



*Continuity Planning and Emergency  
Preparedness Follow-Up Audit*

**March 20, 2017**

**Reference Number: 2017-10-020**

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

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## HIGHLIGHTS

### CONTINUITY PLANNING AND EMERGENCY PREPAREDNESS FOLLOW-UP AUDIT

## Highlights

**Final Report issued on  
March 20, 2017**

Highlights of Reference Number: 2017-10-020 to the Internal Revenue Service Chief, Agency-Wide Shared Services.

#### IMPACT ON TAXPAYERS

Effective continuity planning and emergency preparedness can facilitate the IRS's ability to prepare for, respond to, and recover from emergencies. When an emergency occurs, it is important to timely resume business operations because an extended disruption to IRS facilities can affect key processes. Processing delays could ultimately have a negative impact on the Nation's economy as well as taxpayer data and compliance.

#### WHY TIGTA DID THE AUDIT

This audit was initiated to determine if the IRS has effectively addressed the eight recommendations identified in TIGTA's previous audit on continuity planning and to determine how the IRS responded to any recent incidents that would require the use of a continuity plan.

#### WHAT TIGTA FOUND

The IRS fully implemented four of the eight prior recommendations. For example, the IRS updated its continuity procedures and improved the management of training and exercises. The IRS updated the manual associated with continuity planning and defined requirements for issuing the annual certification of continuity readiness to the Department of the Treasury. Previously missing continuity plans were prepared, and all 22 IRS business units maintained current continuity plans on the required repository system. The IRS also issued standard operating procedures for monitoring continuity training. Additionally, in Fiscal Year 2016, the Senior Commissioner's

Representative – Continuity of Operations office established a process for reviewing and approving each business unit's continuity plan.

However, four prior recommendations were not fully addressed. For example, the IRS required the use of the continuity plan templates, but two business units were still missing required portions of their plans. Although standard operating procedures were issued for monitoring training, all training was not completed timely, and employees who were no longer active in continuity program duties were included in calculations used to monitor the program's effectiveness. Also, our review of the tracking of tests and exercises found that 12 percent were completed after the required date and there were 22 late After Action Report submissions for Fiscal Year 2015.

Finally, the IRS reacted quickly to three recent incidents TIGTA reviewed that disrupted or had the potential to disrupt operations. For all three incidents, the IRS implemented its continuity plans and was able to resume business operations promptly. However, no After Action Report was completed for one of the three incidents.

#### WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, Agency-Wide Shared Services (AWSS), review business unit continuity plans annually and ensure that they address all required elements. The Chief, AWSS, should also improve monitoring of tests and exercises by requiring timely completion and After Action Report submissions and ensure that the list of active personnel required to complete mandatory continuity training is updated. Finally, the Chief, AWSS, should ensure that After Action Reports are prepared for all real incidents.

In their response, IRS management agreed with all four recommendations and will develop and implement the corrective actions detailed in the attached response.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

March 20, 2017

**MEMORANDUM FOR CHIEF, AGENCY-WIDE SHARED SERVICES**

**FROM:** Michael E. McKenney  
Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Continuity Planning and Emergency Preparedness  
Follow-Up Audit (Audit # 201610015)

This report presents the results of our review to determine if the Internal Revenue Service (IRS) had effectively addressed the eight recommendations identified in the Treasury Inspector General for Tax Administration's (TIGTA) previous audit on IRS continuity planning and to determine how the IRS responded to any recent incidents that would require the use of a continuity plan. This is a follow-up to our September 2013 report.<sup>1</sup> This review is included in our Fiscal Year 2017 Annual Audit Plan and addresses the IRS's major management challenges of Security for *Taxpayer Data and IRS Employees* and *Achieving Program Efficiencies and Cost Savings*.

Management's complete response to the draft report is included as Appendix IV.

Copies of this report are also being sent to the IRS manager affected by the report recommendations. If you have any questions, please contact me or Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations).

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<sup>1</sup> TIGTA, Ref. No. 2013-10-102, *Improvements Are Needed to Ensure Timely Resumption of Critical Business Processes After an Emergency* (Sept. 2016).



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*Abbreviations*

AWSS	Agency-Wide Shared Services
ELMS	Enterprise Learning Management System
FY	Fiscal Year
GSA	General Services Administration
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
SCR-CO	Senior Commissioner's Representative – Continuity of Operations
TIGTA	Treasury Inspector General for Tax Administration
TSCC	Toolkit Suite With Command Centre



## *Continuity Planning and Emergency Preparedness Follow-Up Audit*

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### *Background*

Effective continuity planning and emergency preparedness can facilitate the Internal Revenue Service's (IRS) ability to prepare for, respond to, and recover from emergencies. These efforts include providing personnel services to support employee needs and restoring IRS critical functions.<sup>1</sup> The main goal of continuity planning is to ensure that the agency is able to continue its vital operations and services under all conditions. In order for this to happen, IRS business, operating, and functional units must have plans and procedures in place to carry out their essential functions without interruption. When an emergency occurs, it is important to timely resume business operations because an extended disruption to IRS facilities can affect key processes, such as collecting taxes, processing tax returns and refunds, and responding to taxpayer inquiries. Processing delays could ultimately have a negative impact on the national economy as well as taxpayer data and compliance.

When an emergency occurs, such as localized acts of nature, accidents, technological emergencies, and military or terrorist attack incidents, the first step is to enact the Occupant Emergency Plan. The Occupant Emergency Plan provides emergency procedures for the protection of life and property in a specific Federally occupied space. It describes contact procedures and responsibilities during an emergency. An Occupant Emergency Plan covers fires, weather emergencies, hazardous material events, bomb threats, and other emergency situations that might occur. The IRS Agency-Wide Shared Services (AWSS) Facilities Management Security Services division administers the Occupant Emergency Plan program. If the incident covers an extended period of time that will affect mission-essential functions, the IRS must implement the steps outlined in the continuity plan. These efforts include plans and procedures that delineate essential functions, specify succession to office and emergency delegations of authority, provide for the safekeeping of vital records, identify a range of continuity facilities and locations, provide for interoperable communications, provide for human capital planning, and specify devolution of control and direction. The Senior Commissioner's Representative – Continuity of Operations (SCR-CO) office administers the IRS continuity program. Lastly, if the incident affects the IRS information technology environment, a disaster recovery plan is required that is administered by the IRS Information Technology organization. For this follow-up audit on IRS continuity planning, the Treasury Inspector General for Tax Administration (TIGTA) focused on the SCR-CO office's duties of administering the IRS

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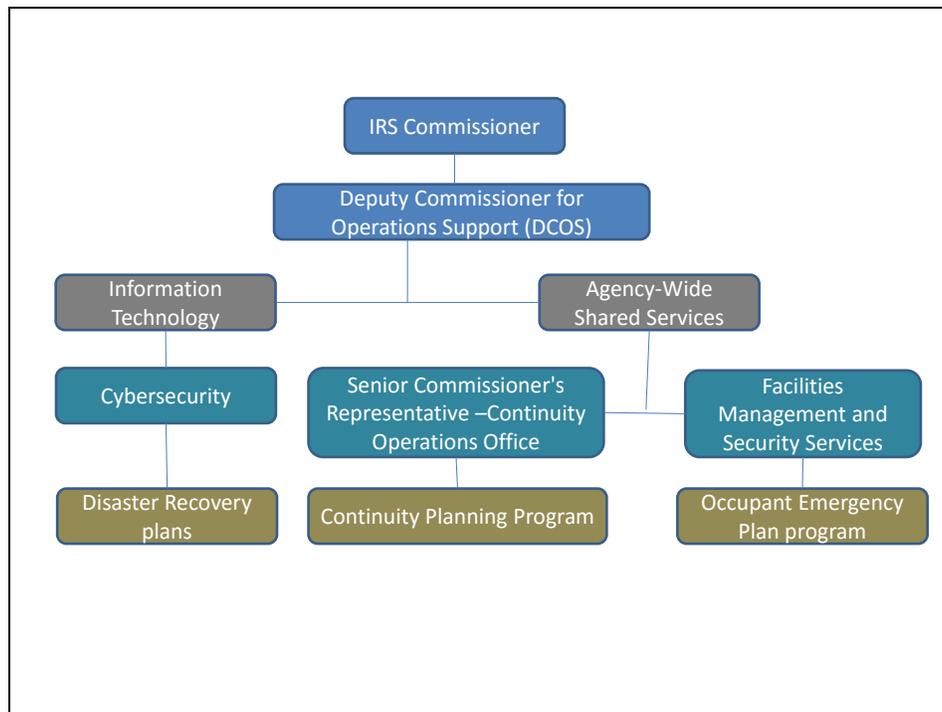
<sup>1</sup> According to Internal Revenue Manual 10.6.1, *Continuity Planning Requirements*, a critical function is a business activity that cannot be interrupted or unavailable for a period of time without significantly jeopardizing the operation of the organization. The IRS identified 18 of its processes as critical business functions. The critical business functions were established based on priority of the overall mission of the IRS. The critical business processes include three mission-essential functions and 15 essential supporting activities.



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continuity program. Additionally, a TIGTA audit<sup>2</sup> recently reported that the IRS's disaster recovery testing and backup and restoration process needs improvement. Figure 1 illustrates the placement of the different offices with business resumption responsibilities within the IRS.

**Figure 1: Different Offices With  
Business Resumption Responsibilities**



Source: TIGTA's analysis of the IRS's Continuity and Emergency Preparedness organizational structure.

To facilitate the performance of critical functions in emergency situations, the Federal Government established policies that provide direction to Federal agencies for continuity planning and programs. In May 2007, the President issued National Security Presidential Directive 51 to establish and maintain a comprehensive and effective national continuity capability to ensure the continuing performance of national essential functions under all conditions. To provide additional operational guidance to implement this policy, the U.S. Department of Homeland Security, in coordination with its interagency partners, developed Federal Continuity Directives 1 and 2. This guidance provides direction for developing continuity plans and programs as well as the identification of agency essential functions. To stay in compliance with these Federally issued directives, the IRS must develop and continually

<sup>2</sup> TIGTA, Ref. No. 2016-20-019, *Management Oversight of the Tier II Environment Backup and Restoration Process Needs Improvement* (Feb. 2016).



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update its business continuity plans to enable the efficient recovery of its critical processes. On an annual basis, the IRS is required to submit a report to the U.S. Department of the Treasury certifying that it has a continuity capability plan with the required continuity requirements. The IRS must also ensure that key leaders and support staff are trained on IRS mission-essential functions as well as conducting tests, training, and exercises of its continuity plans. In addition, the entire continuity plan must be reviewed annually and updated accordingly.

In prior audits, TIGTA identified weaknesses in the IRS's emergency planning process. Specifically, in a September 2013 report,<sup>3</sup> TIGTA found that the IRS did not always demonstrate that its continuity plan process would ensure that critical business processes are resumed in a timely manner. For example, the IRS did not meet the Fiscal Year (FY)<sup>4</sup> 2012 annual reporting requirement to the Department of the Treasury certifying its continuity capability plan. In addition, some continuity plans were not prepared as required or were missing key information to facilitate the resumption of critical IRS operations. The IRS did not use a central repository for immediate access by management to continuity plans in the event of an emergency. Also, continuity personnel responsible for updating and maintaining the plans often changed jobs, and new personnel were not adequately trained to carry out all of their responsibilities regarding continuity planning. Finally, the IRS did not perform sufficient testing and exercises as required to validate recovery strategies and procedures or to adequately address weaknesses identified during continuity exercises to ensure the viability of the continuity plan in the event of an emergency. As a result, the IRS had an increased risk that business units would be unable to effectively and timely resume critical business processes and functions following an emergency. Based on these findings, TIGTA made eight recommendations to the Chief, Agency-Wide Shared Services.

This review was performed at the IRS SCR-CO office Headquarters in Washington, D.C., with additional on-site audit work in Atlanta, Georgia; Andover, Massachusetts; Kansas City, Missouri; Philadelphia, Pennsylvania; and Austin, Texas, during the audit period of March through October 2016. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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<sup>3</sup> TIGTA, Ref. No. 2013-10-102, *Improvements Are Needed to Ensure Timely Resumption of Critical Business Processes After an Emergency* (Sept. 2013).

<sup>4</sup> Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.



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*Results of Review*

***The Internal Revenue Service Took Action to Improve Its Continuity of Operations Program; However, Not All Prior Recommendations Were Fully Addressed***

In response to our September 2013 report on continuity planning and emergency preparedness, the IRS made efforts to address identified weaknesses. In the report, we identified three major findings that resulted in eight recommendations. The IRS agreed to all eight recommendations in its response and outlined planned corrective actions. We reviewed the IRS's corrective actions for each recommendation in the Joint Audit Management Enterprise System and compared the actions to the updates made in the Continuity Operations Program. Through this review and interviews with IRS personnel, we found that the IRS has issued comprehensive guidance, updated and completed missing continuity plans, instituted a training and continuity exercise program, and monitored the exercises conducted. While these efforts fully addressed four of the recommendations made, the remaining four recommendations were not fully addressed. Figure 2 summarizes our prior recommendations made to the Chief, AWSS, the corrective actions taken by the IRS, and whether each recommendation was fully addressed.

***Figure 2: TIGTA Recommendations and  
IRS Implemented Corrective Actions***

<b>TIGTA Recommendations</b>	<b>IRS Actions Taken</b>	<b>Status</b>
Implement a process to ensure that the annual reporting requirement to the Department of the Treasury certifying its continuity capability plan is met.	Ensured updates to Internal Revenue Manual (IRM) <sup>5</sup> reporting requirements for certifications and implemented a process to ensure annual reporting requirement is met.	Implemented
Ensure that system-wide continuity plans are immediately prepared for the Affordable Care Act Office, the Return Preparer Office, the Office of Compliance Analytics, and the Office of Online Services.	Continuity plans were prepared for the Affordable Care Act Office, the Return Preparer Office, and the Office of Online Services. <sup>6</sup>	Implemented

<sup>5</sup> The IRM is the primary, official compilation of instructions to staff that relate to the administration and operation of the IRS. The IRM ensures that employees have the approved policy and guidance they need to carry out their responsibilities in administering the tax laws or other agency obligations.

<sup>6</sup> The Office of Compliance Analytics was added as a component of the Commissioner's Complex report in 2011 and was therefore included in their overall continuity plans for the years reviewed during the audit period.



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<b>TIGTA Recommendations</b>	<b>IRS Actions Taken</b>	<b>Status</b>
Ensure that the existing IRS continuity plan template is current and used by all business units and local offices.	Communicated the mandatory use of the FY 2009 template to all business units and designated an administrator to work with business units to upload completed continuity plans. However, not all of the continuity plans contained all required elements.	Not fully implemented
Identify appropriate training that should be completed by field personnel responsible for continuity planning activities and establish an effective monitoring process to ensure that training is completed.	Identified training required to be completed by personnel responsible for continuity planning; however, the monitoring process to ensure all training is complete needs to be improved.	Not fully implemented
Develop a plan that establishes the actions and time frames for the implementation of a centralized working database for continuity plan tracking. In the interim, management should ensure that all current continuity plans are obtained from business unit personnel and maintained for immediate reference.	Developed a plan and time frame for implementation of a centralized working database in the Toolkit Suite With Command Centre (TSCC) <sup>7</sup> for continuity plan tracking and ensured that all current continuity plans were obtained from business unit personnel and maintained for immediate reference.	Implemented
Develop and issue written procedures requiring necessary personnel to create and update future continuity plans on the TSCC when the system is fully functional.	Ensured development and issuance of written procedures requiring personnel to create and update future continuity plans within the TSCC.	Implemented
Establish a process to monitor the continuity testing and exercise program to ensure that an adequate number of exercises are available for business unit continuity personnel to meet the annual testing and exercise requirements.	Established a process to monitor the continuity testing and exercise program and conducted annual testing and exercises; however, not all tests and exercises were completed timely.	Not fully implemented
Establish a process to monitor deficiencies identified during continuity exercises to ensure that weaknesses are addressed as appropriate.	Established a process to monitor deficiencies identified during continuity exercises to ensure that weaknesses are addressed as appropriate; however, reports used to identify deficiencies were not submitted timely.	Not fully implemented

*Source: September 2013 TIGTA report and Joint Audit Management Enterprise System report dated March 31, 2014; TIGTA analysis of IRS corrective actions.*

<sup>7</sup> The TSCC is a commercial off-the-shelf decision support tool and plan repository for Business Continuity, Business Resumption, and Disaster Recovery. During an incident, its contents serve as “the sole source of truth” for recovery, relocation, or rebuild of IRS systems and processes.



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**The IRS fully addressed identified weaknesses associated with four previous recommendations**

The IRS fully addressed four of the eight recommendations made in the prior TIGTA report. For example, our first recommendation to the IRS was to implement a process to ensure that the annual reporting requirement to the Department of the Treasury certifying the IRS's continuity capability plan was met. In response, the IRS:

- Updated its guidelines<sup>8</sup> associated with continuity planning and defined requirements to reflect new reporting requirements.
- Issued standard operating procedures detailing the process for issuing the annual certification of IRS Continuity Readiness to the Department of the Treasury.

Our second recommendation was to ensure that system-wide continuity plans were immediately prepared for the Affordable Care Act Office, the Return Preparer Office, the Office of Compliance Analytics, and the Office of Online Services. In response, the IRS:

- Had business unit Continuity Representatives prepare previously missing continuity plans for the Affordable Care Act Office, the Return Preparer Office, and the Office of Online Services and uploaded them into the TSCC.
- The Office of Compliance Analytics was added as a component of the Commissioner's Complex in 2011 and is therefore included in their overall continuity plan each year.

We also recommended that the IRS develop a plan that establishes the actions and time frames for the implementation of a centralized working database for continuity plan tracking. In the interim, management should ensure that all current continuity plans are obtained from business unit personnel and maintained for immediate reference. In response, the IRS:

- Developed a plan and time frame for implementation of a centralized working database, the TSCC, for continuity plan tracking and ensured that all current continuity plans were obtained from the business units and maintained for immediate reference. The SCR-CO office also implemented a reintegration progress tracker, which was used to ensure that all continuity plans were deployed by the required date.

Finally, we recommended that the IRS develop and issue written procedures requiring necessary personnel to create and update future continuity plans on the TSCC when the system is fully functional. As a result, the IRS:

- Issued written procedures for maintaining and generating continuity plans to ensure that plans were properly uploaded to the TSCC.

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<sup>8</sup> IRM 10.6.1, *Continuity Planning Requirements* (03.07.2014).



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### **The IRS needs to take additional action to fully address four previous recommendations**

Although the IRS made efforts to address all eight recommendations from the September 2013 prior report, four were not fully addressed.

#### **Some business units were missing sections of the continuity plan template**

TIGTA previously recommended that the IRS ensure that the existing continuity plan template is current and used by all business units and local offices. Although the IRS issued a memorandum communicating the mandatory use of the FY 2009 continuity plan template by all business units, our review of all 22 business unit<sup>9</sup> continuity plans identified two plans for which key elements, which were included in the template, were missing. The Federal Continuity Directive outlines the objectives and key elements of a continuity plan. The key elements include: identifying and prioritizing essential functions; orders of succession; delegations of authority; continuity facilities; continuity communications systems; vital records; human capital; test, training, and exercises; devolution; and reconstitution. These key continuity elements provide the IRS with the continuity capability to perform essential functions continuously and enable the Federal Government to provide vital services, maintain the safety of the public, and sustain the industrial and economic base during an emergency. The SCR-CO office used the FY 2009 continuity plan template as a starting point during the implementation of the TSCC, the centralized database used as a repository for all the continuity plans. The SCR-CO office designated a TSCC administrator to sit with each business unit Continuity Representative to discuss the key plan elements required for each plan that should be entered into the TSCC.

Despite the use of the template and discussions with the designated TSCC administrator, two business units were missing required plan sections. For example, the Office of Professional Responsibility's continuity plan did not include the required section on continuity facilities, which lists sites where essential functions are continued or resumed during a continuity event. In addition, the Information Technology organization was missing the section on devolution that describes the transition of roles and responsibilities for performance of essential functions during an emergency. Both sections support continuity planning and address emergency events that may render IRS's leadership, staff, and facilities unavailable to support the execution of the agency's essential functions.

As a new effort that started in FY 2016, the SCR-CO office established a process for reviewing the continuity plans for completeness. Its review also identified continuity plans with missing elements. According to SCR-CO office staff, this information has been discussed with the business units, and the business units were instructed that the missing plan elements should be

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<sup>9</sup> The IRS now has 23 business units, however, the 23<sup>rd</sup> organization (Procurement) was realigned to become a direct reporting division to the Deputy Commissioner for Operations Support in December 2015, which was outside our review period.



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addressed prior to the end of the fiscal year. The SCR-CO office will follow up to see if the business units made the corrections during the next fiscal year's continuity plan review.

### **Not all training was completed timely or tracked accurately**

TIGTA found that not all continuity training was completed timely. As noted in our prior recommendation, the IRS did identify appropriate training that should be completed by field personnel responsible for continuity planning activities and established a monitoring process to ensure that training is completed. Continuity training familiarizes continuity personnel with their roles and responsibilities in support of the performance of the IRS mission-essential functions during a continuity event or emergency.

There are three primary groups of IRS personnel involved with the Continuity of Operations Program, and each group has mandatory training. The three groups are:

**Local Continuity Representatives** – are responsible for implementing their business unit's continuity plan and activating their recovery teams. They represent and serve as an on-site spokesperson for their business unit as members of the Incident Management Team's Operations Section. Each IRS business unit identifies a Local Continuity Representative for each Incident Commander's geographical area where they have employees stationed.

**National Continuity Points of Contact** – are responsible for their business unit's continuity program and serve as liaisons between the SCR-CO office and the business unit. Among their duties, National Continuity Points of Contact ensure that preparedness activities are completed and that their business unit can continue the IRS essential functions that they support.

**Headquarters Continuity of Operations** – is composed of IRS leadership positions necessary for managing an emergency or continuity event at the agency level to ensure the safety of IRS personnel, security of IRS facilities and property, and the continuation of IRS essential functions.

As part of its training program, the IRS established the requirement that Local Continuity Representatives and National Continuity Points of Contact complete required training within 30 days of appointment and that the training be documented. Specifically, the IRS must document the continuity training conducted, the date of training, those completing the training, and the training facilitator or instructor. The IRS stated that there is not a required time frame to complete training for Headquarters Continuity of Operations once appointed as long as they are all trained by the annual Eagle Horizon mandatory training.<sup>10</sup>

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<sup>10</sup> Eagle Horizon is a mandatory annual integrated exercise for all Federal executive branch departments and agencies, as required by National Continuity Policy.



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These mandatory training requirements do not apply to Incident Commanders<sup>11</sup> who lead the Incident Command Team. The SCR-CO office listed a total of 22 Incident Commanders who are maintained on the roster used for tracking training; however, these personnel do not have to take a mandatory training course.

Although the IRS developed a process to identify mandatory training, the process for monitoring whether training was completed timely needs improvement. The IRS records the registration and completion of all required training in a central record management system, called the Enterprise Learning Management System (ELMS). As of September 2016, TIGTA found that not all training was completed timely or tracked in the ELMS and that the roster used to monitor training is missing active team members.

We compared the list of active continuity team members to the list of completed trainings maintained in the ELMS and found that:

- Local Continuity Representatives have two mandatory training classes to take. For the 515 active Local Continuity Representatives tracked on the training roster,<sup>12</sup> 72 percent completed both mandatory training classes; however, 33 percent of the classes were not completed timely.
- For the 49 active National Continuity Points of Contact, 43 percent completed the mandatory training; however, 77 percent of those classes were not completed timely.
- For the 142 active Headquarter Continuity of Operations personnel, 59 percent completed the mandatory training.

The IRS stated that the late and incomplete mandatory training was due to constant turnover of continuity personnel. We also found that the roster used in tracking the completion of training includes employees who are no longer active in their roles of continuity planning and should have been removed. The inclusion of inactive employees, many of whom previously completed the training, inflates the completion rates that are reported to management and are used to monitor program effectiveness. Additionally, the SCR-CO office uses two separately maintained rosters within its office: one roster is used for tracking training and the other roster is used for tracking active team members. The latter is updated quarterly or as employees are assigned continuity planning responsibilities. We found that the roster used to track training has 143 fewer active team members listed than the roster used to track active team members. The SCR-CO office stated that tracking training is difficult due to the high turnover rate because, for most employees involved with the Continuity Operations Program, this is an ancillary duty. The ELMS was missing the training completions of 22 continuity personnel whom the IRS stated

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<sup>11</sup> Incident Commanders are predesignated personnel to activate and lead an Incident Management Team during a training exercise or in the event of a real incident.

<sup>12</sup> Local Continuity Representatives may be listed on the roster more than once if they have more than one subappointment.



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have been in their continuity roles for several years and were not included in the ELMS because early versions of the training course were not identified. Subsequently, the IRS determined a way to download the old course completion list in the ELMS and is in the process of updating the spreadsheet. With no record of their start date in a continuity position, the IRS cannot determine if employees have completed the training timely. Without an accurate count and tracking of field personnel responsible for continuity planning activities, the IRS cannot be assured that training is accurately tracked and completed. Completion of the IRS's continuity training will prepare IRS continuity personnel to respond to all emergencies and disasters and ensure performance of IRS mission-essential functions.

### ***Not all tests and exercises were completed timely***

Our review of the IRS's tests and exercise program found that 36 (12 percent) of the 290 tests and exercises the IRS successfully completed in FY 2015 were completed after the SCR-CO's implemented deadline. In accordance with the National Continuity Policy, the IRS annually conducts tests, training, and exercises of the IRS continuity plans, to include continuity personnel and essential information technology systems and equipment, in order to evaluate program readiness and ensure the adequacy and viability of continuity plans and communication systems. The IRS Continuity Program requirements state that tests should be completed quarterly and annually, and the training exercises should be completed by July 31, 2015. IRS management stated that the test and exercise scheduled is determined at the beginning of the year, and delays in the business units, such as executive turnover or other priorities, caused the late tests and exercises. In most cases, the business units notified the SCR-CO office of the need to reschedule; however, the postponements were not completed by the deadline. IRS management also stated that, with the continued improvements made to the Continuity Operations Program, they did not feel that untimely tests and exercises would be an ongoing issue. Previously, we recommended that the IRS establish a process to monitor the continuity testing and exercise program. The IRS responded that it has an effective agencywide continuity testing program to execute its continuity program, plans, and procedures and perform its mission-essential functions during continuity events. Although the SCR-CO office began monitoring tests and exercises in FY 2014, and improved the tracking in FY 2015, some tests and exercises were conducted after the required date. Without a timely and effective agencywide continuity testing program, the IRS cannot be assured that the actual continuity program is being assessed, functioning correctly, and improved based on the tests and exercises.

### ***Not all After Action Reports were completed timely***

TIGTA found that, in FY 2015, 22 (67 percent) of 33 After Action Report submissions for completed exercises were filed late. Previously, TIGTA recommended that the IRS establish a process to monitor deficiencies identified during continuity exercises to ensure that weaknesses are addressed as appropriate. The IRS responded that it has developed standard operating procedures establishing a process to monitor deficiencies identified during continuity exercises. The standard operating procedure expands on Federal Continuity Directive requirements and



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states that business units should submit an After Action Report that outlines the lessons learned and corrective actions, with expected completion dates and supporting documentation, to the SCR-CO office within 30 days of the training exercise. The SCR-CO office stated that the National Continuity Points of Contact experience delays in submitting the After Action Reports due to the time it takes to have the report reviewed and approved prior to submission and it is a collateral duty for the employees preparing the reports. Without timely submission of the After Action Reports, participants will not be able to identify systemic weaknesses in plans and procedures and recommend revisions to the IRS continuity plans. Additionally, there was one exercise in FY 2015 and three exercises in FY 2016 in which the SCR-CO office was not invited to attend and observe, which limits the ability of the SCR-CO office to identify and address potential deficiencies in continuity exercises and reduces the consistency across business units.

### ***Recommendations***

The Chief, AWSS, should:

**Recommendation 1:** Review business unit continuity plans annually to ensure that plans address all required elements.

**Management's Response:** The IRS agreed with this recommendation. The Chief, AWSS, will ensure compliance with Federal Continuity Directives by developing formal procedures for the Annual Business Unit Continuity Plan Review Process that was developed and tested in FY 2016.

**Recommendation 2:** Improve the process of tracking compliance with required training for continuity positions by developing and maintaining an accurate list of active personnel and monitoring this list for training compliance.

**Management's Response:** The IRS agreed with this recommendation. The Chief, AWSS, will develop a more effective method of tracking continuity training and will implement a process to monitor and ensure timely completion.

**Recommendation 3:** Improve the process of monitoring tests and exercises by requiring timely completion and timely submission of the After Action Reports for each exercise.

**Management's Response:** The IRS agreed with this recommendation. The Chief, AWSS, will establish a process to ensure the timely submission of After Action Reports for tests and exercises.

### **The Internal Revenue Service Promptly Resumed Business Operations After Incidents**

We reviewed three recent incidents that disrupted or had the potential to disrupt operations to determine how the IRS responded, and we found that the IRS was able to implement its



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continuity plan effectively in all three cases. These incidents included the Oxon Hill Indoor Environmental Quality issue from July 10, 2014, to August 30, 2014; the New Carrollton Federal Building flood from February 15, 2015, to June 1, 2015; and the IRS Headquarters building fire in Washington, D.C., from April 04, 2016, to April 13, 2016. However, for one event, the IRS did not complete an After Action Report. The IRS Continuity of Operations criteria outline specific actions that need to be taken when an incident occurs and require After Action Reports to capitalize on lessons learned from each event. The IRS was able to successfully respond to all three incidents due to effective training and adherence to continuity plans that were in place. As a result, IRS business operations were not materially affected, and the IRS was able to resume operations shortly after each incident occurred.

The Oxon Hill Indoor Environmental Quality incident consisted of IRS employees with concerns of an unusually high amount of employee deaths occurring in a short duration. To address their concerns, the Incident Management Team established various environmental tests and engaged medical personnel. The IRS coordinated with the General Services Administration (GSA)<sup>13</sup> to conduct multiple tests for mold, which were negative. The Incident Management Team held meetings with employees to keep them updated and discuss the status of the tests conducted. IRS employees continued to work during the testing period, and operations were not interrupted. Although the building was not found to have any issues, the IRS moved the employees out of the space the next year, and the building is no longer used by the IRS. In their After Action Report, IRS management made note of maintenance repairs and cleaning efforts to ensure safe air quality for employees working in the building.

The New Carrollton Federal Building flood occurred when a pipe burst in the penthouse generator room on February 15, 2015, and again on February 16, 2015, sending water down the elevator shafts and causing four levels of the New Carrollton Federal Building to flood. The flood occurred on a Federal holiday, so there were no employees working that day. The Incident Commander and the AWSS Chief conducted a walkthrough to determine the extent of damage and the length of time needed for repairs. Employees were instructed to not report for work and the building was shut down from February 2015 through June 1, 2015. While the GSA completed the required repairs, approximately 1,200 employees were instructed to telework, and 240 alternate workstations were used to maintain business continuity. Those 1,400 employees affected by the flood were permitted to enter the building, with security escort, to retrieve their property twice a week, while logs were maintained to document the items being retrieved by employees. The Incident Management Team, along with the National Treasury Employee Union representatives, performed a final walkthrough of the building and held a town hall meeting with employees to answer any questions or concerns. Although the IRS updated management and employees of the repairs and re-entry status, no After Action Report was completed for this

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<sup>13</sup> The GSA is an independent agency of the Federal Government, established to help manage and support the basic functioning of Federal agencies. The GSA supplies products and services to U.S. Government offices, including real estate acquisition and facilities management.



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incident. The IRM states that each business unit should conduct an after-action review of the effectiveness of the continuity plans and procedures and identify any areas for improvement as soon as possible after reconstitution. The SCR-CO office tracks and monitors deficiencies using After Action Report submissions. Without an After Action Report, there is no way for the SCR-CO to identify and track any deficiencies identified during the incident.

The fire that occurred in the IRS Headquarters building was due to a malfunction in the heating, ventilation, and air conditioning system. During on-site troubleshooting of the heating, ventilation, and air conditioning system, conducted by a contractor, the electrical switch gear overheated, resulting in a fire. The fire alarm went off, and the building was evacuated of remaining employees. Clean-up from the fire began as soon as the Washington, D. C., fire department left and the electrical company arrived. They were able to restore partial power to the building; however, the heating, ventilation, and air conditioning system remained down. The GSA recommended that the IRS close the Headquarters building through April 8, 2016. The Incident Management Team immediately began efforts to ensure continued work efforts for the employees affected by the building closure. Approximately 90 percent of the employees were capable of teleworking and were instructed to do so. Others were placed on administrative leave. By the end of the week, alternate work space was identified for those employees not able to telework. However, power was restored over the weekend, and there was no longer a need to relocate employees. The After Action Report identified that the Occupant Emergency Plan needed small adjustments to account for the IRS's current telework policy and that the building does not have a public address system to notify staff, visitors, contractors, and vendors assigned or visiting the IRS Headquarters building during an emergency incident. The IRS plans to review the Occupant Emergency Plan policy and update it as necessary, and the public address system was identified in a previous After Action Report. The IRS plans to explore the feasibility of installing a public address system throughout the building that will remain operational with or without normal power.

For all three incidents, we found that IRS continuity management employees reacted quickly, implemented their continuity plans, and were able to resume business operations promptly.

### ***Recommendation***

**Recommendation 4:** The Chief, AWSS, should ensure that After Action Reports are prepared for all real incidents so that deficiencies are tracked and monitored.

**Management's Response:** The IRS agreed with this recommendation. The Chief, AWSS, will establish a process to ensure the timely submission of After Action Reports for actual incidents.



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## **Appendix I**

### *Detailed Objectives, Scope, and Methodology*

The overall objectives of this audit were to determine if the IRS has effectively addressed the eight recommendations identified in TIGTA's previous audit on IRS continuity planning and to determine how the IRS has responded to any recent incidents that required the use of a continuity plan. To accomplish our objectives, we:

- I. Determined whether the IRS implemented corrective actions in response to recommendations from the previous report<sup>1</sup> on continuity planning.
  - A. From the prior report, we identified the conditions, the corresponding recommendations, and IRS management's response.
  - B. Used the Joint Audit Management Enterprise System and determined what corrective actions the IRS implemented to address each recommendation.
  - C. Validated actions listed in the Joint Audit Management Enterprise System by:
    - 1) Interviewing SCR-CO office staff concerning corrective actions.
    - 2) Reviewing IRS memoranda and IRM sections associated with corrective actions.
    - 3) Reviewing the TSCC database to determine whether it was effectively functioning as a centralized location for continuity planning information.
    - 4) Reviewing training records, monitoring actions, and other testing done by the IRS as part of its Continuity of Operations Program.
    - 5) Reviewing continuity planning reporting compliance for FYs 2014 and 2015.
    - 6) Reviewing other actions taken in response to our previous eight recommendations.
- II. Determined how the IRS responded to any applicable recent incidents that disrupted or had the potential to disrupt operations.
  - A. Requested a list of all IRS offices and business units that responded to an incident during FY 2014 to present.

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<sup>1</sup> TIGTA Ref. No. 2013-10-102, *Improvements Are Needed to Ensure Timely Resumption of Critical Business Processes After an Emergency* (Sept. 2013).



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- B. Reviewed actions taken in response to a selection of the most recent incidents and determined if continuity plans were used by the business units to resume regular operations.

### **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 objectives: the IRS's policies, procedures, and practices for continuity planning requirements, exercises, and tracking. We evaluated these controls by interviewing management, reviewing applicable documentation, reviewing continuity reporting and annual plan submissions, reviewing tests and exercises, and reviewing actions taken during actual incidents.



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**Appendix II**

*Major Contributors to This Report*

Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations)

Jonathan T. Meyer, Director

LaToya R. Penn, Audit Manager

Evan A. Close, Lead Auditor

Michael S. Russell, Auditor



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**Appendix III**

*Report Distribution List*

Commissioner

Office of the Commissioner – Attn: Chief of Staff

Deputy Commissioner for Operations Support

Chief, Agency-Wide Shared Services

Associate Director, Senior Commissioner's Representative – Continuity of Operations

Director, Office of Audit Coordination



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**Appendix IV**

*Management's Response to the Draft Report*



CHIEF  
AGENCY-WIDE  
SHARED SERVICES

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

February 16, 2017

MEMORANDUM FOR MICHAEL E. MCKENNEY  
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Kevin Q. McIver   
Chief, Agency-Wide Shared Services

SUBJECT:

Continuity Planning and Emergency Preparedness Follow-Up  
Audit (TIGTA Audit # 201610015)

Thank you for the opportunity to respond to the subject draft audit report.

As noted in your draft report, we have made efforts to strengthen our business continuity program through increased planning and training efforts. These have resulted in the Agency's ability to quickly recover from incidents without disrupting daily operations. Ongoing efforts to maintain continuity planning and training will only increase our resiliency and ability to serve taxpayers.

We agree with all four recommendations and will develop and implement the corrective actions detailed in our attached response.

We appreciate the continued support and assistance provided by your office. If you have any questions, please contact me at 202-317-7500, or a member of your staff may contact Robert Sinning, Director, Senior Commissioner's Representative - Continuity of Operations, at 470-639-2386. For matters concerning audit procedural follow-up, please contact Steven Scheer at 901-546-4515 or Dani Stonehocker at 801-388-8285, Office of Strategic Planning & Controls, Agency-Wide Shared Services.

Attachment



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**Attachment**

**RECOMMENDATION 1:**

The Chief, AWSS, should review business unit continuity plans annually to ensure that plans address all required elements.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation. The Chief, AWSS, will ensure compliance with Federal Continuity Directives by developing formal procedures for the Annual Business Unit Continuity Plan Review Process that was developed and tested in Fiscal Year 2016.

**IMPLEMENTATION DATE:**

July 31, 2017

**RESPONSIBLE OFFICIAL:**

Director, Senior Commissioner's Representative - Continuity of Operations, AWSS

**CORRECTIVE ACTION MONITORING PLAN:**

AWSS will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored on a monthly basis until completion.

**RECOMMENDATION 2:**

The Chief, AWSS, should improve the process of tracking compliance with required training for continuity positions by developing and maintaining an accurate list of active personnel and monitoring this listing for training compliance.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation. The Chief, AWSS, will develop a more effective method of tracking continuity training and will implement a process to monitor and ensure timely completion.

**IMPLEMENTATION DATE:**

November 30, 2017



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2

**RESPONSIBLE OFFICIAL:**

Director, Senior Commissioner's Representative - Continuity of Operations, AWSS

**CORRECTIVE ACTION MONITORING PLAN:**

AWSS will enter accepted corrective actions into JAMES. These corrective actions are monitored on a monthly basis until completion.

**RECOMMENDATION 3:**

The Chief, AWSS, should improve the process of monitoring tests and exercises by requiring timely completion and timely submission of the After Action Reports for each exercise.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation. The Chief, AWSS, will establish a process to ensure the timely submission of After Action Reports for tests and exercises.

**IMPLEMENTATION DATE:**

November 30, 2017

**RESPONSIBLE OFFICIAL:**

Director, Senior Commissioner's Representative - Continuity of Operations, AWSS

**CORRECTIVE ACTION MONITORING PLAN:**

AWSS will enter accepted corrective actions into JAMES. These corrective actions are monitored on a monthly basis until completion.

**RECOMMENDATION 4:**

The Chief, AWSS, should ensure that After Action Reports are prepared for all real incidents so that deficiencies are tracked and monitored.

**CORRECTIVE ACTION:**

The IRS agrees with this recommendation. The Chief, AWSS, will establish a process to ensure the timely submission of After Action Reports for actual incidents.

**IMPLEMENTATION DATE:**

November 30, 2017



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3

**RESPONSIBLE OFFICIAL:**

Director, Senior Commissioner's Representative - Continuity of Operations, AWSS

**CORRECTIVE ACTION MONITORING PLAN:**

AWSS will enter accepted corrective actions into JAMES. These corrective actions are monitored on a monthly basis until completion.