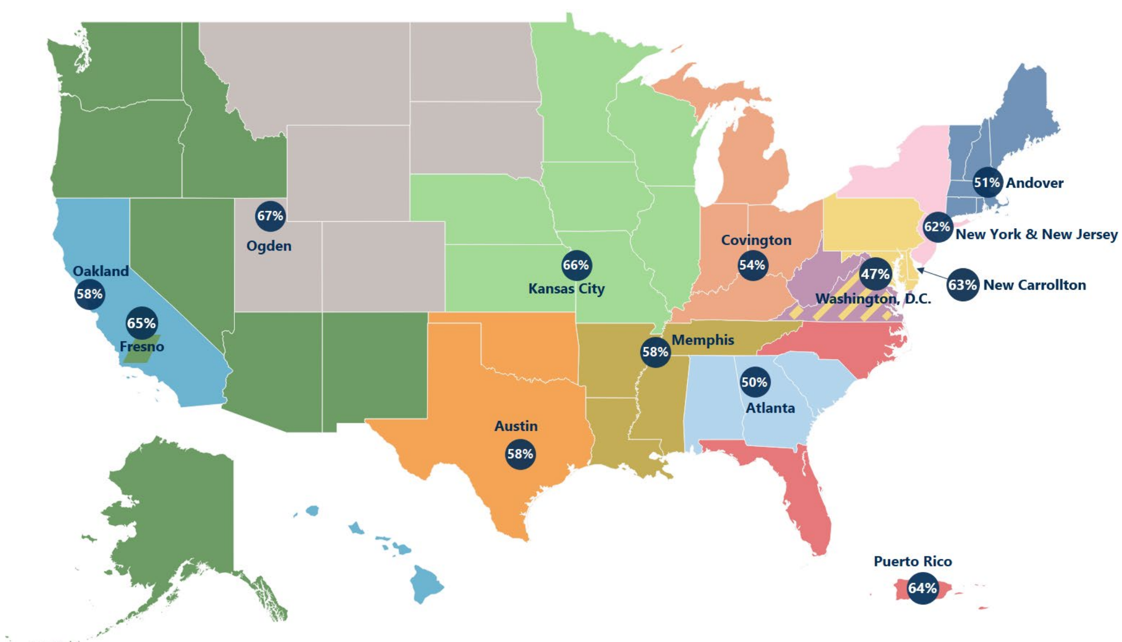
Figure 3: Workstation Occupancy Rates by Building in FY 2023

Workstation Occupancy Rate	Number of Buildings	Percentage
50 percent or less	**261**	**51%**
More than 50 percent	255	49%
Total Number of Buildings	516	

Source: TIGTA analysis of GDI Facilities Consolidated Data Plus Report September 2023.

Across the IRS's 13 territories, those with the lowest rates of workstation occupancy were in Washington, D.C; Atlanta, Georgia; and Andover, Massachusetts.[11] Figure 4 shows the workstation occupancy rates across all buildings for each IRS territory as of September 2023.

Figure 4: Workstation Occupancy Rates by Territory



Source: TIGTA analysis of GDI Facilities Consolidated Data Plus Report September 2023.

[11] The IRS groups its buildings into 13 territories. The territories are titled by the names of major cities.

Planned space reductions through FY 2026 may not materially improve the overall workstation occupancy rate

The IRS plans to further reduce net office space by 421,000 RSF by the end of FY 2026 with most of the space reduction projects planned for FY 2024. However, this reduction, which represents a decrease in the RSF of less than 2 percent, may not materially impact the IRS's workstation occupancy rate. The IRS's process for planning space reduction projects involves the preparation of a building Strategic Facility Plan that identifies the projected space needs associated with the building, lease expiration, and an analysis of whether the amount of leased space could be reduced, and if the impacted staff could be consolidated with another nearby facility or moved to a smaller leased space.

The IRS's workstation occupancy rate is strongly influenced by the expansion of the telework program, which increased significantly during the Coronavirus Disease 2019 Pandemic as well as the introduction of the Remote Work Project in March 2023. Although IRS procedures require the consideration of telework and workstation sharing/hoteling in space reduction project planning as well as the development of the Strategic Facility Plan, these projects are often planned several years in advance and may not fully reflect current IRS telework or remote work practices.

The IRS is also challenged in its future space planning by the need to ensure that it has sufficient space in the correct locations for the additional staffing planned as part of the Inflation Reduction Act of 2022 implementation.[12] During this review, we interviewed FMSS management to determine if the passage of the Inflation Reduction Act of 2022, which provided the IRS with significant funding for hiring, presented any challenges with workstation availability. FMSS management responded that the IRS currently has sufficient vacant space and capacity to meet most, if not all, of the projected hiring demand.

However, we believe that the IRS lacks a long-term space reduction plan that clearly specifies the space reductions it expects to achieve annually beyond FY 2026, and that sufficiently decreases its unneeded office space by maximizing the space savings associated with current practices in remote work, telework, and workstation sharing/hoteling. Although the IRS has identified potential future space reduction projects through its Strategic Facility Plan process, it has yet to translate this information into a long-term space reduction plan that outlines how and when it will achieve these reductions. The GAO's *Standards for Internal Control in the Federal Government* states that defining management's objectives in specific and measurable terms allows progress to be readily assessed. This includes defining what is to be achieved, how it will be achieved, and how long it will take to achieve it.[13] In addition, Department of the Treasury policy and guidance issued on September 1, 2023, specifically requires the IRS to maintain a vacancy rate not greater than 20 percent of total workstations. If the vacancy rate exceeds 20 percent the IRS is required to provide a corrective action plan to meet the compliance requirements within four years.

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[12] Pub. L. No. 117-169, 136 Stat. 1818 provided the IRS with $79.4 billion in supplemental funding through 2031 in part to fund hiring in customer service and enforcement personnel. The Fiscal Responsibility Act of 2023, Pub. L. No. 118-5, 137 Stat. 10, rescinded $1.4 billion, and the Further Consolidated Appropriations Act of 2024, Pub. L. No. 118-47, rescinded an additional $20.2 billion.

[13] GAO, GAO-14-704G, *Standards of Internal Control in the Federal Government* (Sept. 2014).

Until the IRS develops and maintains an overall long-term space reduction plan that fully addresses and maximizes space savings associated with current telework policy, it will struggle to significantly reduce the amount of unneeded space that it currently occupies and meet the vacancy rate requirements of the Treasury Directive. In addition, the lack of clarity on the annual space reductions that the IRS expects to achieve beyond FY 2026 inhibits its ability to readily assess progress and ensure accountability in its efforts to reduce its overall space footprint.

The Chief, FMSS, should:

Recommendation 1: Develop and maintain a long-term space reduction plan that includes annual space reductions the IRS expects to achieve, aligns with Department of the Treasury Workspace Management requirements, and sufficiently decreases unneeded office space by maximizing the space savings associated with current IRS practices in remote work, telework, and workstation sharing/hoteling.

> **Management's Response:** IRS management agreed with the recommendation and will reassess long-term plans to right-size the IRS footprint in reflection of the substantial ongoing and planned hiring to support Inflation Reduction Act activities, the business needs to ensure that sufficient space is available for meaningful in-person meetings and training, and current IRS practices related to remote work, telework, and workstation sharing/hoteling. Where appropriate, this plan will include annual space reductions the IRS expects to achieve to align with the Department of the Treasury Workspace Management requirements.

Recommendation 2: Reevaluate existing planned reduction projects to ensure that they reflect current IRS telework policy.

> **Management's Response:** IRS management agreed with the recommendation and will reevaluate existing planned reduction projects as part of its long-term plan submission to the Department of the Treasury and will include contingencies in its space optimization plan to allow for changes to be made to that plan based on future developments to the telework policy and decisions regarding the remote work project.

Enhanced Internal Controls Over the Accuracy of Real Estate Tracking Have Been Implemented; However, Documentation Could Be Improved

In FY 2018, TIGTA recommended that the Chief, FMSS, should evaluate and implement enhanced survey procedures or other methods to improve the accuracy of GDI system workstation occupancy information. Our review of GDI system workstation occupancy information and associated building reviews found that the IRS has enhanced its internal controls over GDI system accuracy; however, documentation of GDI system validations could be improved.

According to the GAO's *Standards of Internal Control in the Federal Government*, management should design control activities to achieve objectives and respond to risks. This may include clearly documenting internal controls and transactions in a manner that shows the documentation is readily available. IRS management should also establish and operate monitoring activities to monitor the internal control system and evaluate the results. Management uses this evaluation to determine the effectiveness of the internal control system.

On December 20, 2022, the FMSS Project Management Office issued updated guidance requiring a comprehensive validation of the GDI system's building information be performed as part of conducting annual building review site visits. The updated guidance requires that data validation reviews be documented using a standardized walkthrough review report populated with information from the GDI system. These reviews should include an assessment of whether workstations are occupied or vacant, have the correct occupant's name, and have the correct room type.

Since the updated guidance was issued, FMSS staff completed 66 building reviews through May 2023. We reviewed all 66 of the building reviews and found that they included the required standardized walkthrough review report. However, we found that the walkthrough review reports often lacked clear documentation on whether the workstation occupancy data were validated or not. The walkthrough review report contains a field to validate whether workstations are occupied or vacant, have the correct occupant's name, and have the correct room type, but our review found that most of these fields were left blank. Specifically:

- 8 reports (12 percent) had clear documentation that the workstation occupancy data were validated.
- 21 reports (32 percent) included partial documentation that the workstation occupancy data were validated.
- 37 reports (56 percent) included no documentation of whether the workstation occupancy data were validated.

Although the instructions for the enhanced GDI system reviews require the use of a newly developed standardized walkthrough review report, they do not specifically state how the validation of each workstation should be notated. For example, the walkthrough review report does not contain a "dropdown type" menu with options in the fields that should be notated during the validation. As a result, documentation of the validation process was inconsistent, if performed at all.

The IRS uses occupancy information from the GDI system to help it determine where it can accommodate future hiring and to plan space reduction projects. The periodic on-site GDI system reviews are critical to the IRS's ability to ensure that GDI system workstation level data are complete and accurate; however, consistent documentation of review results would improve the reliability of review information and better facilitate the comparison of results year-to-year and across buildings.

Recommendation 3: The Chief, FMSS, should clarify the instructions for the GDI system walkthrough report to require an entry in key fields to document the results of the workstation information validation.

> **Management's Response:** IRS management agreed with the recommendation and will revise the site visit walkthrough checklist to add links to additional information on required data entry and a certification signature to document the results of workstation information validation more clearly.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to assess continuing efforts to reduce the associated costs related to the IRS's real estate footprint, including the leveraging of workstation sharing as part of its space reduction efforts and the efficient allocation of space for future projected needs. To accomplish our objective, we:

- Reviewed the IRS's policies and procedures for managing its real estate portfolio including telework and workstation sharing/hoteling.
- Reviewed Human Capital Office records and identified all IRS employees on frequent telework agreements as of September 30, 2023.
- Identified how many frequent teleworkers were assigned a workstation as of September 30, 2023.
- Interviewed responsible FMSS Territory managers regarding challenges encountered at IRS campuses in accommodating post-Inflation Reduction Act of 2022 hiring.
- Evaluated the impact of the Remote Work Project on the IRS's workstation needs.
- Reviewed the annual building reviews conducted by FMSS staff from December 2022 through May 2023, and determined whether the accuracy of key GDI system management information (number of workstations available, occupied, shared) was evaluated as part of the review.

Performance of This Review

This review was performed at the following IRS building locations: Plantation, Florida; Brooklyn, New York; Holtsville, New York; and Mountainside, New Jersey, during the period January through July 2023. Additionally, this review was performed with information obtained from the FMSS function and Human Capital Office in Washington, D.C., during the period June 2022 through February 2024. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Bryce Kisler, Assistant Inspector General for Audit (Management Services and Exempt Organizations); LaToya George, Director; Melinda Dowdy, Acting Director; Brian Foltz, Acting Director; Anthony Choma, Audit Manager; Paige Couvillon, Lead Auditor; and Angela Garner, Senior Auditor.

Data Validation Methodology

We performed tests to assess the reliability of data from the IRS's GDI system. We evaluated the data by 1) performing electronic testing of required data elements, 2) reviewing existing information about the data and the system that produced them, and 3) interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for purposes of this report.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: FMSS building site visits that require, at least on an annual basis, that GDI system workstation level data are reviewed for accuracy. We evaluated these controls by interviewing FMSS management to better understand the automated staffing accuracy dashboards that link real estate data with staffing data to automatically identify data discrepancies such as employees not assigned to workstations who should be, separated employees still assigned to a workstation, and post of duty mismatches. Finally, we reviewed the IRS's building Strategic Facility Plans and overall space reduction plans to identify the IRS's process for planning and tracking space reduction projects.

Appendix II

Outcome Measure

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

Type and Value of Outcome Measure:

- Cost Savings – Funds Put to Better Use-Potential; $54,150,096 in rental cost savings (see Recommendation 1).

Methodology Used to Measure the Reported Benefit:

We estimate that changing the method the IRS is currently using to allocate workstations to employees on frequent telework agreements to incorporate more effective workstation sharing/hoteling could reduce the need for as many as 7,084 workstations and potentially reduce office space rental costs by approximately $10.8 million per year.

Specifically, our calculation indicated that there were 14,169 frequent teleworkers assigned to a designated workstation who were potentially eligible to hotel at a 2-to-1 ratio, which could potentially eliminate up to 7,084 unneeded workstations.

We calculated the potential rental savings by taking the average IRS workstation size and multiplying it by the average IRS cost per square foot in FY 2023. We calculated that the average size of an IRS workstation was 56 square feet and that the average IRS cost per square foot was $27.30.

We did not consider employees working at an IRS campus or Computing Center campus for this calculation because those locations are IRS-specific facilities, which limits IRS space reduction efforts to closing the entire facility and shifting the work performed to another location.

We concluded that this outcome measure is potential because 100 percent hoteling resulting in workstation elimination is not always practical. Additionally, rental savings cannot be achieved unless a space reduction project or space release can be performed. These projects often take several years to plan and complete, require the release of a significant amount of office space, and require negotiations that are agreeable for both the IRS and the lessor.

However, implementing a 2-to-1 workstation sharing/hoteling ratio, where it is practical to do so, would allow the IRS to significantly reduce its total square footage while allowing the IRS the flexibility to support a 50 percent in-office presence for teleworkers, as needed. We calculated this cost savings as follows: 7,084 unneeded workstations x 56 average square feet x $27.30 average cost per square foot = $10,830,019.20. Over a five-year period, we forecast this could potentially result in rental cost savings of $54,150,096.[1]

[1] The five-year forecast is based on multiplying the base year by five and assumes, among other considerations, that economic conditions and tax laws do not change.

Management's Response: IRS management agreed in principle that enforcing a 2-to-1 hoteling ratio will potentially reduce rent cost, but disagreed with the outcome measure as presented due to the assumption that all unneeded workstations could be released in a year and that staffing levels and telework status remain unchanged. IRS management also stated that the measure doesn't consider the costs associated with releasing space, the lease durations, or the impracticality of releasing only a portion of the space.

Office of Audit Comment: The outcome measure is presented as potential rental cost savings rather than actual due to the noted complexities in calculating the actual cost savings such as changes to telework or remote work policy, changes in hiring and staffing levels, and the variable costs and timelines associated with a space reduction project. To project potential savings and account more realistically for these challenges, we eliminated IRS campuses and computing center campuses from our calculation and used only a 2-to-1 hoteling ratio instead of the 3-to-1 hoteling requirement under the National Treasury Employees Union agreement.

Appendix III

Fiscal Year 2023 Significant Planned Versus Actual Space Allocation Reductions and Additions

In FY 2023, the IRS completed planned space reductions of 233,664 square feet and additions of 117,838 square feet, resulting is a net reduction of 115,826. There were also unplanned space reductions and additions resulting in an additional net reduction of 24,115 square feet. The overall net reduction in space because of both planned and unplanned projects was 139,941 square feet. Figure 1 provides a detailed summary of the IRS's FY 2023 space reduction projects, and Figure 2 lists the IRS's space addition projects for FY 2023.

Figure 1: FY 2023 Space Reduction Projects

Location	Planned Reductions	Actual Reductions	Project Status as of September 29, 2023
Plantation	(71,432)	(71,428)	Completed
Brooklyn	(34,982)	(48,795)	Completed
Mountainside	(32,019)	(32,019)	Completed
Maitland	(22,576)	(51,694)	Completed
Everett	(7,483)	(9,882)	Completed
Harrisburg	(2,840)	(13,184)	Completed
Corbin / London	(2,462)	(2,462)	Completed
Queensbury	(1,395)	(1,395)	Completed
Oakland	(1,231)	(2,290)	Completed
Poughkeepsie	(515)	(515)	Completed
Holtsville	(37,601)	-	Not Completed
Hauppauge	(26,825)	-	Not Completed
St. Petersburg	(15,000)	-	Not Completed
Carmel	(12,973)	-	Not Completed
Tampa	(11,548)	-	Not Completed
Vienna	(10,290)	-	Not Completed
Newark	(7,740)	-	Not Completed
Colorado Springs	(4,246)	-	Not Completed
Port Saint Lucie	(4,081)	-	Not Completed
Dayton	(3,436)	-	Not Completed
San Diego	(3,041)	-	Not Completed
Warwick	(2,822)	-	Not Completed
Eau Claire	(2,444)	-	Not Completed
Sioux City	(2,088)	-	Not Completed
Prestonburg	(2,077)	-	Not Completed
Georgetown	(1,858)	-	Not Completed
Las Cruces	(1,613)	-	Not Completed
San Marcos	(1,150)	-	Not Completed
Mankato	(514)	-	Not Completed
Mount Vernon	(376)	-	Not Completed
TOTAL	**(328,658)**	**(233,664)**	

Source: TIGTA analysis of the IRS's Reduce the Footprint Submission (October 2022), and the IRS's FYs 2022 and 2023 Space Reduction Projects.

Figure 2: FY 2023 Space Addition Projects

Location	Planned Additions	Actual Additions	Project Status as of September 29,2023
Caguas	49,739	50,088	Completed
Bayamon	47,514	47,514	Completed
Carolina	16,676	16,676	Completed
Ponce	3,391	3,391	Completed
Green Bay	169	169	Completed
Ponce	56,157	-	Not Completed
Florence	26,397	-	Not Completed
Chicago	22,784	-	Not Completed
Kansas City	20,000	-	Not Completed
Arlington	16,777	-	Not Completed
Charlotte	8,475	-	Not Completed
Homestead	7,157	-	Not Completed
Iselin	7,093	-	Not Completed
Wilmington	5,857	-	Not Completed
Denver	3,002	-	Not Completed
Kalispel	531	-	Not Completed
Orlando	448	-	Not Completed
TOTAL	**292,167**	**117,838**	

Source: TIGTA analysis of the IRS's Reduce the Footprint Submission (October 2022).

Appendix IV

Management's Response to the Draft Report

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

CHIEF
FACILITIES MANAGEMENT AND
SECURITY SERVICES

May 08, 2024

MEMORANDUM FOR MATTHEW A. WEIR
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Richard L. Rodriguez
Chief, Facilities Management & Security Services

SUBJECT: Draft Audit Report – The IRS Has Reduced Its Overall Space Footprint; However, a Significant Amount of Unneeded Office Space Still Remains (Audit No.: 202310011)

Thank you for the opportunity to review and comment on the draft audit report. We appreciate that your report acknowledged that we have made progress in reducing unneeded or underused real estate. Right-sizing our real estate portfolio is a complex endeavor, given the significant increase in hiring related to the Inflation Reduction Act priorities and the existence of programs, including a Remote Work Pilot, that only temporarily reduces demand for workstations unless IRS and Treasury leadership decide to make these programs permanent.

Following a decade of under-funding, the Inflation Reduction Act, P.L. 117-169 (Aug. 16, 2022), provided the IRS significant multi-year appropriations to modernize the IRS, increase enforcement on large, complex businesses and wealthy taxpayers, and improve taxpayer service. Since the IRA passed, the IRS has grown our workforce by more than 10%. We onboarded a record 16,405 external hires in fiscal year 2023, and we've onboarded 9,737 so far this fiscal year. Our new hires do not always land in the same posts of duty or even in the same states or regions as our departing employees, and we are growing as we strive to accomplish the aggressive goals in the IRS' IRA Strategic Operating Plan. Notwithstanding, your recommendations will assist us to right size the IRS real property footprint as we work to meet Treasury's recent space directive.

We agree with your recommendations and have developed corrective actions to remediate the report findings, and have already made progress on all three recommendations. Specifically, in response to your first recommendation to develop and maintain a long-term space reduction plan that decreases unneeded office space by incorporating workstation hoteling/sharing arrangements, Facilities Management & Security Services (FMSS) is analyzing the real estate and occupancy data that we will use to reevaluate existing planned reduction projects and revise and maintain our long-term facilities strategic plan. As noted in the audit report, our Strategic Facility Plan process includes identifying buildings with upcoming lease expiration dates and analyzing whether space can be released. We start this process three to four years prior to lease expiration. We contend with a number of challenges associated with long-term space planning. Temporary programs, such as the Remote Work Project, affect overall workstation utilization but cannot be used to change long-term leasing strategies, because we often do not know the duration of these temporary programs, including whether they may be made permanent. In addition, space reduction plans rely on uncertain staffing projections and must consider whether funding is available to complete the space project and whether the underutilized space is marketable and able to be released.

In response to your second recommendation to reevaluate existing planned reduction projects to ensure they reflect current telework policy, FMSS agrees to reassess existing planned reduction projects to include contingencies in our space optimization plan that reflect current telework policy and the remote work pilot. The recent directive to require all non bargaining unit employees in the National Capital Region to return to the office 50% or more of the time and IRS' IRA-funded growth complicate IRS' space reduction plans and projections. In this environment, FMSS remains committed to right-sizing the IRS real estate portfolio and continuing to responsibly manage the resources that Congress and ultimately the American taxpayers entrust to the IRS.

In response to your third recommendation to clarify GDI system walkthrough report instructions to require an entry in key fields to document the results of the workstation information validation, FMSS has added additional information to the site visit walkthrough report, including links to more information on the required data entry and a certification signature, to ensure that results of the site visits are more clearly documented. We will begin using our revised walkthrough report once we publish updated guidance for the site visit process. Leadership is currently reviewing the draft updated guidance.

We agree in principle that enforcing a 2-to-1 hoteling ratio will potentially reduce rent costs, but we respectfully disagree with the outcome measures as presented. TIGTA computed the potential cost savings based on implementing a 2-to-1 hoteling ratio for existing employees who are frequent teleworkers assigned to a workstation as of September 30, 2023. While TIGTA noted that rental savings cannot be achieved unless a space reduction project or space release can be performed, the computation of the potential cost savings assumes that all unneeded workstations could be released in that year and that staffing levels and telework status remain unchanged over the 5 years. This does not take into account the costs associated with releasing space, the duration of our leases, or the frequent impracticality of releasing only a portion of our space – several rooms or offices, as opposed to an entire floor or building, for example.

Attached is our corrective action plan describing how we plan to address your recommendations.We appreciate the continued support and assistance provided by your office. If you have any questions, please contact me at (202) 317-4480, or a member of your staff may contact Morgan Johnson, Associate Director, Project Management, FMSS at Morgan.W.Johnson@irs.gov.

Attachment

RECOMMENDATION #1:
The Chief, FMSS, should develop and maintain a long-term space reduction plan that includes annual space reductions the IRS expects to achieve, aligns with Department of Treasury Workspace Management requirements, and sufficiently decreases unneeded office space by maximizing the space savings associated with current IRS practices in remote work, telework, and workstation sharing/hoteling.

CORRECTIVE ACTION:
We agree in principle with this recommendation. FMSS will reassess long-term plans to right-size the IRS footprint in reflection of the substantial ongoing and planned hiring to support Inflation Reduction Act activities, the business needs to ensure that sufficient space is available for meaningful in-person meetings and training, and current IRS practices related to remote work, telework, and workstation sharing/hoteling. Where appropriate, this plan will include annual space reductions the IRS expects to achieve to align with Department of Treasury Workspace Management requirements.

IMPLEMENTATION DATE:
December 15, 2024

RESPONSIBLE OFFICIAL:
Chief, Facilities Management and Security Services

CORRECTIVE ACTION MONITORING PLAN:
IRS will monitor these corrective actions as part of our internal management system of controls.

RECOMMENDATION #2:
The Chief, FMSS, should reevaluate existing planned reduction projects to ensure that they reflect current IRS telework policy.

CORRECTIVE ACTION:
We agree with this recommendation. FMSS will reevaluate existing planned reduction projects as part of our long-term plan submission to Treasury and will include contingencies in our space optimization plan to allow for changes to be made to that plan based on future developments to the telework policy and decisions regarding the remote work pilot.

IMPLEMENTATION DATE:
December 15, 2024

RESPONSIBLE OFFICIAL:
Chief, Facilities Management and Security Services

CORRECTIVE ACTION MONITORING PLAN:
IRS will monitor these corrective actions as part of our internal management system of controls.

RECOMMENDATION #3:
The Chief, FMSS, should clarify the instructions for the GDI system walkthrough report to require an entry in key fields to document the results of the workstation information validation.

CORRECTIVE ACTION:
We agree with this recommendation. FMSS will revise the site visit walkthrough checklist to add links to additional information on required data entry and a certification signature to document the results of workstation information validation more clearly.

IMPLEMENTATION DATE:
July 15, 2024

RESPONSIBLE OFFICIAL:
Chief, Facilities Management and Security Services

CORRECTIVE ACTION MONITORING PLAN:
IRS will monitor these corrective actions as part of our internal management system of controls.

Appendix V

Abbreviations

FMSS	Facilities Management and Security Services
FY	Fiscal Year
GAO	Government Accountability Office
GDI	Graphic Database Interface
IRS	Internal Revenue Service
OMB	Office of Management and Budget
RSF	Rentable Square Feet
TIGTA	Treasury Inspector General for Tax Administration

To report fraud, waste, or abuse,
contact our hotline on the web at www.tigta.gov or via e-mail at oi.govreports@tigta.treas.gov.

To make suggestions to improve IRS policies, processes, or systems affecting taxpayers, contact us at www.tigta.gov/form/suggestions.

Information you provide is confidential, and you may remain anonymous.