



Treasury Inspector General for Tax Administration Office of Audit

MANAGEMENT OVERSIGHT OF THE SMALL BUSINESS/SELF-EMPLOYED DIVISION'S FUEL COMPLIANCE FLEET CARD PROGRAM SHOULD BE STRENGTHENED

Highlights

Final Report issued on September 27, 2011

Highlights of Report Number: 2011-10-125 to the Internal Revenue Service Commissioner for the Small Business/Self-Employed Division.

IMPACT ON TAXPAYERS

Fleet cards are used to purchase fuel and minor vehicle repairs and maintenance related to fleet vehicles leased by the Internal Revenue Service (IRS). The Small Business/Self-Employed (SB/SE) Division's Fuel Compliance Fleet Card Program (Fleet Card Program) lacks sufficient management oversight and internal controls to prevent, detect, and deter fraud, waste, and abuse. Without adequate internal controls, IRS management risks losing track of the vehicles and assigned fleet cards. Management also cannot be assured that fuel and repair charges incurred are only for official business and risks paying for inappropriate vehicle expenses.

WHY TIGTA DID THE AUDIT

This review was initiated as part of the TIGTA Fiscal Year 2010 Annual Audit Plan and addresses the major management challenge of Erroneous and Improper Payments and Credits. The overall objective was to determine whether the SB/SE Division has established effective controls over the Fleet Card Program and whether those controls are sufficient to identify and prevent errors and instances of fraud, waste, and abuse.

WHAT TIGTA FOUND

IRS management's oversight and internal controls over the Fleet Card Program were not effective and did not ensure that all transactions were appropriate and legitimate. Although TIGTA did not identify specific transactions indicative of fraud, waste, or abuse of the fleet cards, TIGTA determined that the SB/SE Division did not retain adequate documentation to justify that all transactions charged to the fleet cards during the audit period were appropriate and legitimate.

Additionally, TIGTA established that in some cases (16 instances on 14 separate statements), reconciliation

and certification of the monthly Citibank statements were not conducted by group managers and agents in accordance with procedures. Finally, from October 1, 2001, until July 28, 2010, the Fleet Card Program did not have approval by the Secretary of the Treasury for home-to-work authority but used its fleet vehicles for that purpose. As a result, inappropriate charges were placed on fleet cards.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Commissioner, SB/SE Division, develop and implement formal fleet card policies, procedures, and management controls in compliance with Office of Management and Budget Circular A-123, Appendix B, *Improving the Management of Government Charge Card Programs*; the *Standards for Internal Control in the Federal Government*; and IRS vehicle inventory procedures. In addition, these policies should prevent the use of fleet cards for home-to-work transactions unless authority has been obtained in accordance with Treasury Directive 74-06 and Federal regulations.

IRS management agreed with the recommendations. SB/SE Specialty Tax Program staff plan to develop formal fleet card policies, procedures, and management controls to enhance procedures not covered in the interim guidance and ensure compliance with Circular A-123, Appendix B; the *Standards for Internal Control in the Federal Government*; and IRS vehicle inventory procedures. In addition, the IRS plans to include specific guidance directly related to the home-to-work authorization requirements in its fleet card use policies and procedures in accordance with the Treasury Directive 74-06 and Federal regulations. The current SB/SE Fleet Card home-to-work authority expires on July 15, 2013.

READ THE FULL REPORT

To view the report, including the scope, methodology and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2011reports/201110125fr.pdf>.