
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Office of Inspections and Evaluations



*Oversight of the Public Transportation
Subsidy Program Can Be Further Improved*

May 22, 2012

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This report has cleared the Treasury Inspector General for Tax Administration (TIGTA) 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

May 22, 2012

MEMORANDUM FOR CHIEF, AGENCY-WIDE SHARED SERVICES

FROM: R. David Holmgren *R. David Holmgren*
Deputy Inspector General for Inspections and Evaluations

SUBJECT: Final Inspection Report – Oversight of the Public
Transportation Subsidy Program Can Be Further
Improved (#IE-10-019)

This report presents the results of a follow-up review¹ to determine whether the Internal Revenue Service (IRS) implemented corrective actions and established necessary controls to ensure that the Public Transportation Subsidy Program (PTSP) is properly monitored and effectively administered. The IRS's PTSP is nationwide and encompasses approximately 29,000 employees located in more than 250 cities in the United States and certain offices in other territories and countries. For Fiscal Year (FY) 2011, the IRS's contract with the Department of Transportation (DOT) for distributing the PTSP funding was an estimated \$30 million. The Travel Services Branch (TSB) within the Agency-Wide Shared Services (AWSS) is responsible for administering the PTSP within the IRS.

Synopsis

In March 2006, TIGTA reported that the IRS was in basic compliance with the law² and had established procedures to administer the PTSP. However, to enhance AWSS processes and controls, TIGTA recommended that AWSS:

- Establish an annual recertification process, including removing non-recertified employees, for all employees participating in the PTSP;

¹ Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2006-10-062, *The Administration of the Public Transportation Subsidy Program Can Be Improved*, (March 23, 2006).

² 5 United States Code Section 7905.



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- Require employees to certify their actual commuting costs when picking up their transit subsidies;
- Develop a better process to ensure that separated employees are removed promptly from the DOT database; and
- Periodically match a valid statistical sample of IRS subsidy recipients to DOT invoices to ensure that those invoices are limited to employees.

IRS management agreed with these recommendations.

AWSS management has implemented only portions of the corrective actions proposed to address each of the 2006 recommendations. They initiated a computerized application for the initial program enrollment, management approval, and subsequent subsidy change requests. Some employees are completing annual PTSP recertifications, but this requirement has not yet been implemented throughout the IRS. When picking up the PTSP subsidy, participants certify, by their signature, their actual commuting expenses for the previous period. TSB staff members access multiple internal data sources to enhance the identification and removal of separated employees from the PTSP database. Nevertheless, 17 percent³ of the separated employees we reviewed remained on the DOT PTSP database for 90 days or longer after they departed from the IRS. Also, TSB staff members select a monthly statistical sample of participants for review to determine if only IRS employees receive the benefit and to identify any potential abuse within the PTSP. However, the reviews could be more accurate if additional data sources were used. Further, records of the cases that TSB staff members may have referred to TIGTA's Office of Investigations were not always maintained, and the results of the PTSP reviews are not shared with either the affected employees or their managers.

Recommendations

We recommend that the Chief, AWSS, ensure that the IRS completes the rollout of the recertification process IRS-wide. We also recommend that the Chief ensure that the Internal Revenue Manual⁴ (IRM) is updated to include the specific requirements for recertification, including removal of noncompliant employees, and that the automated system for management approval be changed to show the subsidy amount being requested. Further, we recommend that the Chief increase coordination with the DOT to identify an effective process for removing separated employees from the DOT database and reducing the potential loss of the IRS's PTSP funds. In addition, we recommend that the Chief add the following sources of data to the current PTSP review processes to improve the accuracy of the review results:

³ Of the 557 employees reviewed, 93 remained in the database for 90 days or longer past their separation dates.

⁴ The IRM is the IRS's primary official source of instructions to staff relating to the administration and operations of the IRS. It contains the directions employees need to carry out their operational responsibilities.



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- Participants' subsidy amounts approved by management;
- Participants' actual daily commuting costs;
- Participants' telecommuting days; and
- Participants' adjustments of subsidy for subsequent periods.

We also recommend that the Chief publish the necessary IRM procedures to ensure that managers and participants are notified when a review identifies questions concerning the accuracy of the transportation subsidy. Further, the Chief should ensure that the PTSP operating procedures are developed to include requirements for documenting all referrals made to any party external to the TSB staff.

Response

The Chief, AWSS, agreed with the recommendations in the report, and has initiated, or plans to initiate, corrective actions. Implementation of these corrective actions will enhance the accountability of the PTSP by improving internal controls and communications. Many of these corrective actions will require negotiations with the National Treasury Employees Union before they are implemented. IRS management's complete response to the memorandum is included in Appendix IV.

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

AWSS	Agency-Wide Shared Services
DOT	Department of Transportation
FY	Fiscal Year
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
NTEU	National Treasury Employees Union
PTSP	Public Transportation Subsidy Program
TIGTA	Treasury Inspector General for Tax Administration
TSB	Travel Services Branch



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Background

In 1993, Congress authorized Federal agencies to pay all or a portion of their employees' public transportation costs to encourage the use of mass public transportation.¹ The Internal Revenue Service (IRS) first implemented the Public Transportation Subsidy Program (PTSP) in Calendar Year 2000 to encourage employees to use public transportation when commuting to and from work.² The purpose of the program is to reduce traffic congestion, improve air quality, and conserve energy by reducing the number of vehicles on the road.

TSP encompasses almost
,000 employees located in
more than 250 cities and
costs about \$30 million for
Fiscal Year 2011.

To be eligible to participate in the PTSP, an employee must prepare an automated application certifying that he or she:

- uses public transportation to commute to and from the office;
- spends a specific amount for that commute; and
- has completed, or will complete within 30 days of the application, the required PTSP training course in the Enterprise Learning Management System.³

The applications are electronically forwarded to the employee's manager for approval or disapproval. Once approved, the applications are transmitted to the PTSP database. The PTSP database exports daily the new applications to the Department of Transportation (DOT) for processing. There are approximately 29,000⁴ active IRS participants in the PTSP located in approximately 250 cities throughout the United States and certain other countries and territories. From February 17, 2009, until December 31, 2011, the maximum amount of transportation subsidy was \$230 per month. The annual budget for the PTSP for Fiscal Year (FY) 2011⁵ was an estimated \$30 million. As of January 1, 2012, the transportation subsidy was reduced to a maximum of \$125 per month regardless of the employee's commuting costs.

Within the Agency-Wide Shared Services (AWSS), the Employee Support Services, Travel Services Branch (TSB) provides oversight for the PTSP. The TSB is responsible for

¹ Federal Employees Clean Air Incentives Act, Pub. L. No. 103-172, 107 Stat. 1995 (1993) (codified as amended at 5 United States Code Section 7905).

² Federal Workforce Transportation, Exec. Order No. 13,150, 65 Fed. Reg. 24,613 (April 26, 2000); Public Transportation Program, Treasury Directive 74-10 (November 3, 2000).

³ The required course is the *PTSP Awareness Briefing*, Enterprise Learning Management System Item 19239.

⁴ Active participants in the program vary in number from day to day, as new enrollees are added and some withdraw from the program. For the nine months ending September 2011, there was an average of 28,896 IRS participants.

⁵ The Federal Government's Fiscal Year begins on October 1 and ends on September 30.



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administering the DOT contract, performing subsidy reviews, providing technical advice and support, performing program reviews, and ensuring that the DOT removes separated employees from the PTSP.⁶

In March 2006, the Treasury Inspector General for Tax Administration (TIGTA) reported⁷ that the IRS was in basic compliance with the law,⁸ and had established procedures to administer the PTSP. However, to enhance the AWSS processes and controls, TIGTA recommended that the AWSS:

- Establish an annual recertification process for all employees participating in the PTSP;
- Require employees to certify their actual commuting costs when picking up their transit subsidies;
- Develop a better process to ensure that separated employees are removed promptly from the DOT database; and
- Periodically match a valid statistical sample of IRS subsidy recipients to the DOT invoices to ensure that those invoices are limited to IRS employees.

AWSS management agreed to implement these recommendations.

This inspection was performed in the Employee Support Services office located in Washington, D.C., and the TSB offices located in Oklahoma City, OK; Detroit, MI; and Houston, TX, during the period of May 2011 through November 2011. We conducted this inspection 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.

⁶ These responsibilities are described in Internal Revenue Manual (IRM) 1.32.15.2.1, *Responsibilities* (April 25, 2011). The IRM is the IRS's primary official source of instructions to staff relating to the administration and operations of the IRS. It contains the directions employees need to carry out their operational responsibilities.

⁷ TIGTA, Ref. No. 2006-10-062, *The Administration of the Public Transportation Subsidy Program Can Be Improved*, (March 23, 2006).

⁸ 5 United States Code Section 7905.



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Results of Review

Our inspection showed that AWSS management has not fully implemented the processes and controls that were recommended in the 2006 report. The annual recertification process has not been implemented IRS-wide. Further, our review of 557 employees who separated from the IRS between February 1, 2011 and May 31, 2011, showed that 17 percent⁹ of those separated employees remained on the DOT subsidy database 90 days or longer after their separation date. AWSS has made progress in selecting a statistical sample and performing reviews of the accuracy of the PTSP participants' subsidy claims. However, their current review methodology for performing the reviews could be made more accurate by adding data sources, and more effective by communicating the review results to the responsible IRS managers and affected employees.

AWSS management has implemented elements of each of the 2006 report recommendations. They initiated a computerized application for the initial program enrollment, management approval, and subsequent subsidy-change requests. Annual recertifications are required for those employees who are in business units¹⁰ that have received the required PTSP recertification presentation. The computerized application requires employees to attest that they understand the program and have taken the required PTSP training or will take the training within 30 days of completing the application. When picking up the PTSP subsidy, participants certify by their signature the actual commuting expenses for the previous period. The TSB staff accesses multiple internal data sources to enhance the identification and removal of separated employees from the PTSP database. Further, the staff selects a monthly statistical sample of participants for review to identify any potential abuse of the PTSP. This sample is also used to identify separated or other non-IRS employees who might attempt to collect the PTSP subsidy.

Program Benefits Have Been Abused by Some Participants

Program participants are informed about the seriousness of making false statements and abusing subsidy benefits when they enroll in the program, and when they recertify or make changes to their participation. The participant completes either an electronic online enrollment form or a manual enrollment form if they do not have access to a computer. These forms contain a statement that references 18 United States Code Section 1001, which states that making a false, fictitious, or fraudulent certification could result in criminal prosecution, recoveries of up to \$10,000 per violation, and/or agency disciplinary actions, up to and including dismissal.

⁹ Of the 557 employees reviewed, 93 remained in the database for 90 days or longer past their separation dates.

¹⁰ All IRS employees are eligible to participate in the PTSP program, whether or not the business unit has had the necessary recertification process implemented.



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Additionally, when the PTSP subsidy benefit is abused, the IRS is at risk of losing funds that are intended for qualifying commuting expenses.

During the period FY 2009 through FY 2011, TIGTA's Office of Investigations closed 34 investigations of PTSP-related referrals received from all sources. These referrals contained allegations that some individuals received subsidies while driving their privately owned vehicles to commute to their offices; that individuals erroneously collected subsidies for periods when they were on leave, travel or furlough; and that individuals used the subsidy for personal use other than commuting to their offices. The referrals were classified as allegations of misconduct including theft, embezzlement, and false statements. The outcome of these investigations included employees being separated from the IRS, suspended, admonished, or reprimanded.

TSB management informed us that during the same period (FY 2009 through FY 2011), they made 144 PTSP referrals to the Office of Investigations. However, written procedures for making and tracking referrals to the Office of Investigations or to other IRS officials have not been established. As a result, we were not able to verify the number referred, or trace them through the Office of Investigations referral process.

Recommendation

Recommendation 1: We recommend that the Chief, AWSS, ensure that TSB staff develops written procedures for controlling and tracking referrals to the Office of Investigations and to other IRS officials.

Management's Response: IRS management agrees with this recommendation. The current Standard Operating Procedure will be enhanced to ensure that, in the future, information on referrals can be readily obtained. The manager will hold training with immediate staff to explain updated requirements and to ensure that the staff understands how referrals will be controlled.

The Annual Recertification Process Has Not Been Implemented IRS-wide

In the 2006 report, TIGTA recommended, in part, that the IRS implement an annual recertification process, including managerial approval, for all employees participating in the PTSP. The IRS responded in writing that procedures were being finalized for the recertification process and that noncertified employees would be removed from the DOT database.

The IRS Human Capital Office issued a Letter of Understanding to the National Treasury Employees Union (NTEU) on May 23, 2008, covering the implementation of enhancements to the PTSP, including the annual recertification process. The letter provided that formal meetings would be held with impacted employees to provide an overview of the changes to the PTSP. An



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analysis of the PTSP database for FY 2011 showed that 77 percent¹¹ of participants had not been properly briefed about this requirement. As a result, annual recertification was not required of those participants. Figure 1 shows a summary of the total participants in IRS business units who have not recertified.

Figure 1: Summary of Total Participants in IRS Business Units Who Have Not Recertified

Recertification Status	Total Number of PTSP Participants in Business Unit	Percentage of Total PTSP Participants
Recertification Process Not Rolled Out in Business Unit	19,692	77%
Recertification Process Rolled Out in Business Unit	5,966	23%
Total	25,658¹²	100%

Source: IRS PTSP Database as of October 1, 2011.

Additionally, we reviewed a TSB Program Analyst's spreadsheet, dated July 2011, that contained the PTSP subsidy review results for 105 participants. This spreadsheet showed that 82 participants (78 percent) had not taken either the initial certification¹³ or the recertification¹⁴ training course.

For the business units and other functions that have held the required PTSP briefing, TSB staff sends reminders to PTSP participants who have not recertified, informing them that they are required to recertify and to take the PTSP awareness refresher course. Reminder notices continue until at least 90 percent of the business unit's PTSP participants have recertified and taken the refresher course.

TSB management stated that in 2006 and 2007, the recertification process was being developed as they reported in their response to the 2006 report. Additionally, IRM changes had to be negotiated with the NTEU and the Letter of Understanding had to be drafted. However, management stated that the recertification process was further delayed because of the mandated

¹¹ Out of a total of 25,658 participants, 19,692 have not yet received the required recertification briefing.

¹² This number represents all active PTSP participants who have submitted an online PTSP application during FY 2011, and does not include all participants in the PTSP database. Several variables can impact the number of participants in any given month. For example, seasonal staff using the subsidy will appear in the database report in one month, but will not appear the following month when such staff is not working.

¹³ *PTSP Awareness Briefing*, Enterprise Learning Management System Item 19239.

¹⁴ *PTSP Annual Awareness Briefing*, Enterprise Learning Management System Item 30929.



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implementation of GovTrip.¹⁵ In FY 2010, the TSB staff was relieved of GovTrip duties and resumed working on the PTSP.

We did not identify any instances where a participant was removed from the program for not recertifying or taking the required recertification course. The current IRM, which includes the use of reminders to participants that their failure to comply with these requirements may result in removal or suspension of the participant from the PTSP appears to be insufficient to ensure participant compliance. The IRM¹⁶ does not include specific participant responsibility for annual recertification and for taking the recertification refresher course.

While the IRM requires managers to approve subsidy amounts for new or recertifying participants, the online form that managers view does not show the subsidy amounts that participants request. Managers are forced to make uninformed decisions that the requested amounts are correct, or contact participants to obtain the amounts before approving the employees' participation in the program. The risk for improper use of the PTSP funds increases when participants do not periodically recertify, and when managers do not receive the necessary information to make an informed decision to determine if the subsidy amount requested is appropriate.

Recommendations

Recommendation 2: We recommend that the Chief, AWSS, ensure that TSB staff completes the rollout of the recertification process IRS-wide.

Management's Response: IRS management agrees with this recommendation. The staff is currently reviewing and revising enrollment and recertification procedures. Changes to the current enrollment and recertification processes will require negotiations with the NTEU.

Recommendation 3: We recommend that the Chief, AWSS, ensure that the IRM is updated to include the specific requirements for recertification and the PTSP refresher course, including the possibility of removing a participant from the subsidy program for noncompliance.

Management's Response: IRS management agrees with this recommendation. PTSP staff is working with Labor Relations to update Section 1.32.15 of the IRM to include the specific requirements for recertification and training upon enrollment in the program, in addition to including the possibility of removing the participant from the subsidy program for noncompliance. Implementation of the changes related to recertification and the PTSP refresher training will require negotiations with the NTEU.

¹⁵ An automated system for obligating and reimbursing employees' travel vouchers.

¹⁶ IRM 1.32.15.10, *Annual Recertification*, refers to the recertification rollout by business unit and to the annual refresher training, but does not contain requirements for participants to make annual recertifications and take the refresher course (April 15, 2011).



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Recommendation 4: We recommend that the Chief, AWSS, ensure that the automated approval system is changed to ensure that the subsidy amounts requested by participants are shown on the form that is transmitted to management for approval.

Management's Response: The electronic forms are currently being revised to include a block for participants to input the requested subsidy amount and a block for managerial approval. Forms revisions will require negotiations with the NTEU.

Separated Employees Were Not Promptly Removed From the Program

TSB continues to have a program weakness in not timely removing separated employees from the DOT database. In 2006, TIGTA reported that 11 percent of the test population had not been removed from the DOT participant database. This inspection identified that 93 of 557 participants (17 percent), who had separated from the IRS between February 1, 2011 and May 31, 2011 remained on the DOT database for more than 90 days after their separation. We were unable to determine the amount of unused subsidy these separated employees may not have returned or any additional subsidy they may have received because they were not removed from the program timely. However, allowing separated employees to remain in the DOT database increases the risk of fraudulent PTSP subsidy claims. Figure 2 shows the results of our analysis of separated employees.

**Figure 2: PTSP Participants Separated from the IRS
between February 1, 2011 and May 31, 2011**

	Number of Separations	Persons Who Were Still in Database 90 days After Separation
February 2011	39	21
March 2011	130	12
April 2011	207	41
May 2011	181	19
Total	557	93

Source: Analysis of IRS PTSP Database.

TSB management acknowledges that delays in removing separated participants from the DOT database have been a problem. TSB has been coordinating with the DOT in an attempt to resolve this issue. An example of this coordination is that the FY 2012 DOT subsidy contract stipulates that DOT must remove separated participants within five days of notification by TSB. Twice a month, TSB reports the identities of separated employees to DOT so that they can be



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removed from the PTSP database. Additionally, TSB follows up monthly to determine if the separated employees have been successfully removed from the DOT database.

Notwithstanding those efforts, the delays continue and can result in the permanent loss of the IRS's PTSP funds. This loss occurs because DOT does not credit the IRS account if unused fare media are received from separated employees more than 30 days after the end of the period for which the subsidy was intended.

Recommendation

Recommendation 5: We recommend that the Chief, AWSS, increase coordination with the DOT to identify effective processes and procedures that will improve the removal of separated employees from the DOT subsidy database and reduce the potential loss of PTSP funds to the IRS.

Management's Response: IRS management agrees with this recommendation. PTSP staff has revised their follow-up procedures by completing bi-monthly queries to ensure timely withdrawals from the DOT database. They are conducting weekly meetings with DOT in an addition to completing these reports. As a result of their efforts, the rate of withdrawals from the DOT database has decreased from 90 days to seven days.

Reviews of Claims Could Be More Accurate

In response to the 2006 report, TSB staff started selecting a monthly statistical sample and reviewing the PTSP recipients' subsidy claims. These reviews consist of analyzing the subsidy amounts the participants received, payroll, and travel records. During FY 2010, TSB selected 2,198¹⁷ participants for review. These reviews showed that 88 percent (1,929) of participants had over-claimed subsidies totaling approximately \$88,000.

This large error rate could be indicative of errors created by the PTSP's review methodology, significant intentional errors made by the participants, or errors caused by the participants' lack of understanding of how to be compliant with subsidy requirements. All participants attest that they understand the program requirements and have taken the mandatory training or will take the mandatory training within 30 days of their original program application.

¹⁷ The PTSP goal is approximately 200 participants a month for review.



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When reviewing claims, TSB staff determines the participant's daily allowable subsidy amount by dividing the total amount of the participant's subsidy actually received by the number of workdays in the period. For example:

\$230	\$230 (maximum subsidy amount)
21	21 workdays in January 2011
\$10.95	the computed daily commuting expense

TSB staff will then review payroll and travel records to determine how many days in the month the employee was on leave or in travel status and would not have incurred any local commuting expenses. Those days are totaled and multiplied by the computed daily commuting cost. That amount is considered over-claimed. If an employee took three days of approved annual leave and was in travel status for four days, TSB staff would determine that the employee over-claimed the subsidy by \$76.65.

\$230	\$230 shown on the pickup record
21	21 workdays in January 2011
\$10.95	$\$230 \div 21$ the computed daily commuting expense
7	3 days approved leave + 4 days travel
\$76.65	Amount over-claimed (7 days x \$10.95)

In such a case, the employee would be expected to repay the \$76.65 or only request \$153.35 in the following month.

This method of assuming PTSP participants' daily commuting costs can be flawed. Employees may incur costs that exceed the computed costs. For example, if a participant had actual commuting expenses of \$17.50 per day, the \$230 maximum monthly subsidy amount would not cover all of his or her expenses. In fact, the participant would have out-of-pocket expenses of \$137.50.

\$17.50	Actual Daily Cost
21	21 workdays in January 2011
\$367.50	$\$17.50 \times 21$ days
\$230.00	Less the maximum monthly amount
\$137.50	Out-of-pocket expenses



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Further, if the participant took three days of approved annual leave and was in travel status for four days, TSB staff would determine that the employee over-claimed the subsidy by \$76.65, just as in the first example. But in this case, the employee would actually have had out-of-pocket commuting expenses of \$15.00.

\$230.00	Maximum allowable amount
21	21 total work days in month
\$10.95	TSB's computed daily amount
7	3 days leave plus 4 days travel
\$76.65	TSB's calculated over-claim (7 days x \$10.95)
\$245.00	Employee's actual expense (14 days x \$17.50)
\$15.00	Employee's out-of-pocket expenses (\$245 - \$230)

In addition to not obtaining the participant's daily commuting expenses, TSB review staff members do not obtain information about the days when the participant may have telecommuted and do not appear to make the required adjustments for participants on alternative work schedules. The addition of this information would allow TSB's Program Analysts to more accurately determine if participants made adjustments in their claims, account for days when the subsidy is not needed, and verify that the participant's actual commuting expenses exceeded the maximum available subsidy.

Further, TSB staff members do not review for adjustments made in subsequent periods by the participants being reviewed. This is a potentially serious oversight, because employees have two options to correct any over-claimed subsidy amounts. As stated previously, participants are expected to know their actual incurred commuting expenses, and if they did not use the full amount in a month, they are expected to claim correspondingly less subsidy in the following month. Alternatively, they may return the unused transit subsidy,¹⁸ or repay the amount by sending a personal check or money order to the U.S. Department of the Treasury.¹⁹ Adding appropriate data sources would enhance the accuracy of reviews completed by TSB staff members and would allow them to more accurately determine if participants adjusted their claims, or if their actual commuting expenses exceeded the maximum available subsidy.

Recommendation

Recommendation 6: We recommend that the Chief, AWSS, ensure that the PTSP review process be modified to improve the accuracy of the review results by ensuring that participants' subsidy amounts as approved by their managers and the estimated daily commuting costs are considered. Additionally, participants who telecommute, have alternate work schedules, or have

¹⁸ When returning the unused subsidy, participants must submit Form 11664-G, *PTSP Participant Return of Fare Media*.

¹⁹ IRM 1.32.15.5.4, *Overestimated Benefit*, shows guidelines on returning excess transit subsidy (April 25, 2011).



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subsequent period adjustments to the subsidies claimed need to be considered to accurately determine if subsidy amounts have been over-claimed.

Management's Response: IRS management agrees with this recommendation. To improve the accuracy of the review results, the audit criteria have been modified to include daily costs. The electronic program enrollment form is being revised to include a line item for daily commuting costs, and participants' telecommuting and alternate work schedules will be considered in the reviews to determine if subsidy amounts have been over-claimed. Forms revisions will require negotiations with the NTEU.

Results of Claims Reviews Are Not Shared With the Participants and Their Managers

TSB's current practices do not include sharing the results of their reviews with program participants and their managers. Sharing these results would likely increase compliance with the PTSP, ensure that participants understand the program requirements, and could highlight any flaws in the review methodology.

We were informed that TSB has explored this option, and has begun to take the necessary steps to establish the required policy and procedures for sharing their review results. TSB staff members have drafted a revision to the IRM entitled, "*Inappropriate Use of PTSP*," initially dated June 2010, requiring referral of the PTSP results to program participants and their managers. However, TSB has not finalized the document, nor has the document been forwarded for approval by AWSS management. Once AWSS management has approved the change to the IRM concerning the use of the PTSP review results, the IRM will be amended accordingly and forwarded to the AWSS Embedded Labor Relations Office.²⁰ The Embedded Labor Relations Office will assess the impact of the changes on the employees and coordinate these changes with the NTEU, if necessary.

Recommendations

Recommendation 7: We recommend that the Chief, AWSS, approve and publish the necessary IRM policy and procedures to ensure that managers and program participants are notified when a PTSP review identifies questions concerning the accuracy of the amount of subsidy claimed.

Management's Response: IRS management agrees with this recommendation. PTSP staff members are amending IRM 1.32.15 to ensure that managers and program participants are notified when a PTSP review identifies questions concerning the accuracy of the amount of subsidy claimed. The IRM revision will provide a time frame

²⁰ The mission of the AWSS Embedded Labor Relations Office is to provide strategic labor relations support to AWSS management.



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within which the participant must correct a discrepancy or face removal from the program for noncompliance. The IRM revision requires negotiations with the NTEU.

Recommendation 8: We recommend that the Chief, AWSS, coordinate with the appropriate staff members in the Workforce Relations Division to complete the necessary processes to allow TSB to share the results of PTSP reviews with the appropriate employees and their managers.

Management's Response: IRS management agrees with this recommendation. PTSP staff members are currently working in close coordination with the Workforce Relations Division to develop a method of communicating potential inaccuracies in subsidy claims with program participants and their managers. Implementation of the communication process requires negotiations with NTEU.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this follow-up review¹ was to determine whether the IRS had implemented corrective actions and established the necessary controls to ensure that the PTSP was properly monitored and effectively administered.

To accomplish our objective, TIGTA:

- I. Interviewed DOT officials and the IRS Director, Employee Support Services in Washington, D.C., and the TSB program manager and analysts located in Oklahoma City, OK; Detroit, MI; and Houston, TX to understand the size of the program and the processes used to administer the PTSP, and to evaluate the adequacy of controls established to timely remove the names of the employees who separated from the IRS's PTSP.
- II. Determined if the TSB ensured that employees participating in the PTSP were completing annual recertifications.
 - A. Evaluated recertification processes and procedures.
 - B. Determined if the TSB implemented an annual recertification process, including managerial approval, for all employees participating in the PTSP.
 - C. Determined if follow-up procedures were implemented to ensure timely removal of noncertified employees from the program.
- III. Determined if the established processes require participants to certify their actual commuting costs.
- IV. Determined if the PTSP review reports were accurate.
- V. Determined if the quality review results were communicated with the PTSP participants and their managers.

¹ TIGTA, Ref. No. 2006-10-062, *The Administration of the Public Transportation Subsidy Program Can Be Improved*, (March 23, 2006).



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Appendix II

Major Contributors to This Report

Kevin P. Riley, Director, Inspections and Evaluations
Stanley C. Rinehart, Supervisory Evaluator
Mark Anderson, Program Analyst



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Appendix III

Report Distribution List

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Appendix IV

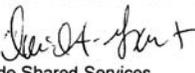
Management's Response to the Draft Report



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

MAR 19 2012

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

FROM: David A. Grant 
Chief, Agency-Wide Shared Services

SUBJECT: Draft Inspection Report – Oversight of the Public
Transportation Subsidy Program Can Be Further Improved
(#E-10-019)

Thank you for the opportunity to respond to the subject report. The inspection was conducted to determine whether the Internal Revenue Service (IRS) had implemented corrective actions and established the necessary controls to ensure that the Public Transportation Subsidy Program (PTSP) is properly monitored and effectively administered.

After reviewing the Draft Report, we concur with the recommendations and will develop corrective actions as listed. Please note several of the corrective actions have already been implemented. Please see our response to the eight recommendations attached.

We appreciate the continued support and assistance provided by your office. If you have any questions, please contact me at (202) 622-7500. If there are any technical questions, a member of your staff may contact Mary Beth Murphy, Director, Employee Support Services at (202) 283-7784. For matters concerning audit procedural follow-up, please contact Larry Pugh, Office of Strategy and Finance, Agency-Wide Shared Services, at (202) 622-4541.

Attachment



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Attachment

RECOMMENDATION #1: We recommend that the Chief, AWSS ensure that Travel Services Branch (TSB) staff develops written procedures for controlling and tracking referrals to the Office of Investigations and to other IRS officials.

CORRECTIVE ACTION: We agree with this recommendation. The current Standard Operating Procedure (SOP) developed to control and track all referrals to the Office of Investigation will be enhanced to ensure that in the future, information on referrals can be readily obtained. The manager will hold training with immediate staff to explain updated requirements and to ensure the staff understands how referrals will be controlled.

IMPLEMENTATION DATE: June 30, 2012

RESPONSIBLE OFFICIAL: Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN: Employee Support Services (ESS) will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION #2: We recommend that the Chief, AWSS ensure that the TSB staff completes the rollout of the recertification process IRS-wide.

CORRECTIVE ACTION: We agree with this recommendation. The Public Transportation Subsidy Program (PTSP) staff is currently reviewing and revising enrollment and recertification procedures. Implementation of the changes to the current enrollment and recertification processes will require negotiations with the National Treasury Employees Union (NTEU).

IMPLEMENTATION DATE: June 30, 2013

RESPONSIBLE OFFICIAL: Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN: Employee Support Services (ESS) will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION #3: We recommend that the Chief, AWSS ensure that the IRM is updated to include the specific requirements for recertification and the PTSP refresher



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course, including the possibility of removal from the subsidy program for noncompliance.

CORRECTIVE ACTION: We agree with this recommendation. PTSP staff is working with Labor Relations (LR) to update IRM 1.32.5 to include the specific requirements for recertification and training upon enrollment into the program, in addition to including the possibility of removal from the subsidy program for noncompliance. The revision will clarify employees' responsibility for timely recertification and inform participants of information available on the Employee Resource Center website for their review prior to completing a yearly recertification form. IRM revisions have been submitted to LR. Implementation of the changes related to recertification and PTSP refresher training will require negotiations with NTEU.

IMPLEMENTATION DATE: June 30, 2013

RESPONSIBLE OFFICIAL: Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN: Employee Support Services will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION #4: We recommend that the Chief, AWSS ensure that the automated approval system is changed to ensure that the subsidy amounts requested by the participants are shown on the form that is transmitted to management for approval.

CORRECTIVE ACTION: The electronic forms 11664A and 11664C are currently being revised to include a block for participants to input the requested subsidy amount and a block for managerial approval. PTSP staff is currently working with MITS to revise the electronic version of the Forms. Form revisions will require negotiations with NTEU.

IMPLEMENTATION DATE: June 30, 2013

RESPONSIBLE OFFICIAL: Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN: Employee Support Services will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION #5: We recommend that the Chief, AWSS increase coordination with the DOT to identify effective processes and procedures that will improve the removal of separated employees from the DOT subsidy database and reduce the potential loss of PTSP funds to the IRS.



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CORRECTIVE ACTION: We agree with this recommendation. The PTSP staff has revised their follow-up procedures by completing bi-monthly queries to ensure timely withdrawals from the DOT database. We are conducting weekly meetings with DOT as an addition to the reports. As a result of our efforts, the rate of withdrawals from the DOT database has decreased from 90 days to 7 days.

IMPLEMENTATION DATE: January 1, 2012

RESPONSIBLE OFFICIAL: Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN: N/A. The corrective action was completed on January 1, 2012.

RECOMMENDATION #6: We recommend that the Chief, AWSS, ensure that the PTSP review process be modified to improve the accuracy of the review results by ensuring that participants' subsidy amounts as approved by their managers and the estimated daily commuting costs are considered. Additionally, participants' telecommute and alternate work schedules and subsequent period adjustments to the subsidies claimed need to be considered to accurately determine if subsidy amounts have been over claimed.

CORRECTIVE ACTION: We agree with this recommendation. To improve the accuracy of the review results, the audit criteria have been modified to include the daily costs. The electronic Form 11664A is being revised to include a line item for daily commuting costs and revisions are being made to the Knowledge, Incident/Problem, Service Asset Management (KISAM) system application/recertification process for access to the form. Participants' telecommute and alternate work schedules will be considered in the reviews to determine if subsidy amounts have been over claimed. Form revisions will require negotiations with NTEU.

IMPLEMENTATION DATE: June 30, 2013

RESPONSIBLE OFFICIAL: Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN: Employee Support Services will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION #7: We recommend that the Chief, AWSS approve and publish the necessary IRM policy and procedures to ensure that managers and participants are



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notified when a PTSP review identifies questions concerning the accuracy of the amount of subsidy claimed.

CORRECTIVE ACTION: We agree with this recommendation. The PTSP staff is amending IRM 1.32.15 to ensure managers and participants are notified when a PTSP review identifies questions concerning the accuracy of the amount of subsidy claimed. The IRM revision will provide a timeframe for correcting the discrepancy or removal from the program for non-compliance. The IRM revision requires negotiations with NTEU.

IMPLEMENTATION DATE: June 30, 2013

RESPONSIBLE OFFICIAL: Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN: Employee Support Services will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored on a monthly basis until completion.

RECOMMENDATION #8: We recommend that the Chief, AWSS coordinate with the appropriate staffs located in the Labor Relations and Workforce Relations Division to complete the necessary processes to allow the TSB to share the results of the PTSP reviews with the appropriate employees and their managers.

CORRECTIVE ACTION: We agree with this recommendation. The PTSP staff is currently working in close coordination with the Workforce Relations Division to develop a method of communicating potential inaccuracies in subsidy claims with participant and manager. Implementation of the communication process requires negotiations with NTEU.

IMPLEMENTATION DATE: June 30, 2013

RESPONSIBLE OFFICIAL: Director, Employee Support Services, Agency-Wide Shared Services

CORRECTIVE ACTION MONITORING PLAN: Employee Support Services will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored on a monthly basis until completion.