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*TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION*

*Office of Inspections and Evaluations*



*Inspection of the Internal Revenue Service's  
Home-to-Work Programs*

**June 6, 2011**

**Reference Number: 2011-IE-R003**

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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TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

June 6, 2011

**MEMORANDUM FOR** DEPUTY COMMISSIONER FOR OPERATIONS SUPPORT  
DEPUTY COMMISSIONER FOR SERVICES AND  
ENFORCEMENT

**FROM:**

R. David Holmgren

Deputy Inspector General for Inspections and Evaluations

**SUBJECT:**

Final Inspection Report – Inspection of the Internal Revenue Service’s  
Home-to-Work Programs (# IE-10-018)

This review was initiated at the request of the Assistant Secretary for Management and Chief Financial Officer of the Department of the Treasury. This report presents the results of our inspection to determine the Internal Revenue Service’s (IRS’s) compliance with 31 United States Code (U.S.C.) Section (§) 1344, *Passenger Carrier Use*, and Treasury Directive 74-06, *Home-to-Work Transportation Controls*.<sup>1</sup>

Synopsis

We interviewed IRS executives and managers and reviewed relevant documentation to determine the steps taken to obtain proper authorization to implement Home-to-Work Programs within Criminal Investigation and the Small Business/Self-Employed Division. We also analyzed records and documents to determine if they met the requirements contained in 31 U.S.C. § 1344 and Treasury Directive 74-06.

We determined that Criminal Investigation and the Small Business/Self-Employed Division operated their Home-to-Work Programs for more than eight years without proper authorization from the Secretary of the Treasury. Additionally, only in this past year did the Small Business/Self-Employed Division determine that its employees’ home-to-work use of a Government vehicle might result in a taxable fringe benefit to its employees. Furthermore, both

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<sup>1</sup> TD 74-06, dated March 20, 2002, applies to all Department of the Treasury bureaus.



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Criminal Investigation and the Small Business/Self-Employed Division did not meet all the record keeping requirements prescribed by the statute and the Directive.

### *Recommendations*

We made two recommendations to the Chief, Criminal Investigation, and the Commissioner, Small Business/Self-Employed Division that they: revise their procedures to ensure all home-to-work transportation requests are completed in a timely manner and meet all the requirements contained in the Treasury Directive 74-06; and record home-to-work related accidents to comply with the Directive and applicable General Services Administration requirements. We also made three recommendations specific to Criminal Investigation and five to the Small Business/Self-Employed Division addressing record keeping, internal controls, and taxable fringe-benefit determinations.

### *Responses*

Both Criminal Investigation and the Small Business/Self Employed Division provided adequate, detailed responses to our memorandum. Criminal Investigation and the Small Business/Self-Employed Division have implemented or are implementing corrective action related to each recommendation, except for the installation of Global Positioning Systems. As recommended, Criminal Investigation considered our suggestion to install Global Positioning Systems, but believes that installing systems on all vehicles to establish a uniform monitoring program has marginal benefit, and that implementing other recommendations will help monitor potential misuse. The Small Business/Self-Employed Division's management agreed with our recommendation, but cannot commit to a system at this time. They will evaluate systems to determine whether a suitable system is available. Criminal Investigation's complete response is included as Appendix IV, and the Small Business/Self-Employed Division's complete response is included as Appendix V.

Please contact me at (202) 927-7048 if you have questions, or Kevin P. Riley, Director, Office of Inspections and Evaluations, at (972) 249-8355.



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*Abbreviations*

ALERTS	Automated Labor and Employee Relations Tracking System
AWSS	Agency-Wide Shared Services
CI	Criminal Investigation
ExFON	Excise Fuel On-Line Network
FCA	Fuel Compliance Agent
FCO	Fuel Compliance Officer
FY	Fiscal Year
GPS	Global Positioning System
GSA	General Services Administration
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
SB/SE	Small Business/Self-Employed Division
SHIMS	Safety and Health Information Management System
TD	Treasury Directive
U.S.C.	United States Code



## Inspection of the Internal Revenue Service's Home-to-Work Programs

### Background

This review was conducted in response to a request from the Assistant Secretary for Management and Chief Financial Officer at the Department of the Treasury. While the Assistant Secretary and his staff were conducting a review of the Departmental Home-to-Work Program and policies, they determined that the Internal Revenue Service (IRS) might have initiated home-to-work transportation programs without the proper approval from the Secretary of the Treasury.

The IRS provides Government vehicles to special agents in its Criminal Investigation (CI) function; fuel compliance officers (FCOs) and fuel compliance agents (FCAs) in its Small Business/Self-Employed (SB/SE) Division; and certain other employees through a Fleet Program managed by the Agency-Wide Shared Services (AWSS) function. As of Fiscal Year (FY) 2010, CI, the SB/SE Division, and AWSS had more than 3,300 Government-owned or leased vehicles available for official use. Specific employees are allowed to use these vehicles for transportation between the employees' homes and various work locations.

**Figure 1: Breakout of the Number of Vehicles in the IRS Transportation Programs**

IRS Office	Total Number of Vehicles in Inventory	Government-Owned or Leased
CI	2,935	Government-Owned
SB/SE Division	105	Leased
AWSS	324	Leased
<b>Total</b>	<b>3,364</b>	

Source: IRS Inventory Systems.

The primary statute that addresses home-to-work issues is 31 United States Code (U.S.C.) Section (§) 1344, *Passenger Carrier Use*. This statute prescribes how vehicles may be used, by whom, and under what circumstances. The statute allows Federal employees to drive Government vehicles from their home to their place of employment, *i.e.*, home to work and work to home under limited circumstances. The circumstances that may justify home-to-work authority are when it is:

- Required for the performance of field work;
- Essential for the safe and efficient performance of intelligence, counterintelligence, protective services, or criminal law enforcement duties; and
- Necessary due to highly unusual circumstances that present a clear and present danger, the existence of an emergency, or some other compelling operational considerations that make such transportation essential to the conduct of official business.



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The justification for the use of home-to-work authority must be approved in writing by the head of the agency, and the authority to approve a request may not be delegated to any other official.

The Department of the Treasury's Treasury Directive (TD) 74-06, *Home-to-Work Transportation Controls*,<sup>1</sup> establishes the policy and sets forth responsibilities and reporting requirements concerning the official use of a Government passenger carrier between an employee's home and place of employment. It prescribes how requests for authorization are to be completed, what they should contain, and when they are due to the Department of the Treasury. Further, it requires that employees maintain daily mileage logs and other records necessary to establish that home-to-work transportation was used for official purposes. It also states that an employee's use of Government provided home-to-work transportation and/or parking may result in the attribution of "fringe-benefit income" to the employee.

This review was performed at CI field offices located in Washington, D.C.; Dallas, Texas; and Atlanta, Georgia; and AWSS field offices located in Chicago, Illinois; the New York, New York area; and Philadelphia, Pennsylvania; during the period of August 2010 through January 2011. We also visited St. Paul, Minnesota, to review the vehicle expense documentation of FCOs and FCAs located in the Brockton, Massachusetts; Atlanta, Georgia; and Bethlehem, Pennsylvania; SB/SE Division field offices.

This review was performed in accordance with the Council of the Inspectors General for Integrity and Efficiency Quality Standards for Inspections. Detailed information on our objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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<sup>1</sup> TD 74-06, dated March 20, 2002, applies to all Department of the Treasury bureaus.



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## *Results of Review*

After interviewing IRS officials, reviewing related Internal Revenue Manual (IRM)<sup>2</sup> procedures, and conducting on-site reviews of documents and logs related to the use of Government vehicles, we determined there is no single official or office responsible for ensuring that the provisions of 31 U.S.C. § 1344 and TD 74-06 are met. CI and SB/SE Division senior officials initially had not secured the approval of the Secretary of the Treasury for their respective Home-to-Work Programs and, as such, violated 31 U.S.C. § 1344. Additionally, officials have not established sound controls to ensure that appropriate records and vehicle logs required by TD 74-06 are properly maintained, and have not established procedures designed to detect possible misuse of Government vehicles. Further, the officials have not formally documented any determinations as to whether or not the use of the Government vehicles by their employees results in a taxable fringe benefit to them. The details applicable to CI and the SB/SE Division are presented together, and our observations pertaining to AWSS are provided separately.

### ***I. Home-to-Work Programs Lacked Proper Authorization***

The Secretary of the Treasury must conclude, in writing, that there are sufficient grounds for a Department of the Treasury employee to be allowed to use a Government vehicle to drive from home to work. However, we found that CI lacked authorization for its special agents to use Government vehicles for home-to-work purposes during the period of October 3, 2001 to March 15, 2010, and that the SB/SE Division did not have authorization for its FCOs and FCAs until July 28, 2010. We found no evidence that the original consolidated request for home-to-work authorization for the IRS, including CI and the SB/SE Division, (dated October 3, 2001) was ever approved. As a result, both functions operated their respective Home-to-Work Programs for more than eight years without proper approval from the Secretary of the Treasury.

We have been unable to contact anyone in either the IRS or the Department of the Treasury involved in the 2001 request to construct a complete picture of what occurred between 2001 and 2007. Had the original request been approved, the CI authorization would have expired within five years (2006)<sup>3</sup> and the SB/SE Division authorization within two years (2003).<sup>4</sup> The SB/SE Division officials submitted a new authorization request for their Home-to-Work Program to the Department of the Treasury in May 2007. Subsequently, SB/SE Division officials contacted the

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<sup>2</sup> The IRM contains the procedures, guidelines, policies, delegations of authority, and other instructional materials related to the administration and operation of the IRS.

<sup>3</sup> Authorizations based on being essential for the safe and efficient performance of intelligence, counterintelligence, protective services, or criminal law enforcement duties are approved for five years.

<sup>4</sup> Authorizations based on the need to complete field work are approved for two years.



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Department of the Treasury Fleet Program Manager at least four times inquiring about the status of their request on October 30, 2007; January 10, 2008; November 21, 2008; and April 10, 2009.

While there is evidence to suggest that both the Department of the Treasury and the IRS staff were aware that the authorizations were not received, we found that 31 U.S.C. § 1344 and TD 74-06 clearly require that the head of the Federal agency approve, in writing, any requests to use Government vehicles for home-to-work and work-to-home purposes. We believe that the IRS must secure approval before allowing its employees to use Government vehicles for home-to-work purposes.

### ***Recommendations***

**Recommendation 1:** The Chief, CI, should ensure that policies and procedures are in effect to renew their respective home-to-work authority, as required by TD 74-06, and that renewal requests are timely completed and submitted to the Secretary of the Treasury for approval before any existing authority expires.

**Management's Response:** Management agreed with this recommendation. CI assigned a senior analyst to be responsible for drafting and implementing CI's home-to-work policy. On January 25, 2011, CI submitted its most recent request for home-to-work authorization, which covers a five-year period.<sup>5</sup>

**Recommendation 2:** The Commissioner, SB/SE Division, should ensure that policies and procedures are in effect to renew their respective home-to-work authority, as required by TD 74-06, and that renewal requests are timely completed and submitted to the Secretary of the Treasury for approval before any existing authority expires.

**Management's Response:** Management agreed with this recommendation. The SB/SE Division Director for Strategy and Finance has been designated to ensure that policies and procedures are in place to renew the SB/SE Division's home-to-work authorities. Annually, the Director will notify the SB/SE Division's business units about the requirement to obtain approval from the Secretary of the Treasury before Government vehicles are used for home-to-work purposes. The Office of Strategy and Finance will also coordinate the submission of authorization and renewal requests, and remind business units about their responsibilities when requests are approved.

### ***II. Record Keeping Requirements Were Not Met***

We found that neither CI nor the SB/SE Division met the record keeping requirements contained in TD 74-06. The Directive requires that the IRS maintain logs or other records to verify the use of home-to-work transportation for official purposes. The Directive also requires that requests

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<sup>5</sup> The CI request was approved by the Secretary of the Treasury on March 16, 2011.



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for home-to-work authority contain assurance that the authority will not adversely impact program budgets; therefore, costs associated with the program should be readily determinable.

### **Criminal Investigation**

CI depends on its special agents to accurately document vehicle usage on a Home-to-Work and Extraordinary Use Vehicle Log. This log contains the name and title of the employee assigned to the vehicle, the name and title of the person authorizing the use, the vehicle identification number, and the date of assignment. However, the log did not record all vehicle usage outside of the normal scheduled tour of duty, as required by TD 74-06.

### **CI special agents did not capture all vehicle usage on the vehicle log**

We found that a special agent's use of his or her Government vehicle was not completely recorded on the Home-to-Work and Extraordinary Use Vehicle Log. In interviews we conducted with Supervisory Special Agents, they indicated that there was confusion about how callouts should be reported on the log. A callout occurs when a special agent departs his or her home or temporary home (not the duty location or other Government facility) more than two hours before or after the special agent's tour of duty, or when a special agent responds spontaneously from his or her home. Additionally, any use of a Government vehicle outside the administrative workweek is a callout.

CI officials stated that the Home-to-Work and Extraordinary Use Vehicle Log was revised in December 2010 to ensure consistency between the TD 74-06 and home-to-work transportation controls and reporting requirements. CI is now capturing vehicle usage according to three categories:

- (1) Commutes occurring during an agent's tour of duty;
- (2) Commutes occurring outside an agent's normal tour of duty; and
- (3) All other vehicle uses outside the tour of duty.

### **CI has not provided sufficient home-to-work guidance to its staff**

CI employees who are assigned a Government vehicle are also required to complete a monthly Vehicle Expense Report in addition to the Home-to-Work and Extraordinary Use Vehicle Log. Special agents are provided a fleet charge card which is used to purchase fuel and maintenance expenditures such as oil changes, car washes, and tire rotations. Receipts for any purchase must be attached to the Vehicle Expense Report and recorded for the day the expense was incurred. Each expense on the Vehicle Expense Report must be reconciled to the special agent's monthly fleet charge card statement. The Home-to-Work and Extraordinary Use Vehicle Log and the Vehicle Expense Report are submitted monthly to the Supervisory Special Agent.

We found, however, that there is limited guidance in the IRM for special agents to use in preparing the Home-to-Work and Extraordinary Use Vehicle Log and Vehicle Expense Report.



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CI uses IRM 9.11.1, *Fiscal and Budgetary Matters*, and IRM 9.10.1, *Vehicle Usage Reporting*, as its primary instructions for implementing its Home-to-Work Program. For example, the IRM sections did not include definitions for an after-hours response. In addition, the IRM does not document who is responsible for reviewing and approving the Home-to-Work and Extraordinary Use Vehicle Log and Vehicle Expense Report.

### **CI has not determined the oversight responsibilities of its Home-to-Work Program**

The CI Director of Strategy issued a memorandum entitled, “Reduction in Administrative Burden” on November 20, 2001. According to this memorandum, Supervisory Special Agents are no longer required to review or sign Vehicle Expense Reports. Instead, Supervisory Special Agents should designate a non-special agent to review them. Because CI has not required Supervisory Special Agents to review both the vehicle log and the expense report together, there is a risk that indications of potential misuse could be overlooked. During our inspection, we identified problems with the reporting and monitoring of vehicle mileage and expense information. Specifically, we reviewed 146 vehicle folders and noted that receipts to support purchases were missing from about 18 percent of the folders (27 of 146), and vehicle logs were missing from nearly 14 percent (20 of 146).

The Supervisory Special Agent should be aware of the cases an individual special agent is working on. The Supervisory Special Agent should note where fuel was purchased and ensure that it corresponds to the locations of the cases the special agent is assigned. Likewise, the dates and times of purchases should be reviewed against the special agent’s reported duty hours and vehicle logs. By establishing a profile of “normal” total mileage, home-to-work mileage, and expenses incurred by each special agent, exceptions should be more readily detected, and the Supervisory Special Agent can properly follow up on any anomalies.

Another option would be to evaluate the benefits and potential drawbacks of obtaining and using a Global Positioning System (GPS). The GPS is a radio navigation system that allows land, sea, and airborne users to determine their exact location and velocity, 24 hours a day, in all weather conditions, and anywhere in the world. Depending upon the type of system and system support purchased, several aspects of vehicle use could be recorded and various reports generated. The location of vehicles and whether they were moving or parked could be determined at anytime. Additional examples of the data that could be tracked include vehicles driven at excessive speed (e.g., above 75 mph), vehicles driven between the hours of 9 p.m. to 5 a.m., and vehicles driven on weekends and Federal holidays. Such systems are routinely used by large commercial fleets and increasingly by various law enforcement agencies.

### ***Recommendations***

The Chief, CI, should:

**Recommendation 3:** Modify the IRM to define the elements of the Home-to-Work and Extraordinary Use Vehicle Log and Vehicle Expense Report. Additionally, the Chief, CI,



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should require that Supervisory Special Agents closely review and approve special agents' vehicle logs and related expense reports. These reviews should be structured to look for any indications of fraud or potential misuse of assigned Government vehicles, in addition to ensuring that mileage and fuel use are reported accurately.

**Management's Response:** Management agreed with this recommendation. The Chief, CI will update the IRM to provide greater detail on the elements of the Home-to-Work and Extraordinary Use Vehicle Log. Additionally, the Chief, CI will issue a policy memorandum stating the requirements for Supervisory Special Agents to review monthly vehicle logs, and instruct Supervisory Special Agents to review and sign the special agents' monthly vehicle logs and related expense reports looking for potential misuse.

**Recommendation 4:** Consider installing a GPS on all vehicles to establish a uniform monitoring program. Items to consider evaluating could include, but are not limited to, after-hours, high speed, and out of assigned geographical area use of vehicles.

**Management's Response:** Management considered our suggestion to install GPS, as recommended, but believes installing GPS on all vehicles to establish a uniform monitoring program will have a marginal benefit and is not warranted, given the limited level of misuse of Government vehicles. CI believes corrective actions related to Recommendation 3 will help monitor potential misuse of Government-owned vehicles.

### **Small Business/Self-Employed**

FCOs and FCAs in the SB/SE Division's Fuel Compliance Program review their monthly fleet charge card statements for accuracy; attach all gas, maintenance, and repair receipts; sign the statements; and forward them to their manager, who reviews the documents and signs the statements. These documents are forwarded to the SB/SE Division's Fleet Program Manager, who receives a bill for the entire fleet each month. The Fleet Program Manager compares bills to be certain that all are received from managers, and reviews receipts to extract data to track fuel and other expenses.

While expenses are closely monitored, we found that the Fuel Compliance Program does not consistently meet the basic record keeping requirements contained in TD 74-06 pertaining to vehicle use. Prior to FY 2010, FCOs reported mileage and expenses in the Excise Fuel On-Line Network (ExFON).<sup>6</sup> The ExFON was discontinued and FCOs and FCAs in the Fuel Compliance Program then relied on the GPS systems installed on vehicles to record mileage data. However, that GPS system is not reliable and has stopped working on several occasions. Manual mileage logs are required when the GPS is inoperable, according to the Memorandum of Understanding between the SB/SE Division and the National Treasury Employees Union.

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<sup>6</sup> ExFON was the integrated case processing and tracking system used by the IRS FCOs and group managers.



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During our review of mileage data for the Fuel Compliance Program, we found that ExFON mileage logs sometimes contained data entry errors that would have precluded managers from obtaining valid mileage or expense totals. The ExFON and manual logs did not always provide enough detail to determine whether home-to-work use occurred. Vehicle use outside the normal scheduled tour-of-duty hours was not identified separately in any records we reviewed. Some FCOs and FCAs did not prepare manual mileage logs for up to four months after their GPS systems became inoperable.

The SB/SE Division provided us with vehicle mileage log data prepared from October 2009 through April 2010 for the Division's vehicle usage study. We determined that for 100 FCOs and FCAs, 649 monthly logs or equivalent GPS data should have been available, but data for only 451 (70 percent) were received, and some of the information was incomplete. Employees started using mileage logs when they were made aware of the oversight. Timely review of vehicle mileage logs should have detected this sooner.

Since the Fuel Compliance Program does not use a standard vehicle mileage log for employees to manually record mileage, employees may not have captured all home-to-work and work-to-home mileage. Also, home-to-work mileage should be maintained in such a format that fringe benefit income can be more easily determined for reporting on the Wage and Tax Statement (Form W-2).<sup>7</sup>

Without complete mileage records, the Fuel Compliance Program does not meet the record keeping requirement of TD 74-06. As a result, management could not ensure that the vehicles were being used for official purposes only and could not determine whether employees were liable for income taxes for personal use of these vehicles. Further, TD 74-06 requires that the written request for authorization includes assurance that the home-to-work authority will not adversely impact program budgets. In order to support such an assurance, the cost of allowing employees to use the vehicles for commuting purposes should be readily determinable.

In response to our inspection and an audit currently being performed by the Treasury Inspector General for Tax Administration's Office of Audit,<sup>8</sup> the SB/SE Division issued a directive to the field offices clarifying what was necessary to reconstruct home-to-work records. The SB/SE officials believe that this will help to produce the data required in the future to determine any taxable income. In addition, the SB/SE Division will revise the IRM to clarify home-to-work guidance. It will specifically cover the requirements of TD 74-06, including the information employees must record and reviews managers will be required to complete.

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<sup>7</sup> Transportation directly between the home and post of duty are generally taxable fringe benefits when home to work transportation is provided for the performance of field work. Transportation between home and the field is generally not a taxable fringe benefit.

<sup>8</sup> Treasury Inspector General for Tax Administration, Office of Audit, Audit Number 200910026, Review of Small Business/Self-Employed Division Controls to Safeguard Fleet Charge Cards.



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According to Fuel Compliance Program management, employees do not record after-hours vehicle use; however, this type of use is limited. While the SB/SE Division anticipated more after-hours use, experience shows that very rarely are FCOs and FCAs required to go to locations to take samples or do inspections after their tours of duty. If this does occur, employees would input new entries to record that they went out to do additional work after they went home.

### ***Recommendations***

The Commissioner, SB/SE Division, should:

**Recommendation 5:** Develop a standard mileage log to properly capture home-to-work and after-hours vehicle use.

**Management's Response:** Management agreed with this recommendation. The SB/SE Division's Excise Tax Program implemented a standard mileage log for capturing home-to-work and after-hours use on January 19, 2011, for Excise Tax Program vehicles.

**Recommendation 6:** Modify the IRM to require managers to closely review and approve the FCOs' and FCAs' mileage logs and related vehicle charge card statements. The reviews should be structured to look for any indications of fraud or potential misuse of assigned Government vehicles, in addition to ensuring that mileage and fuel use are reported accurately.

**Management's Response:** Management agreed with this recommendation. The SB/SE Division's Specialty Programs Excise Tax will modify the IRM as needed to require managerial review and approval for FCOs' and FCAs' mileage logs and related vehicle charge card statements.

**Recommendation 7:** Ensure that cost data related to the Home-to-Work Program is fully documented to support the required assurance that the home-to-work authority will not have an adverse impact on program budgets.

**Management's Response:** Management agreed with this recommendation. By implementing corrective actions associated with recommendations 5 and 12, the SB/SE Division will have the necessary cost data to document the impact of the budget by their Home-to-Work Program.

**Recommendation 8:** Consistent with the terms of the Memorandum of Understanding between the IRS and the National Treasury Employees Union, acquire a GPS and establish a uniform monitoring program. Items to consider evaluating could include, but are not limited to, after-hours, high speed, and out of assigned geographical area use of vehicles.

**Management's Response:** Management agreed with this recommendation. The SB/SE Division's Specialty Programs Excise Tax plans to terminate the existing GPS Memorandum of Understanding. Although the SB/SE Division is not able to commit to a



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GPS at this time, the Excise Tax Program will evaluate systems available through GSA in order to identify a suitable GPS. FCOs and FCAs will manually maintain standardized mileage logs and record after-hours use until a suitable GPS can be acquired.

### ***III. Determinations of Taxable Fringe Benefits Were Not Made or Documented in All Instances***

TD 74-06 requires that the Department of the Treasury bureaus determine whether home-to-work transportation provided to employees constitutes a taxable fringe benefit. If use of Government vehicles for commuting and the parking provided for these vehicles are considered taxable fringe benefits for employees, the IRS is responsible for keeping necessary records, reporting such income on a Form W-2 and withholding any required taxes. Employees are liable for any incurred taxes.

#### **Criminal Investigation**

The IRS's Office of Chief Counsel stated that CI special agents' use of Government vehicles for home-to-work purposes does not constitute a taxable fringe benefit. According to the *Tax Reform Act of 1986*,<sup>9</sup> CI special agents are allowed qualified non-personal use of Government vehicles. Generally, law enforcement officers who are required to drive a law enforcement vehicle (either marked or unmarked) from home-to-work and are required to be available for duty after-hours are exempt from reporting their use of a Government vehicle as a taxable fringe benefit. However, in order to avoid misinterpretation of the applicable regulations, CI should formally document its determination regarding the taxability of home-to-work benefits.

#### **Recommendation**

**Recommendation 9:** The Chief, CI, should formally document management's determination that a special agent's use of a Government vehicle for commuting purposes does not constitute a taxable fringe benefit to the employee, and maintain a written record of the determination.

**Management's Response:** Management agreed with this recommendation. CI will formally document that a special agent's use of a Government-owned vehicle for commuting purposes does not constitute a taxable fringe benefit.

#### **Small Business/Self-Employed**

During our inspection, the SB/SE Division officials determined that their employees' use of Government vehicles for home-to-work transportation should be considered a taxable fringe benefit. The SB/SE Division performed a review of the employees' mileage logs in an attempt

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<sup>9</sup> Tax Reform Act of 1986, Pub. L. No. 99-514, 100 Stat. 2085 (codified as amended in scattered sections of 16 U.S.C., 19 U.S.C., 25 U.S.C., 26 U.S.C., 28 U.S.C., 29 U.S.C., 42 U.S.C., 46 U.S.C., and 49 U.S.C.).



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to reconstruct home-to-work for a specific period of time to estimate the cost.<sup>10</sup> The SB/SE Division officials believe they will have the information necessary for Calendar Year 2011 to issue Forms W-2, if they determine that employees used Government vehicles to commute from home-to-work or work-to-home. The SB/SE Division has to determine which available method they will use for valuation of the income. The special \$1.50 valuation is available when employees are required to commute from home to work using Government vehicles; however, FCOs and FCAs are not required to use these vehicles to commute to their post of duty.

### ***Recommendation***

The Commissioner, SB/SE Division, should:

***Recommendation 10:*** Formally document the determination that FCOs' and FCAs' use of Government vehicles for commuting purposes does constitute a taxable fringe benefit to the employees assigned vehicles and maintain a written record of the determination.

***Management's Response:*** Management agreed with this recommendation. SB/SE Division management plans to issue guidance advising its employees about those uses of Government vehicles that constitute a taxable fringe benefit.

## ***IV. Allegations of Misuse and Review of Reported Accidents***

The IRS's Guide to Penalty Determinations prescribes disciplinary actions for specific infractions related to the misuse of Government-owned or leased vehicles. Employees who willfully use or authorize the use of a Government vehicle, except for official purposes or otherwise, violate 31 U.S.C. § 1344 and face disciplinary action of a minimum 30-day suspension.

### ***Allegations of Misuse***

We analyzed the Automated Labor and Employee Relations Tracking System (ALERTS)<sup>11</sup> to determine the number of alleged cases of vehicle misuse by CI and SB/SE Division staff. We found that for the period of October 1, 2004 through September 30, 2010, there were 81 allegations against CI employees and there were 14 against SB/SE Division employees. Investigators were able to substantiate or prove the allegations in approximately 30 percent of the cases. The remaining cases could not be substantiated, were unresolved, or open as of October 2010 (see Figure 2).

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<sup>10</sup> The review was performed using vehicle mileage logs from June 1, 2009, to May 31, 2010.

<sup>11</sup> The ALERTS contains information on reported allegations of employee misconduct and the subsequent actions taken by the IRS management related to each case.



*Inspection of the Internal Revenue Service's  
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**Figure 2: Allegations of Vehicle Misuse within CI and SB/SE Division**

Resolution	CI	SB/SE Division	Total	Percent of Total
Substantiated	24	4	28	29.5%
Not substantiated	42	6	48	50.5%
Unresolved	13	4	17	17.9%
Open	2		2	2.1%
<b>Total</b>	<b>81</b>	<b>14</b>	<b>95</b>	

Source: ALERTS database.

Approximately 46 percent of the cases (44 of 95) resulted in disciplinary actions or the resignation or retirement of the employee being investigated. In nine cases, the employees under investigation resigned or retired even though the allegations were not substantiated. About 54 percent of the cases (51 of 95) did not result in any disciplinary actions or are currently being reviewed. Figure 3 documents the disciplinary actions that resulted from the investigations.

**Figure 3: Actions Related to Allegations of Misuse within CI and SB/SE Division**

Actions taken by Management or Employee			
	CI	SB/SE Division	Total
Employee removed from the IRS	7	0	7
Employee resigned or retired	12	4	16
Employee suspended for 30 days or more	5	0	5
Employee suspended for less than 30 days	9	2	11
Employee reprimanded/admonished	4	0	4
Alternative discipline in lieu of reprimand	0	1	1
<b>Total investigations that resulted in disciplinary action or separation from the IRS</b>			<b>44</b>
Closed without action	19	4	23
Closed without adjudication	1	2	3
Clearance letter issued to the employee	18	1	19
Allegation withdrawn	1	0	1
Cases still being reviewed	3	0	3
Other (not substantiated)	2	0	2
<b>Total investigations without disciplinary action</b>			<b>51</b>

Source: ALERTS database.



## *Inspection of the Internal Revenue Service's Home-to-Work Programs*

### **Reported accidents**

GSA's Bulletin FMR B-15, *Motor Vehicle Management*, dated September 21, 2007, provides that Federal agencies should develop a fleet management information system to collect and store certain information for accident reporting. According to the bulletin, Federal agencies should:

- Capture summary accident data, including date/day/time, vehicles involved, vehicle operator, third party information, and downtime;
- Facilitate preparation of accident tracking and frequency reports; and
- Prepare exception reports that identify vehicles and/or operators who are deemed to need attention.

As stated previously, TD 74-06 requires that requests for home-to-work authority contain assurance that the authority will not adversely impact program budgets; therefore, costs associated with the program should be readily determinable. We believe accidents that occur while commuting from home to work should be included in the cost of a Home-to-Work Program.

CI does not track accidents involving Government vehicles outside of the Safety and Health Information Management System (SHIMS).<sup>12</sup> We reviewed the SHIMS and found that in FYs 2006 through 2010, CI special agents were involved in 233 vehicular accidents. At least 27 of these accidents occurred while agents were driving to or from their home, or occurred at their home.

**Figure 4: Analysis of Accidents Involving CI Special Agents**

	Fiscal Year					
	2010	2009	2008	2007	2006	Total
Number of Accidents	38	42	34	59	60	233
Accidents Occurring During Home to Work	8	5	1	5	8	27

*Source: The SHIMS database, as of September 30, 2010.*<sup>13</sup>

Twelve special agents were involved in two reported accidents, and two other special agents were involved in three accidents during the five-year period we reviewed.

Since CI did not routinely track whether the employees' accidents occurred while commuting from home to work, we could only determine that 27 of 233 accidents were home-to-work related. This limits CI's ability to assess the full cost of the Home-to-Work Program.

<sup>12</sup> The SHIMS is the Department of the Treasury's automated workers' compensation claim management and safety incident tracking system.

<sup>13</sup> Of the 233 accidents reported in the SHIMS, 60 did not specifically indicate that they involved Government-owned vehicles; however, CI management stated that they would have been Government-owned vehicles.



## Inspection of the Internal Revenue Service's Home-to-Work Programs

In FY 2008, the SB/SE Division began tracking accidents as per GSA's Bulletin FMR B-15. For the period of FY 2008 through FY 2010, the Division recorded a total of 32 accidents. However, we determined that not all of those accidents were recorded in the SHIMS, as they are required to be.

The FCOs and FCAs are required to report accidents to their manager immediately. Managers must report accidents to the Fleet Manager within 24 hours. Additionally, the IRM 1.14.5.3, *Occupational Safety and Health Program*, requires supervisors and managers to ensure that accidents and injuries (including near misses) are recorded in the SHIMS.

We did not identify any accidents involving FCOs recorded in the SHIMS for FY 2006 or FY 2007. The FCAs were not hired until FY 2009.

**Figure 5: Analysis of Accidents Involving the SB/SE Division's FCOs and FCAs**

FISCAL YEAR						
	2010	2009	2008	2007	2006	Total
Number of Accidents	16	15	3	N/A	N/A	34 <sup>14</sup>

Source: SB/SE Division Excise Program Fleet Manager.

We determined that five FCOs were each involved in two accidents during the three-year period for which records were maintained by the Division.

Additionally, the SB/SE Division did not track whether its employees' accidents occurred while commuting from home to work. This limits their ability to assess the full cost of the Home-to-Work Program.

### Recommendations

**Recommendation 11:** The Chief, CI, should track accidents in accordance with GSA's Bulletin FMR B-15, and track the cost of accidents that are home-to-work related in order to comply with TD 74-06.

**Management's Response:** Management agreed with this recommendation. CI will institute a system for tracking all accidents involving Government vehicles at the Headquarters level, using current reports to determine whether home-to-work accidents have occurred.

**Recommendation 12:** The Commissioner, SB/SE Division, should track the home-to-work accidents and the related costs in order to comply with TD 74-06.

<sup>14</sup> Two additional accidents were recorded in the SHIMS before the SB/SE Division began tracking them.



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## *Inspection of the Internal Revenue Service's Home-to-Work Programs*

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**Management's Response:** Management agreed with this recommendation. The SB/SE Division will use the information currently reported to identify home-to-work accidents.

### ***V. Use of Agency-Wide Shared Services Fleet Vehicles***

#### **Authorization**

AWSS oversees the IRS Fleet Program for vehicles other than those in CI or the SB/SE Division Fuel Compliance Program. AWSS does not have a Home-to-Work Program, and an authorization from the Secretary of the Treasury was not requested. We found, however, that an SB/SE Division employee (not in the Fuel Compliance Program) drove a Government vehicle to his residence from the field with the approval of his first-line manager and territory manager.

According to program management, the employee \*\*\*\*\*Code Number 3d\*\*\*\*\* was first issued a car in October 2001. A memorandum was prepared to justify use of the vehicle and the cost savings to the Government. The employee met with the Facilities Government Car Coordinator to discuss the rules and regulations governing the use of the vehicle. They discussed his plan to store the vehicle at his home, which would be permitted because the vehicle would be driven between his home and the field, but not to his post of duty. The employee no longer has a vehicle assigned to him and no other employees in the program are assigned a vehicle.

#### **Tax matters**

AWSS officials believe that employees driving AWSS fleet vehicles would have no taxable fringe benefit income. According to SB/SE Division officials, the one SB/SE Division employee who used a vehicle for his assigned field work did not use the vehicle to commute to his office. Therefore, there was no personal use of the vehicle and no taxable income.

#### **Record keeping**

The AWSS vehicles are leased from GSA and assigned to groups or functions rather than to individuals. While appropriate vehicle mileage logs are maintained, the logs used are not required to meet all the requirements listed in TD 74-06 since AWSS has not implemented a Home-to-Work Program.



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*Inspection of the Internal Revenue Service's  
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## Appendix I

### *Detailed Objective, Scope, and Methodology*

The overall objective of this review was to determine the IRS's compliance with 31 U.S.C. § 1344, *Passenger Carrier Use*, and Treasury Directive (TD) 74-06, *Home-to-Work Transportation Controls*. To accomplish our overall objective, we completed the following sub-objectives.

- I. We interviewed the appropriate IRS executives and managers in CI and the SB/SE Division and reviewed relevant documentation to determine the reasons why the IRS did not obtain proper authorization to implement its Home-to-Work Programs.
- II. We requested documentation from the IRS's Office of Chief Counsel to support the determination that CI special agents do not receive a taxable fringe-benefit from using Government vehicles.
- III. We interviewed IRS managers and employees, and reviewed Government property records to determine whether the IRS's use of Government vehicles is being administered in accordance with 31 U.S.C. § 1344 and TD 74-06.

#### **Criminal Investigation**

- A. We interviewed the responsible executives to evaluate the management and internal controls developed to detect and prevent abuse of the Home-to-Work Program.
- B. We obtained a download of the Criminal Investigation Management Information System<sup>1</sup> for the past five fiscal years (October 1, 2005 through September 30, 2010).
- C. We reviewed the IRS's SHIMS<sup>2</sup> to determine whether any Government vehicles have been involved in accidents.
- D. We reviewed the ALERTS<sup>3</sup> database to determine if special agents have been investigated for the potential misuse of a Government vehicle for the past six fiscal years (October 1, 2004 through September 30, 2010).

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<sup>1</sup> The Criminal Investigation Management Information System is a management and information system used to track the status and progress of investigations, time expended by employees, employee information, and investigative equipment.

<sup>2</sup> SHIMS is the Department of the Treasury's automated workers' compensation claim management and safety incident tracking system.

<sup>3</sup> The ALERTS contains information on reported allegations of employee misconduct and the subsequent actions taken by IRS management related to each case.



*Inspection of the Internal Revenue Service's  
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**Small Business/Self-Employed Division**

- A. We coordinated with the Treasury Inspector General for Tax Administration's Office of Audit and determined issues identified by the audit team during their review of the SB/SE Division's Fleet Credit Card audit.<sup>4</sup>
- B. We interviewed the responsible executives to determine the management and internal controls developed to detect and prevent abuse of the Home-to-Work Program.
- C. We obtained a download of the mileage data on the ExFON<sup>5</sup> for the past five fiscal years (October 1, 2005 through September 30, 2010).
- D. We reviewed the SHIMS for the past five fiscal years (October 1, 2005 through September 30, 2010) to determine whether any Government vehicles have been involved in an accident.
- E. We reviewed the ALERTS database to determine if FCOs and FCAs have been investigated for potential misuse of a Government vehicle during the past six fiscal years (October 1, 2004 through September 30, 2010).

**Agency-Wide Shared Services**

- A. We determined whether AWSS requested a home-to-work authorization for any of its employees or any IRS employees using fleet vehicles under AWSS control.
- B. We interviewed the responsible executives to determine the management and internal controls developed and applied to the AWSS fleet vehicle program.

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<sup>4</sup> Treasury Inspector General for Tax Administration, Office of Audit, Audit Number 200910026, Review of Small Business/Self-Employed Division Controls to Safeguard Fleet Charge Cards.

<sup>5</sup> ExFON was the integrated case processing and tracking system used by the IRS FCOs and group managers.



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**Appendix II**

*Major Contributors to This Report*

Kevin P. Riley, Director  
James Douglas, Supervisory Program Analyst  
Michelle Griffin, Lead Program Analyst  
Mark Anderson, Program Analyst  
Dolores Castoro, Senior Auditor



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**Appendix III**

*Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Commissioner, Small Business/Self-Employed Division SE:S  
Chief, Agency-Wide Shared Services OS:A  
Chief, Criminal Investigation SE:CI  
Director, Specialty Programs SE:S:SP  
Director, Real Estate and Facilities Management OS:A:RE  
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Director, Office of Legislative Affairs CL:LA  
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    Chief, Criminal Investigation SE:CI



*Inspection of the Internal Revenue Service's  
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**Appendix IV**

*Criminal Investigation  
Management's Response to the Draft Report*



Criminal Investigation

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

March 17, 2011

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Victor S.O. Song    
Chief, Criminal Investigation CI (SE:CI)

SUBJECT:

Response To Draft Audit Report—Inspection of the Internal  
Revenue Service's Home-to-Work Programs  
(Audit # IE-10-018)

The following is Criminal Investigation's (CI) response to the above referenced report.  
Please incorporate this memorandum into the final audit report.

Criminal Investigation has made significant strides over the past year with respect to motor vehicle fleet management, and has assigned one Headquarters (HQ) senior analyst to oversee all motor vehicle issues to include the home-to-work (HTW) program. Additionally, CI is working closely with the Department of Treasury, Office of Asset Management, to ensure that CI's fleet resources are being used in the most productive manner possible and in accordance with all applicable regulations. Criminal Investigation welcomes the opportunity to enhance its business efficiencies regarding its management and use of Government Owned Vehicles (GOV). We believe the recommendations in this report will achieve that objective. Our comments on the specific recommendations addressed to CI in this report are listed in the attached.

If you have any questions, please contact me at (202) 622-3200.

Attachment



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*Inspection of the Internal Revenue Service's  
Home-to-Work Programs*

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**Attachment**  
Response to Draft Audit Report:  
Inspection of the Internal Revenue Service's  
Home-to-Work Programs (Audit # IE-10-018)

The following are comments on the specific recommendations addressed to Criminal Investigation (CI) in this report:

**IDENTITY OF RECOMMENDATION #1**

The Chief, CI, should ensure that policies and procedures are in effect to renew their respective Home-to-Work (HTW) authority as required by TD 74-06, and that renewal requests are timely completed and submitted to the Secretary of the Treasury for approval, before any existing authority expires.

**CORRECTIVE ACTION(S)**

Criminal Investigation agrees with this recommendation and has already taken corrective actions to implement it. As noted previously, CI has assigned a Headquarters senior analyst with additional support as necessary to oversee all vehicle issues within CI. As such they will be responsible for drafting and implementing CI's HTW policy. On January 25, 2011, CI submitted its most recent request for HTW authorization which covers a 5 year period.

**IMPLEMENTATION DATE**

COMPLETED January 25, 2011 PROPOSED \_\_\_\_\_

**RESPONSIBLE OFFICIAL (S)**

Director, Security and Technical Operations (STO).

**CORRECTIVE ACTION(S) MONITORING PLAN**

Once the pending HTW authorization is signed, a system will be created to track and monitor the expiration of the pending authorization. The system will also generate a notice prior to the expiration of the HTW authorization. Additionally, the senior analysts will annually contact Treasury to ensure no changes or modifications have occurred to the current HTW authorization.

**IDENTITY OF RECOMMENDATION #3**

The Chief, CI, should modify the IRM to define the elements of the Home-to-Work and Extraordinary Use Vehicle Log and Vehicle Expense Report. Additionally, the Chief, CI, should require that the Supervisory Special Agents (SSAs) closely review and approve special agents' vehicle logs and related expense reports. The reviews should be structured to look for any indications of fraud or potential misuse of assigned Government vehicles, in addition to ensuring mileage and fuel use are reported accurately.

**CORRECTIVE ACTION(S)**

Criminal Investigation agrees with this recommendation. Internal Revenue Manual (IRM) 9.1.4, Criminal Investigation Directives, Directive No. 3, Use of Government Owned Vehicles, will be updated to provide greater detail with respect to the elements of the HTW and Extraordinary Use Vehicle Log.



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Criminal Investigation will instruct SSAs to review and sign the special agent's monthly vehicle logs and related expense reports looking for potential misuse. The Chief, CI will issue a policy memorandum stating the requirements for SSAs to review the monthly vehicle logs.

Criminal Investigation recently transitioned over to the Wright Express Card. Treasury transitioned because of the reporting capabilities the card offers. This should assist field office staff in their review of fuel expense reports for accuracy and give them the ability to note discrepancies.

**IMPLEMENTATION DATE**

COMPLETED \_\_\_\_\_ PROPOSED December 15, 2011

**RESPONSIBLE OFFICIAL (S)**

Director, Security and Technical Operations (STO).

**CORRECTIVE ACTION(S) MONITORING PLAN**

Verify in next published versions of IRM 9.1.4 that changes have been made.

**IDENTITY OF RECOMMENDATION #4**

The Chief, CI, should consider installing a Global Positioning System (GPS) on all vehicles to establish a uniform monitoring program. Items to consider evaluating could include (but are not limited to) after-hours, high speed, and out-of-assigned geographical area use of vehicles.

**CORRECTIVE ACTION(S)**

Criminal Investigation believes installing GPS systems on all vehicles to establish a uniform monitoring program has marginal benefit since the misuse of government vehicles is very limited and does not warrant this type of action. Criminal Investigation believes that the modification to the IRM to define the elements of the HTW and Extraordinary Use Vehicle Log and Vehicle Expense Report identified in Recommendation #3 will help monitor potential misuse of Government Owned Vehicles (GOV).

**IMPLEMENTATION DATE**

COMPLETED \_\_\_\_\_ N/A \_\_\_\_\_ PROPOSED \_\_\_\_\_ N/A \_\_\_\_\_

**RESPONSIBLE OFFICIAL (S)**

N/A

**CORRECTIVE ACTION(S) MONITORING PLAN**

Criminal Investigation will continue to monitor vehicle misuse within its HTW program taking the proper corrective actions, and if it ever becomes warranted we will re-evaluate the issue of installing a GPS system on all vehicles as part of a uniform monitoring program.



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**IDENTITY OF RECOMMENDATION #9**

The Chief, CI, should formally document management's determination that special agents' use of GOVs for commuting purposes does not constitute a taxable fringe benefit to the employee's assigned vehicles, and maintain a written record of the determination.

**CORRECTIVE ACTION(S)**

Criminal Investigation will formally document that a special agent's use of a GOV for commuting purposes does not constitute a taxable fringe benefit as it is already codified in the *Tax Reform Act of 1986*. As provided for in the law, law enforcement officers who are required to drive a law enforcement vehicle (marked or unmarked) from home-to-work and are required to be available for duty after-hours are exempt from reporting their use of a GOV as a taxable fringe benefit.

**IMPLEMENTATION DATE**

COMPLETED \_\_\_\_\_ N/A \_\_\_\_\_ PROPOSED September 15, 2011

**RESPONSIBLE OFFICIAL(S)**

Chief, CI

**CORRECTIVE ACTION(S) MONITORING PLAN**

A memorandum will issued by the Chief, CI formally documenting use of a GOV for commuting purposes does not constitute a taxable fringe benefit.

**IDENTITY OF RECOMMENDATION #11**

The Chief, CI, should track accidents in accordance with General Services Administration Bulletin FMR B-15, and track the cost of accidents that are home-to-work related in order to comply with TD 74-06.

**CORRECTIVE ACTION(S)**

Criminal Investigation agrees with this recommendation. Criminal Investigation currently tracks accidents involving GOVs through the Safety and Health Information Management System (SHIMS) which captures all required information needed in General Services Administration Bulletin FMR B-15. However, the information is localized and as such CI will institute a system for tracking all accidents involving GOVs at the HQ level. Criminal Investigation believes that the current reports allow for the ability to determine whether HTW accidents have occurred.

**IMPLEMENTATION DATE**

COMPLETED \_\_\_\_\_ PROPOSED September 15, 2011

**RESPONSIBLE OFFICIAL(S)**

Director, Security and Technical Operations (STO).

**CORRECTIVE ACTION(S) MONITORING PLAN**

A system for tracking accidents at the Headquarters level will be developed. It will be maintained by the Director, Security and Technical Operations. Guidance will be provided to CI special agents that all accidents and injuries involving GOVs must be reported to management. Management in turn will be instructed that this information must be recorded in the Safety and Health Information Management System (SHIMS) as well as being provided to the Director, Security and Technical Operations.



*Inspection of the Internal Revenue Service's  
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**Appendix V**

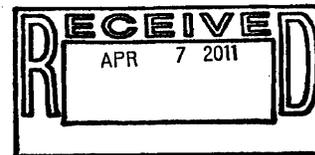
*Small Business/Self-Employed Division  
Management's Responses to the Draft Report*



COMMISSIONER  
SMALL BUSINESS/SELF-EMPLOYED DIVISION

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

March 24, 2011



MEMORANDUM FOR R. DAVID HOLMGREN  
DEPUTY INSPECTOR GENERAL FOR INSPECTIONS  
AND EVALUATIONS

FROM: Christopher Wagner  
Commissioner, Small Business/Self-Employed Division

SUBJECT: Draft Inspection Report – Inspection of the Internal Revenue  
Service's Home-to-Work Programs (Inspection # IE-10-018)

We have reviewed your draft report, "Inspection of the Internal Revenue Service's Home-to-Work Programs," and appreciate your review of Small Business/Self-Employed (SB/SE) Division compliance with 31 United States Code Section 1344 and Treasury Directive 74-06. We agree with the recommendations addressed to the SB/SE Division.

We recognize the importance of complying with statutes and directives that require proper home-to-work authorizations and documentation for vehicle use. The SB/SE Excise Tax Program had previously identified some issues included in this report. As TIGTA acknowledges in their report, we have already taken steps to implement corrective actions in order to improve adherence with home-to-work vehicle usage requirements.

We understand that the Chief, Criminal Investigation is forwarding a memorandum responding to TIGTA Inspection #IE-10-018 Recommendations 1, 3, 4, 9 and 11. Attached is a detailed response outlining SB/SE corrective actions.

If you have any questions, please contact me, or a member of your staff may contact John H. Imhoff, Jr., Director, Specialty Programs, SB/SE, at (215) 861-1176.

Attachment



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*Inspection of the Internal Revenue Service's  
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**Attachment**

**RECOMMENDATION 2:** The Commissioner, SB/SE Division, should ensure that policies and procedures are in effect to renew their respective home-to-work authority as required by TD 74-06, and that renewal requests are timely completed and submitted to the Secretary of the Treasury for approval, before any existing authority expires.

**CORRECTIVE ACTION:**

We agree with this recommendation. The SB/SE Director for Strategy and Finance has been designated to ensure that policies and procedures are in place to renew SB/SE home-to-work authorities as required by TD 74-06 before any existing authority expires. The SB/SE Director for Strategy and Finance will be responsible for annually notifying SB/SE business units about the requirement to obtain approval by the Secretary of the Treasury before home-to-work usage of government vehicles may occur. This annual notification will include a reminder to use mileage logs for recording home-to-work and after-hours use of government vehicles in those business units authorized for home-to-work use. The Office of Strategy and Finance will also coordinate the submission of authorization and renewal requests, reminding business units about their responsibilities when requests are approved.

**IMPLEMENTATION DATE:**

June 15, 2011

**RESPONSIBLE OFFICIAL:**

Director, Strategy and Finance, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

The Director, Strategy and Finance SB/SE, will advise the Commissioner, SB/SE of any delays in implementing this corrective action.

**RECOMMENDATION 5:** The Commissioner, SB/SE Division, should develop a standard mileage log to properly capture home-to-work and after-hours vehicle use.

**CORRECTIVE ACTION:**

This recommendation has been completed. The SB/SE Excise Tax Program implemented a standard mileage log for capturing home-to-work and after-hours use on January 19, 2011, for Excise Tax Program vehicles. The Excise Tax Program will continue to use mileage logs. As discussed in our response to Recommendation 2, a reminder to use mileage logs will be included in the annual notification to the SB/SE business units from the SB/SE Director for Strategy and Finance.



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**IMPLEMENTATION DATE:**

Completed.

**RESPONSIBLE OFFICIAL:**

N/A

**CORRECTIVE ACTION MONITORING PLAN:**

N/A

**RECOMMENDATION 6:** The Commissioner, SB/SE Division, should modify the IRM to require managers closely review and approve the FCOs and FCAs' mileage logs and related vehicle charge card statements. The reviews should be structured to look for any indications of fraud or potential misuse of assigned Government vehicles, in addition to ensuring mileage and fuel use are reported accurately.

**CORRECTIVE ACTION:**

We agree with this recommendation. The SB/SE Specialty Programs Excise Tax will modify the IRM as needed to require managerial review and approval for FCOs and FCAs' mileage logs and related vehicle charge card statements.

**IMPLEMENTATION DATE:**

October 15, 2011

**RESPONSIBLE OFFICIAL:**

Director, Specialty Programs, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

The Director, Specialty Programs SB/SE will advise the Commissioner, SB/SE of any delays in implementing this corrective action.

**RECOMMENDATION 7:** The Commissioner, SB/SE Division, should ensure that cost data related to the home-to-work program is fully documented to support the required assurance that the home-to-work authority will not have an adverse impact on program budgets.

**CORRECTIVE ACTION:**

We agree with this recommendation. Through the implementation of the corrective actions associated with recommendations 5 and 12, we will have the necessary cost data to document the impact of the budget by our home-to-work program.



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**IMPLEMENTATION DATE:**

Completed.

**RESPONSIBLE OFFICIAL:**

N/A

**CORRECTIVE ACTION MONITORING PLAN:**

N/A

**RECOMMENDATION 8:** Consistent with the terms of the Memorandum of Understanding between the IRS and the National Treasury Employees Union, the Commissioner, SB/SE Division, should acquire a GPS system and establish a uniform monitoring program. Items to consider evaluating could include (but are not limited to) after-hours, high speed, and out of assigned geographical area use of vehicles.

**CORRECTIVE ACTION:**

We agree with this recommendation. The SB/SE Specialty Programs Excise Tax has briefed NTEU and is terminating the existing GPS Memorandum of Understanding. The current GPS system does not adequately monitor vehicle use as recommended. We are unable to commit to a GPS system at this time. The Excise Tax Program will evaluate GPS systems available through GSA in order to identify whether a suitable system is available for our needs. Until a suitable GPS system can be acquired, the Excise Tax Program will continue to require FCOs and FCAs to manually maintain standardized mileage logs and record after-hours use.

**IMPLEMENTATION DATE:**

Completed.

**RESPONSIBLE OFFICIAL:**

N/A

**CORRECTIVE ACTION MONITORING PLAN:**

N/A

**RECOMMENDATION 10:** The Commissioner, SB/SE Division, should formally document the determination that the FCOs and FCAs' use of Government vehicles for commuting purposes does constitute a taxable fringe benefit to the employees assigned vehicles and maintain a written record of the determination.

**CORRECTIVE ACTION:**

We agree with this recommendation. We agree that employees should receive guidance advising about those uses of government vehicles that constitute a taxable fringe benefit to employees.



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An IRS task team has been formed to review taxable fringe benefits resulting from government vehicle use. The SB/SE Excise Tax Program issued an Interim Guidance Memorandum to its employees on January 19, 2011, which included notification that commuting in the government vehicle is a taxable fringe benefit and the value of the fringe benefit must be included in the employee's taxable income.

The Excise Tax Program will issue an additional memorandum, reflecting legal guidance and task force recommendations relevant to this issue. The legal guidance, task force recommendations and Excise Tax notification will be retained in a historical file for documentary purposes.

**IMPLEMENTATION DATE:**

February 15, 2012

**RESPONSIBLE OFFICIAL:**

Director, Specialty Programs, Small Business/Self-Employed Division

**CORRECTIVE ACTION MONITORING PLAN:**

The Director, Specialty Programs SB/SE will advise the Commissioner, SB/SE of any delays in implementing this corrective action.

**RECOMMENDATION 12:** The Commissioner, SB/SE Division, should track the home-to-work accidents and the related costs in order to comply with TD 74-06.

**CORRECTIVE ACTION:**

We agree with this recommendation. The SB/SE currently tracks accidents involving government vehicles as required by FMR B-15 and IRM 1.14.7.2.8.4, "Accident Response and Reporting." Information from accident reports is posted, as required, to the Safety and Health Information Management System (SHIMS). Standard Form 91, Motor Vehicle Accident Report, is required to be prepared for any vehicle accident. This form includes information on the details of the trip including the traveler's origin, destination, and purpose. This information will be used to identify home-to-work accidents.

**IMPLEMENTATION DATE:**

Completed

**RESPONSIBLE OFFICIAL:**

N/A

**CORRECTIVE ACTION MONITORING PLAN:**

N/A