

**Improved Policies and Guidance Are Needed
for the Telework Program**

July 2005

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DEPARTMENT OF THE TREASURY
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INSPECTOR GENERAL
for TAX
ADMINISTRATION

July 6, 2005

MEMORANDUM FOR DEPUTY COMMISSIONER FOR OPERATIONS SUPPORT

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FROM: (for) Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report - Improved Policies and Guidance Are
Needed for the Telework Program (Audit # 200410021)

This report presents the results of our review of the telework program (known as the Flexiplace Program) in the Internal Revenue Service (IRS). The overall objective of this review was to determine whether the IRS has implemented its Flexiplace Program in compliance with Office of Personnel Management (OPM) guidelines.

Telework (also known as telecommuting) is emerging as an important work option for the Federal Government and its employees. It allows employees the flexibility to better manage their work and personal responsibilities and can make Federal service more attractive to prospective employees. The IRS first implemented its Flexiplace Program in 1995. The Program had grown to include an estimated 27,000 employees in 2003.

Notwithstanding the widespread participation in the IRS Flexiplace Program, the IRS has not implemented adequate policies or guidelines for its Flexiplace Program. While there are provisions in the IRS National Treasury Employees Union National Agreement¹ related to implementation of the Flexiplace Program, the provisions are not adequate to conform to OPM guidance on telework. Furthermore, employee participation in the Flexiplace Program is not tracked, which makes it difficult for the IRS to accurately report to the OPM on Flexiplace Program participation (the IRS estimates of participation are based on surveys). It also makes it difficult for the IRS to ensure employees have the needed support and equipment to work successfully at alternate locations. Moreover, it limits the ability of the IRS to identify office space that is not needed for employees who telecommute most of the time.

Some managers expressed concerns that the productivity of employees participating in the Flexiplace Program is reduced. Of the 30 Small Business/Self-Employed Division

¹ 2002 National Agreement, Document 11678 (Rev. 8-2002), Catalog Number 32781U.

managers we interviewed, 9 (30 percent) believed employees participating in the Flexiplace Program were less productive. Furthermore, 16 of the 30 managers had removed an employee from the Flexiplace Program due to poor performance. There appeared to be misconceptions about the level of change in performance that would justify removing employees from the Program. Managers we interviewed indicated an employee's performance had to fall to unsuccessful before the employee was removed from the Flexiplace Program; however, IRS officials indicated managers should not wait for such a significant drop in performance before taking action. Further, surveys indicate that better equipment and telecommunications access would improve employee productivity.

Guidelines are needed to ensure employees participating in the Flexiplace Program receive the correct locality pay. There are conflicting guidelines Government-wide about what locality pay employees should receive when working from their homes or other alternate locations. The IRS follows the practice of using the location of the employee's office to determine locality pay, regardless of whether an employee commutes to that office or works at an alternate location full time. The OPM has issued proposed regulations which indicate that if an employee works at an alternate location full time, that location should be used to determine the employee's locality pay.

We recommended the Chief Human Capital Officer develop overall program guidelines that conform to those recommended by the OPM, implement a system to accurately determine the number of employees participating in the Flexiplace Program, implement guidelines to assess employees' abilities to participate in the Program without a loss of productivity, provide training to address productivity issues, and determine what logistical support and equipment employees need and develop the procedures to ensure they get the right equipment to work productively and to properly secure sensitive data in their possession. We also recommend the Chief Human Capital Officer work with the OPM to implement policy regarding official duty station designations for employees participating in the Flexiplace Program.

Management's Response: IRS management agreed with our recommendations and proposed corrective actions to address the issues identified in the report. These proposed actions include developing an overall policy for the Flexiplace Program, implementing a tracking system, implementing guidelines to address productivity of employees participating in the Program, providing training, and assessing the logistical support and equipment needs of employees. In addition, management will develop appropriate guidance related to official duty station designations for employees who participate in the Flexiplace Program. Management's complete response to the draft report is included as Appendix IV.

Copies of this report are also being sent to IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

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Background

Telework (also known as telecommuting) is an alternative work arrangement for employees to conduct all or some of their work away from their primary workplaces. It is emerging as an important and attractive work option for the Federal Government and its employees. Its proponents believe it has the benefit of providing employees with the flexibility to better manage their work and personal responsibilities. Telework provides Federal Government agencies additional flexibility that makes Federal service more attractive to prospective employees and encourages employees to remain in Federal service. There are also benefits to society such as reduced traffic congestion, reduced air pollution, and greater accommodation of individuals with disabilities.

The promotion of telework in the Federal Government first began in 1990 when the President's Council on Management Improvement approved a 1-year pilot project. The pilot was performed by the Office of Personnel Management (OPM) and was considered to have successfully demonstrated that telework could assist in recruiting, motivating, and retaining workers while reducing costs associated with sick leave, office space, and transportation.

In 2000, the Congress passed legislation¹ requiring that Federal Government agencies establish policies that permit eligible employees the opportunity to participate in telework to the maximum extent possible without diminished employee performance. The intent was to provide benefits both to employees and agencies. Morale of employees is improved and their overall quality of life is enhanced. Agencies realize the benefits of improved employee retention, less absenteeism, increased productivity, and reduced office rent costs.

An employee who participates in telework may perform work duties at home or another location where there is an adequate telecommunication connection to the primary office site and there is an office setting conducive to accomplishing work requirements. This reduces employee

¹ Pub. L. No. 106-346, § 359 (Department of Transportation and Related Agencies Appropriations Act of 2001).

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commuting time and inconvenience while allowing employees the opportunity to effectively accomplish their work.

The Internal Revenue Service (IRS) first implemented a telework program known as the Flexiplace Program in 1995. The Program had grown to an estimated 27,000 participating employees in 2003. The IRS has implemented two types of Flexiplace Program arrangements: occupational and situational/hourly.

- **Occupational²** - The employee completes all or almost all duties outside of a traditional office setting. This work arrangement also provides for potential savings based on shared use of office space.
- **Situational/hourly** - The employee participates in the Flexiplace Program as work assignments permit. Employees are allowed to work outside of the office on a case-by-case basis but for no more than 80 hours a month.

The Chief Human Capital Officer (CHCO) has certain administrative responsibilities for gathering information about the Flexiplace Program and for monitoring the Program. This review was performed at the IRS National Headquarters in Washington, D.C., in the office of the CHCO and the Agency-Wide Shared Services Division during the period July through December 2004. We also contacted officials in the four IRS Operating Divisions:

- Large and Mid-Size Business Division.
- Small Business/Self-Employed (SB/SE) Division.
- Tax Exempt and Government Entities Division.
- Wage and Investment Division.

The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in

² The OPM and other agencies use the term “core” in place of occupational.

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Telework Program Policies and Guidelines Need to Be Developed and Implemented

Appendix I. Major contributors to the report are listed in Appendix II.

In May 2003, the OPM issued a guidance document entitled “*Telework: A Management Priority, A Guide for Managers, Supervisors, and Telework Coordinators*” to assist Federal Government agencies with the implementation of telework programs. The OPM guidelines cover a wide range of topics on the implementation of telework to help agencies develop criteria to be used in implementing policies that ensure managerial, logistical, organizational, and other barriers to successfully implementing a telework program are removed. The OPM believes the three critical elements of a telework program are effective policies, training, and evaluation. A successful telework policy should ensure all eligible employees of an agency have the opportunity to participate in the program to the maximum extent possible without diminished performance. The policy should also provide the administrative, human resource, technical, and logistical support needed to carry out a successful program. Furthermore, the policy should outline the goals and objectives of the program as well as the benefits to the organization and employees.

The IRS has not implemented adequate policies or guidelines for its Flexiplace Program. While there are provisions in the IRS National Treasury Employees Union (NTEU) National Agreement³ related to implementation of a Flexiplace Program, the provisions are not adequate to conform to OPM guidance on telework.

In 2002, the IRS and NTEU agreed to establish a Flexiplace Subcommittee under the National Labor Management Relations Committee;⁴ this Subcommittee was given the responsibility to develop Flexiplace Program policy and procedures for the IRS. However, the Subcommittee met only two times—the NTEU was unable to reach agreement with IRS management about a policy or procedures under which a Flexiplace Program could be administered and

³ 2002 National Agreement, Document 11678 (Rev. 8-2002), Catalog Number 32781U.

⁴ This Committee is comprised of representatives from management and labor that meet semi-annually to discuss personnel policy issues.

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monitored. Consequently, the Subcommittee was disbanded by the IRS in 2004. Because a policy was not developed, the IRS uses Article 50 of the National Agreement as the policy statement for the Flexiplace Program.⁵

Article 50 includes general Flexiplace Program definitions, employee eligibility, positions covered by the Program, management and employee responsibilities, protection of taxpayer data, furniture and equipment needs, and availability of office space for employees who participate in the Flexiplace Program on an occupational basis. However, it does not include the following elements that the OPM recommends for a telework policy:

- General policy statement with program definitions.
- Program goals and objectives.
- Review of program benefits.
- Assessment tool to determine potential for telework.
- Supervisory checklist.
- Home safety checklist.
- List of possible logistical support items available from the agency, with necessary forms.
- List of telecenters and the procedures for using a telecenter.

Employee participation is not tracked

The OPM requires agencies to report annually on the status of telework implementation and the level of employee participation in telework. The IRS does not track the actual number of employees who are eligible to participate or how many employees are actually working in the Flexiplace Program. Instead, the IRS has tried to analyze the implementation of the Flexiplace Program and evaluate employee participation in the Program through surveys of its managers. The IRS contracted with the Booz-Allen-Hamilton consulting group to conduct a survey

⁵ This Agreement does not cover nonbargaining employees or managers and supervisors.

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during 2002.⁶ In 2003, the IRS Office of Program Evaluation and Risk Analysis (OPERA) conducted another survey.⁷

Both surveys provided similar estimates of the number of employees participating on an Occupational and Situational basis. The results of the OPERA survey are shown in Table 1.

Table 1: IRS Estimate of Overall Flexiplace Program Participation During 2003

Union Affiliation	Eligible Employees	Occupational Flexiplace	Situational or Hourly	Total Participation	Percent
Bargaining	27,335	5,675	16,000	21,675	79.3%
Nonbargaining	6,836	449	4,762	5,211	76.2%
Total	34,171	6,124	20,762⁸	26,886	78.7%

Source: 2003 OPERA Flexiplace Program Survey.

While the Flexiplace Program surveys performed by the IRS and its contractor have been helpful in estimating the number of participating employees and obtaining other information about the Program, there are certain limitations to tracking the Flexiplace Program in this manner:

- The IRS can provide only estimates rather than the actual numbers of participating employees as required by the OPM.
- The actual employees in the Flexiplace Program and their job series and types are not known, which makes it difficult for the IRS to ensure employees have the needed support and equipment to work successfully at alternate locations.
- The IRS is limited in its ability to identify office space that is not needed for employees who telecommute most of the time.

⁶ IRS Flexiplace Survey Final Report, September 30, 2002.

⁷ IRS Flexiplace Survey Report, April 2004.

⁸ This figure includes situational, ad hoc, reasonable accommodation, and temporary medical situations.

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- The IRS cannot ensure employees are receiving the correct locality pay.
- The IRS cannot assess what other benefits, if any, have resulted from the Flexiplace Program.

The IRS modified its employee time reporting system to allow it to track employee participation in the Flexiplace Program and planned to require its use beginning in December 2004. However, due to several questions and concerns from the NTEU and management, the IRS decided to delay implementing the modification to the time reporting system until these concerns were addressed.

We discussed the lack of a comprehensive policy for the IRS Flexiplace Program and the delays in implementing a system that would determine which employees are participating in the Program with IRS officials in the Human Capital Office. These officials advised us that the IRS plans to negotiate the implementation of a Flexiplace Program policy and, independent of the negotiations, implement a time reporting system prior to Fiscal Year (FY) 2006 to track employee participation.

Recommendations

The CHCO should:

1. Ensure an IRS-wide Flexiplace Program policy is developed and implemented that addresses all the elements recommended by the OPM.

Management's Response: The CHCO will develop a telework policy that will be vetted with the key stakeholders before implementation.

2. Take steps to implement the Flexiplace Program tracking system by the end of FY 2005.

Management's Response: The CHCO will implement the Flexiplace Program tracking system. The timing of implementation will be subject to budget limitations and priorities of the office of Modernization and Information Technology Services.

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Some Managers Expressed Concerns That the Productivity of Employees in the Telework Program Is Reduced

Employee performance is one of the most important factors an agency must consider in its telework program. The law provides that each agency establish a policy under which eligible employees participate in telecommuting to the maximum extent possible without diminishing employee performance. Productivity is one of the areas which the OPM Telework Manual⁹ advises agencies to concentrate on to determine the effect of telework.

OPM guidance states that successful telework programs often result in increased employee productivity. One of the reasons noted is employees face fewer interruptions when working away from the office. However, among IRS managers who responded to the FY 2003 IRS survey, opinions about productivity varied: 60 percent responded employee productivity was unaffected by participating in the Flexiplace Program, 16 percent responded productivity improved, and 24 percent believed employees working away from the office were less productive.

In the response to the IRS survey, the opinions on productivity varied considerably in the operating units of the IRS. For instance, in the SB/SE Division, which is by far the largest participant in the Flexiplace Program, 44 percent of the managers believed employees were less productive working away from the office. During the course of our audit, we interviewed a judgmental sample of 30 SB/SE Division managers to obtain their perspective on the Flexiplace Program. Most of the managers believed the effect on productivity depended on the employees' abilities and motivation; however, 9 of the 30 (30 percent) managers we interviewed believed employees participating in the Flexiplace Program were less productive. Table 2 shows the types of responses by SB/SE Division managers in the Collection and Examination functions.

⁹ Chapter I, "Evaluating the Agency Program."

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Table 2: Opinions of 30 SB/SE Division Group Managers Who Were Interviewed About Employee Productivity (as of October 2004)

Function	Employees More Productive	Change in Productivity Varies by Employee	Employees Less Productive
Collection	13.3%	60.0%	26.7%
Examination	13.3%	53.4%	33.3%
Total	13.3%	56.7%	30.0%

Source: Treasury Inspector General for Tax Administration (TIGTA) interviews with SB/SE Division group managers.

We also asked managers whether they were in favor of the Flexiplace Program—11 of the 30 managers were not in favor of it.

Table 3: General Opinions of 30 SB/SE Division Group Managers Who Were Interviewed About the Flexiplace Program (as of October 2004)

Function	In Favor of Flexiplace Program	Neutral About Flexiplace Program	Not in Favor of Flexiplace Program
Collection	46.7%	20.0%	33.3%
Examination	33.3%	26.7%	40.0%
Total	40.0%	23.3%	36.7%

Source: TIGTA interviews with SB/SE Division group managers.

Of the 30 managers we interviewed, 16 had removed at least 1 employee from the Flexiplace Program because of poor performance. However, the managers explained that, in accordance with the National Agreement with the NTEU, an employee's performance had to deteriorate to the point that the manager could rate the employee as unsuccessful before the manager could remove the employee from the Flexiplace Program. Because of the rating of unsuccessful, these employees are subject to a number of actions up to and including dismissal from the IRS if their performances do not improve.

We discussed the issue of employee performance as it relates to the ability to participate in the Flexiplace Program with officials in the Human Capital Office. These officials

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stated an employee's performance does not have to deteriorate to the point that he or she is performing unsuccessfully before he or she could be removed from participating in the Flexiplace Program. Human Capital Office officials believe managers have a misconception as to the agreement with the NTEU. The agreement with the NTEU specifies that employees may participate in the Flexiplace Program, subject to the approval of their supervisor, if they are in an occupation in which their duties:

...can be accomplished by an employee working independently of other coworkers, support staff, and/or his or her manager, without any adverse impact on individual and/or overall team or office productivity or customer service...¹⁰

As such, these officials believe IRS managers may remove an employee from participating in the Flexiplace Program if there is an adverse impact on his or her performance or customer service.

We believe the confusion about the criteria to apply when assessing whether an employee may participate in the Program is due in part to the lack of guidelines and training for assessing which employees are most suitable to work from alternate locations. Article 50 of the National Agreement with the NTEU provides a general definition of employee eligibility; however, it does not cover the more detailed assessment of an employee's ability to work remotely as the OPM recommends, and it does not contain any guidance concerning the possibility of diminished performance by employees working away from the office. The OPM recommends managers evaluate employees' ability to be self-starters, meet deadlines, successfully plan work, and work without regular supervision. The OPM suggests this be a formal process recognizing all employees may not be well suited to work away from the office.

Although IRS managers have received training on the provisions of Article 50 related to the Flexiplace Program, the training did not address how to determine which employees are suited to work away from the office, how to

¹⁰ National Agreement, Article 50, Section 2, Subsection E.

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assess employee performance, or the other challenges of managing employees working in remote locations.

The IRS is restricted by law from using certain performance measures to evaluate employees

Most of the OPM's guidance on how to assess productivity for employees who telework involves quantifiable measures, such as the number of cases, reports, or claims worked, or measures of the length of time needed to complete tasks. While the IRS may use certain measures to evaluate employee productivity, the IRS is restricted by law from using records of tax enforcement results to evaluate employees or to impose or suggest production quotas or goals with respect to employees.¹¹ For example, the IRS may not evaluate employees on the number of liens filed, levies served, or dollars assessed or collected. The IRS instead must use balanced measures related to the quality and efficiency of employees' work, as well as their interactions with other personnel and customers (taxpayers). Some of these measures are more difficult to gauge with employees who participate in the Flexiplace Program.

The agreement to provide support and equipment to employees who participate in the Flexiplace Program has not been followed

The Congress recognized logistical support would be an important factor in maintaining a successful telework program. As such, the Congress directed agencies to provide for administrative, human resources, technical, and logistical support for carrying out the telework policy. However, the IRS has not implemented a provision of the National Agreement with the NTEU related to providing technical and logistical support to employees who participate in the Flexiplace Program. In Article 50 of the National Agreement, the IRS agreed to reimburse employees participating in the Program at the occupational level for the purchase of a lockable file cabinet, a pager or

¹¹ IRS Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.) § 1204.

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cell phone, and a commercial telephone line and provide use of a telephone credit card, subject to the limits established by the Flexiplace Program Subcommittee. The IRS also agreed to provide a telephone credit card and pager to employees participating in the Program at the situational level.

There are indications that a lack of logistical support for employees who participate in the Flexiplace Program negatively affects employee productivity. In the IRS surveys of its managers conducted in 2002 and 2003, a significant percentage of the managers responded that employees who participate in the Flexiplace Program could be more successful if they had better logistical support. For example, in the 2003 survey, 68 percent of the SB/SE Division managers responded that employees who participate in the Program full time could be more successful if they had improved Internet connections, and 56 percent responded that participating employees could be more successful if they had the appropriate telecommunications equipment. The agreement with the NTEU does not address high-speed Internet access, which would likely be necessary for employees who do a significant portion of their work on a computer to work effectively.

Furthermore, not providing secure file cabinets to employees so they can adequately protect sensitive taxpayer data in their homes creates a potential security risk because many employees working at home have sensitive records and taxpayer data, including tax returns or return information, in their possession. While Article 50 of the agreement with the NTEU requires employees to acknowledge their responsibility in writing to protect sensitive information in their homes with locking cabinets or desks,¹² the IRS would have greater assurance employees were properly protecting sensitive taxpayer data if it provided lockable cabinets to its employees in accordance with the National Agreement. The IRS could also ensure the cabinets meet established security requirements.

¹² Employees acknowledge the security requirement when they sign the Flexiplace Program work agreement as required by Article 50.

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In the FY 2002 and 2003 Flexiplace Program survey reports, there were recommendations for the IRS to provide training on managing employees remotely, including monitoring work products and productivity of employees working remotely, and recognizing and appropriately dealing with performance problems. Further, these reports recommended that technical difficulties be addressed, including the need for equipment and improved Internet access. We believe these recommendations are still valid and should be implemented.

Recommendations

The CHCO should:

3. Implement guidelines to assist managers in evaluating employees' abilities to participate in the Flexiplace Program without a loss in productivity. This should include an assessment as recommended by the OPM. It should also include factors to consider when deciding whether to remove employees from participation in the Flexiplace Program.

Management's Response: The CHCO will ensure guidance addressing this recommendation will be incorporated into the IRS Telework Policy as it is fully developed and implemented.

4. Ensure Flexiplace Program training is provided as needed to help address productivity concerns.

Management's Response: The CHCO is developing a communication plan to advise employees and managers to take the free online telework training courses provided by the OPM prior to participating in the Flexiplace Program. These courses provide helpful and needed information on telework concepts and how best to implement telework with the work group. The CHCO will also incorporate training requirements into the telework policy.

5. Assess the logistical support and equipment needs of Flexiplace Program participants to help ensure there is no loss in productivity. Procedures should be developed to ensure employees receive the right equipment to work

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productively and secure any sensitive data or documents in their alternate work locations.

Management's Response: Agreement was reached during recent negotiations with the NTEU on equipment to be provided to employees approved for occupational or situational flexiplace. The equipment will be provided only if tied directly to the duties of the employee's assigned position. The CHCO will ensure guidance addressing this recommendation will be incorporated into the IRS Telework Policy.

Cost Benefits Could Be Achieved by Releasing Office Space for Employees Participating in the Telework Program

According to the OPM, successful telework programs have a long history of producing benefits in organizations. The OPM recommends agencies evaluate the impact of a telework program on operating costs, employee morale, recruitment, and retention. However, without the ability to identify individuals participating in its Flexiplace Program, the IRS cannot readily evaluate the impact of the Program in these areas.

The challenge of measuring the employee benefits of teleworking is not confined to the IRS. According to the OPM, Federal Government agencies are not uniformly measuring the benefits of teleworking. For certain benefits such as employee morale, recruitment, and retention, changes may result from other variables such as job market conditions. As noted previously, the IRS performed surveys in 2002 and 2003 to obtain information about its Flexiplace Program; however, because of the expense of these surveys and the opinion that results would not be dramatically different, no additional surveys are planned for the Flexiplace Program. Nonetheless, for the past several years, the IRS has conducted a voluntary employee satisfaction survey to determine employees' satisfaction with their jobs and the IRS work environment. The survey captures employee information such as pay category or grade, length of service, work schedules, and other similar data. This survey could be modified to determine employees' views of the effect of the Program on morale, recruitment, and retention.

One area in which agencies should be able to realize monetary benefits is office space and associated overhead

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and support costs. Such savings should result because employees who work at home full time generally do not need individually assigned offices or work space. As such, employees who are participating in the Flexiplace Program on an occupational (full-time) basis agree to give up individually assigned workspace in the office. Instead of individual workspace, management will provide them a common work area that, according to the National Agreement with the NTEU, may be configured on a space ratio of not less than one workstation for every three employees participating in the Flexiplace Program on an occupational basis. Occupational employees are expected to work from an alternate location for a period of at least 12 months, given the impact that their return could have on office space.

Notwithstanding the intent of this National Agreement with the NTEU, the IRS has not implemented a policy of releasing office space for employees in the Flexiplace Program. A prior TIGTA audit of IRS use of office space¹³ reported the IRS has not realized any cost savings by releasing space assigned to employees participating in the Flexiplace Program. Furthermore, the fact that the IRS does not track which employees participate in the Flexiplace Program makes it difficult to implement such a policy.

We believe the IRS could achieve substantial savings by implementing such a policy. Using the target utilization rate of 240 square feet per person and a conservative ratio of 2 employees for each workstation, the prior audit reported the IRS could release approximately 792,000 square feet of space for Flexiplace Program employees, which would save the IRS an estimated \$19.8 million annually. IRS real estate officials responded to our previous report on the use of office space that they will target office space vacated by occupational Flexiplace Program participants for release once current negotiations with the NTEU over revisions to Article 50 are completed and an effective tracking system to identify participants has been implemented.

¹³ *The Internal Revenue Service Faces Significant Challenges to Reduce Underused Office Space Costing \$84 Million Annually* (Reference Number 2004-10-182, dated September 2004).

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Guidelines Are Needed to Ensure Employees in the Telework Program Receive the Correct Locality Pay

Despite the expansion of telework initiatives in the Federal Government, there is still confusion about what locality pay employees should receive when working from their homes or other alternate locations. The locality pay of each Federal Government employee is based on the official duty station of the employee.¹⁴ An employee's official duty station is normally the place where the employee works or performs his or her duties. The official duty station affects the employee's salary, reimbursement for travel expenses, and, in some localities, whether earnings are subject to state or city taxes.

The OPM has advised agencies to make official duty station determinations consistent with the law and OPM guidance. However, there are conflicting guidelines about where the duty station should be for an employee who works at an alternate location. The OPM Office of Compensation Administration advises that Federal Government agencies can designate an employee's official duty station as the location of the employee's reporting office as long as the employee regularly commutes into that office (i.e., at least once a week). Agencies must change the employee's duty station to the location of the telework site (i.e., the employee's home) if the employee does not regularly commute into the main reporting office. However, the OPM's "Telework Personnel Policies and Procedures" document recommends agencies implement a policy to "designate the teleworker's main office as the official duty station for such purposes as special salary rates, locality pay adjustments and travel" because it is "likely to be the simplest and most economical approach; however, agencies may make their own determination."

The IRS has not issued any agency guidelines which address the issue of telework in determining an employee's official duty station. The IRS has taken the position that official duty stations are not affected by where employees work or perform their duties when they are participating in the Flexiplace Program. Notwithstanding, there are certain factors the IRS should take into consideration so it can

¹⁴ 5 U.S.C. § 531.603 (2004).

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develop an adequate policy to cover all of its employees who participate in the Flexiplace Program.

In ruling on cases related to official duty stations,¹⁵ the Comptroller General has used the following four factors:

- Length of assignment.
- Nature of duties performed.
- Where the greater amount of time is spent.
- Agency's administrative designation.

The General Services Administration Board of Contract Appeals (GSBCA) uses these factors in assessing agency official duty station determinations.¹⁶ In the only case we know of involving the official duty station of an employee participating in telework (an employee working in her home in Mississippi while assigned to an office in Denver, Colorado), the GSBCA applied these four factors and found her home was not designated her official duty station because the telework arrangement was temporary and scheduled to last only 2 months; there was no evidence provided that either the agency or the employee expected the telework arrangement to last longer. Because of the need for clear guidance in this area, the OPM has published new draft regulations¹⁷ to clarify this issue and assist agencies in making determinations on official duty stations for employees participating in telework. The draft regulations, consistent with the GSBCA decision, take the position that an employee must regularly commute to the office or the employee's alternate worksite becomes the official duty station.

Because the IRS could not provide records indicating which employees participate in the Flexiplace Program, we were unable to identify the specific number of employees who do not actually work in the locality pay areas for which they are being paid. We believe employees participating in the Flexiplace Program are more likely than those not in the

¹⁵ Durel R. Patterson – Reconsideration, B-211818 (Nov. 13, 1984) and cases cited therein.

¹⁶ In the Matter of Rebecca M. Sanford, GSBCA 16137-TRAV (July 2, 2003).

¹⁷ Federal Register (January 5, 2005).

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Program to live outside of their assigned locality pay areas because a primary benefit of working from home is to avoid a long commute. We analyzed IRS payroll information for 3 metropolitan areas and found, for these areas, an average of 2.6 percent of the employees lived outside their locality pay areas (see Table 4).

Table 4: Number of Employees Living Outside of Their Locality Pay Areas in Three Metropolitan Areas (as of October 2004)

Locality Pay Area	Total Employees	Employees Living Outside of Locality Pay Area	Percentage
Philadelphia	8,595	113	1.31%
San Francisco	2,406	88	3.66%
Washington, D. C.	9,478	338	3.57%
Total	20,479	539	2.63%

Source: IRS records.

Given that the IRS estimates approximately 6 percent of its workforce participates in the Flexiplace Program on a full-time basis, it is possible a significant number of them live and work outside their locality pay areas. For these employees, an incorrect locality pay designation could be substantial. We identified differences in pay of up to \$9,000 per year, based solely on locality.

To ensure fairness and consistency, we believe the IRS should review its current practices regarding official duty station designations and plan to implement the proposed OPM regulations for its employees who participate in the Flexiplace Program.

Recommendation

6. The CHCO should work with the OPM to develop appropriate policies and procedures related to official duty station designations for its employees who participate in the Flexiplace Program.

Management's Response: The CHCO will develop and issue guidance in compliance with OPM guidelines.

Improved Policies and Guidance Are Needed for the Telework Program

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the Internal Revenue Service (IRS) has implemented its telework program (known as the Flexiplace Program) in compliance with Office of Personnel Management (OPM) guidelines. To accomplish this objective, we:

- I. Determined whether the IRS has implemented a Flexiplace Program that is in compliance with Public Law 106-346, § 359¹ and established a policy that offers eligible employees a chance to participate in telecommuting to the maximum extent possible.
 - A. Determined which office in the IRS has primary responsibility for implementing the Flexiplace Program.
 - B. Evaluated the role of the Telework Subcommittee in the administration of the Flexiplace Program.
 - C. Determined whether the IRS has established a formal organizational policy for implementing the Flexiplace Program.
 - D. Determined whether the IRS Flexiplace Program policy includes elements that are outlined in the OPM Teleworking Guidelines.
 - E. Determined how the IRS identified positions that are eligible to be included in the Flexiplace Program and the number of employees who actually participate in the Program.
 - F. Determined whether the IRS provides or reimburses teleworking employees for equipment needs such as telephone lines, office connectivity, computers, software, printers, etc.
 - G. Determined the requirements for protecting sensitive taxpayer data and how the IRS addresses this issue to ensure compliance.
 - H. Determined whether the IRS has complied with the OPM's annual reporting requirements.
 - I. Determined whether the IRS has complied with the OPM's guidance concerning employees' official duty stations for locality pay purposes.
- II. Determined whether the IRS properly trained managers, supervisors, and employees prior to implementing the Flexiplace Program.

¹ Department of Transportation and Related Agencies Appropriations Act of 2001.

Improved Policies and Guidance Are Needed for the Telework Program

- III. Determined whether the IRS has established procedures to measure costs (including office space savings), productivity gains, and other intangible benefits (reduced sick leave, employee retention, etc.) of the Flexiplace Program.
 - A. Interviewed responsible IRS officials and identified procedures that have been established to measure telework costs, productivity gains, and intangible benefits of the Flexiplace Program.
 - B. Determined whether the IRS has identified any cost savings as a result of reduced office space because of the Flexiplace Program.
 - C. Determined whether the IRS has identified the cost of equipment needs of employees who participate in the Flexiplace Program (telephone lines, office connectivity, computers, software, printers, etc.) .
 - D. Evaluated how the IRS measures the productivity of employees who participate in the Flexiplace Program. From a June 12, 2004, population of 3,729 Small Business/ Self-Employed Division managers, we interviewed a judgmental sample of 30 group managers to determine how they assessed productivity and whether they had concerns related to the productivity of telecommuting employees. A judgmental sample was selected because we did not intend to project the results and because a larger statistically valid sample would have required more audit resources than were available.
 - E. Evaluated how the IRS measures intangible benefits (reduced sick leave, employee retention, increased morale, etc.) for employees who participate in the Flexiplace Program.

**Improved Policies and Guidance Are
Needed for the Telework Program**

Appendix II

Major Contributors to This Report

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William E. Thompson, Auditor

**Improved Policies and Guidance Are
Needed for the Telework Program**

Appendix III

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Improved Policies and Guidance Are
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Appendix IV

Management's Response to the Draft Report



CHIEF
HUMAN CAPITAL OFFICER

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

June 27, 2005

RECEIVED
JUN 27 2005

MEMORANDUM FOR PAMELA J. GARDINER
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Beverly Ortega Babers
Beverly Ortega Babers
Chief Human Capital Officer

SUBJECT:

Draft Audit Report – Improved Policies and Guidance Are
Needed for the Telework Program (Audit #200410021)

I appreciate your recommendations on improving the IRS Telework (Flexiplace) Program. We are committed to making the IRS program a success. It will take a collaborative effort to implement many of the suggested changes mentioned in your report. My office will partner with Real Estate and Facilities Management, Modernization and Information Technology Services, and our business units to improve the Telework Program.

Your report accurately reflects the factors that should be incorporated into the IRS Telework Program for improvement. We have begun working to implement a Servicewide telework tracking system as well as a Servicewide telework policy. The telework policy will include guidance on various aspects of the program including employee productivity, employee and manager training, and official duty station designation issues. We anticipate implementing both the tracking system and the policy in the first quarter of Fiscal Year 2006.

Our proposed corrective actions for each recommendation are attached. If you have any questions, please contact Lori Hart, Chief, Worklife Programs Branch, at (202) 283-1760.

Attachment

Improved Policies and Guidance Are Needed for the Telework Program

Attachment

TIGTA Draft Audit Report -- Improved Policies and Guidance Are Needed for the Telework Program (Audit #200410021)

Recommendation 1

The Chief Human Capital Office should ensure that an IRS-wide Flexiplace Program policy is developed and implemented that addresses all the elements recommended by the OPM.

Corrective Action

The Human Capital Office (HCO) is developing a draft telework policy. This draft policy will be vetted with the key stakeholders before implementation.

Implementation Date

January 15, 2006

Responsible Official(s)

Director, Workforce Retention & Transition Division

Recommendation 2

The Chief Human Capital Officer should take steps to implement its Flexiplace Program tracking system by the end of Fiscal Year 2005.

Corrective Action

We agree. However, budget limitations and MITS priorities will determine the timing of revising the Flexiplace Tracking System to allow tracking by hours rather than days. (The current tracking system tracks days rather than hours.)

Implementation Date

January 15, 2006

Responsible Official(s)

Director, Workforce Retention & Transition Division

Recommendation 3

The Chief Human Capital Officer should implement guidelines to assist managers in evaluating employees' ability to participate in the Flexiplace Program without a loss in productivity. This should include an assessment as recommended by OPM. It should also include factors to consider when deciding whether to remove employees from participation in the Flexiplace Program.

Corrective Action

Guidance addressing this recommendation will be incorporated into the IRS Telework Policy as it is fully developed and implemented.

Improved Policies and Guidance Are Needed for the Telework Program

Implementation Date

January 15, 2006

Responsible Official(s)

Director, Workforce Retention & Transition Division

Recommendation 4

The Chief Human Capital Officer should ensure Flexiplace Program training is provided as needed to help address productivity concerns.

Corrective Action

We are developing a communication plan to advise employees and managers to take the free online telework training courses provided by the OPM prior to participating in the Flexiplace Program. These courses provide helpful and needed information on telework concepts and how best to implement telework with the work group. We will also incorporate training requirements into our telework policy.

Implementation Date

January 15, 2006

Responsible Official(s)

Director, Workforce Retention & Transition Division

Recommendation 5

The Chief Human Capital Officer should assess the logistical support and equipment needs of Flexiplace Program participants to help ensure there is no loss in productivity. Procedures should be developed to ensure that employees receive the right equipment to work productively and to secure any sensitive data or documents in their alternate work location.

Corrective Action

Agreement was reached during recent reopener negotiations with NTEU on equipment to be provided to employees approved for occupational or situational flexiplace. The equipment is only provided if tied directly to the duties of the employee's assigned position. Guidance addressing this recommendation will be incorporated into the IRS Telework Policy.

Implementation Date

January 15, 2006

Responsible Official(s)

Director, Workforce Retention & Transition Division

Recommendation 6

Improved Policies and Guidance Are Needed for the Telework Program

The Chief Human Capital Officer should work with the OPM to develop appropriate policies and procedures related to official duty station designations for its employees who participate in the Flexiplace Program.

Corrective Action

During the recent reopener negotiations, the HCO advised that language be included in the National Agreement which would address the issue of official duty station designations for flexiplace employees. However, no agreement was reached on this issue. The HCO will proceed with developing and issuing guidance in compliance with OPM guidelines.

Implementation Date

January 15, 2006

Responsible Official(s)

Director, Workforce Retention & Transition Division