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TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Office of Inspections and Evaluations



*Review of Criminal Investigation's  
Relocation Incentives and  
Post of Duty Neutral Program*

**November 27, 2012**

**Reference Number: 2013-IE-R002**

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**Redaction Legend:**

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TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

November 27, 2012

**MEMORANDUM FOR CHIEF, CRIMINAL INVESTIGATION**

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

**SUBJECT:** Final Inspection Report – Review of Criminal Investigation’s  
Relocation Incentives and Post of Duty Neutral Program (#IE-12-003)

This report presents the results of our inspection to determine whether decisions made to relocate Criminal Investigation (CI) executives and senior managers, or reassign their posts of duty (POD) to POD neutral, complied with travel policies, procedures, and regulations.

*Synopsis*

We found that improvements are needed in CI’s use of relocation incentives and the implementation of the POD Neutral Program. CI has encouraged its employees to relocate to the National Headquarters office in Washington, D.C., to gain national experience as part of its draft Special Agent Leadership Strategy. As a result, CI has significantly increased the amount of permanent change of station (PCS) and temporary change of station (TCS) relocation incentives granted to its employees by almost \$1.2 million (407 percent) over five years (2007 through 2011). The increase is largely attributed to CI’s use of TCS relocation incentives granted to employees to relocate for positions in Washington, D.C., or other locations deemed difficult to fill. CI accounts for the majority of Internal Revenue Service (IRS) relocation incentives, and CI’s basis for relocating employees has resulted in 22 employees receiving 44 relocation incentives totaling nearly \$1.3 million between Calendar Years (CY) 2007 and 2011.

We found the relocation incentive requests we reviewed adequately documented the special or unique competencies required for the position and demonstrated how the individual was qualified for the position. However, we believe the decision to pay the incentive would be stronger if the documentation included a list of applicants who applied for the position and information related to their qualifications.



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In June 2011, the Office of Personnel Management and the Office of Management and Budget mandated that agencies must not exceed CY 2010 spending levels on the relocation incentives during CYs 2011 and 2012.<sup>1</sup> As a result, the IRS budget no longer supports CI's prior relocation strategy with its expanded use of relocation incentives.

Requests for relocation incentives should have four levels of review and approval: Certification Manager, Secondary Review, Embedded Human Capital Office Technical Review, and Approver. We found two cases where the certification managers did not recommend approval for two relocation incentive requests. However, the secondary reviewer approved the request without documenting the basis for disregarding the recommendations made by the certification managers. Additionally, we found that two requests were not properly approved.

On September 9, 2011, CI received approval from the Chief Financial Officer for employees to participate in a reduced per diem pilot program. The POD Neutral Program was designed to allow the IRS to address human capital challenges and reduce costs by allowing employees to incur travel expenses at reduced per diem. We identified significant weaknesses within the POD Neutral Program. CI has not finalized the policy, identified the employee requirements to participate in the program, or defined the metrics to evaluate the program's effectiveness. CI has not documented the methodology used for the reduced per diem rates, and the policy is not consistently applied among program participants. Because only four CI employees participated in the program, we believe CI may not have sufficient program participation necessary to assess the effectiveness of the program, and the program may lead to an increase in travel expenses as a result of employees' frequent travel to CI offices from remote PODs.

### *Recommendations*

We recommended that the Chief, CI, require that managers provide additional information to support the need for a relocation incentive, enhance the relocation incentive request to include the candidates who applied for the position, evaluate the effectiveness of TCS and PCS assignments as part of CI's succession planning, revise and finalize the Special Agent Leadership Strategy, and require that a memorandum is prepared when the certification manager does not recommend the approval of a relocation incentive request.

We recommended that the Chief, CI, ensure that the policy for the POD Neutral Program is revised and finalized and contains the methodology used for the reduced per diem rates, the requirements for successful program participation, and the performance measures to evaluate the program's effectiveness. The Chief, CI, should collect data over the duration of the pilot program and conduct an analysis to determine the cost effectiveness of the Program. The Chief,

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<sup>1</sup> Office of Personnel Management, CPM 2011-10, *Memorandum for Heads of Executive Departments and Agencies: Guidance on Awards for Fiscal Years 2011 and 2012* (June 10, 2011).



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CI, should also ensure that the POD Neutral Agreement Form is enhanced and agreements are prepared and timely approved.

*Response*

CI management agreed with all of the recommendations in the report. The Chief, CI, plans to assess the effectiveness of the TCS and PCS assignments, and review and revise CI's mobility policies. Additionally, the Chief plans to ensure that documentation to support the relocation incentive includes the pool of candidates that applied for the position, as applicable. The Chief also plans to evaluate the cost effectiveness and viability of the CI POD Neutral Program. If the POD Neutral Program is deemed viable, CI plans to ensure that the program's policies and procedures are enhanced. Management's complete response to the memorandum is included in Appendix VI.

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*

CFO	Chief Financial Officer
CI	Criminal Investigation
CY	Calendar Year
IRS	Internal Revenue Service
PCS	Permanent Change of Station
POD	Post of Duty
TCS	Temporary Change of Station



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## *Background*

Criminal Investigation (CI) relocates employees to new posts of duty (POD) to help achieve its mission and develop future leaders for senior management positions within CI. An employee who relocates to a new POD in the interest of the Government may obtain reimbursement for specific expenses incident to the relocation. Reimbursable relocation expenses can include those related to a house hunting trip, the sale of a home, and the shipment of household goods.

In addition to relocation expenses, an agency has the authority to offer relocation incentives<sup>1</sup> to employees with unique skills or in difficult-to-recruit positions. A relocation incentive is a payment of up to 25 percent of the employee's annual basic pay for each year of the service period to offset the cost of relocation for the purpose of accepting a specific position. An agency should offer a relocation incentive only in very limited and unusual circumstances when it is difficult to fill a position. CI management indicated that in many cases some positions are difficult to fill because the relocations require employees to accept positions with more responsibility and no increase in pay.

***An agency should offer a relocation incentive only in very limited and unusual circumstances when it is difficult to fill a position.***

In June 2011, when CI had already granted some relocation incentives to its employees, the Office of Personnel Management and the Office of Management and Budget mandated that agencies must not exceed Calendar Year (CY) 2010 spending levels for incentives related to relocation, recruitment, and retention during CYs 2011 and 2012.<sup>2</sup> CI management stated these restrictions had a direct impact on its ability to offer relocation incentives for difficult-to-fill positions. Therefore, with the approval of the Internal Revenue Service (IRS) Chief Financial Officer (CFO), CI made the decision that some senior manager positions may be announced under its POD Neutral Program. The POD Neutral Program was expected to allow CI to address human capital challenges and reduce costs by allowing employees to remain in their current POD and travel as needed but at reduced per diem amounts.<sup>3</sup>

This review was performed in CI at the IRS National Headquarters in Washington, D.C., during the period March through July 2012. We conducted this inspection in accordance with the Council of the Inspectors General for Integrity and Efficiency Quality Standards for Inspections.

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<sup>1</sup> Relocation incentives are authorized under 5 U.S.C. 5753 and 5754 and 5 C.F.R. part 575.

<sup>2</sup> Office of Personnel Management, CPM 2011-10, *Memorandum for Heads of Executive Departments and Agencies: Guidance on Awards for Fiscal Years 2011 and 2012* (June 10, 2011).

<sup>3</sup> Per diem is a daily allowance for expenses; a specific amount of money that an organization gives an individual per day to cover living and traveling expenses in connection with work done away from home or POD.



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Detailed information on our objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II. The breakout of relocation incentives by IRS business unit is listed in Appendix IV.



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### *Results of Review*

The IRS's CI has used relocation incentives and permanent and temporary changes of station to develop and maintain a qualified workforce, leverage resources, and balance organizational needs. However, CI has not finalized its pilot POD Neutral Pilot Program or its overall relocation strategy and policies. While we identified a few procedural inconsistencies, we found that CI generally adhered to Federal travel regulations.

#### ***Criminal Investigation Increased Its Use of Relocation Incentive Authority to Manage Its Workforce***

To develop its employees, CI has granted employees relocation incentives to move to the National Headquarters and to various locations that are deemed difficult to fill. However, CI must consider revising its current human capital strategy to conserve limited Government resources. Additionally, CI has not documented its relocation strategy within the Special Agent Leadership Strategy or assessed the impact of relocations on workforce planning goals.<sup>4</sup> The IRS has not finalized its relocation policies.

CI implemented the POD Neutral Pilot Program in October 2011 to help manage its workforce and reduce the need to relocate CI employees. According to CI's leadership strategy, the POD Neutral Program allows senior manager positions to be announced as POD neutral because expanded use of technology allows CI the flexibility of remote management in some cases. Managers will frequently travel to IRS National Headquarters, field offices, or other base locations on reduced per diem to ensure program requirements are met. We found that the policy for the POD Neutral Program is not finalized and several key elements are missing. When policies affecting staff are not fully developed, IRS officials cannot ensure that management decisions are made fairly and equitably, and CI cannot ensure that program goals are met and Government resources are protected.

#### ***CI's staffing decisions and leadership development program increase the need to relocate its employees***

Use of relocation incentives should be reserved for those rare and critical instances when relocation of an individual to a particular position would support significant mission objectives of the IRS. According to CI management officials, CI employees relocate more often than other

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<sup>4</sup> CI's draft Special Agent Leadership Strategy provides a framework that contains selection, development, and succession planning guidelines. It supports CI's commitment to hiring, developing, motivating, and retaining leaders with diverse skills and abilities.



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IRS employees due to the nature of their work. As Federal law enforcement officers, all special agents are required to sign a mobility agreement. According to the mobility agreement, special agents must be available for both temporary assignments and permanent reassignments to any location within the IRS's jurisdiction as the needs of the IRS dictate.

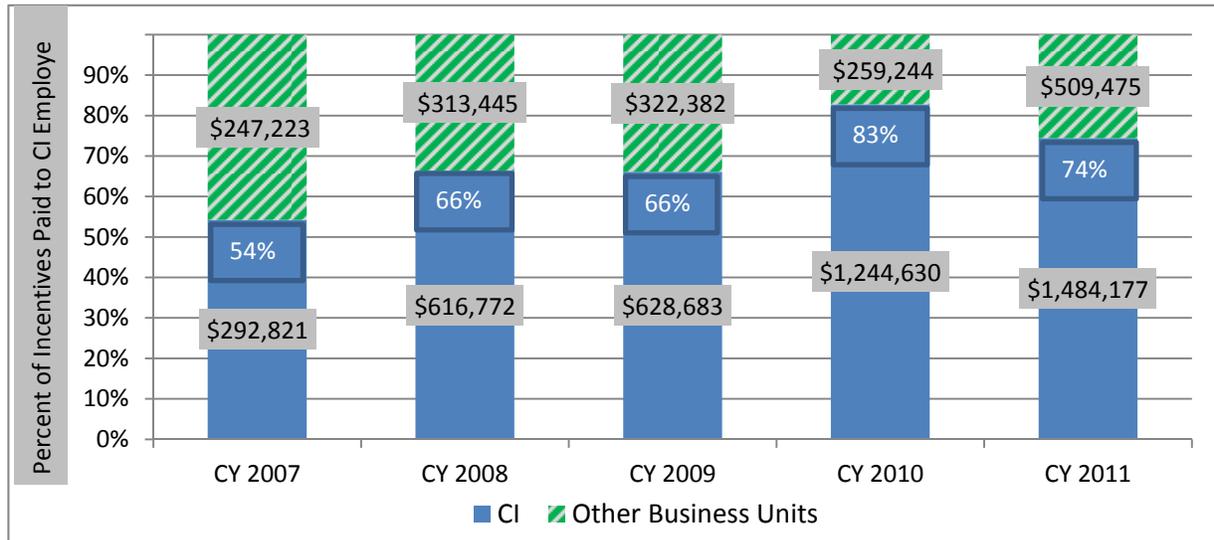
Additionally, relocations within CI are also required due to CI's leadership development program, which outlines the level of experience required to qualify for positions as senior managers and executives within CI. To be able to gain the experience needed to obtain a senior manager or executive position, some rotation through CI is necessary. Appendix V illustrates the experience required to obtain positions as senior managers and executives. From CYs 2007 through 2011, approximately 50 percent of the relocation incentives paid to CI employees (\$2.2 million of \$4.3 million) related to relocations to Washington, D.C., CI Headquarters. CI has recently modified the experience requirements, and National Headquarters experience is no longer mandatory for some senior management positions. However, the revised strategy states National Headquarters program management experience is highly desirable for senior managers, and executives are required to have National Headquarters experience.

As a result, CI's use of relocation incentives is significantly higher than that of other IRS business units. CI accounted for 156 (67 percent) of the 233 relocation incentives granted to IRS employees between CYs 2007 and 2011 (see Appendix IV). During this five-year period, CI authorized between 54 and 83 percent of the total dollars for relocation incentives granted to IRS employees. Figure 1 documents relocation incentives paid to CI employees and employees in other IRS business units, and the percentage of relocation incentives paid to CI employees for CYs 2007 through 2011.



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**Figure 1: Relocation Incentive Amounts Paid in CYs 2007–2011**



Source: CI and the IRS Human Capital Office.

In many cases, CI’s basis for relocating employees has resulted in employees receiving more than one relocation incentive in a relatively short period of time. We identified 22 employees who each received two relocation incentives totaling nearly \$1.3 million between CYs 2007 and 2011. During this time period, the employees received relocation incentives that ranged from \$42,000 to \$82,867. Within an average of 26.3 months, CI authorized an incentive for each employee to relocate to a new POD and then authorized a second incentive to relocate to another POD.

In two cases we reviewed, CI authorized a relocation incentive to move an employee to a new POD and authorized another incentive to return the employee to the previous POD. In one of these cases, CI approved more than \$75,000 in two relocation incentives to move an employee from \*\*\*\*\*Code Number 3d\*\*\*\*\*. The employee worked in \*\*\*\*\*Code Number 3d\*\*\*\*\* for approximately 14 months prior to his return to \*\*\*\*\*Code Number 3d\*\*\*\*\*for a different position.

In another case, CI authorized relocation incentives of more than \$115,000 to move an employee from \*\*\*\*\*Code Number 3d\*\*\*\*\* within 24 months. In \*\*\*\*\*Code Number 3d\*\*\*\*\*, CI approved a \$37,705 relocation incentive for the employee to move to \*\*\*\*\*Code Number 3d\*\*\*\*\*. We were informed that, although the employee moved to \*\*\*\*\*Code Number 3d\*\*\*\*\* the employee maintained a home in \*\*\*\*\*Code Number 3d\*\*\*\*\*. In \*\*\*\*\*Code Number 3d\*\*\*\*\*, CI approved a \$77,750 relocation incentive (to be paid over two years) for the employee to move back to \*\*\*\*\*Code Number 3d\*\*\*\*\*, to accept a position with more responsibilities as the \*\*\*\*\*Code Number 3d\*\*\*\*\*.



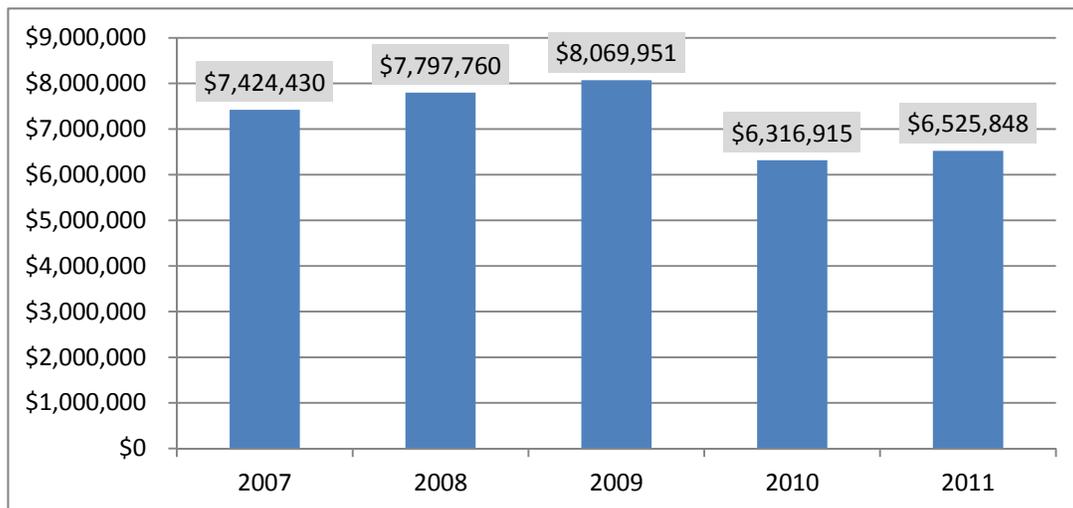
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In June 2011, the Office of Personnel Management and the Office of Management and Budget mandated that the amount agencies could spend on relocation incentives, as well as retention and recruitment incentives, could not exceed the amounts spent in CY 2010. On June 22, 2011, the IRS Human Capital Office issued a notification advising that, effective immediately, the Deputy Commissioners will be the approval authority for nonexecutive relocation incentive requests (and will remain the approving official for executive relocation incentives). This new policy was intended to help ensure that relocation incentives are consistently approved and relocation incentives are maintained at CY 2010 levels. Because of these restrictions, CI concluded the IRS budget no longer supported CI's prior relocation strategy with its expanded use of relocation incentives.

### **Relocation expenses declined while relocation incentives increased significantly**

In Fiscal Year 2007, CI employees filed claims for relocation expenses for approximately \$7.4 million. By Fiscal Year 2011, claims for relocation expenses for CI employees totaled about \$6.5 million, which is a decrease of nearly \$898,582, or a 12 percent decrease. Employees can submit claims for relocation expenses for two or more years after reporting to a new POD. Therefore, claims reported in one fiscal year may not relate to relocations that occurred during that year. Figure 2 documents the relocation expenses claimed from Fiscal Years 2007 through 2011.

**Figure 2: CI's Relocation Expenses Claimed for Fiscal Years 2007–2011**



Source: Office of the CFO.

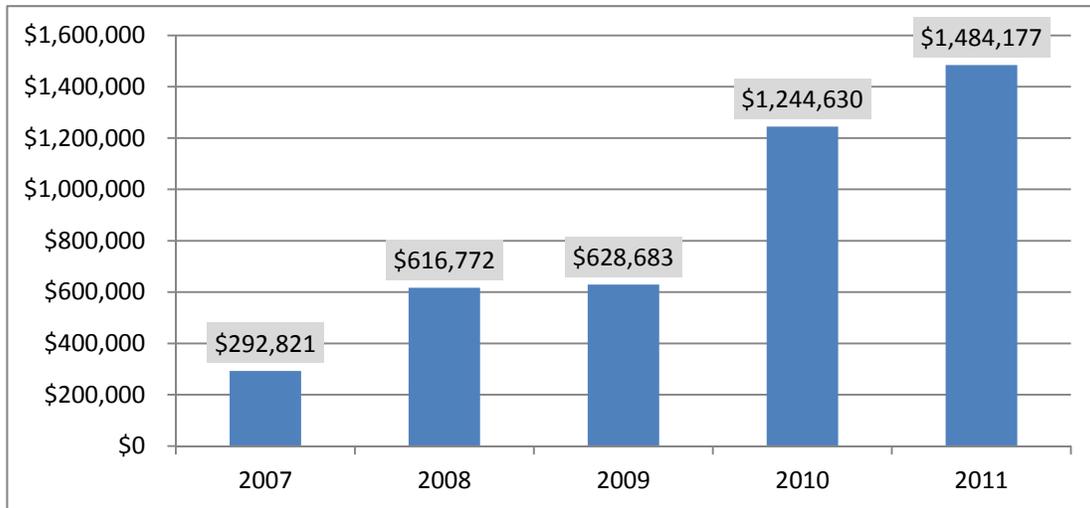
If an agency determines a position is difficult to fill, an agency can pay a relocation incentive to an employee who relocates to a POD in a different geographic area permanently or temporarily. In CY 2007, CI relocation incentives were \$292,821. By CY 2011, relocation incentives were



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approximately \$1.5 million, which is an increase of almost \$1.2 million (a 407 percent increase). Figure 3 documents the relocation incentive totals paid from CYs 2007 through 2011.

**Figure 3: CI's Relocation Incentives Paid for CYs 2007–2011**



Source: CI and the IRS Human Capital Office.

The significant increase in CI's relocation incentives is largely attributed to the use of temporary changes of station (TCS)<sup>5</sup> relocation incentives. During CYs 2007 through 2009, CI granted incentives related to permanent changes of station (PCS)<sup>6</sup> and began to grant incentives for TCS in CY 2010. Figure 4 shows the migration from PCS moves to TCS moves.

<sup>5</sup> The relocation to a new POD while performing a long-term assignment, and subsequent return to the previous POD upon completion of that assignment.

<sup>6</sup> A transfer of an employee from one POD to another POD on a permanent basis.



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**Figure 4: CI's Relocation Incentives for CYs 2007–2011**

Calendar Year	PCS Incentives		TCS Incentives		Total Incentives
	Number of PCS	Total PCS Incentives	Number of TCS	Total TCS Incentives	
2007	16	\$292,821	0	\$0	\$292,821
2008	30	\$616,772	0	\$0	\$616,772
2009	23	\$628,683	0	\$0	\$628,683
2010	32	\$961,058	9	\$283,572	\$1,244,630
2011	20	\$522,896	26	\$961,281	\$1,484,177
<b>Total</b>	<b>121</b>	<b>\$3,022,230</b>	<b>35</b>	<b>\$1,244,853</b>	<b>\$4,267,083</b>

Source: CI.

In contrast to a PCS, a TCS allows employees to relocate to a new POD to perform a long-term assignment for a period of six to 30 months. CI management stated that employees generally do not move their entire household and families to the new POD for TCS relocations. Therefore, relocation expenses are expected to be significantly lower for TCS relocations as compared to PCS relocations. To make the TCS moves more appealing, CI management offers three TCS options, as listed in Figure 5.



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**Figure 5: CI's TCS Relocation Alternatives**

Alternative	Entitlements	Incentive Percent of Basic Pay <sup>7</sup>
<b>TCS + 0:</b> No relocation incentive.	Partial relocation entitlements, but does not include reimbursement for the sale/purchase of real estate.	Not Applicable.
<b>TCS + 1:</b> One-year relocation incentive.	Same as above.	Up to 25% for one year.
<b>TCS + 2:</b> Two-year relocation incentive.	Same as above.	Up to 25% per year for two years.

Source: CI.

Upon completion of a TCS assignment, employees have the option of remaining in that POD and continuing the assignment or seeking another rotation through a PCS or TCS. The strategy is designed in part to assist employees in obtaining experiences needed to prepare them for leadership positions and to reduce relocation expenses. However, CI does not assess the effectiveness of TCS and PCS relocation incentives to determine whether cost savings exist as a result of granting a large number of relocation incentives to its employees.

### **Recommendations**

The Chief, CI, should:

**Recommendation 1:** Evaluate the effectiveness of TCS and PCS assignments as part of CI's overall succession planning strategy.

**Management's Response:** IRS management agreed with this recommendation.

Once all the TCS participants have completed their assignments in May 2013, CI will assess the effectiveness of the TCS and PCS assignments.

**Recommendation 2:** Ensure that CI's Special Agent Leadership Strategy clearly describes how relocation(s) will be incorporated in staff development and succession planning.

**Management's Response:** IRS management agreed with this recommendation. The

Chief, CI, initiated a working group to review CI's current and historic mobility policies for special agents. Once the working group has presented its findings and

<sup>7</sup> Executives and senior managers can be paid up to 25 percent of basic pay. All other employees can be paid up to 15 percent of basic pay; however, the IRS can approve a relocation incentive payment that exceeds 15 percent of basic pay.



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recommendations, the Chief, CI, will develop a revised mobility policy that will be incorporated into the CI Special Agent Leadership Strategy.

### **CI officials have not always adhered to the IRS interim relocation policy**

We selected a sample of nine CI senior managers and executives who received relocation expenses and/or relocation incentives from CYs 2007 through 2011 and reviewed relocation expenses and relocation incentives documentation to determine whether CI followed established policies.

These nine senior managers and executives claimed \$620,445 in reimbursable relocation expenses during CYs 2007 through 2011. \*\*\*\*\*Code Number 5\*\*\*\*\*

We did not find any other discrepancies related to claims for relocation expenses.

According to the IRS Relocation Incentive Plan, the following factors must be considered in determining whether a position is likely to be difficult to fill without a relocation incentive:

- 1. The availability and quality of candidates possessing the competencies required for the position, including the success of recent efforts to recruit candidates for the position or similar positions using indicators such as offer acceptance rates, the proportion of positions filled, and the length of time required filling similar positions.*
- 2. The salaries typically paid outside the Federal Government for similar positions.*
- 3. Recent turnover in similar positions.*
- 4. Employment trends and labor market factors that may affect the ability of the IRS to recruit candidates for similar positions.*
- 5. Special or unique competencies required for the position.*
- 6. Agency efforts to use non-pay authorities, such as special training and work scheduling flexibilities, to resolve difficulties alone or in combination with a relocation incentive.*
- 7. The desirability of the duties, work or organizational environment, or geographic location of the position.*
- 8. Other supporting factors.*

We found that eight of nine senior managers and executives included in our sample received relocation incentives. CI authorized 13 relocation incentives totaling \$528,379 for these eight employees during CYs 2007 through 2011. We found the Relocation Incentive Request Forms for each of these employees indicated that all factors listed above were considered. Supporting



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information attached to the Relocation Incentive Request Form documented the special or unique competencies required for the position and how the individual selected was qualified for the position. However, we believe the decision to pay the incentive would be stronger if the documentation included a list of applicants that applied for the position and specific information related to their qualifications.

Requests for relocation incentives should have four levels of review and approval: Certification Manager (usually CI's Director of Strategy), Secondary Review, Embedded Human Capital Office Technical Review, and Approver. The certification manager should review the relocation incentive request to determine whether it meets the eligibility requirements outlined in the IRS Relocation Incentive Plan and recommend payment of the incentive.

We found that two requests were not properly approved. In one case, the certification manager also signed as the second-level reviewer on the relocation incentive request. In another case, the second-level reviewer also signed the form as the approver. To reduce the risk of error or fraud, each level of review should be signed off by different individuals.

We also found that in two other instances, the certification managers did not recommend approving two relocation incentive requests. In one of these cases, the Director of Strategy recommended that CI not approve the request for two reasons:<sup>8</sup>

1. \*\*\*\*\*Code Number 3d\*\*\*\*\*
2. If CI approves this request, the IRS would have paid more than \$140,000 in incentives over a six-year period (averaging about \$23,500 per year) to the employee.

Both requests were subsequently approved by the Deputy Chief, CI, and the former Chief, CI. While the Chief, CI, is ultimately responsible for the decision, responses to the Director's comments should have been documented to explain why the recommendation to deny the incentive request was overridden.

### ***Recommendations***

The Chief, CI, should:

***Recommendation 3:*** Require that managers provide additional information to fully support the need for a relocation incentive. The Relocation Incentive Request Form should be enhanced to include the pool of candidates who applied for the position to provide sufficient evidence that the position was difficult to fill in absence of a relocation incentive.

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<sup>8</sup> The Director of Strategy submitted this recommendation to the Deputy Chief, CI, via electronic mail in February 2011.



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**Management's Response:** IRS management agreed with this recommendation. CI management will ensure that documentation to support the incentive includes the pool of candidates who applied for the position, as applicable.

**Recommendation 4:** Require that a memorandum is prepared when the certification manager does not recommend the approval of a relocation incentive request. The memorandum should state the basis for approving the recommendation after consideration of the certification manager recommendation. The memorandum should be attached to the relocation incentive request.

**Management's Response:** IRS management agreed with this recommendation. The routing process of relocation incentives was modified and made available through interim guidance issued on June 22, 2011. All requests are now reviewed by the Human Capital Officer, with final approval residing with the Deputy Commissioner for Services and Enforcement. Certification is documented by the CI manager and Second-level review is documented by the Deputy Chief or Chief of CI.

### ***The Draft Policy for the Post of Duty Neutral Program Contains Significant Weaknesses, and Program Goals Have Not Been Established Fully***

On September 9, 2011, CI received approval from the IRS CFO for employees to participate in a reduced per diem pilot program. The goal of the POD Neutral Program was to reduce CI relocation incentives. Effective October 1, 2011, CI implemented the following policy for the CI POD Neutral Program:

- *CI employees selected for POD neutral positions governed by the reduced per diem pilot will sign an agreement acknowledging the reduced per diem for their position, which will be effective for the open-ended assignment to the agreed-upon POD location.*
- *The signed agreement will be included as documentation in each travel authorization prior to approval by the approving official.*
- *CI employees traveling under the reduced per diem POD Neutral Policy will be authorized full per diem at the new location for the first 30-day period to allow time necessary to find suitable lodging at the reduced lodging allowance.*
- *Per the CFO, employees traveling under this policy will not be subject to long-term taxability for their travel expenses related to law enforcement, in accordance with United States Code section 162(a)(3).*

We identified significant weaknesses within the POD Neutral Program. Overall, we found that CI has not finalized the policy, identified the employee requirements to participate in the program, or defined the metrics to use to evaluate the program effectiveness. Some senior managers working POD neutral positions are subject to a reduced maximum lodging allowance



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of up to \$2,700 per month and a maximum meals and incidental expense allowance of up to \$300 per month. CI has not documented the methodology used for determining the reduced per diem rates in the POD Neutral Policy. CI indicated that the POD Neutral Program will continue for up to one year, after which officials will evaluate the program to determine whether it should be extended or terminated.

According to the draft Special Agent Leadership Strategy, “Some senior manager positions will be announced as POD neutral since expanded use of technology allows CI the flexibility of remote management in some cases.” While the guidance indicates the POD Neutral Program will be applied to CI senior managers, it does not list the requirements that should be used to determine which positions will be announced as POD neutral.

We found that the POD Neutral Policy is not consistently applied among program participants. As an example, a senior manager in a POD neutral position was exempt from the reduced per diem requirement. The employee was selected as \*\*\*\*\*Code Number 3d\*\*\*\*\*, field office in \*\*\*\*\*Code Number 3d\*\*\*\*\*, and his official POD is still shown as \*\*\*\*\*Code Number 3d\*\*\*\*\*. According to CI officials, the former Chief, CI, decided the employee would not be required to adhere to the maximum allowance of \$2,700 for lodging and \$300 for meals and incidental expenses.

According to the POD Neutral Policy, senior managers must have an approved POD Neutral Agreement Form to participate in the program. Senior managers must sign the form and agree to the reduced per diem rates. However, we found that the form lacks key information and needs to be improved. The form does not require a justification for working a POD neutral position or the duration of the agreement, including the estimated end date. We also found that two of the four senior managers’ POD Neutral Agreement Forms were not completed timely. In one case, the selecting official signed and dated the agreement, but the employee did not date the agreement. In the other case, the employee signed the agreement six months after the agreement was approved by the selecting officials and the employee started working the POD neutral position.<sup>9</sup>

### **A feasibility analysis is needed in determining whether the POD Neutral Program is cost beneficial**

CI needs to gather relevant data and perform a thorough analysis to determine whether the POD Neutral Program is cost beneficial. CI should compare POD neutral employees’ travel expenses to the estimated costs of relocating employees to determine whether relocation would be a cheaper alternative. The POD Neutral Program was designed to allow the IRS to address human capital challenges and reduce costs by allowing employees to incur travel expenses at a reduced per diem rate. However, because only four employees participating in the POD Neutral Program

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<sup>9</sup> The POD Neutral Agreement Form was signed by the senior manager on October 4, 2011, but was approved on April 4, 2012, six months later.



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actually travel on reduced per diem, CI may not have sufficient program participation necessary to assess the effectiveness of the program.

## ***Recommendations***

We recommend that the Chief, CI, should:

***Recommendation 5:*** Ensure that the POD Neutral Policy is revised and contains the following key elements:

- The methodology used to determine the reduced per diem rates for lodging and meals and incidental expenses.
- Requirements for program participation.
- The performance measurements that will be used to evaluate the program's effectiveness.

***Management's Response:*** IRS management agreed with this recommendation. Once the CI Office of Planning and Strategy has collected and reviewed the data with regard to cost effectiveness, CI will decide whether or not to continue the pilot CI POD Neutral Program. If the program is determined to be viable, CI will work with the Office of the Chief Financial Officer to revise the reduced per diem policy. CI will then clarify the methodology for determining expenses and the overall program requirements.

***Recommendation 6:*** Ensure that the POD Neutral Agreement Form is enhanced to include the justification for the POD neutral assignment and the planned time period for the assignment. Additionally, ensure the agreements are prepared and timely approved and the terms of the agreement are consistently applied for all employees working POD neutral positions.

***Management's Response:*** IRS management agreed with this recommendation. CI will ensure the recommended additional items are recorded in the POD Neutral Agreement Form with supporting documents. Pursuant to a determination of the pilot program's viability, this recommendation will be enacted.

***Recommendation 7:*** Collect data over the duration of the pilot program and conduct an analysis to determine the cost effectiveness of the POD Neutral Program.

***Management's Response:*** IRS management agreed with this recommendation. CI is collecting data for analysis to determine whether the pilot CI POD Neutral Program was cost effective.



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*Review of Criminal Investigation's  
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## **Appendix I**

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

The overall objective was to determine whether decisions made to relocate CI executives and senior managers, or reassign their POD to POD neutral, complied with travel policies, procedures, and regulations. The Treasury Inspector General for Tax Administration:

- I. Identified policies, procedures, and regulations related to relocating CI employees and reassigning their POD to POD neutral.
  - A. Determined whether CI has a succession plan designed to ensure CI can obtain and develop the talent required to achieve its mission.
  - B. Determined whether CI or the IRS has written policies and procedures that document when an employee should be relocated for a CI position and when relocation expenses and incentives should be paid for a position.
  - C. Determined whether CI or the IRS has written policies and procedures that document when positions should be listed as POD neutral.
  - D. Determined whether reimbursements for long-term travel related to POD neutral assignments are taxable.
- II. Identified trends for CI travel and relocation expenses and relocation incentives for Fiscal Years or CYs 2007 through 2011.
  - A. Analyzed and summarized travel and relocation expenses and incentives for all CI employees.
  - B. Analyzed and summarized travel expenses for all CI executives and managers with POD neutral assignments.
  - C. Analyzed and summarized relocation expenses and incentives for all CI executives and senior managers.
- III. Determined whether decisions made to relocate CI executives and senior managers, or reassign the POD to POD neutral, complied with travel policies, procedures, and regulations.
  - A. Determined the justification for POD neutral staffing decisions.
  - B. Reviewed the travel expenses for POD neutral employees for Fiscal Years 2010 and 2011.



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- C. Selected a judgmental sample<sup>1</sup> of nine CI executives and senior managers who accepted positions between Calendar Years 2007 and 2011, and determined whether the IRS paid reimbursements for relocations and relocation incentives in accordance with travel policies, procedures, and regulations.

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<sup>1</sup> A judgmental sample is a nonstatistical sample, the results of which cannot be used to project to the population.



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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  
Jacqueline Nguyen, Senior Auditor



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**Appendix III**

*Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Deputy Commissioner for Services and Enforcement SE  
Assistant Deputy Commissioner for Operations Support OS  
Chief, Agency-Wide Shared Services OS:A  
Chief Financial Officer OS:CFO  
Deputy Chief, Criminal Investigation SE:CI  
Human Capital Officer OS:HC  
Chief Counsel CC  
National Taxpayer Advocate TA  
Deputy, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:CPIC:IC



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**Appendix IV**

*Relocation Incentives by Internal Revenue Service  
Business Unit for Calendar Years 2007 Through 2011*

IRS Business Unit	Number of Relocation Incentives	Total Relocation Incentives	Average Relocation Incentive
Appeals	2	\$ 75,882	\$ 37,941
Agency-Wide Shared Services	2	\$ 45,175	\$ 22,588
Criminal Investigation	156	\$ 4,267,083	\$ 27,353
Communications and Liaison	1	\$ 24,334	\$ 24,334
Counsel	2	\$ 50,000	\$ 25,000
Human Capital Office	1	\$ 37,150	\$ 37,150
Large Business and International	4	\$ 100,000	\$ 25,000
Modernization and Information Technology Services	11	\$ 205,291	\$ 18,663
National Taxpayer Advocate	2	\$ 50,967	\$ 25,484
Small Business/ Self-Employed	6	\$ 171,801	\$ 28,634
Tax Exempt/ Government Entities	2	\$ 35,000	\$ 17,500
Wage and Investment	44	\$ 856,170	\$ 19,458
<b>Total</b>	<b>233</b>	<b>\$ 5,918,853</b>	<b>\$ 25,403</b>

Source: CI Finance Office and IRS Human Capital Office.



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**Appendix V**

*Criminal Investigation Leadership Development  
Program – Experience Requirements*

This table was extracted from the CI draft Special Agent Leadership Selection/Development/Succession Planning Strategy. CI developed the table to assist employees in planning their management careers and identifying what types of experience will make them highly qualified for specific leadership positions in CI. CI officials indicated that special agents must periodically relocate to obtain the experience necessary to become senior managers and executives within CI.

Position	Progression Options			
Special Agent	Supervisory Special Agent	Headquarters Analyst	Scheme Development Center Resident Agent in Charge	Supervisory Special Agent (Computer Investigative Specialist)
	National Criminal Investigation Training Academy Special Agent Investigations	Senior Resident Course Developer/ Instructor		Undercover Program Manager
Supervisory Special Agent	Headquarters Analyst	Attaché	Director of Field Operations Analyst	Organized Crime Drug Enforcement Task Force Coordinator
	Supervisory Special Agent Storefront	Assistant Special Agent in Charge	National Criminal Investigation Training Academy Special Agent Investigations or Senior Resident Course Developer/Instructor	Undercover Program Manager
Senior Headquarters Analyst	Supervisory Special Agent	Assistant Special Agent in Charge	Headquarters Liaison	
Assistant Special Agent in Charge	Special Agent in Charge	Headquarters Assistant Director	Headquarters Associate Director	
Special Agent in Charge	Headquarters Associate Director	Deputy Director	Chief of Staff	
Headquarters Associate Director	Special Agent in Charge	Deputy Director	Chief of Staff	

Source: CI draft Special Agent Leadership Selection/Development/Succession Planning Strategy.



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**Appendix VI**

*Management's Response to the Draft Report*



Criminal Investigation

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

October 5, 2012

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR INSPECTIONS AND  
EVALUATIONS

FROM: Richard Weber  for  
Chief, Criminal Investigation (SE:CI)

SUBJECT: Response to Draft Audit Report— Review of Criminal  
Investigation's Relocation Incentives and Post of Duty Neutral  
Program (IE-12-003)

We appreciate your review of Criminal Investigation's (CI) relocation programs. The programs have already been under review given budget issues and the need to assess such programs on a continuing basis.

The relocation programs continue to be important to CI from law enforcement and leadership succession planning perspectives. CI's primary mission is to serve the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. These investigations are inherently sensitive and frequently complex. It is important that special agents in the field are supervised by management officials in the field and at headquarters that possess the financial expertise and the management skills considered vital to effectively manage employees engaged in this sensitive mission critical investigative work. The federal law enforcement profession typically necessitates law enforcement officers relocate over the course of their careers. All CI employees in the 1811 – Criminal Investigator series (special agents) are required to be geographically mobile. CI, however, typically limits relocation to management personnel. In addition, CI has found that mobility is a necessity for special agents filling headquarters, frontline and senior management positions. Under the current retirement system, most special agents are eligible to retire after 20-25 years of service depending on their age, and all special agents are subject to statutorily mandated retirement at 57. Therefore, CI seeks to identify leaders early in their career and relocate them to various positions within CI to gain the knowledge, skills, and abilities to progress to the senior and executive management levels. Because it is important to fill management official positions on a timely basis and because of the need for accelerated leadership training, CI will need to continue using various forms of relocation practices and programs.

With the deteriorating housing market in 2008 and in light of budget constraints, CI found it necessary to identify additional tools to effectuate CI's mobility policies and practices. CI pursued temporary change of station (TCS) incentives and implemented a post-of-duty neutral (POD neutral) pilot program. Relocation incentives helped increase mobility within CI by allowing employees to address cost factors at their



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former location, while mitigating the effects of increased expenses in moving to other areas of the country. An employee solely using the TCS program afforded CI the advantage of a potentially less expensive alternative versus the cost of a full relocation, which averages approximately \$110,000, excluding a home purchase. The POD neutral program allowed selected employees to remain in their POD of record and travel on official business to their newly assigned office at a reduced per diem rate. Though CI incurred these costs for work related travel, CI also expects to experience a cost savings by eliminating potentially more costly relocation expenses and by paying travel costs at an agreed upon reduced rate.

As noted above, we agree that CI's relocation programs need revision and have been working on new policies. Shortly after I became CI's Chief, I initiated a working group to review CI's current mobility policies. The working group is expected to share its recommendations with me by November, 2012. We also agreed with the recommendations identified in your report. In addition, in June 2011, the IRS issued guidance stating that the Human Capital Officer became responsible for completing technical review of all relocation incentive requests, resulting in heightened controlled over all IRS relocation incentives.

If you have any questions, please contact me or Acting Deputy Chief Patricia Haynes at (202) 622-3200.

Attachment



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Attachment

The Chief, CI, should:

**RECOMMENDATION 1:**

Evaluate the effectiveness of TCS and PCS assignments as part of the CI's overall succession planning strategy.

**CORRECTIVE ACTION**

We agree with this recommendation. Once all the TCS participants have completed their assignments, we will be able to comprehensively assess the effectiveness of the TCS and PCS assignments. The last TCS participant will complete their assignment in May of 2013. We have established an implementation date of six months from May 2013.

**IMPLEMENTATION DATE**

November 15, 2013

**RESPONSIBLE OFFICIAL**

Director, Strategy

**CORRECTIVE ACTION MONITORING PLAN**

The IRS will monitor this corrective action as part of our internal management system of controls.

**RECOMMENDATION 2:**

Ensure that CI's Special Agent Leadership Strategy clearly describes how relocation(s) will be incorporated in staff development and succession planning.

**CORRECTIVE ACTION**

We agree with this recommendation. The Chief of Criminal Investigation initiated a working group to review CI's current and historic Special Agent mobility policies. The scope and mission of the working group is to update and expand upon the current policy to address economic and environmental factors that have impacted workforce mobility. Once the working group has presented its findings and recommendations, the Chief of Criminal Investigation will develop a revised mobility policy which will be incorporated into the CI Special Agent Leadership Strategy.

**IMPLEMENTATION DATE**

February 15, 2013

**RESPONSIBLE OFFICIAL**

Director, Strategy

**CORRECTIVE ACTION MONITORING PLAN**

The IRS will monitor this corrective action as part of our internal management system of controls.



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**RECOMMENDATION 3:**

Require that managers provide additional information to fully support the need for a relocation incentive. The Relocation Incentive Request Form should be enhanced to include the pool of candidates that applied for the position to provide sufficient evidence that the position was difficult to fill in absence of a relocation incentive.

**CORRECTIVE ACTION**

We agree with this recommendation. The Relocation Incentive Request Form is an official IRS form which meets the needs of multiple, diverse business units. CI management will ensure that documentation to support the incentive includes the pool of candidates that applied for the position, as applicable.

**IMPLEMENTATION DATE**

November 15, 2012

**RESPONSIBLE OFFICIAL**

Director, Strategy

**CORRECTIVE ACTION MONITORING PLAN**

The IRS will monitor this corrective action as part of our internal management system of controls.

**RECOMMENDATION 4:**

Require that a memorandum is prepared when the certification manager does not recommend the approval of a relocation incentive request. The memorandum should state the basis for approving the recommendation after consideration of the certification manager recommendation. The memorandum should be attached to the relocation incentive request.

**CORRECTIVE ACTION**

We agree with this recommendation. The routing process of relocation incentives was modified and made available through interim guidance issued on June 22, 2011. All requests are now reviewed by the Human Capital Officer, with final approval residing with the Deputy Commissioner for Services and Enforcement. Certification is documented by the CI manager and Second-level review is documented by the Deputy Chief or Chief of CI.

**IMPLEMENTATION DATE**

June 22, 2011

**RESPONSIBLE OFFICIAL**

Not applicable.

**CORRECTIVE ACTION MONITORING PLAN**

The IRS will monitor this corrective action as part of our internal management system of controls.



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**RECOMMENDATION 5:**

Ensure that the POD Neutral Policy is revised and contains the following key elements:

- The methodology used to determine the reduced per diem rates for lodging and meals and incidental expenses.
- Requirements for program participation.
- The performance measurements that will be used to evaluate the program's effectiveness.

**CORRECTIVE ACTION**

We agree with this recommendation. Once the CI Office of Planning and Strategy has collected and reviewed the data with regard to cost effectiveness, we will decide whether or not to continue the pilot CI POD Neutral policy. If the policy is determined to be viable, Criminal Investigation will work with the Office of the Chief Financial Officer to revise the reduced per diem policy also currently known as the pilot CI POD Neutral Policy. We will then clarify the methodology for determining expenses and the overall program requirements. We have established a three month implementation date from September 2012 since the pilot program was approved in September 2011.

**IMPLEMENTATION DATE**

December 15, 2012

**RESPONSIBLE OFFICIAL**

Director, Strategy

**CORRECTIVE ACTION (S) MONITORING PLAN**

The IRS will monitor this corrective action as part of our internal management system of controls.

**RECOMMENDATION 6:**

Ensure that the POD Neutral Agreement Form is enhanced to include the justification for the POD neutral assignment and the planned time period for the assignment. Additionally, ensure the agreements are prepared and timely approved, and the terms of the agreement are consistently applied for all employees working POD neutral positions.

**CORRECTIVE ACTION**

We agree with this recommendation. The POD Neutral Agreement Form with supporting documents will ensure the recommended additional items are captured. Pursuant to a determination of the pilot program's viability, this recommendation will be enacted.

**IMPLEMENTATION DATE**

December 15, 2012

**RESPONSIBLE OFFICIAL**



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Director, Strategy

**CORRECTIVE ACTION MONITORING PLAN**

The IRS will monitor this corrective action as part of our internal management system of controls.

**RECOMMENDATION 7:**

Collect data over the duration of the pilot program and conduct an analysis to determine the cost effectiveness of the POD Neutral Program.

**CORRECTIVE ACTION**

We agree with the recommendation. Data is being collected and will be analyzed to determine if the pilot CI POD Neutral Policy was cost effective.

**IMPLEMENTATION DATE**

December 15, 2012

**RESPONSIBLE OFFICIAL**

Director, Strategy

**CORRECTIVE ACTION MONITORING PLAN**

The IRS will monitor this corrective action as part of our internal management system of controls.