



U. S. Department of Housing and Urban Development
Southwest District
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September 30, 1996

96-FW-201-1806

MEMORANDUM FOR: Dominick Pittari, Acting HUD Target Team Leader
for the Housing Authority of New Orleans

FROM: D. Michael Beard
District Inspector General for Audit

SUBJECT: Housing Authority of New Orleans
Vehicle Allowance

During recent work at the Housing Authority of New Orleans (the Authority), we learned the Authority was not including in taxable earnings an amount for using Authority vehicles for those employees who take the vehicles home. As a result, we performed a review to determine if the Authority was adhering to Internal Revenue Service requirements regarding taxable income and the use of Authority vehicles. As part of that review, we interviewed Authority staff, and reviewed Internal Revenue Service (IRS) publications on fringe benefits and various documents obtained from the Authority.

IRS Publication 535 requires employers to include in an employee's taxable income the value of fringe benefits provided. The IRS Publication defines a fringe benefit as a form of compensation provided to any person for the performance of services by that person. The compensation may include any property provided by the employer such as an automobile, even if the employer requires the employee to take the vehicle home. The IRS provides various methods on how to determine the value of the fringe benefit, depending on applicable criteria.

C. J. Brown, which oversaw the Authority's operations until September 1994, had procedures to include a value for the vehicle in taxable income. However, after removing C. J. Brown, Authority staff discontinued the procedures and the Authority no longer includes a value in the employee's taxable income for the value of company vehicles. Additionally, the Authority does not keep mileage logs on each vehicle.

The Authority recently adopted a written policy regarding the use of the vehicles taken home by employees. On June 14, 1996, the Authority approved a Fleet Management Policy. The policy states the Authority will include the value of owned, leased, or rented vehicles on the earning statements of employees who receive take home vehicle privileges. However, the policy does not include information on how the value will be computed or the procedures needed to ensure compliance with the policy.

The Authority has not yet implemented the Fleet Management Policy. Authority staff are reviewing the policy to determine how it should be implemented. Meanwhile, the Authority, and consequently its affected employees, are in violation of IRS requirements.

Recommendation:

- 1A. We recommend your office ensure the Authority timely implements its new policy to ensure compliance with IRS directives.

Within 60 days please give us, for the recommendation made in this report, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of this report.

If you have any questions, please contact me or Frank Baca, Assistant District Inspector General for Audit, at (817)885-5551.

cc: Kevin Marchman, Board Chairman, Housing Authority of New Orleans

cc: 6AGA Chron
6AGA Baca
6AGA Dufrene
6AGA Nixon

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