
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Office of Inspections and Evaluations



*Internal Controls Are in Place to Ensure That
Deposits Are Safely Delivered by Submission
Processing Site Employees, but Some
Documentation Could Be Improved*

December 3, 2013

Reference Number: 2014-IE-R002

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 3, 2013

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

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

SUBJECT: Final Inspection Report – Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved (# IE-13-011)

This report presents the results of our inspection to determine whether internal controls are in place to ensure that deposits are safely delivered to depositories when they must be delivered by Submission Processing site employees.

Synopsis

Internal Revenue Service (IRS) Submission Processing site employees delivered more than 1.6 million payments totaling almost \$5 billion from October 2011 through May 2013. During our inspection, we identified no problems with the delivery of the deposits; however, we found that one deposit was delivered by an employee who was not listed as authorized in the Courier Contingency Plan at the time of the delivery, and that one site was not using the current Courier Daily Checklist (Checklist) and capturing all the necessary information.

Recommendations

We recommended that the Director, Submission Processing, Wage and Investment Division, require the employees who prepare the Checklist to check the Courier Contingency Plan, if the courier is a Submission Processing site employee, to determine whether the courier is authorized to deliver the deposit. In addition, the Director, Submission Processing, Wage and Investment Division, should ensure that employees use the current version of the Checklist, properly record all required information on the Checklist, and provide explanations for untimely deposits on the Courier Incident Log.



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

Response

Management agreed with our recommendations. They plan to review the Courier Contingency Plan at each site to ensure that the list of employees authorized to deliver deposits is accurate and remind Courier Daily Checklist preparers to be sure that depositing employees are in the plan. They also plan to ensure that employees at all sites use the current version of the Courier Daily Checklist, are trained to properly complete it, and fully explain untimely deposits in the Courier Incident Log.

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



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

Table of Contents

Background	Page 1
Results of Review	Page 3
Deposits Were Safely Delivered by Submission Processing Site Employees, but Completion of Some Documentation Could Be Improved.....	Page 3
<u>Recommendation 1</u> :.....	Page 3
<u>Recommendation 2</u> :.....	Page 6
Appendices	
Appendix I – Detailed Objective, Scope, and Methodology	Page 7
Appendix II – Major Contributors to This Report	Page 8
Appendix III – Report Distribution List	Page 9
Appendix IV – Management’s Response to the Draft Report	Page 10



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

Background

Each Submission Processing site contracts with a courier service to deliver its deposits to the depository. The courier service has specific requirements and responsibilities that it must meet.¹ Each Submission Processing site must have a contingency plan for days when these requirements and responsibilities are not met or when the regular courier is unable to make the trip, such as a State holiday that is not also a Federal holiday.

A contingency plan is used when any of the following situations occur:

- The courier fails to arrive or the company fails to send two couriers;
- The courier company's contract expires;
- The courier(s) or vehicle does not meet requirements;
- The courier service's insurance binder for deposit reconstruction expired; or
- The time on the Form 10160, *Receipt for Transport of IRS Deposit*, from the previous day exceeds the time allowed in the courier contract, and the courier company management cannot provide a reasonable explanation.

Each Submission Processing site is required to incorporate into its local Courier Contingency Plan a list of designated Submission Processing site employees (primary and alternates) who will be responsible for delivering the deposit and their telephone numbers.

Submission Processing site employees are required to adhere to all deposit delivery procedures. They must not make any stops between the office and depository and must have access to a cell phone in case of emergency. The vehicle must meet the same requirements as the courier company vehicle.

During Fiscal Year² 2012 and through May of Fiscal Year 2013, Internal Revenue Service (IRS) Submission Processing site employees delivered more than 1.6 million payments totaling almost \$5 billion dollars.

This review was performed at the IRS Submission Processing sites in Fresno, California, and Austin, Texas, during June 2013. We conducted this inspection in accordance with the Council

¹ Internal Revenue Manual 3.8.45.1.9 lists the courier service requirements and responsibilities. The Internal Revenue Manual is the Internal Revenue Service's primary source of instructions to its employees relating to the administration and operation of the Internal Revenue Service. The manual contains the directions employees need to carry out their operational responsibilities.

² A 12-consecutive-month period ending on the last day of any month. The Federal Government's fiscal year begins on October 1 and ends on September 30.



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

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.



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

Results of Review

Deposits Were Safely Delivered by Submission Processing Site Employees, but Completion of Some Documentation Could Be Improved

All five Submission Processing sites have Courier Contingency Plans in compliance with Internal Revenue Manual requirements. Since October 2011, three of the sites have implemented the plan up to five times, one has not implemented its Courier Contingency Plan, and the last has implemented its plan for every deposit made since June 7, 2012. At this last site, the courier company did not have enough employees to pick up the deposits through the end of its contract in September 2012. Since that time, the IRS sought bids for a new courier, selected one in December 2012, completed courier employees' background investigations, and the contract courier began picking up deposits on August 5, 2013.

We identified no problems with deposits delivered by Submission Processing site employees; however, we found several issues with the documents prepared. These documents are part of the internal controls in place to ensure that deposits are safely delivered to the depository.

Employees must be authorized in the Courier Contingency Plan to deliver deposits

Each site is required to include the names of employees authorized to deliver deposits in the Courier Contingency Plan for occasions when it must be implemented. We found that one Submission Processing site employee who delivered a deposit was not included in the Courier Contingency Plan in effect at the time as authorized to deliver deposits. This undermines internal controls. The employee was, however, subsequently added to the Courier Contingency Plan.

Recommendation

Recommendation 1: The Director, Submission Processing, Wage and Investment Division, should require the employees who prepare the Courier Daily Checklist to ensure that the Submission Processing site employees delivering the deposit are listed in the Courier Contingency Plan just as they would check that the contract couriers are on the Courier Deposit Access List.

Management's Response: Management agreed with our recommendation. They will review the Courier Contingency Plan at each site to ensure that the list of employees



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

is accurate and remind the Courier Daily Checklist preparers to be sure depositing employees are on the list.

Using a current Courier Daily Checklist would help to ensure that necessary information is obtained

At one site, we found that employees were not using the current version of the Courier Daily Checklist. The current version includes a line asking if the delivery time frame from the previous day's Form 10160 is within the time allowed in the Courier Statement of Work. One situation for implementing the Courier Contingency Plan is that courier company management cannot provide a reasonable explanation for exceeding the delivery time allotted, so the explanation can be significant. The Courier Daily Checklist reminds the Submission Processing site employee to obtain an explanation from the courier if the deposit was not delivered timely. When any item on the Courier Daily Checklist is not in compliance with the Internal Revenue Manual, the manager must sign the Courier Daily Checklist and include an explanation of the problem on the Courier Incident Log. We found that deposits that were not delivered in the allotted time frame were recorded on the Courier Incident Log, but no explanation was provided. This may have been completed had the current version of the Checklist been used.

In addition, it appears that the Courier Daily Checklist may be prepared by rote at this site. One Courier Daily Checklist was blank except the signature and date. Other Courier Daily Checklists were prepared on days when Submission Processing site employees delivered the deposit and the Courier Daily Checklists were completed as if deposits were picked up by the contracted courier, as shown in Figure 1.



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

Figure 1: Courier Daily Checklist Indicating Contract Courier Compliance

COURIER DAILY CHECKLIST

The IRS Employee releasing the deposit to the Courier must place a checkmark in the "Yes" or "No" column next to each IRM 3.8.45.1.11 requirement below after it has been verified.

BY IRS EMPLOYEE'S CHECK [] NO

of the seals () in the Form 10160 contains the Courier employee's printed name and signature.

Courier Requirements		
Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	There are two Courier employees.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Both Couriers appear on the CDAL. (Only an updated CDAL for the current month is acceptable)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The CADS has been checked and the Courier employees are not related
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Couriers are wearing uniforms with their company's logo.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Each Courier is wearing his/her company issued photo ID.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The vehicle has a secure area large enough to hold today's deposit.
<input type="checkbox"/>	<input type="checkbox"/>	The deposit is placed in a clean, empty, and secure area of the vehicle (trunk or cab) that does not contain any other packages, boxes or debris. NOTE: The bed portion of a truck or any open-bedded vehicle (with or without a camper shell) is NOT a secure area. Deposits cannot be placed in these areas of the vehicle.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The vehicle is locked once the deposit is inside the vehicle. (Check all doors.)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The vehicle appears to be in good condition, appearance and working order.

The IRS Employee releasing the deposit to the Courier must sign and date here to confirm all items above have been verified.

Source: Example of the types of markings observed even when IRS employees actually made the delivery.

Because the Courier Daily Checklist does not indicate that contract couriers did not deliver the deposit, to identify deposits delivered by Submission Processing site employees, the reviewer must recognize the courier name on the Form 10160 as an employee. The Courier Incident Log does not identify when the Courier Contingency Plan was implemented. Therefore, it may not be obvious to the Headquarters Deposit Analyst during his or her review that the employee of the courier service contractor did not deliver a deposit or the extent of any problem with the courier service contractor. The Deposit Analyst must depend on notification by the Submission Processing site.



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

Recommendation

Recommendation 2: The Director, Submission Processing, Wage and Investment Division, should ensure that employees use the current version of the Courier Daily Checklist, properly complete the form, and include explanations for untimely deposits on the Courier Incident Log.

Management's Response: Management agreed with our recommendation. They will ensure that employees at all sites use the current version of the Courier Daily Checklist, are trained to properly complete the form, and fully explain untimely deposits on the Courier Incident Log.



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this inspection was to determine whether internal controls are in place to ensure that deposits are safely delivered to depositories when they must be delivered by Submission Processing site employees. This inspection addresses the major management challenge of Security for Taxpayer Data and Employees. Data were provided by the IRS Headquarters Deposit Analyst. We did not verify the source of the data. To accomplish the objective, we:

- I. Determined whether Submission Processing sites have Courier Contingency Plans that are compliant with the Internal Revenue Manual¹ requirements.
 - A. Documented courier deposit requirements.
 - B. Documented Courier Contingency Plan requirements.
 - C. Determined the number and dollar amount of deposits delivered by IRS employees at each Submission Processing site during Fiscal Years² 2011, 2012, and 2013.
- II. Determined whether proper internal controls are in place for the delivery of deposits by Submission Processing site employees.
 - A. Reviewed the Courier Contingency Plans for compliance with the guidance requirement.
 - B. Reviewed Forms 10160, *Receipt for Transport of IRS Deposit*, to determine whether Submission Processing site employees have delivered deposits not reported to the Headquarters Deposit Analyst.
 - C. Reviewed Courier Daily Checklists to determine whether Submission Processing site employees who delivered deposits met the Checklist requirements.
 - D. Reviewed Courier Incident Logs to determine whether any incidents involved Submission Processing site employees.
 - E. Observed Submission Processing site employees transferring a deposit for delivery.

¹ Internal Revenue Manual 3.8.45.1.9 lists the courier service requirements and responsibilities. The Internal Revenue Manual is the IRS's primary source of instructions to its employees relating to the administration and operation of the IRS. It contains the directions employees need to carry out their operational responsibilities.

² A 12-consecutive-month period ending on the last day of any month. The Federal Government's fiscal year begins on October 1 and ends on September 30.



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

Appendix II

Major Contributors to This Report

Kevin P. Riley, Director, Inspections & Evaluations
James A. Douglas, Supervisory Evaluator
Dolores Castoro, Lead Auditor
John L. da Cruz, Program Analyst



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

Appendix III

Report Distribution List

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Audit Liaisons:
 Deputy Commissioner for Services and Enforcement SE
 Commissioner, Wage and Investment Division SE:W
 Submission Processing, Wage and Investment Division SE:W:CAS:SP



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

Appendix IV

Management's Response to the Draft Report



COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

SEP 26 2013

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

FROM: Peggy Bogadi 
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Internal Controls Are in Place to Ensure
That Deposits Are Safely Delivered by Submission Processing
Employees, but Some Documentation Could Be Improved
(# IE-13-011)

We appreciate the opportunity to review the subject draft report. Much work has been done to ensure our Courier Contingency Plans are effective in safeguarding the funds received by the IRS and guaranteeing their secure delivery to the depository institutions. We agree with the recommended actions that will improve recordkeeping and documentation processes affecting the plan.

Attached are our comments on your recommendations. If you have any questions, please contact me, or a member of your staff may contact Paul Mamo, Director, Submission Processing, Wage and Investment Division, at (859) 669-5554.

Attachment



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

Attachment

Recommendation

Recommendation 1

The Director, Submission Processing, should require the employees who prepare the Courier Daily Checklist to ensure that the Submission Processing employees delivering the deposit are listed in the Courier Contingency Plan just as they would check that the contract couriers are on the Courier Deposit Access List.

Corrective Action

We will review the Courier Contingency Plan at each campus to ensure the list of employees authorized to deliver deposits is accurate, and will remind the Courier Daily Checklist preparers of the requirement to ensure depositing employees are properly listed in the plan.

Implementation Date

January 15, 2014

Responsible Official

Director, Submission Processing, Customer Account Services, Wage and Investment Division

Corrective Action Monitoring Plan

We will monitor this corrective action as part of our internal management control system.

Recommendation

Recommendation 2

The Director, Submission Processing, should ensure that employees use the current version of the Courier Daily Checklist, properly complete the form, and include explanations for untimely deposits on the Courier Incident Log.

Corrective Action

We will take immediate steps to ensure that employees are using the current version of the Courier Daily Checklist at all Submission Processing sites. We will also ensure those employees completing the checklist are trained to properly complete it, and to adhere to requirements for fully explaining untimely deposits on the Courier Incident Log.

Implementation Date

January 15, 2014



Internal Controls Are in Place to Ensure That Deposits Are Safely Delivered by Submission Processing Site Employees, but Some Documentation Could Be Improved

2

Responsible Official

Director, Submission Processing, Customer Account Services, Wage and Investment Division

Corrective Action Monitoring Plan

We will monitor this corrective action as part of our internal management control system.