TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

More Effective Workstation and
Office Utilization Could Result
in Rental Cost Savings

April 11, 2018

Reference Number: 2018-10-020

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

MORE EFFECTIVE WORKSTATION AND OFFICE UTILIZATION COULD RESULT IN RENTAL COST SAVINGS

Highlights

Final Report issued on April 11, 2018

Highlights of Reference Number: 2018-10-020 to the Commissioner of Internal Revenue.

IMPACT ON TAXPAYERS

According to the IRS, it will spend more than $600 million on real estate costs in Fiscal Year 2018. Additionally, the IRS reported a workstation (cubicle) utilization rate of only 66 percent as of December 2017. With declining budgets and significant employee attrition, more effective workspace utilization could result in substantial cost savings.

WHY TIGTA DID THE AUDIT

The objectives of this follow-up review were to assess the progress made by the IRS in reducing the excess office space it currently leases, determine the effectiveness of workspace (workstation and office) sharing in reducing the number of workspaces for out-of-office employees, and evaluate the external and internal challenges that the IRS faces in its space consolidation efforts.

WHAT TIGTA FOUND

Since March 2012, the IRS has reduced its total office space by approximately two million square feet, which represents nearly an 8 percent reduction. These reductions were accomplished by either closing or consolidating 127 office spaces to release vacant space resulting from significant employee attrition. Although progress has been made, the rate of employee attrition has outpaced space reduction efforts. Our review determined that 16 States had five or more significantly underutilized buildings with low occupancy (workstation occupancy rates of 50 percent or less). The IRS does not currently report manager office utilization rates.

The IRS has not capitalized on underutilized workspace reduction cost savings that could be achieved from better utilization of employee "hoteling" (managers and employees sharing unassigned workspaces) such as reduced rental, workspace buildout, and furnishing and equipment costs. Further, it could not provide us with any documented evidence demonstrating measurable progress in releasing underutilized workspaces as a result of highly mobile employees and employees who participate in frequent or recurring telework. TIGTA estimates that more effective workspace sharing could reduce the need for more than 10,000 workspaces and reduce rental costs by approximately $80 million over five years.

According to IRS officials, the retention of underutilized workspaces can be attributed in part to executives' varied levels of support for the practice of workspace sharing. Also, internal factors such as substantial errors in real estate system records and a flawed methodology used to develop space requirements that does not incorporate workspace sharing or hoteling effectively have constrained space consolidation efforts. External challenges such as reduced budgetary resources, which are necessary to support the costs of closing or consolidating office space, have also limited the IRS's progress.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Deputy Commissioners for Operations Support and Services and Enforcement revise the methodology for developing and implementing space requirements, set IRS-wide and specific business operating division and functional unit annual space reduction goals, and identify ways of incentivizing business operating division and functional unit executives to achieve these goals through increased workspace sharing.

In their response, IRS management generally agreed with our recommendations.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

April 11, 2018

MEMORANDUM FOR COMMISSIONER OF INTERNAL REVENUE

M. Weir for

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – More Effective Workstation and Office Utilization Could Result in Rental Cost Savings (Audit # 201610008)

This report presents the result of our review on workstation and office utilization. Our overall objectives were to assess the progress made by the Internal Revenue Service (IRS) in reducing the excess office space it currently leases, determine the effectiveness of workspace (workstation and office) sharing in reducing the number of workspaces for out-of-office employees, and evaluate the external and internal challenges that the IRS faces in its space consolidation efforts. This review is included in our Fiscal Year 2018 Annual Audit Plan and addresses the major management challenge of Achieving Program Efficiencies and Cost Savings.

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

Copies of this report are also being sent to the IRS managers 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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Abbreviations

AWSS	Agency-Wide Shared Services
FMSS	Facilities Management and Security Services
FY	Fiscal Year
GDI	Graphic Database Interface
HCO	Human Capital Office
IRS	Internal Revenue Service
NTEU	National Treasury Employees Union
POD	Post of Duty
TIGTA	Treasury Inspector General for Tax Administration

Background

According to the Internal Revenue Service (IRS), it will spend more than $600 million on real estate costs in Fiscal Year (FY) 2018,[1] associated with approximately 25 million total square feet of office space within 538 buildings.[2] The cost of this office space represents approximately 5 percent of the IRS's annual budget. After payroll, rent is the IRS's largest operating expense.

According to the IRS, it will spend more than $600 million on real estate costs in FY 2018, associated with approximately 25 million total square feet within 538 buildings.

The Government Accountability Office reported on September 23, 2016, that the Federal Government continues to maintain excess and underutilized property,[3] and in FY 2015, Federal agencies reported more than 7,000 excess or underutilized real property assets. According to the General Services Administration, the provider of office space and related services for more than 100 Federal agencies, underutilized properties are those that could meet business needs by using only a portion of the property. On March 25, 2015, the Office of Management and Budget issued Management Procedures Memorandum No. 2015-01, *Implementation of OMB Memorandum M-12-12 Section 3: Reduce the Footprint*,[4] 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 property assets, and reduce total square footage of domestic office and warehouse inventory relative to an established baseline.

In June 2015, the IRS Deputy Commissioners jointly issued a memorandum for all managers outlining the implementation of a more coordinated Service-wide real estate planning approach focused on reducing rental costs and optimizing the use of office space by closing post-of-duty (POD) locations as leases expired and relocating business units to available vacant space. According to the IRS, space requirements for new IRS offices or current office consolidations are developed based on several considerations, which include:

- The IRS National Workplace Standards.

[1] 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.
[2] The annual real estate costs of more than $600 million was calculated by annualizing the total monthly real estate costs per the IRS Graphic Database Interface system as of December 2017. The 538 buildings represent all buildings rented to the IRS per the IRS Graphic Database Interface as of December 2017 but excludes parking lots, day care centers, and Criminal Investigation storage facilities.
[3] Government Accountability Office, GAO-16-869T, *Federal Real Property: Efforts Made, but Challenges Remain in Reducing Unneeded Facilities* (Sept. 2016).
[4] Office of Management and Budget (March 25, 2015). Office of Management and Budget, OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations* (May 2012).

- Target Utilization Rates.
- Local Considerations.

IRS workplace standards encourage implementation of workspace (workstation and office) sharing at a ratio of three-to-one (3:1) for highly mobile employees and frequent teleworkers and two-to-one (2:1) for managers who frequently telework. There are two aspects of these standards that have been negotiated with the National Treasury Employees Union (NTEU) and incorporated into the current National Agreement: 1) the standard workspace size (48 square feet for all bargaining unit employees with exceptions for bargaining unit employees working in specific business units like the Office of Appeals, the Taxpayer Advocate Service, and Taxpayer Assistance Centers) and 2) use of unassigned (hoteling) workspaces provided at a minimum ratio of 3:1 for employees who are working at locations outside of their assigned POD office more than 80 hours per month.[5] These measures are planned to be implemented as a result of a broad range of triggering events (*e.g.*, building space reduction or consolidation, building restack or repurpose). Under the IRS Future State Initiative, the IRS has also instituted a project it refers to as Cost-Effective Use of Space.[6] The IRS and the NTEU executed a Side-Letter Agreement granting NTEU chapter leaders predecisional involvement on upcoming space reduction projects. The NTEU chapter leaders will have the opportunity to make comments and recommendations on space reduction and consolidation projects that may have some influence on space project outcomes.

The IRS's telework program has been in place since the mid-1990's and supports telework for employees who meet certain criteria. The IRS telework program consists of three levels of participation: 1) frequent telework in which the employee generally works more than 80 hours each month at a location other than an IRS office; 2) recurring telework in which an employee works up to 80 hours per month, on a regular schedule, at a location other than an IRS office; and 3) ad hoc telework in which the employee occasionally works on work assignments that may be performed at an approved telework site.

In our prior report,[7] the Treasury Inspector General for Tax Administration (TIGTA) recommended that the IRS reassess its entire real estate portfolio for space-saving opportunities based on workspace (workstation and office) sharing and develop revised interim and long-range occupancy goals that take workspace sharing into account. The IRS concurred with TIGTA's recommendations.

[5] Hoteling is a term used to describe the shared use of offices or workstations set aside and available to employees on an as-needed basis.
[6] IRS Future State key concepts and goals focus on improving the taxpayer experience and developing ways to make IRS services and interactions with taxpayers easy and convenient. This requires the IRS to find effective ways to improve its systems. Improving space management is an aspect of system improvement.
[7] TIGTA, Ref. No. 2012-10-100, *Significant Additional Real Estate Cost Savings Can Be Achieved by Implementing a Telework Workstation Sharing Strategy* (Aug. 2012).

The IRS's Facilities Management and Security Services (FMSS) function, within the Agency-Wide Shared Services (AWSS) function, is responsible for providing facility services and managing the IRS's real estate portfolio. The FMSS function provides office space to house IRS employees, equipment, records, and taxpayer support areas. In this audit, we reviewed the IRS's efforts to reduce its excess (vacant) and underutilized office space.

This review was performed at AWSS field offices of the FMSS function in Washington, D.C.; Chamblee, Georgia; Baton Rouge, Louisiana; Andover and Boston, Massachusetts; Farmington Hills and Troy, Michigan; Columbus, Mississippi; Cape Girardeau, Missouri; Parsippany, New Jersey; Philadelphia, Pennsylvania; Austin, Texas; Everett, Washington; and La Crosse, Wisconsin, during the period January 2016 through September 2017. We also interviewed selected officials and reviewed information provided by the Wage and Investment Division and the Human Capital Office (HCO). 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.

Results of Review

The IRS Reduced Office Space by Two Million Square Feet but Has Not Made Substantial Headway in Releasing Overall Excess Space

Efforts to reduce space have produced positive outcomes, but more could be done.

***Efforts to reduce space have produced positive outcomes*.** Since March 2012, the IRS has reduced its total office space by approximately two million square feet, which represents nearly an 8 percent reduction. These reductions were accomplished by either closing or consolidating 127 office spaces to release vacant space resulting from significant employee attrition. Although progress has been made, the rate of employee attrition has outpaced office space reduction efforts.

In June 2015, the IRS Deputy Commissioners jointly issued a memorandum for all managers outlining the implementation of a more coordinated Service-wide real estate planning approach designed to reduce rental costs and optimize the use of office space by closing POD locations as leases expired and relocating business units to available vacant space. To accomplish these objectives, the FMSS function began a practice it calls Strategic Facility Planning, which focuses on a review of every expiring lease and occupancy agreement and proposes either closing the POD, consolidating it into other nearby PODs, or reassigning employees into vacant space within the commuting area to allow downsizing of the POD. A critical component of this approach is the requirement that an exception to any of these scenarios by a business unit requires the concurrence of both Deputy Commissioners. In theory, this approach was also supposed to include the implementation of employee use of unassigned workspace (hoteling) and workspace sharing (two or more employees assigned to the same workstation cubicle or office) for employees who are out of the office an average of 80 hours or more per month. Time out of the office includes mobile fieldwork (*e.g.*, revenue agents and criminal investigators traveling to work on their assigned cases), work at a telework location, and regular days off (for employees who use flexible and compressed work schedules, as permitted by the Office of Personnel Management) but does not include any form of leave.

The FMSS function staff has performed significant work to evaluate the space requirements for IRS facilities nearing the expiration of their lease and has developed Strategic Facility Plans that indicate, based on their analysis, whether those PODs need to close, relocate, reduce (space), or remain in place on or before the occupancy expiration date of the leases associated with those properties. However, while the FMSS function has drafted general guidelines for this process, these guidelines have yet to be finalized and implemented as an IRS policy for the release of excess office space and, at this point, can only be considered an informal practice.

In November 2016, the IRS informed us that it rebranded its workspace reduction efforts and marketed its space reduction efforts Service-wide as part of its Future State Initiative. Through its Cost-Effective Use of Space fact sheet, the IRS acknowledged that the costs of office space are high and that it should not be paying for office space it is not using. The Cost-Effective Use of Space initiative recognized that, as a result of recent budget restrictions, staff attrition rates, and employee teleworking, it is critical that the IRS reduce any unneeded space and focus resources to support taxpayers and employees. Under the Cost-Effective Use of Space Future State Bridge Project, the IRS informed employees and stakeholders of its space reduction efforts, such as consolidating offices, closing PODs as leases expire, and implementing unassigned workstation/office (hoteling) options where it makes sense.

However, our review determined that 16 States had five or more significantly underutilized buildings with low workstation occupancy, indicating that additional actions will be needed to release IRS excess space. Figure 1 provides a summary of the current Graphic Database Interface (GDI) system building low-occupancy data by State.

Figure 1: IRS Low-Occupancy Buildings by State

States With Five or More Buildings With Low Workstation Occupancy	Number of Buildings With Workstation Occupancy of 50% or Less	Square Footage of Buildings With Workstation Occupancy of 50% or Less
TX	17	151,997
CA	15	748,112
KY	10	103,713
NY	9	145,480
VA	8	88,063
MT	6	31,472
NE	6	70,060
OH	6	75,837
PA	6	39,415
WA	6	38,208
FL	5	75,031
GA	5	314,069
IL	5	123,929
LA	5	52,870
MO	5	33,786
WV	5	398,726
Total States: 16	**Total Buildings: 119**	**Total Square Feet: 2,490,768**

Source: TIGTA analyses of the December 2017 GDI workspace data.

The IRS does not currently report manager office utilization rates. See Appendix V for the details of the IRS's analysis of excess (vacant) space by function as of February 2017.

Internal Factors and External Challenges Hinder the Release of Vacant Space and Underutilized Workstations and Offices

Changing the way space reduction projects are designed and implemented could save the IRS millions of dollars. The current approach used to develop space requirements contains a number of flaws that prevent the IRS from accurately determining staffing by organization and location, effectively implementing hoteling, and releasing underutilized workstations and offices (and the square footage associated with the underutilized workspaces). For example, the FMSS function informed us that current IRS National Workplace Standards and utilization rates incorporate a standard computation designed to include unassigned workstations (cubicles) and offices shared at a ratio of not less than 3:1 for employees and 2:1 for managers who are out of the office 80 or more hours per month. However, we found that the use of these standards and utilization rates in IRS space reduction projects did not result in any measurable progress in releasing underutilized workspaces. We estimate that changing the way in which the IRS develops and implements its space reduction projects to incorporate more effective workspace sharing and hoteling could reduce the need for more than 10,000 workspaces and reduce rental costs by approximately $80 million over five years.[8]

Changing the way space reduction projects are designed and implemented could save the IRS millions of dollars.

Data inaccuracies

We found that key workspace data within the GDI system had substantial errors. When designing a space requirement project, the FMSS function relies on the staffing and out-of-office employee data in its GDI system to determine the number and type of workspaces and overall square footage required. However, the GDI system had at least one error for 64 (31 percent) of the 206 workspaces randomly selected in our statistically valid sample. In total, we identified 89 errors associated with these 64 workspaces. We estimate that there are more than 33,000 workspace records[9] in the GDI system with one or more errors. For example:

[8] See Appendix IV. The five-year forecast is calculated by multiplying the estimated annual rental costs savings of approximately $16 million by five and assumes, among other considerations, that economic conditions do not change.
[9] The point estimate is based on a two-sided 95 percent confidence interval, a ± 6.33 percent precision rate, and a 31.07 percent error rate. We are 95 percent confident that the point estimate is between 26,296 and 39,750 workspaces.

- For 26 (13 percent) of the 206 workspaces we sampled, the employee occupying the workspace was different than the employee in the GDI system. We project that there are 13,415 workspaces[10] with inaccurate workspace employee occupants in the GDI system. An additional 11 (5 percent) of the 206 workspaces sampled were inaccurately identified as occupied or vacant per the GDI system. We project that there are a total of 5,676 workspaces[11] in the GDI system that are misclassified as either vacant or occupied based on our sample error results.
- For 40 (19 percent) of the 206 workspaces we sampled, the GDI system did not specify the business unit associated with the workspace. We estimate that there are 20,639 workspaces[12] in the GDI system that do not specify the business unit associated with the workspace.

Figure 2 provides a summary of the GDI system workspace data inaccuracies.

Figure 2: GDI System Inaccuracies

Type of GDI System Inaccuracy	Number of Occurrences	Percentage of the Sample of 206 Workspaces
Workspaces Not Assigned to a Specific Business Unit	40	19%
Workspaces With Inaccurate Employee Assignments	26	13%
Workspaces With Inaccurate Occupancy Status (*i.e.*, vacant or occupied)	11	5%
Workspaces With Inaccurate Square Footage	7	3%
Workspaces With Inaccurate Type (*i.e.*, office or workstation)	3	1%
Workspaces With Inaccurate Workspace Number	2	1%

Source: TIGTA analyses of the July 2016 GDI workspace population data.

[10] The point estimate is based on a two-sided 95 percent confidence interval, a ± 4.54 percent precision rate, and a 12.62 percent error rate. We are 95 percent confident that the point estimate is between 8,588 and 18,243 workspaces.
[11] The point estimate is based on a two-sided 95 percent confidence interval, a ± 3.07 percent precision rate, and a 5.34 percent error rate. We are 95 percent confident that the point estimate is between 2,408 and 8,944 workspaces.
[12] The point estimate is based on a two-sided 95 percent confidence interval, a ± 5.41 percent precision rate, and a 19.42 percent error rate. We are 95 percent confident that the point estimate is between 14,889 and 26,389 workspaces.

In addition to affecting the potential accuracy of the space requirements process, in the event of an emergency the IRS could have difficulty locating employees.

These GDI inaccuracies occurred in part because the AWSS function no longer requires performance of quarterly physical observation validations of key data by FMSS function staff but instead relies on employees to self-certify their workspace information through an electronic survey process. In FY 2016, the FMSS function sent workspace self-certification surveys to 75,721 IRS employees. However, because many employees did not respond to the initial survey, follow-up self-certification requests were sent to the direct managers of 27,082 (36 percent) of the 75,721 employees. As of November 2016, 61,086 (81 percent) of 75,721 IRS employees and managers had self-certified their workspace locations. The IRS has not implemented any additional follow-up procedures for the remaining 14,635 employees and managers who did not certify their workspace location. The AWSS function should evaluate and implement enhanced survey procedures or other methods to improve the accuracy of the GDI system occupancy information.

Workstation and office sharing (hoteling)

The current approach used to develop space requirements contains a number of flaws that prevent the IRS from accurately forecasting future workspace needs, effectively implementing workspace sharing and hoteling, and releasing underutilized workstations and offices (and their associated square footage of space). According to the FMSS function, the IRS's National Workplace Standards and utilization rates were designed to estimate the useable square footage and number of workspaces needed in new office or current office consolidation projects. However, we could not confirm that the use of these standards and utilization rates in IRS space reduction projects resulted in any measurable progress in releasing underutilized workspaces as a direct result of workspace sharing by employees who are out of the office 80 hours or more per month. Specifically, the FMSS function could not provide us with any support for how workspace sharing or hoteling is calculated into its utilization rates computation. In theory utilization rate computation is designed to implement unassigned workspaces at a ratio of not less than 3:1 for employees who are out of the office 80 or more hours per month and unassigned offices at a ratio of not less than 2:1 for managers who are out of the office 80 or more hours per month.

Another concern is that the IRS does not effectively incorporate workspace sharing or hoteling into its design plans provided to the General Services Administration up front. The current FMSS function's process does not incorporate its calculation of workspace sharing or hoteling until late in the space design process, generally after total square footage requirements have been calculated. Specifically, the FMSS function calculates the square footage needed for new offices and current office consolidation projects based on current staffing (approved and funded full-time equivalents) and then determines the number of workstations and offices required in the buildout of that space. Instead, the FMSS function should determine the number of workstations and offices needed, *with adjustments based on telework participation/mobile fieldwork rates of* *its current staff at that specific location*, using information validated by HCO records, and then determine the necessary total square footage needed for each project. This would result in a reduction in overall rental costs per square foot and also achieve additional cost savings associated with unneeded buildout, furnishing, and equipment costs for the surplus of underutilized workspaces.

Further, the FMSS function could not provide us with any documented evidence, in its space reduction projects completed since FY 2012, that demonstrates any measurable progress in releasing underutilized workspaces as a result of employees who participate in frequent telework or mobile fieldwork. Instead, the FMSS function could only demonstrate the overall square footage it had reduced since our prior review, and officials stated that it was difficult for them to assess what part of their space reduction gains are due specifically to workspace sharing. During our meetings and interviews with AWSS and FMSS officials, we were told that space reduction projects have generally tried to keep pace with significant employee attrition rates associated with a hiring freeze and declining budgetary resources.

We found that there were 12,460 IRS employees who teleworked on a frequent basis and 13,771 employees who teleworked on a recurring basis assigned to a specific workspace and potentially eligible to share workspaces. However, only 1,456 (12 percent) of the 12,460 frequent teleworkers and 563 (4 percent) of the 13,771 recurring teleworkers were assigned to workspaces designated as shared in the GDI system. An additional 2,254 employees identified as teleworking on a frequent or recurring basis were not assigned to a specific workspace within the GDI system. Further, although workspace sharing and hoteling is supported by the current NTEU agreement, the IRS has not capitalized on additional space reduction cost savings (such as reduced rental, utility, facility maintenance, and security costs) that could be achieved from reducing overall square footage associated with the reduction of workspaces for employees who telework. This is due in part to the way in which space design planning assumptions have been developed and applied. Also, according to AWSS officials, although business operating division and functional unit executives agree with the Strategic Facility Plan process in theory, some IRS executives and managers generally prefer to have a workspace for each approved and funded full-time equivalent and do not support workspace sharing or hoteling or the release of the underutilized workspaces and associated square footage. Further, the FMSS function stated that IRS employees are accustomed to being able to work outside the office more than half of the time and still retain their own assigned workspace in the office.

Although the IRS has developed National Workplace Standards and utilization rates to estimate the useable square footage and number of workspaces needed, a "local considerations" factor permits input from the subject business unit regarding its unique local requirements that can result in workspaces being added back into the design. While local considerations should be based on legitimate business needs, FMSS function officials stated that they have no way of knowing if the change requested for additional workspaces is for a legitimate business need or if the business unit simply uses the local requirements factor as a way to circumvent the space reduction design process. We believe the IRS should revise the current methodology for developing and implementing space requirements because its one-size-fits-all utilization rate has not been effective in reducing the number of underutilized workspaces.

Finally, the FMSS function could not provide any documented evidence that it routinely tracks any metrics related to releasing underutilized workspaces based on actual (not assigned) workspace sharing either overall or by office location in its recently completed space reduction projects. We believe the approach for IRS space reduction projects going forward should include the tracking and documentation of not only the total square footage reduced in going from the old space to the new one but also the number workstations and offices reduced as a direct result of hoteling and workspace sharing (not just those workspaces left vacant by employee attrition). The IRS GDI system is capable of capturing the before and after overall square footage and workstation and office reduction data necessary to provide the results achieved from IRS space reduction projects. This practice would provide better accountability for IRS executive and FMSS compliance with IRS National Workplace standards and Section 102-79 of the Code of Federal Regulations, Assignment and Utilization of Space (November 2011), implementation and would demonstrate conformity with Administration and congressional initiatives for improved space utilization. This approach would also allow the FMSS to capture not only rental cost savings based on office space reduction cost per square foot but also the savings associated with reducing unnecessary workspace buildouts, furniture, and equipment. By making these changes to the FMSS processes, the GDI could provide more reliable space and cost savings data for management decisionmaking and budget formation.

Current Administration and congressional initiatives call for improved space utilization, lower costs for the Government, and a reduced environmental footprint. For example, if the IRS consistently applied its workspace sharing/hoteling policy for out-of-office employees and gave up the underutilized workstations/offices and associated square footage, we estimate that the IRS could reduce the long-term need for 10,473 workspaces and could potentially reduce its rental costs by as much as approximately $80 million over five years.[13] In calculating this workspace reduction cost savings estimate, we did not examine IRS shared spaces, such as conference rooms, which may present additional space reduction opportunities. Further, we did not calculate the savings that could be realized for costs associated with the buildout, furnishings, and equipment that could be realized by releasing underutilized workspaces.

We do recognize that 100 percent utilization is not practical because it allows no flexibility for organizational changes. However, validation of current approved and funded full-time equivalent employees, related telework participation, and time assigned to mobile fieldwork using the IRS HCO system records and use of this data to forecast square footage needs in space reduction projects would enhance IRS space utilization efforts. Section 102-79 of the Code of

[13] See Appendix IV. The five-year forecast is calculated by multiplying the estimated annual rental costs savings of approximately $16 million by five and assumes, among other considerations, that economic conditions do not change.

Federal Regulations provides that Executive agencies must promote the optimum use of space for each assignment at an economical cost to the Government, provide quality workspace that is delivered and occupied in a timely manner, and assign space based on mission requirements. It further provides that Executive agencies, when acquiring or utilizing Federally owned or leased space under Title 40 of the United States Code, must promote efficient utilization of space.

Prior audit recommendations were not fully implemented

TIGTA previously recommended that the IRS reassess its entire real estate portfolio for space-saving opportunities based on workspace sharing and hoteling and develop revised interim and long-range occupancy goals that take workspace sharing into account. The FMSS function could not provide us with any documented evidence that the IRS had any significant reduction in the number of workspaces as a direct result of incorporating workspace sharing and hoteling in its space reduction projects completed since FY 2012. Instead, it focused on releasing vacant space due to significant employee attrition. As a result, we concluded that the FMSS function closed our recommendation prematurely and additional corrective actions are needed.

Corporate perspectives toward space management

The FMSS function stated that IRS employees who enjoy telecommuting privileges which allow them to work outside the office more than 80 hours a month often still have a workspace assigned to them for their exclusive use. Additional outreach may be needed to help employees embrace organization space reduction goals and workspace sharing and hoteling initiatives that are essential due to budget constraints. Further, AWSS officials also informed us that some executives continue to resist efforts to reduce the number of workspaces available for employees who participate in telework or mobile fieldwork on a frequent basis and may see square footage as a symbol of status or importance.

We requested performance commitment information from the HCO for all IRS executives, and the HCO determined that only five IRS executives had rent reduction/reducing real estate footprint commitments as part of their FY 2017 commitments. Those executives are the:

- Deputy Commissioner for Operations Support.
- Assistant Deputy Commissioner for Operations Support.
- Chief, Agency-Wide Shared Services.
- Director, Facilities Management and Security Services.
- Deputy Director, Facilities Management and Security Services.

However, IRS business and functional operating units play a critical role in space reduction planning. The current IRS space planning process requires each business unit to identify an executive champion (representative) to facilitate efforts to implement office closures and consolidations, review and approve strategic facility plans, communicate within the business unit, and prepare the business case to request any exceptions to a proposed space reduction or office closure. The FMSS function provided us with a list of 46 executive champions who represent the IRS business operating divisions and functional units within the IRS.[14]

According to AWSS officials, the retention of underutilized workspaces can be attributed in part to executives' varied levels of support for the practice of workspace sharing and hoteling. Without senior executive commitment and incentives designed to engage all executives across the agency to take ownership of more efficiently allocating workspace, the FMSS function will continue to receive a tepid response from some business unit executives in releasing underutilized workspaces and effectively implementing significant workspace sharing/hoteling.

AWSS space reduction goals are not realistic

In order to guide its space reduction efforts, the FMSS function identified in its FY 2015–2016 strategic plan a goal of reducing the IRS footprint to 20 million square feet by FY 2020.[15] However, as of April 2017, the IRS had a total footprint of approximately 25.6 million square feet, and IRS records show that 32 percent of IRS workspaces were not in use. TIGTA calculations determined that the IRS currently occupies approximately six million more square feet than is necessary for the IRS to reach its long-term business needs goal.[16] The FMSS function's goal of reducing the IRS footprint to 20 million feet is not realistic based on its current rate of progress, and a revised goal needs to be incorporated into the FY 2017 and beyond strategic plans. Our analysis indicates that the IRS has reduced its square footage an average of 1.5 percent per year over the last five years (for the period of March 2012 through April 2017).[17] However, the IRS would need to reduce its square footage by approximately 5.6 million square feet, or approximately 5 percent per year through FY 2020, to meet the stated goal. In January 2017, the Director, FMSS, advised TIGTA that the FMSS function has 45 space reduction projects, which have been approved for completion during FYs 2017 through 2019, that should provide a total estimated space reduction of 670,830 square feet. Figure 3 provides a breakdown of the number of space reduction projects and the projected square footage savings for FYs 2017 through 2019.

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[14] The IRS has four primary business operating divisions, which are the Wage and Investment, Small Business/ Self-Employed, Large Business and International, and Tax Exempt and Government Entities Divisions. The IRS's functional units include, for example, Appeals, Agency-Wide Shared Services, Chief Counsel, and the Office of the Chief Financial Officer.
[15] As of January 2017, the FMSS function had not developed an updated strategic plan for FYs 2017 and 2018.
[16] TIGTA calculated that the IRS occupies approximately six million more square feet than is necessary for the IRS to meet its long-term business needs goal by subtracting the IRS's square footage of 25.6 million as of April 2017 from the FMSS function's long-term square footage goal of 20 million square feet.
[17] Based on TIGTA's analysis and comparison of the rentable square footage totals found in the GDI system for March 2012 and for April 2017.

Figure 3: Breakdown of Approved Space Reduction Projects Per Fiscal Year

Fiscal Year	Approved Space Reduction Projects	Square Footage Savings
2017	33	349,920
2018	8	168,030
2019	4	152,880
Totals	**45**	**670,830**

Source: FMSS function data provided to TIGTA in February 2017.

FMSS function management stated that the targets identified in the FY 2015–2016 strategic plan represents an estimate of the square feet necessary for operations after the planned building closures and consolidations are completed. They acknowledged that this goal may be overly optimistic. However, the GPRA Modernization Act of 2010[18] requires Federal agencies to implement performance plans that identify goals which are tangible, measurable, and achievable. It also requires that Federal agencies' performance plans be consistent with their strategic plans. FMSS function management advised us that, although they considered projected staffing and utilization rates in developing this goal, they did not document the analysis. As a result, TIGTA could not determine if these space reduction projects incorporate workspace sharing and hoteling at a ratio of 3:1 for qualifying telecommuters or mobile workers. Establishing IRS-wide and specific business operating division and functional unit space reduction goals that are achievable, based on a robust analysis, and backed by executive incentives would enable the IRS to improve its planning for future space reduction projects and significantly reduce the rentable square feet in any replacement leases, POD consolidations, or relocations.

Other factors

FMSS function management stated that the pace of space reduction projects has been hindered because of several factors, including limited funding to support the costs of office closures and consolidations due to smaller budgets. Disposal or consolidation of facilities that the IRS no longer needs to fulfill its mission has a cost. For example, when the IRS consolidates into existing space or moves to a new location with a smaller square footage, it incurs relocation and buildout expenses. Therefore, the IRS's ability to reduce its real property footprint depends on available funding for cleanup and other costs associated with facility disposal, consolidation, and relocation. When considering the costs and benefits of reducing or retaining space, the FMSS function told us it determines if the payback period for the costs required to reduce the space is

[18] Pub. L. No. 111-352 (2011). GPRA is the Government Performance and Results Act of 1993 (GPRA), Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C. (2013)).

less than the proposed new lease term (typically five years). If there will be a benefit, then a space reduction project is proposed for funding consideration, coincident with the expiring lease, and then presented to the affected business operating division executives to attain consent. FMSS officials also noted that just the normal process of completing leases and alterations is time-consuming because projects are planned months and sometimes years in advance of actual implementation due to lead times required by the General Services Administration.

IRS officials also noted instances in which political leaders interceded in plans to close or consolidate IRS facilities. Specifically, members of Congress often express concerns whenever a Taxpayer Assistance Center is proposed for closure or relocation in their districts, citing taxpayer needs for access to IRS services to get answers to questions on tax compliance and obtain tax forms. Taxpayer Assistance Centers play a vital role in educating taxpayers on their tax obligations and encouraging their willing compliance. Therefore, potential closures of these facilities receive a high level of scrutiny.

The Director, FMSS, advised us that decisions on closing buildings that house Taxpayer Assistance Centers are complicated by the need to provide alternate avenues of assistance to affected taxpayers. Officials within the Wage and Investment Division of the IRS stated that when space that houses a Taxpayer Assistance Center is proposed for release by the FMSS function, they collect a variety of data, including the location of the nearest Taxpayer Assistance Center, the number of taxpayers seeking assistance at that location, and the demographics of their constituents in terms of the number of elderly and disabled and those for whom English is not their native language. According to the Wage and Investment Division, these groups of taxpayers are those that have the greatest need for face-to-face meetings in order to understand their tax obligations and resolve their tax compliance questions. The Wage and Investment Division also determines whether the Taxpayer Assistance Center is located in a rural or urban area and the availability of other options for taxpayers to obtain IRS assistance.

Recommendations

Recommendation 1: The Chief, FMSS, should evaluate and implement enhanced survey procedures or other methods to improve the accuracy of the GDI system workspace occupancy information.

> ***Management's Response:*** The IRS agreed with this recommendation. The FMSS function will evaluate methods to improve the accuracy of GDI system workspace occupancy information and commence implementation.

Recommendation 2: The Chief, FMSS, in collaboration with the Chief Human Capital Officer, should revise space project design and implementation policies and procedures to:

- Require staffing and telework and mobile fieldwork participation information used to develop space project designs to be validated by the HCO for each Strategic Facility Project prior to finalizing the space requirement design details.

- Calculate and incorporate workstation and office sharing ratios into each project design, based on IRS National Workplace Standards, prior to determining the total number of square feet needed for each project and prior to providing initial project design space requirements to the General Services Administration.
- Ensure that deviations from the IRS National Workplace Standards and workspace sharing ratios of 3:1 for employees and 2:1 for managers (for example, due to business unit customer input on local considerations) are approved at the business operating division and functional unit executive levels and that associated written justifications are maintained in the FMSS function project planning records.

  Management's Response: The IRS agreed with the recommendation in part. The FMSS function will use staffing and telework and mobile fieldwork participation data from HCO systems and explore a validation process with the HCO prior to using the data to develop space project designs. In addition, the Chief, FMSS, will ensure that space requirements provided to the General Services Administration for all facility projects will incorporate unassigned workstation and office ratios based on the number of out-of-office employees (as defined in the 2016 National Agreement between IRS and NTEU) who qualify at the time that space requirements are provided to the General Services Administration. Finally, the Chief, FMSS, will develop a procedure to ensure that significant deviations from the IRS National Workplace Standards and workspace unassigned workstation standards are approved at the business operating division and functional unit executive levels. Associated written justification will be maintained in the FMSS project files.

  Office of Audit Comment: TIGTA continues to believe that the Chief, FMSS, should work in collaboration with the HCO to "design and implement," not just explore, a validation process whereby the HCO reviews and verifies the accuracy and completeness of all staffing and telework and mobile participation data prior to the FMSS function using those data to develop strategic facility space project designs and submit them to the General Services Administration.

The Deputy Commissioners for Operations Support and Services and Enforcement should:

Recommendation 3: Develop specific, annual IRS-wide and business operating division and functional unit workspace square footage and workstation and office reduction goals that are reasonable and achievable.

> ***Management's Response:*** The IRS partially agreed with this recommendation. It will develop specific annual IRS-wide goals. The Chief, FMSS, will work with the business operating divisions and functional units to develop IRS-wide goals and identify projects that will improve workspace utilization.

Office of Audit Comment: TIGTA continues to believe that the business operating divisions and functional units should also have specific annual space reduction goals as a subset of the IRS-wide space reduction goals.

Recommendation 4: Identify ways to incentivize business operating division and functional unit executives and executive champion representatives to achieve these goals through significantly increased workspace sharing and hoteling that results in the release of underutilized workspaces (and the associated space square footage) and achieves cost savings.

Management's Response: The IRS agreed with this recommendation. The IRS will assess executive and managerial reaction to these goals and elevate the results of these assessments to the Deputy Commissioner for Operations Support for further action to explore potential methods to incentivize executives to achieve IRS-wide goals relevant to reducing workspace square footage and the number of workstations through increased workspace sharing and hoteling.

Office of Audit Comment: TIGTA continues to believe that business operating division and functional unit executives should have specific workspace reduction goals associated with increased workspace sharing and hoteling as part of their performance commitments.

Recommendation 5: Develop metrics to track the total square footage released and the number of workstations and offices reduced in each Strategic Facility Plan that can be directly attributed to workspace sharing and hoteling and document associated cost savings by business operating division and functional unit.

Management's Response: The IRS agreed with this recommendation. The IRS will use an alternate method of measuring to determine the number of workstations and offices reduced in each Strategic Facility Plan that can be directly attributed to workspace sharing and hoteling.

Appendix I

Detailed Objectives, Scope, and Methodology

Our overall objectives for this follow-up review were to assess the progress made by the IRS in reducing the excess office space it currently leases, determine the effectiveness of workspace sharing in reducing the number of workspaces for out-of-office employees, and evaluate the external and internal challenges that the IRS faces in its space consolidation efforts. To accomplish our objectives, we:

I. Obtained an understanding of the policies, procedures, and guidelines applicable to Federal real estate portfolio management with a focus on space utilization and efficiency.

   A. Analyzed Office of Management and Budget and Department of the Treasury policies, procedures, and guidelines applicable to Federal real estate portfolio management, with a focus on space utilization and efficiency matters.

   B. Reviewed any policies, goals, and procedures developed by the IRS to guide its space utilization, including its policy on workspace sharing by telecommuting employees.

   C. Interviewed selected AWSS personnel regarding the IRS's establishment of its real estate portfolio reduction goals and how the IRS's request for additional staffing in FY[1] 2017 caused any barriers or obstacles to meeting those goals.

II. Determined the effectiveness of the IRS's efforts to reduce the unneeded office space it occupies through space reduction projects and building closures.

   A. Evaluated the IRS's progress since FY 2012 in reducing its unneeded office space.

      1. Calculated the IRS's progress since FY 2012 in reducing its total real estate square footage and associated rental costs.

      2. Evaluated the impact of the IRS's space reduction efforts on its overall workspace occupancy rate and determined whether workspace sharing has measurably increased since FY 2012.

      3. Identified the IRS's overall goals and timeline (FYs 2016 through 2020) for reducing its future real estate portfolio.

[1] 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.

B. Evaluated the corrective actions the IRS has taken to address TIGTA's prior recommendations.[2]

III. Evaluated controls over the reliability of the information used to manage the IRS's real estate portfolio.

A. Reviewed the information used to manage the IRS's real estate portfolio program costs and program efficiency.

B. Identified a sample of 106,292 workspaces associated with the IRS's real estate portfolio as of July 2016 using information extracted from the GDI system.

C. Using the population of workspaces identified in Step III.B., we selected a statistical two-stage cluster random sample of 208 workspaces (workstations and offices).[3] We selected this approach because it enabled us to visit a representative selection of IRS office spaces (both campuses and different-sized office buildings) and it reduced the overall number of locations we needed to visit, thereby minimizing travel costs. For each workspace, we identified the workspace status (vacant, occupied, occupied by two or more staff), location, and key associated attributes such as square footage. Our point estimate projection was based on a two-sided 95 percent confidence interval, a ± 6.08 percent precision rate, and a 27.18 percent error rate. A contracted statistician assisted with developing the sampling plan.

D. Verified the accuracy of the GDI system status, occupancy, and attribute information for each sampled workspace through physical observation.

E. Judgmentally[4] selected, at each IRS office where physical observations were performed to validate the statistical sample cases, an additional sample of workspaces (sample sizes: two workspaces at small IRS offices, 15 workspaces at mid-size and large IRS offices, and 25 workspaces at campuses) to determine whether the workspaces were properly included or excluded from the GDI system.

Data reliability testing

We performed validation tests to ensure the reliability of the workstation and office population in the data extract from the GDI system we received from the IRS. We found that there were no duplicates for the combination of building number, floor number, and room number and found that the records in the extract were generally classified as either a workspace or private office as expected. We also compared the extract results to standardized reports from the GDI system.

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[2] TIGTA, Ref. No. 2012-10-100, *Significant Additional Real Estate Cost Savings Can Be Achieved by Implementing a Telework Workstation Sharing Strategy* (Aug. 2012).
[3] We were scheduled to review two workstations at the Troy, Michigan, office; however, we were unable to review them because the office closed in August 2016, which was subsequent to the July 2016 date that we received our population data from the IRS. Therefore, we reviewed 206 workstations during our audit.
[4] A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.

Overall, we determined that the extracted data we received from the IRS were reliable for the purposes of our substantive testing, which focused on an in-depth analysis of the accuracy of GDI system status, occupancy, and attribute information for a statistical sample of workspaces through physical observation. However, as noted in our report, we found that key workspace data within the GDI system had substantial errors.

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: FMSS function space management policies and procedures; the GDI system, which contains management information on all IRS real estate, including occupancy rates, building rental costs, and lease terms; and IRS actions to address prior TIGTA recommendations. We evaluated these controls by reviewing and obtaining an understanding of the policies, procedures, and guidelines applicable to the IRS space management program, evaluating the accuracy of the workspace data in the GDI system, and evaluating the corrective actions the IRS indicates that it took to address TIGTA's prior audit recommendations.

Appendix II

Major Contributors to This Report

Gregory Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations)
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James Mills, Senior Auditor
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Appendix III

Report Distribution List

Deputy Commissioner for Operations Support
Deputy Commissioner for Services and Enforcement
Chief, Facilities Management and Security Services
Chief Human Capital Officer
Director, Facilities Management and Security Services, Agency-Wide Shared Services
Director, Office of Audit Coordination

Appendix IV

Outcome Measures

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

Type and Value of Outcome Measure:

- Cost Savings – Funds Put to Better Use – Potential; $80,399,060 (see page 6).[1]

Methodology Used to Measure the Reported Benefit:

We estimate that changing the method by which the IRS develops and implements its space reduction projects to incorporate more effective workstation and office sharing would reduce the need for as many as 10,473 workspaces and reduce rental costs by approximately $80 million over five years. The deciding factor on whether an employee is eligible to share an assigned workspace or use an unassigned (hoteling) workspace is whether that employee is working at locations outside of their assigned POD office at least 80 hours per month. Participants in the frequent teleworker program work outside their assigned POD more than 80 hours per month. Thus we included all frequent teleworkers in our calculation. Participants of the recurring teleworker program work outside of their assigned POD office up to 80 hours per month. For the purposes of our calculation, we assumed that half of the employees on a recurring telework schedule worked outside the office at least 80 hours per month. We did not include ad hoc telework participants in our calculation. Calculating the precise amount of time the frequent and recurring teleworkers spent working outside of the office was outside the scope of this review.

Specifically, our analysis indicated that there were 12,460 IRS employees who teleworked on a frequent basis and 13,771 employees who teleworked on a recurring basis[2] assigned to a designated workspace for only their specific use and potentially eligible to share workspaces. However, only 1,456 (12 percent) of the 12,460 frequent teleworkers and 563 (4 percent) of the 13,771 recurring teleworkers were assigned workspaces designated as shared. As such, there are 11,004 frequent teleworkers (12,460 employees eligible to share, less the 1,456 employees sharing a workspace) and 13,208 recurring teleworkers (13,771 employees eligible to share, less the 563 employees sharing a workspace) who are potentially eligible to share workspaces but are

[1] The five-year forecast is calculated by multiplying the estimated annual rental costs savings of $16 million by five and assumes, among other considerations, that economic conditions do not change.
[2] Employees who telework on an ad hoc basis were not included in our outcome measure computation. The IRS defines ad hoc telework as telework where the employee occasionally works on work assignments that may be performed at an approved telework site.

not currently participating in workspace sharing. However, because employees on a recurring telework schedule work at a location outside of an IRS office up to 80 hours per month, for the purposes of our calculation we assumed that half (6,604) of the 13,208 teleworkers on a recurring telework schedule are eligible to share a workspace (telework and/or were highly mobile 80 hours per month) but are not participating in workspace sharing or hoteling.

To calculate this outcome measure, we first estimated the number of teleworkers who are managers based on the number of workspaces classified as offices. We noted that 9 percent of workspaces in the GDI database were classified as offices and therefore assumed that 9 percent of teleworkers are managers and the remaining 91 percent of teleworkers are employees. We used a 3:1 workspace sharing ratio for the estimated 91 percent of frequent teleworkers who are employees. We used a 2:1 workspace sharing ratio for the 9 percent of managers who telework on a frequent and recurring basis.

We estimate that, if employees who are on frequent telework schedules shared a workstation with two other employees who also participate in telework and the IRS gave up the underutilized workstations and the square footage associated with the underutilized workspace, it could eventually eliminate as many as 6,676 workstations.[3] In addition, if the managers on a frequent telework schedule shared an office with one other manager who also participates in qualifying telework and the IRS gave up the underutilized offices and associated square footage of underutilized office space, it could eventually eliminate as many as 495 offices.[4] We estimate that, if employees who are on recurring telework schedules shared workspaces at a 2:1 ratio and the IRS gave up the underutilized workstations and the square footage associated underutilized workspace, it could eventually eliminate as many as 3,005 workstations.[5] In addition, if the managers on a recurring telework schedule shared an office with one other manager who also participates in qualifying telework and the IRS gave up the underutilized offices and associated square footage of underutilized office space, it could eventually eliminate as many as 297 offices.[6] As a result, we estimate that the IRS could eliminate a total of 10,473 workspaces (6,676 workstations eliminated for employees on a frequent telework schedule + 495 offices eliminated for managers on a frequent telework schedule + 3,005 workstations eliminated for employees on a recurring telework schedule + 297 offices eliminated for managers on a recurring telework schedule). Our calculation represents an estimate of the number of workspaces that potentially could be eliminated based on the number of employees in telework status as of July 2016 and the application of current IRS workspace sharing policy.

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[3] Calculation: 91 percent * 11,004 frequent teleworkers / 3 workstations to be shared * 2 workstations to be eliminated.
[4] Calculation: 9 percent * 11,004 frequent telework managers / 2 offices to be eliminated.
[5] Calculation: 91 percent * 6,604 recurring telework employees / 2 workstations to be eliminated.
[6] Calculation: 9 percent * 6,604 recurring telework managers / 2 offices to be eliminated.

Using 57 square feet as the average for a workstation and 175 square feet as the average for manager offices,[7] we estimate that the IRS would potentially save 690,417 square feet of office space (9,681 frequent and recurring workstations eliminated * 57 square feet) + (792 frequent and recurring offices eliminated * 175 square feet). We determined that the average annual rental cost per square foot is $23.29. As a result, we estimate that the IRS could save $16,079,812 annually in rental costs (690,417 square feet x $23.29). Over a five-year period, we forecast that this would potentially result in rental cost savings of $80,399,060.

While 100 percent utilization is not practical because it allows no flexibility for organizational changes, Section 102-79 of the Code of Federal Regulations, *Assignment and Utilization of Space* (January 2011), provides that Executive agencies must promote the optimum use of space for each assignment at an economical cost to the Government, provide quality workspace that is delivered and occupied in a timely manner, and assign space based on mission requirements. It further provides that Executive agencies, when acquiring or utilizing Federally owned or leased space under Title 40 of the United States Code, must promote efficient utilization of space.

Type and Value of Outcome Measure:

- Reliability of Information – Potential; 33,023 workspace records in the GDI system with one or more errors (see page 6).[8]

Methodology Used to Measure the Reported Benefit:

In July 2016, the IRS had a population of 106,292 workspaces. Based on the total number of IRS workspaces (workstations or offices), we used a statistical two-stage cluster random sample to review 206 workspace records in the GDI system. We validated each workspace's business unit assignment, square footage, workspace type, and occupancy information in the GDI system during site visits to IRS offices nationwide to obtain assurance regarding the accuracy of IRS's real estate data. We found that there were 64 workspaces with one or more inaccuracies in the GDI system. Based on our sample error rate of 31.07 percent and a confidence level of 95 percent, we estimate that approximately 33,023 workspaces have inaccurate information in the GDI system.

[7] The workstation average square footage of 57 and manager office average square footage of 175 was calculated based the room types category in the GDI system workstation and office data extract provided by the IRS.

[8] The point estimate projection is based on a two-sided 95 percent confidence interval, a ± 6.33 percent precision rate, and a 31.07 percent error rate. We are 95 percent confident that the point estimate is between 26,296 and 39,750 workstations.

Appendix V

IRS Excess (Vacant) Space by Function

Internal Revenue Service Function	Excess (Vacant) Square Footage
Appeals Division	107,573
Agency-Wide Shared Services	83,258
Chief Counsel	109,039
Chief Financial Officer	8,952
Communications and Liaison	4,135
Criminal Investigation	141,742
Human Capital Office	42,380
Information Technology	132,892
Large Business and International Division	122,387
National Headquarters	43,380
Privacy, Governmental Liaison, and Disclosure	13,908
Small Business/Self-Employed Division	694,301
Tax Exempt and Government Entities Division	40,918
Taxpayer Advocate Service	55,452
Wage and Investment Division	551,852
Workspaces not assigned to a specific business unit in the GDI system	46,092
Total Square Footage	**2,198,261**

Source: AWSS/FMSS analysis of IRS vacant space as of February 2017. The information in this appendix was not reviewed by TIGTA.

Appendix VI

Management's Response to the Draft Report

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

FACILITIES
MANAGEMENT &
SECURITY SERVICES

March 16, 2018

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

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

SUBJECT: Draft Audit Report – More Effective Workstation and Office Utilization Could Result in Rental Cost Savings (Audit # 201610008)

Thank you for the opportunity to review and comment on the subject draft audit report. The IRS has a progressive and highly regarded real property program. Our primary focus is and continues to be to reduce excess office space, right size our building occupancy, and reduce rent. The Department of the Treasury, of which the IRS is the largest bureau, led all civilian agencies in the OMB Freeze the Footprint initiative that ended in September 2016. Over the last six years, the IRS has closed or consolidated 134 offices, and 11 additional consolidations are planned for FY 2018. We generated annualized rent savings of approximately $91 million over that period. These results would have been difficult to attain without the support from IRS executives. Moving forward, we are confident we have their support on implementing more effective workspace utilization to achieve greater rent cost savings.

Your report identifies the opportunity for greater savings by changing the way IRS develops and implements space reduction projects to incorporate more effective workspace sharing and hoteling. We agree with that finding, and have launched a more effective method of calculating space requirements.

Workspace sharing and hoteling at the IRS is primarily the result of more teleworking and mobile fieldwork. We have established hoteling space in 15% of our offices, and will continue to expand the practice as appropriate. Assigning employees to a hoteling environment does not necessarily mean that vacated workstation space can immediately be released and rent saved. Your report indicates a sizable rent reduction could be achieved over five years through more aggressive hoteling. This may be difficult to achieve due to factors outside of our control, such as availability of funds to implement, and delays of planned actions as we comply with the *Financial Services and Government Appropriations Bill 2016.* This bill directs the IRS to provide congressional

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notice and conduct at least one public hearing prior to closing a Taxpayer Assistance Center. The IRS is, however, committed to promoting greater space efficiencies when the timing is right and the resources are available, and continues to establish and achieve substantial space reduction goals year after year.

We appreciate your recognition of resource challenges that we face in attempting to right size our office space portfolio. We also appreciate your recognition that lease commitment challenges occur years in advance of a project completion. Attached are the IRS responses to TIGTA's recommendations.

If you or members of your staff have questions or concerns regarding this request, please contact Tom Huba at 703-414-2182.

Attachment

Response to Recommendations

TIGTA Recommendation 1: ***The Chief, AWSS, should*** evaluate and implement enhanced survey procedures or other methods to improve the accuracy of the GDI system workspace occupancy information.

Corrective Action 1:
We agree with this recommendation. Facility Management & Security Services (FMSS) will evaluate methods to improve the accuracy of GDI system workspace occupancy information and commence implementation.

Implementation Date:
March 15, 2019

Responsible Official:
Chief, Facility Management & Security Services

Corrective Action Monitoring Plan:
Corrective actions are entered into the Joint Audit Management Enterprise System (JAMES) and are monitored monthly through completion

TIGTA Recommendation 2: ***The Chief, AWSS, in collaboration with the Chief Human Capital Officer, should*** revise space project design and implementation policies and procedures to:

2(a) Require staffing, telework and mobile fieldwork participation information used to develop space project designs to be validated by the HCO for each Strategic Facility Project prior to finalizing the space requirement design details.

Corrective Action 2(a)
We agree with this recommendation. FMSS will use staffing, telework and mobile fieldwork participation data from HCO systems and explore a validation process with HCO prior to using it to develop space project designs by incorporating telework and mobile fieldwork participation information into the Space Requirements Module of the STAR project management system.

Implementation Date 2(a):
November 15, 2018

Responsible Official:
Chief, Facility Management & Security Services

Corrective Action Monitoring Plan:
Corrective actions are entered into the Joint Audit Management Enterprise System (JAMES) and are monitored monthly through completion

2(b) Calculate and incorporate workstation and office sharing ratios into each project design, based on IRS National Workplace Standards, prior to determining the total number of square feet needed for each project, and prior to providing initial project design space requirements to the General Services Administration.

Corrective Action 2(b)
We agree with this recommendation. The Chief, Facility Management & Security Services (FMSS), will ensure that space requirements provided to the General Services Administration, for all facility projects (when required by GSA), will incorporate unassigned workstation and office ratios based on the number of out-of-office employees (as defined in the 2016 National Agreement between IRS and NTEU) who qualify at the time that space requirements are provided to GSA.

Implementation Date 2(b):
November 15, 2018

Responsible Official:
Chief, Facility Management & Security Services

Corrective Action Monitoring Plan:
Corrective actions are entered into the Joint Audit Management Enterprise System (JAMES) and are monitored monthly through completion

2(c) Ensure that deviations from the IRS National Workplace Standards and workspace sharing ratios of 3:1 for employees and 2:1 for managers (for example, due to business unit customer input on "unique local considerations") are approved at the business operating division and functional unit executive levels and that associated written justifications are maintained in the FMSS function project planning records.

Corrective Action 2(c):
We agree with this recommendation. The Chief, Facility Management & Security Services (FMSS) will develop a procedure to ensure that significant deviations from the IRS National Workplace Standards and workspace unassigned workstation standards are approved at the business operating division and functional unit executive levels. Associated written justification will be maintained in the FMSS project files.

Implementation Date 2(c):
February 15, 2019

Responsible Official:
Chief, Facility Management & Security Services

Corrective Action Monitoring Plan:
Corrective actions are entered into the Joint Audit Management Enterprise System (JAMES) and are monitored monthly through completion

TIGTA Recommendation 3: Develop specific, annual IRS-wide and business operating division (BOD) and functional unit workspace square footage and workstation and office reduction goals that are reasonable and achievable.

Corrective Action 3:
We agree to develop specific annual IRS-wide goals. Facility Management and Security Services (FMSS) will work with the BOD's and functional units to develop IRS-wide goals and identify projects that will improve workspace utilization.

Implementation Date:
November 15, 2018

Responsible Official:
Chief, Facilities Management and Security Services

Corrective Action Monitoring Plan:
Corrective actions are entered into the Joint Audit Management Enterprise System (JAMES) and are monitored monthly through completion

TIGTA Recommendation 4: Identify ways to incentivize business operating division and functional unit executives, and executive champion representatives to achieve these goals through significantly increased workspace sharing and hoteling that results in the release of underutilized workspaces and the associated space square footage, and achieves cost savings.

Corrective Action 4:
Although we generally believe that executives are supportive of the goals of effective space utilization, we agree in concept as it is always desirable to drive further "buy-in." We will assess executive and managerial reaction to these goals and elevate the results of these assessments to the Deputy Commissioner for Operations Support (DCOS) for further action to explore potential methods to incentivize executives to achieve IRS-wide goals relevant to reducing workspace square footage and the number of workstations through increased workspace sharing and hoteling.

Implementation Date:
February 15, 2019

Responsible Official:
Chief, Facilities Management and Security Services

Corrective Action Monitoring Plan:
Corrective actions are entered into the Joint Audit Management Enterprise System (JAMES) and are monitored monthly through completion

TIGTA Recommendation 5: Develop metrics to track the total square footage released and the number of workstations and offices reduced in each Strategic Facility Plan that can be directly attributed to workspace sharing and hoteling, and document associated cost savings by business operating division and functional unit.

Corrective Action 5:
We agree with the intent of this recommendation to facilitate an increase in workspace sharing and hoteling, and will use an alternate method of measuring to determine the number of workstations and offices reduced in each Strategic Facility Plan that can be directly attributed to workspace sharing and hoteling.

Implementation Date:
February 15, 2019

Responsible Official:
Chief, Facilities Management and Security Services

Corrective Action Monitoring Plan:
Corrective actions are entered into the Joint Audit Management Enterprise System (JAMES) and are monitored monthly through completion