

January 19, 2006

The Honorable Mark W. Everson  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue, NW  
Washington, DC 20224

Dear Commissioner Everson:

In light of the recently enacted language in H.R. 3058, Section 842(b) of the FY '06 Transportation, Treasury, HUD Appropriations bill, which allows executive agency heads to conduct public-private competitions to bring contracted work back in-house, I urge you to take full advantage of this opportunity and evaluate IRS contracts eligible to be brought back into the hands of federal employees. I would like to recommend three areas that should be considered: lockbox contracts, MITS and mailroom work.

There are many areas of concern for the IRS with lockbox contractors complying with security measures and questions of the cost-effectiveness of using lockbox contractors instead of IRS employees. In 1997 and 1998, the General Accounting Office stated serious concerns as to whether the lockboxes, on average, process tax payments any faster than the IRS Service Centers and whether it would be cost effective to at least move the tax return processing back to the IRS, while continuing to send tax payments to the lockboxes (see GAO/GGD-98-33 and GAO GGD/99-21). More recently in April 2005, GAO cited several areas of concern with lockbox contractors that "increase the risk that (1) taxpayer receipts and information could be lost, stolen, misused, or destroyed..." (GAO005-247R). Lockbox work is certainly one area where the IRS could return work to federal employees, save taxpayers money and increase protection of taxpayer privacy.

Another area where the IRS should look to bring work back in-house is with the Modernization and Information Technology Services (MITS) organization. According to a February 2005 Information Technology Overview Assessment performed by Gartner Consulting for the IRS, there is reason to believe that the agency is unable to manage its existing contracts and savings could be achieved by bringing contracted MITS work back to IRS employees. The assessment specifically identifies exceptionally high vendor costs in the areas of Wide-Area Data Networks and the Mainframe Data Center.

Finally, I would like to suggest you consider returning the Agency Wide Shared Services (AWSS) Mailroom function to IRS employees. The mailroom work was handed

over to a contractor, despite NTEU's vociferous objections, at the end of 2004. Since that time, employees have witnessed abysmal mail service by the contractor. Mail has been misdirected to incorrect PODs, mail is not delivered in a timely fashion, and IRS employees are expected to do the work for which the vendor when the vendor has a contractual obligation. This is certainly an area where the IRS should further explore the true cost to the U.S. taxpayer in using an outside contractor and consider returning the mailroom work to IRS employees.

These are only three examples of work that has been contracted out where the contractors have failed to perform at the cost and quality expected by the U.S. taxpayers. I'm sure you can come up with many other areas at the IRS where contractor failures are costing the agency more than if the work was returned to federal employees. I'm confident the IRS workforce would be willing and able to perform this work more reliably and at a more affordable cost than any contractor. I urge you to consider my suggestion to look more closely at the work currently performed by contractors that should be brought back in-house in order to provide a better value to American taxpayers.

Sincerely,

Colleen M. Kelley  
National President