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United States Government Accountability Office  
Washington, DC 20548

March 10, 2005

John M. Dalrymple  
Deputy Commissioner for Operations Support  
Internal Revenue Service

Subject: *Management Report: Review of Controls over Safeguarding Taxpayer Receipts and Information at the Brookhaven Service Center Campus*

Dear Mr. Dalrymple:

This report responds to your request that, in conjunction with our audit of the Internal Revenue Service's (IRS) fiscal year 2004 financial statements,<sup>1</sup> we review the agency's procedures for handling and processing receipts and taxpayer information at the Brookhaven service center campus. As a result of the increased percentage of taxpayers filing returns electronically, IRS designed a detailed business plan to reduce the number of service center campuses that process paper returns. In fiscal year 2004, Brookhaven became the first service center campus to downsize its submission processing function, leading to changes in its operations and a significant reduction in the volume of taxpayer receipts and information processed.<sup>2</sup> You requested this review in light of these significant changes in operations and IRS's desire to benefit from the Brookhaven experience in planning for future submission processing rampdowns.<sup>3</sup> Specifically, you asked us to (1) review the policies and procedures IRS developed to safeguard and process taxpayer receipts and information at the modified Brookhaven operation and (2) offer recommendations, if any, for improving internal controls at Brookhaven and at other submission processing centers that will undergo future rampdowns. To accommodate your request, we agreed to add a review of the mail control function at the Brookhaven service center campus to our tests of internal controls conducted as part of our audit of IRS's fiscal year 2004 financial statements.

As you are aware, we have performed extensive work in reviewing internal controls designed to safeguard taxpayer receipts and information as part of our annual

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<sup>1</sup>GAO, *Financial Audit: IRS's Fiscal Years 2004 and 2003 Financial Statements*, GAO-05-103 (Washington, D.C.: Nov. 10, 2004).

<sup>2</sup>Submission processing is the data processing arm of IRS. These units process paper and electronic submissions at IRS service center campuses. This includes depositing tax payments, correcting errors, and forwarding data to IRS's computing centers for analysis and posting to taxpayer accounts.

<sup>3</sup>In this report, the term "rampdown" is used to refer to IRS's significant reduction of its submission processing functions at selected service center campuses.

financial audits of IRS.<sup>4</sup> In performing this work, we have come to recognize the significance and importance of the submission processing function to IRS and the potential for loss, theft, or misuse of taxpayer receipts and information if controls are not properly designed and effectively implemented. Our audits have identified weaknesses in internal controls over the safeguarding of taxpayer receipts and information related to submission processing activities at IRS's service center campuses, lockbox banks,<sup>5</sup> and field offices. In reviewing the Brookhaven rampdown procedures, we considered the internal control weaknesses previously found at other service center campuses.

We performed most of our work from May 2004 through October 2004 as part of our audits of IRS's fiscal years 2004 and 2003 financial statements, with some additional follow-up work completed in January 2005.<sup>6</sup> We designed our tests and inquiries based on results and findings from our previous years' audits and financial management-related reviews, taking into consideration differences that may occur during a nonpeak tax filing season and the nature of Brookhaven's ramped down operations. We conducted our work in accordance with U.S. generally accepted government auditing standards. Additional details on our scope and methodology are included in our fiscal year 2004 financial statement audit report.<sup>7</sup>

## Results in Brief

We found that IRS completed the rampdown at Brookhaven without any significant disruptions in service. However, we did identify several areas where improvements could be made to internal controls at the Brookhaven service center campus residual mail processing unit, as well as to the process for estimating mail volumes. These issues are also relevant to IRS as it proceeds in ramping down future submission processing functions.

Specifically, we found the following:

- IRS developed standard operating procedures for employees processing incoming mail at Brookhaven during the rampdown. However, we found that these procedures did not include detailed instructions for (1) tracking taxpayer receipts and information forwarded to other service center campuses for further processing and (2) handling cash receipts found during the extraction process. The absence of these instructions increases the risk that employees with significant internal control responsibilities over high-risk and vulnerable assets are not aware of the correct procedures to be followed in safeguarding and

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<sup>4</sup>GAO, *Internal Revenue Service: Status of Recommendations from Financial Audits and Related Financial Management Reports*, GAO-04-523 (Washington, D.C.: Apr. 28, 2004).

<sup>5</sup>Lockbox banks are financial institutions designated as depositories and financial agents of the U.S. government to perform certain financial services, including processing tax documents, depositing the receipts, and then forwarding the documents and data to IRS's service center campuses, which update taxpayers' accounts.

<sup>6</sup>As agreed, we visited Brookhaven in May 2004 after the peak tax filing season, which primarily occurs from January 1 through April 15 of each year when most individual tax returns are filed.

<sup>7</sup>GAO-05-103.

processing taxpayer receipts and information, thereby increasing the risk of their theft, loss, or misuse.

- Staff at the Brookhaven location did not always follow the required procedures to safeguard taxpayer receipts and information in its facilities. We found that (1) access rights allowed to visitors were not always appropriately restricted; (2) trash, which included taxpayer information, was not always sufficiently secured; and (3) candling<sup>8</sup> was not always properly performed. The lack of adherence to IRS's procedures increases the risk of theft, loss, or misuse of taxpayer receipts and information.
- IRS did not have a documented methodology for estimating post-rampdown mail volumes at service center campuses selected for rampdowns. The lack of a documented methodology increases the risk that adequate mail volume information will not be gathered, maintained, and appropriately considered as estimates are prepared to assist IRS management in making decisions related to sites selected for future rampdowns and assessing their ultimate success.

This report offers three recommendations to assist IRS with strengthening controls over the safeguarding of taxpayer receipts and information and preparing for future rampdowns. In its comments, IRS agreed with our recommendations and described actions that it had taken or planned to take to address the issues described in this report.

## **Scope and Methodology**

In conducting our review of the Brookhaven submission processing function, we did the following:

- Visited the Brookhaven service center campus from May 24 through May 27, 2004, and observed mail operations over taxpayer receipts and information.
- Conducted interviews with IRS and U.S. Treasury Inspector General for Tax Administration officials regarding the phaseout of the submission processing function.
- Gathered and analyzed data outlining IRS's planning and implementation processes for the Brookhaven rampdown.
- Reviewed data covering fiscal year 2004 mail volumes, IRS's summary of lessons learned from the rampdown, and strategies for ramping down future submission processing functions.

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<sup>8</sup>Candling is a process used by IRS to determine if any contents remain in open envelopes. This is often achieved by passing the envelopes over a light source.

## Background

On July 22, 1998, Congress enacted the IRS Restructuring and Reform Act of 1998 (RRA 98)<sup>9</sup> to better balance IRS's responsibility to collect taxes, protect the rights of taxpayers, and serve the public. Among other provisions, RRA 98 authorized IRS to encourage the use of its electronic tax administration programs by taxpayers to reach the goal of 80 percent of individual tax returns filed electronically by 2007. IRS has strongly encouraged taxpayers to file electronically and acted to facilitate and support this transition. Although IRS does not expect to achieve the goal set by RRA 98, substantial progress has been made. From 1998 to 2004, the volume of paper returns decreased by 30 million returns—from 101 million in 1998 to 71 million in 2004 (over 29 percent). IRS reported that during the 2004 filing season, 47 percent of individual tax returns were filed electronically. As part of its approach to administering and managing this change in taxpayer behavior, IRS developed and approved a detailed business plan to gradually reduce the number of its submission processing functions that process individual and business tax returns. The plan calls for the rampdown of a submission processing function every few years until this function remains at only four service center campuses (SCC). The pace of implementation depends on the public's continued migration from paper to electronically filed returns.

Prior to rampdown, Brookhaven performed functions generally similar to the other 9 IRS SCCs in the processing of taxpayer receipts and information. All 10 SCCs also managed taxpayer accounts and compliance programs. The functions performed by SCCs included (1) opening, sorting, and extracting mail; (2) depositing payments; (3) posting data to IRS's financial management systems; and (4) reconciling deposits to deposit information maintained at the Department of the Treasury's Financial Management Service. In connection with the Brookhaven rampdown, IRS instructed taxpayers and tax preparers who previously submitted their returns to the Brookhaven SCC to instead send their returns, payments, or both to other specifically designated locations.

Despite IRS's instructions designating other locations to which returns were to be sent, some taxpayers continue to mail tax returns and receipts to the Brookhaven location. Mail arriving at the Brookhaven SCC, including some taxpayer returns, payments, correspondence, notices, and mail returned to IRS as undeliverable, is now handled by a newly created unit within Brookhaven, the Accounts Management Mail Unit. This unit is tasked with the goal of timely performing the initial mail processing, including extracting, dating and recording, sorting, and candling. The receipts and tax returns are then forwarded overnight to either the Andover or Cincinnati SCCs for further processing, depending on the type of return involved.<sup>10</sup>

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<sup>9</sup>IRS Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat. 685 (July 22, 1998).

<sup>10</sup>Individual returns and payments are forwarded to the Andover SCC and business returns and payments are forwarded to the Cincinnati SCC.

## **No Major Disruptions in Brookhaven Operations during Its Submission Processing Rampdown**

During fiscal year 2004, IRS implemented its rampdown of the Brookhaven SCC submission processing function with no major disruptions in service. As part of this success, the Brookhaven SCC exceeded its goal of sending taxpayer receipts and returns for further processing to either of the two other designated SCCs within 3 to 5 workdays from time of receipt in Brookhaven, generally accomplishing this task within 48 hours. IRS's ability to successfully realize its rampdown is attributable in part to (1) early planning, which began as far back as 1998; (2) initiatives that the personnel office undertook to ensure minimum impact to the taxpayers and IRS's employees; and (3) involvement of the necessary business divisions, offices, units, and managers from its functional areas, including operations, communications, infrastructure (i.e., equipment and real estate), and personnel.

IRS's planning efforts were critical because the rampdown had a dramatic impact on Brookhaven SCC operations and its personnel. For example, the rampdown necessitated the agency's first reduction in force,<sup>11</sup> affecting more than 2,700 employees previously assigned to the campus's submission processing function. Of those employees, 664 were actually laid off. The remaining employees were reassigned to other jobs, took advantage of voluntary retirement or separation incentives, or resigned from their jobs. As of January 2005, 127 employees were assigned to processing incoming mail in the Brookhaven Accounts Management Mail Unit.

IRS continues to plan for future rampdowns<sup>12</sup> through the following strategies: (1) gaining consensus from its managers and employees on how to approach future rampdowns, (2) identifying areas of improvement based on the implementation of the Brookhaven SCC rampdown, (3) documenting and evaluating common consolidating themes and lessons learned, and (4) incorporating those lessons learned into future rampdown implementation plans. As IRS proceeds with the implementation of its detailed business plan to reduce the number of SCCs that process paper returns, it is critical that effective internal controls are maintained to deal with the unique risks entailed in the changing submission processing environment.

### **Certain Procedures Could Be Strengthened as IRS Pursues Future Rampdowns**

While we want to emphasize that IRS's rampdown of the Brookhaven submission processing function was achieved with no major service disruptions, our review identified certain matters that should be addressed to provide for better safeguarding of taxpayer receipts and information and better efficiency in the processing and monitoring of residual returns and receipts at Brookhaven and at future rampdown locations. Specifically, we identified three areas where IRS's procedures could be strengthened: (1) instructions and guidance to staff processing mail, (2) adherence to

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<sup>11</sup>In the federal government, layoffs are called reductions in force.

<sup>12</sup>IRS plans to ramp down the Memphis and Philadelphia submission processing functions during fiscal years 2005 and 2007, respectively.

existing management controls, and (3) procedures for estimating future mail volume data. Each of these areas is relevant to operations at other SCCs and to IRS's success as it proceeds with future rampdowns.

### *Instructions and Guidance to Staff Processing Mail*

Recognizing the change required in the Brookhaven Accounts Management Mail Unit operations to process residual returns and receipts received during and after the rampdown, IRS developed specific standard operating procedures (SOP) to instruct and guide mail room staff. We noted that the SOPs could be strengthened by including specific instructions for (1) monitoring document transmittals after receipts and tax returns were forwarded to another SCC for final processing and (2) processing cash discovered during the extraction process. The absence of such instructions in the Brookhaven SOPs increases the risk that employees are not familiar with how to safeguard, process, and account for taxpayer receipts and information. We did note that instructions related to these two areas did exist in various sections of IRS's *Internal Revenue Manual (IRM)*<sup>13</sup> related to submission processing. However, the Brookhaven SOPs that were used to guide staff on a daily basis were silent on these tasks and did not contain a reference to these requirements in the IRM.

Specifically, the SOP that outlines the procedures for preparing and mailing taxpayer receipts and information received between SCCs did not include instructions for the Accounts Management Mail Unit to timely verify that taxpayer receipts and information it had sent to other SCCs had been received in their entirety by the receiving SCCs. While we found instructions in the IRM addressing the monitoring of document transmittals used to mail items between IRS locations, these instructions were not available or referred to in the SOP. For instance, according to the Case Processing section of the IRM, IRS staff sending taxpayer receipts, returns, and information to SCCs are required to establish a control to ensure that the contents of packages were received. The IRM states that the receiving SCC must acknowledge receipt of package contents within 5 workdays. If no acknowledgment is received, the sender must initiate follow-up within 10 workdays. However, similar procedures for the Accounts Management Mail Unit staff were not outlined or mentioned in the SOP. Neither the IRM's Case Processing section nor the SOP includes instructions for matching receipt acknowledgments to the original list of contents sent. Without these controls, the risk is increased that lost documents will not be promptly identified and affected taxpayers alerted timely.

Illustrating this issue, during our site visit to the Brookhaven SCC, we found a basket in the Accounts Management Mail Unit that contained several weeks of acknowledged document transmittals from the Andover and Cincinnati SCCs that had not yet been matched to the original document transmittals. Without timely matching of the original copies of the document transmittals to the acknowledged ones, IRS management could not be timely assured that documents or packages (including

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<sup>13</sup>The IRM is IRS's internal operating manual that sets forth the agency's various operating policies and procedures.

payments and returns) sent from the Brookhaven SCC actually reached their destinations. While Brookhaven staff stated that e-mails were received from the designated SCCs, the e-mails only acknowledged receipt of the packages and not the full extent of their contents.

We also found that the SOPs did not include guidance on the processing of cash discovered during the extraction process. While the IRM contains detailed guidance for handling cash discovered during extraction, these instructions were not outlined or referred to in the SOP. Cash is not commonly used by taxpayers to make payments through the mail; however, we have observed cash payments submitted by taxpayers through the mail in prior audits. Consequently, because employees do not have clear guidance regarding the handling of cash, the risk is increased that such cash might be lost or misappropriated.

During our review, we were informed that IRS plans to add the SOPs used by the Brookhaven Accounts Management Mail Unit to its IRM. The IRM will then be the general guide used for all other Accounts Management Mail Unit operations created as IRS continues with its plans for future submission processing consolidations.

#### *Adherence to Existing Management Controls*

During our visit to Brookhaven, we tested selected controls intended to safeguard taxpayer receipts and information. As agreed with IRS, our visit took place in May 2004, a nonpeak period during which mail volume was lower and less processing was observed. Nonetheless, we found three instances where IRS employees did not adhere to the policies and procedures IRS currently has in place.

- IRS requires that individuals inside any restricted area wear badges indicating access was granted. Such badges are to be worn only while in these areas and are required to be relinquished upon departure. However, after leaving a secured area, we were mistakenly given other badges with access rights to secured areas.
- According to IRS standards, taxpayer data and related information no longer needed must be destroyed through a secure process such as shredding. While these items are awaiting destruction, IRS must protect the items from improper disclosure. However, we observed sensitive waste containing taxpayer information, such as undeliverable mail, computer screen printouts, and photo copies of incorrect document transmittals, stored on a loading dock in an unlocked container for periods of up to 2 weeks prior to disposal.<sup>14</sup> While the loading dock was within a secured perimeter, employees, contractors, and visitors allowed in this area could have gained unauthorized access to this sensitive information.

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<sup>14</sup>IRS officials told us that pickups for these items are normally scheduled on a biweekly basis.

- To prevent the accidental destruction of taxpayer receipts and information, IRS requires that emptied envelopes be candled twice before destruction to ascertain that all contents were removed. However, we observed one IRS employee who did not run the envelopes over the light source to complete the first candling.

Although the lack of adherence to these policies and procedures created no major disruption in service or hindrance to IRS's processing of mail received at the Brookhaven SCC, it increases the risk that taxpayer receipts and information will be unnecessarily exposed to potential loss, theft, or misuse.

### *Procedures for Estimating Mail Volume Data*

IRS's plan to ramp down its submission processing function is in direct response to the continuing decline in the volume of paper returns and receipts filed as taxpayers increasingly migrate to electronic filing. In effecting a rampdown at a specific SCC, volume of incoming hard-copy returns and receipts should normally decline dramatically over a short period of time as taxpayers are instructed to mail these returns and receipts to other locations. The rapid reduction in the volume of this type of mail inevitably requires significant changes in operating procedures and staffing levels. Detailed procedures documenting how to accumulate and utilize mail volume data are thus necessary to better enable IRS to estimate post-rampdown volume and measure the rampdown's success. However, during our review, we did not find a documented methodology for estimating mail volumes that was tailored to encompass the dramatic changes in mail volume precipitated by a rampdown.

Each year, IRS develops an annual plan that estimates the numbers and types of returns and receipts to be filed at each SCC during the upcoming tax filing season. This process considers such factors as prior years' experience and processing, legislative, and budget changes. These estimates are used to assist IRS in determining the staffing needs of each SCC during routine operations when mail volume levels are relatively stable. However, this process is not designed to provide for the dramatically lower mail volumes expected in a rampdown. For example, according to IRS, during fiscal year 2002, Brookhaven processed about 26.8 million pieces of mail. In contrast, during fiscal year 2004, Brookhaven processed about 3.4 million pieces of mail, a decrease of over 87 percent from its pre-rampdown level.

In reviewing the mail volume data maintained at the Brookhaven SCC after its rampdown, which included estimates and actual pieces of mail received, we found that staff were not provided with a methodology to assist them in compiling Brookhaven's post-rampdown mail volume estimates. The lack of a documented methodology for estimating mail volume data at SCCs selected for a rampdown could affect IRS's ability to develop sound and reliable mail volume estimates that can be used as a tool to assist in implementing and assessing the success of future rampdowns. This increases the risk that IRS management will not have reliable data available to effectively manage its resources during and after each rampdown or to evaluate its success.



## **Conclusions**

IRS succeeded in ramping down the submission processing function at the Brookhaven SCC without any major disruption of operations. The completion of such a significant restructuring of a large and complex operation like an SCC without major service disruptions is a notable accomplishment. Nonetheless, opportunities exist for IRS to enhance its internal controls over the safeguarding of hard-copy taxpayer receipts and information at Brookhaven and future rampdown locations. IRS will inevitably experience similarly significant changes in mail volume at other SCCs as it proceeds with implementing its detailed business plan. To maximize the benefit IRS realizes from its Brookhaven experience will require a systematic, documented approach to analyzing and utilizing mail volume information and effectively applying it to planning for and assessing the success of future rampdowns.

## **Recommendations for Executive Action**

To address the issues we have raised in this report to assist in both strengthening controls at the Brookhaven SCC and in the planning and implementation of future SCC rampdowns, we recommend that IRS do the following:

- Revise the Accounts Management Mail Unit procedures, scheduled to be incorporated into the IRM, to include detailed instructions for (1) monitoring transshipped documents and (2) handling cash receipts found during extraction. Where adequate guidance exists elsewhere, IRS should include these through cross-references.
- Enforce adherence to existing instructions on safeguarding taxpayer receipts and information, such as securing access and candling procedures, at SCCs selected for significant reductions in their submission processing functions.
- Document a methodology for estimating anticipated rapid changes in mail volume at future SCCs selected for significant reductions in their submission processing functions, taking into consideration factors such as the prior rampdown experience at Brookhaven.

## **Agency Comments**

We received written comments on a draft of this report from IRS's Commissioner. In commenting on our draft report, IRS's Commissioner agreed with our recommendations and described actions that the agency had taken or planned to take to improve the planning, procedures, and residual work processes associated with future rampdowns. The IRS Commissioner's comments are reproduced in their entirety in the enclosure to this report.

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This report contains recommendations to you. We would appreciate receiving a description and status of your corrective actions within 30 days of the date of this report.

This report is intended for use by the management of IRS. We are sending copies to the Chairmen and Ranking Minority Members of the Senate Committee on Appropriations; Senate Committee on Finance; Senate Committee on Homeland Security and Governmental Affairs; Senate Committee on the Budget; Subcommittee on Transportation and Treasury and General Government, Senate Committee on Appropriations; Subcommittee on Taxation and IRS Oversight, Senate Committee on Finance; Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Senate Committee on Homeland Security and Governmental Affairs; House Committee on Appropriations; House Committee on Ways and Means; House Committee on Government Reform; House Committee on the Budget; Subcommittee on Transportation, Treasury, and Housing and Urban Development, The Judiciary, District of Columbia, House Committee on Appropriations; Subcommittee on Government Management, Finance, and Accountability, House Committee on Government Reform; and Subcommittee on Oversight, House Committee on Ways and Means. In addition, we are sending copies of this report to the Chairman and Vice Chairman of the Joint Committee on Taxation, the Commissioner of Internal Revenue, the Director of the Office of Management and Budget, the Chairman of the IRS Oversight Board, and other interested parties. Copies will be made available to others upon request. In addition, the report is available at no charge on GAO's Web site at <http://www.gao.gov>.

We acknowledge and appreciate the cooperation and assistance provided by IRS officials and staff during our review. If you have any questions or need assistance in addressing these matters, please contact me at (202) 512-3406 or [sebastians@gao.gov](mailto:sebastians@gao.gov). Key contributors to this assignment were Charles Fox, Alain Dubois, John Sawyer, and Gary Wiggins.

Sincerely yours,



Steven J. Sebastian  
Director  
Financial Management and Assurance

Enclosure

Comments from the Internal Revenue Service



COMMISSIONER

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

March 8, 2005

Mr. Steven J. Sebastian  
Director, Financial Management and Assurance  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Sebastian:

I am responding to your draft report entitled "*Management Report: Review of Controls over Safeguarding Taxpayer Receipts and Information at the Brookhaven Service Center Campus*" (GAO-05-319R). Thank you for reviewing our procedures for handling and processing receipts and taxpayer information at the Brookhaven Campus. I believe the information in your report will assist us in our future ramp down efforts. I appreciate your recognition that we completed this major reduction to our submission processing function without disruption to the public. Accomplishing this ramp down involved intense planning and implementation efforts from executives, managers, and employees throughout the IRS organization. Efforts of this scope and complexity are truly Servicewide team endeavors.

While we are pleased with the successful ramp down, I agree that we could make improvements in the planning, procedures, and residual work processes. I agree with each of your recommendations. Responses to your specific recommendations are enclosed.

I appreciate your willingness to conduct this review at our request. I know that your thorough review will strengthen our future ramp down efforts. If you have any questions, please contact Floyd Williams, Director, Legislative Affairs, at (202) 622-3720.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark W. Everson".

Mark W. Everson

Enclosure

Enclosure

Recommendation for the Commissioner

Revise the Accounts Management Mail Unit procedures, scheduled to be incorporated into the IRM, to include detailed instructions for (1) monitoring transshipped documents, and (2) handling cash receipts found during extraction. Where adequate guidance exists elsewhere, IRS should include these through cross-references.

Response

In response to GAO's recommendations regarding transshipped documents and cash receipts, we have submitted a new Internal Revenue Manual (IRM) update that is scheduled for publication in December 2005. In the interim, we will continue using the Standard Operating Procedures that contain detailed information for document transmittals and the monitoring and control of cash receipts.

Recommendation for the Commissioner

Enforce adherence to existing instructions on safeguarding taxpayer receipts and information, such as securing access and candling procedures, at SCCs selected for significant reductions in their submission processing functions.

Response

During the GAO visit, there were three instances identified where IRS employees did not adhere to the policies and procedures in place for safeguarding taxpayer receipts and information. These involved: (1) incorrect badge issuance; (2) failure to properly secure taxpayer data and related information while awaiting destruction; and (3) inadequate candling operations. Management in Brookhaven is aware of the cited problems, and corrective action has been taken to ensure that applicable employees and managers are fully familiar with the correct procedures.

With regard to item (1), the employee was counseled at the time of the occurrence. A meeting was held with security clerks to review badge procedures. Inventories of badges are now performed after each shift. To correct item (2), action was taken to ensure that the classified waste trailer is kept locked when not in use. To address item (3), the employee was counseled at the time of observation. A meeting was held with all mail employees to review the candling procedures and reviews continue to be performed by management.

Recommendation for the Commissioner

Document a methodology for estimating anticipated rapid changes in mail volume at future SCCs selected for significant reductions in their submission processing functions, taking into consideration factors such as the prior ramp down experience at Brookhaven.

Response

GAO identified a lack of a documented methodology for estimating the mail volumes in Brookhaven after the closing of the Submission Processing (SP) operation at that site. A documented methodology will be needed in future consolidations to ensure that IRS has reliable data to effectively manage resources during and after the consolidation period.

Brookhaven was the first SP site to be closed. In the future, we will use the historical data from Brookhaven, and any other prior consolidations, to develop and document our methodology for estimating future mail volumes.

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