International Travel Claims With Unallowable or Unsupported Expenses Were Certified for Payment by Approving Officials

June 10, 2019

Reference Number: 2019-10-015

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INTERNATIONAL TRAVEL CLAIMS WITH UNALLOWABLE OR UNSUPPORTED EXPENSES WERE CERTIFIED FOR PAYMENT BY APPROVING OFFICIALS

Highlights

Final Report issued on June 10, 2019

Highlights of Reference Number: 2019-10-015 to the Commissioner of Internal Revenue.

IMPACT ON TAXPAYERS

The IRS spent nearly $5 million associated with almost 1,600 international travel claims during Fiscal Years 2016 and 2017. IRS employees travel internationally to secure records for tax cases, to meet with foreign officials on tax matters, and to participate in conferences. Inappropriate travel expenditures do not promote economic and efficient use of publicly funded resources and put the IRS at risk of making improper payments.

WHY TIGTA DID THE AUDIT

The overall objective of this review was to assess the effectiveness of controls over employee international travel claims for the period October 1, 2015, through September 30, 2017.

WHAT TIGTA FOUND

TIGTA's review of a statistically valid sample of 106 employee international travel claims, and an additional nine claims with a value of $10,000 or more, identified certain control weaknesses in IRS travel programs. Specifically, IRS officials approved travel vouchers and certified employee reimbursement for unallowable or unsupported expenses.

TIGTA identified unallowable expenses for 20 (17 percent) of the 115 claims examined. These claims included employee use of business class airfare upgrades without proper justification, expenses claimed in excess of allowable limits, and claims for certain miscellaneous expenses (*e.g.* dining charges to entertain a foreign official and traveler vaccinations). Based on the sample results, TIGTA estimates that the IRS reimbursed employees for almost $36,000 in unallowable expenses during Fiscal Years 2016 and 2017.

Using the same sample, TIGTA identified that the approving officials certified claims for reimbursement without complete supporting documentation for 25 (22 percent) of the 115 international travel claims. While the IRS was subsequently able to locate adequate support for all but one travel claim, it did not have the documentation for approximately $34,000 in expenses at the time the claims were certified for reimbursement.

In addition, TIGTA found that 20 (17 percent) of the 115 claims reviewed, representing nearly $910,000 in international travel, did not include a complete Form 1321, *Authorization for Official Travel*, with all required approval signatures. These forms are required to be completed prior to official travel to ensure that travelers have managerial authorization to perform international travel, funds are available for the travel, and required travel documents, such as passports, have been obtained.

WHAT TIGTA RECOMMENDED

TIGTA made eight recommendations to strengthen IRS international travel controls, including enhancing travel policies and procedures, pursuing collection of amounts TIGTA identified that were reimbursed to employees in excess of allowable travel claims, and issuing a memorandum to travelers and approving officials reemphasizing that Form 1321 must be completed prior to embarking on international travel.

IRS management agreed with TIGTA's recommendations and indicated it has taken several actions to improve its international travel policies and procedures that include establishing an inventory of international travel requests received by the International Travel Office to ensure all requests and Form 1321's are processed timely. Also, the IRS provided that its business class travel review processes are also being strengthened.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 10, 2019

MEMORANDUM FOR COMMISSIONER OF INTERNAL REVENUE

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – International Travel Claims With Unallowable or Unsupported Expenses Were Certified for Payment by Approving Officials (Audit # 201810019)

This report presents the results of our review to assess the effectiveness of controls over employee international travel claims with unallowable or unsupported expenses that were certified for payment by approving officials. The overall objective of this review was to assess the effectiveness of controls over employee international travel claims for the period of October 1, 2015, through September 30, 2017. This review is included in our Fiscal Year 2019 Annual Audit Plan and addresses the major management challenge of Reducing Fraudulent Claims and Improper Payments.

Management's complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. If you have any questions, please contact me or Deann Baiza, Acting Assistant Inspector General for Audit (Management Services and Exempt Organizations).

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Abbreviations

CFO	Chief Financial Officer
CI	Criminal Investigation
FTR	Federal Travel Regulation
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
ITO	International Travel Office
LB&I	Large Business and International

Background

The Internal Revenue Service (IRS) spent almost $5 million for nearly 1,600 international travel claims during Fiscal Years[1] 2016 and 2017. IRS employees travel internationally to secure records for tax cases, to meet with foreign officials on tax matters, and to participate in tax administration conferences outside the continental United States. For example, IRS officials attended conferences focused on efficiently fighting tax evasion and avoidance.

IRS employees traveling both inside and outside the continental United States must follow Governmentwide policies set forth in the Federal Travel Regulation (FTR). The FTR,[2] issued by the General Services Administration, implements statutory requirements and Executive Branch policies for travel by Federal civilian employees and others authorized to travel at Government expense. The purposes of the FTR are 1) to interpret statutory and other policy requirements in a manner that balances the need to assure that official travel is conducted in a responsible manner with the need to minimize administrative costs and 2) to communicate the resulting policies in a clear manner to Federal agencies and employees.

Within the IRS, the Large Business and International (LB&I) Division's International Travel Office (ITO) has the sole authority to approve all travel outside the United States for IRS business, except for international travel for the Office of Chief Counsel (Counsel).[3] The ITO provides guidance and support throughout the travel authorization process and is the point of contact for securing official passports, visas, Department of State electronic Country Clearances,[4] and Form 1321, *Authorization for Official Travel*. Counsel has a separate travel office that coordinates international travel for its employees. Further, IRS Criminal Investigation (CI) performs some of the ITO functions for CI employee international travel.

In addition, the Office of Financial Management Policy, part of the Office of the Chief Financial Officer's (CFO) Office of Financial Management, provides policy guidance and oversight for the travel card program as it relates to travel regulations. For example, the IRS's Internal Revenue Manual (IRM) includes a City-to-City Travel Guide[5] that describes the responsibilities of

[1] Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.
[2] 41 C.F.R. § 300–304.
[3] Internal Revenue Manual 1.32.5.1 (June 16, 2016).
[4] Per IRM 1.32.5.3.2 (June 16, 2016), *Electronic Country Clearance (eCC)*, the U.S. State Department Electronic Country Clearance (eCC) system is an electronic information system that allows online submission and processing of unclassified country clearance requests for travelers from any approved U.S. Government agency or organization traveling abroad on official business.
[5] IRM 1.32.11 (Sept 30, 2011).

travelers and approving officials. The IRS also maintains a SharePoint® website with answers to Frequently Asked Questions for use by travelers and approving officials.

A traveler's responsibilities include planning travel to minimize travel cost to the IRS and being familiar with the travel policies, regulations, or procedures. An approving official's responsibilities include ensuring that travel expenses are authorized in accordance with travel policy, reviewing receipts and other supporting documentation, and ensuring the approval of any special travel requirements (such as first class or business class travel) before approving an authorization or a voucher. Ensuring that expenses are reimbursed in accordance with travel policy and have adequate supporting documentation is important because inappropriate travel expenditures represent a waste or abuse of taxpayer dollars. Further, payments by the Government for unsupported or unallowable travel expenses may be considered an improper payment.[6] As such, the traveler submitting the claim may be held accountable for reimbursing the Government if the traveler cannot provide evidence that the questioned costs incurred were for valid official travel expenditures. Further, U.S. Code Title 18, Section 1001, provides warnings on the consequences for false statements or claims.

This review was performed at the IRS National Headquarters in Washington, D.C., and included work in the LB&I Division, the Office of the Chief Counsel, the CFO, and CI offices during the period January through August 2018. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The scope of this audit does not include travel conducted by the CI Special Investigative Techniques division because its international travel oversight is managed under a different program and its travel claims (authorizations and vouchers) are not filed within the same travel system used by other IRS travelers. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

[6] The Office of Management and Budget defines an improper payment as any payment that should not have been made, was made in an incorrect amount, or was made to an ineligible recipient.

Results of Review

Approving Officials Certified Travel Claims With Unallowable or Unsupported Expenses for Reimbursement

Based on a sample[7] that included a random sample of international travel claims plus all international travel claims of $10,000 or greater for the period October 1, 2015, through September 30, 2017 (Fiscal Years 2016 and 2017), we determined that IRS officials approved travel vouchers and certified employee reimbursement for some unallowable or unsupported expenses.

For 20 (17 percent) of the 115 international travel claims we reviewed, the IRS reimbursed its employees $13,150 in unallowable expenses. Based on our sample results, we estimate that the IRS reimbursed employees $35,631 in unallowable expenses[8] during Fiscal Years 2016 and 2017. The 20 claims with unallowable expenses should have been identified and disallowed by the responsible approving officials prior to their certification for payment. The unallowable expenses associated with the 20 international travel claims included: 1) business class airfare and lodging requests that did not conform to the FTR, 2) per diem claims that exceeded allowable limits and expenses that were not actually incurred, and 3) unallowable miscellaneous expenses that were inappropriately reimbursed to travelers.

In addition, we identified that 25 (22 percent) of 115 international travel claims in our sample were approved and processed for reimbursement without complete supporting documentation. While the IRS was subsequently able to locate adequate support for all except one travel claim, it did not have the documentation for approximately $34,000 in expenses at the time the claims were certified for reimbursement. Based on our sample, we estimate that the IRS reimbursed employees for $378,643 in expenses[9] without having complete supporting documentation during Fiscal Years 2016 and 2017.

Approved business class airfare did not conform to FTR requirements

Our review of all international travel claims of $10,000 or more in Fiscal Years 2016 and 2017 included three claims for premium travel. We determined that internal control weaknesses

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[7] See Appendix I for our sampling methodology.

[8] The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the point estimate of $24,232 is between $5,918 and $42,546. We then added the actual unallowable costs of $11,399 from the travel claims of $10,000 or more for the total estimate of $35,631. See Appendix IV.

[9] The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the point estimate of $374,939 is between $218,131 and $531,748. We then added the actual unsupported costs of $3,704 from the travel claims of $10,000 or more for the total estimate of $378,643.

resulted in the improper approval of business class accommodations for two of these premium class travel claims. According to the FTR, Government travelers are required to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business when making official travel arrangements and, therefore, should consider the least expensive class of travel that meets his or her needs. Consistent with this requirement, the FTR provides that, with limited exceptions, travelers must use coach class accommodations for both domestic and international travel unless one of nine conditions exists (*e.g.*, a specific security concern, the medical condition of the traveler, or the scheduled flight time is in excess of 14 hours with no planned rest period taken before initiating the official business purpose of the trip).[10]

Details regarding the three premium business travel claims follow.

1. In one instance, a traveler requested the use of business class airfare to attend a foreign tax conference where the traveler would provide a keynote speaker presentation. The traveler also scheduled meetings with foreign tax officials. The traveler's flight time was about 22 hours (not including layovers). Because the traveler elected to fly business class at the Government's expense, the traveler was not eligible or authorized to take a rest period upon arrival at the traveler's destination or upon return.[11] The traveler attested in the request that no rest period would be taken upon arrival at the destination or completion of the trip. However, we determined that the traveler arrived in the foreign location at least one day before initiating any official business, resulting in a rest period. For the return flight, the traveler arrived back at their official duty station a day before needing to be at work and, therefore, had another rest period. As a result, business class travel for this trip was not justified based on FTR requirements. The use of business class airfare resulted in an increase in the cost of the traveler's airfare of $9,535.[12]

[10] Conditions: 1) regularly scheduled flights between origin/destination points provide only premium class, and this is certified on the travel voucher; 2) coach class is not available in time to accomplish the mission, which is urgent and cannot be postponed; 3) premium class travel is necessary to accommodate the traveler's disability or other physical impairment, and the condition is substantiated in writing by competent medical authority; 4) premium class travel is needed for security purposes or because exceptional circumstances make its use essential to the successful performance of the mission; 5) coach class accommodations on authorized/approved foreign carriers do not provide adequate sanitation or meet health standards; 6) premium class accommodations would result in overall savings to the Government because of subsistence costs, overtime, or lost productive time that would be incurred while awaiting coach class accommodations; 7) transportation is paid in full by a non-Federal source; 8) travel is to or from a destination outside the continental United States, and the scheduled flight time (including stopovers) is in excess of 14 hours (however, a rest stop en route or a rest period upon arrival is prohibited when travel is authorized by premium class accommodations); or 9) when required because of agency mission.

[11] 41 C.F.R. § 301-11.20(a)(4).

[12] The traveler originally purchased a coach class ticket for $1,903 and later upgraded to a business class ticket at a cost of $11,438.

CFO officials indicated that they relied upon the traveler's assertions combined with supporting documentation provided by the traveler and the approving official's determination to approve the business class travel. The CFO further stated that it had subsequently performed an internal IRS post-reimbursement review and identified the use of business class airfare for the return leg of this trip as not appropriate.[13] As a result, the CFO issued a request to the traveler for repayment of the premium class airfare. The traveler requested a waiver stating that the traveler believed the FTR requirements were followed and the traveler's use of business class airfare was approved by the IRS Commissioner. The Office of the CFO granted the waiver. Consequently, no repayment by the traveler was made at that time to compensate the Government for the improper premium travel costs. However, the traveler subsequently repaid the full cost of the premium class airfare ($9,535).

2. In another instance, a special agent requested authorization to use business class airfare due to mission requirements to accompany a senior official under escort. CFO officials told us they approved the special agent's business class travel based on the documentation received from the traveler indicating that the traveler was an agent on protective detail, which they believed supported an upgrade to business class. The FTR provides that an agency may authorize/approve upgraded airfare when, "*You are an agent on protective detail and you are accompanying an individual authorized to use other than coach-class accommodations.*"[14]

   However, it is unclear whether the senior official's use of frequent flyer miles was properly authorized. The FTR provides that a traveler may use frequent flyer benefits to upgrade to first class or business class travel.[15] Department of the Treasury and IRS guidelines clarify that this type of upgrade does not require approval. IRS guidance also states that using frequent flyer points must not result in an increased cost to the Government but fails to expand on what that entails or provide examples. Further, it is not known if the guidance contemplated the need for a law enforcement escort for a traveler.

   In this case, the use of frequent flyer miles did not increase the cost of the senior official's airfare. However, because the special agent escorting the official was required to upgrade to business class accommodations, the senior official's use of frequent flyer miles did result in an increased cost to the Government of more than $14,000.[16] CFO officials indicated that the senior official under escort was authorized to use his or her

[13] Based on information identified during TIGTA's review, the CFO subsequently determined that the first leg of the trip was also not an appropriate use of business class travel.
[14] 41 C.F.R. § 301-10.123(b)(2)(ii).
[15] 41 C.F.R. § 301-10.123, Note 1
[16] There was another special agent on the same trip, and the airfare claimed for economy class was $2,430. The cost of the business class airfare was $16,526.

frequent flyer miles based on the FTR and related IRS guidance despite the additional cost of the special agent's ticket. If this is the intent of the guidance, we believe that it should be clarified to indicate that a senior official's upgrade in such a situation would be permitted and would not require further approval.

3. Furthermore, we identified an upgrade to business class travel that was approved by the LB&I Commissioner (instead of the CFO as required). This occurred because the Official IRS City-to-City Travel Guide, issued in September 2011, has not been updated to reflect a February 2012 change in policy requiring that the CFO approve premium travel.[17] As a result, this upgrade was not reported in the Premium Class Travel Report for Fiscal Year 2017 required by the Office of Management and Budget, the General Services Administration, and Treasury Directive 74-13, *First-Class and Business-Class Travel*.[18]

IRS policy and procedures require travelers wishing to use business class airfare to request authorization from the CFO through submission of Treasury Department Form 70-02.6, *First-Class and Business-Class Travel Request and Authorization*. The form allows the requesting traveler to make representations and attest to the specific justification that should be taken into consideration by the CFO in reviewing his or her premium airfare request. However, neither Department of the Treasury nor IRS guidelines require the traveler to submit documentation to support assertions made on Treasury Department Form 70-02.6.

CFO officials told us that, while the IRS does not have an official published policy or procedures requiring documentation to support business class travel requests, their practice is to request supporting documentation on a case-by-case basis once the need for business class travel is identified. CFO officials told us that they rely upon the assertions made by the traveler, the traveler's approving official's determination, and any documentation obtained from the traveler to support its review and approval of business class airfare.

We also found that the IRS travel system does not contain a representation of truth and accuracy that the traveler must agree to prior to electronic processing of his or her travel expense claim. For example, the form the IRS uses to process manual travel vouchers includes this statement next to the traveler's signature: "... I certify that this voucher is true and correct to the best of my knowledge and belief…."

Without a thorough review of a traveler's premium airfare requests that includes reviewing documentation that supports the assertions provided by the traveler, there is increased risk that the IRS may continue to make improper payments or potentially approve questionable travel claims. In the two cases we reviewed, the IRS spent almost $24,000 more on premium business

[17] IRM 1.32.11 (Sept. 30, 2011); IRM 1.2.40.37 (Feb. 21, 2012).
[18] See Appendix IV.

travel than if the travelers had purchased coach tickets (nearly 6.5 times the commensurate coach class airfare).

Per diem claims exceeded allowable limits or expenses were not actually incurred

We identified 10 instances, representing more than $2,000, in which a traveler claimed per diem in excess of allowable limits or claimed expenses for travel that did not occur.

Lodging claimed in excess of per diem

The IRS applies foreign per diem rates as set by the Department of State. Unlike domestic lodging taxes, foreign lodging taxes are part of the total lodging allowance. Specifically, the Department of State has determined that taxes and fees in foreign areas must be within the prescribed lodging component of per diem for that area. The IRS travel claim and reimbursement system allows travelers to enter claims separately for lodging and tax expenses, bypassing systemic controls used to monitor and prevent exceeding permissible lodging limits. Managerial reviews by officials approving these vouchers did not identify the excess charges for lodging taxes. The IRS suggested that travelers made reservations with hotels while failing to consider that the allowable lodging rate included lodging taxes. The IRS further stated that it plans to look into implementing systemic controls over its travel claim process to prevent exceeding lodging reimbursement limits.

Expenses claimed for travel that was not performed

We also identified claims paid for travel that was not performed. This included one instance in which a traveler claimed per diem for one location while not working in that travel location. *3*
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Unallowable miscellaneous expenses were inappropriately reimbursed to travelers

Finally, we identified nine instances totaling more than $1,000 in which a traveler was reimbursed for unallowable or questionable miscellaneous expenses. While some of the expenses we identified may be an allowable expense in certain instances, the cases we identified did not contain sufficient support to show that the traveler met the requirements for reimbursement. Examples of the expenses we identified include vaccinations and a dinner for a foreign official. The FTR states that agencies may only pay expenses essential to the transaction of official business, including transportation, per diem, miscellaneous expenses, and other qualifying travel expenses. The Government is not permitted to reimburse travelers for unallowable travel expenses. Travel reimbursements for unallowable miscellaneous expenses may be considered improper payments. As such, travelers submitting the claims may be accountable for reimbursing the Government if they cannot provide evidence that the questioned costs incurred were for a valid official travel expenditure.

Unsupported travel expenses on final travel claim vouchers were authorized by approving officials

In addition to identifying unallowable expenses for which the IRS inappropriately reimbursed its employees, we also found that IRS officials approved 25 (22 percent) of 115 travel claims for reimbursement without complete and appropriate support for at least one claimed expense per voucher, representing approximately $34,000. Specifically,

- In 23 instances, the travel claim did not have support for claimed airfare, representing more than $32,000. These travel claims did not include receipts indicating that travel had actually occurred and the final price of the airfare. Instead, other types of documentation, such as the travel itinerary or credit card statement, were provided. While the IRS was subsequently able to locate and provide airfare receipts associated with all except one of the 23 claimed airfares, approving officials did not have this information when they certified the travel claims for reimbursement.
- In two instances, representing nearly $2,000, the travel claim attachments did not include a detailed lodging receipt showing the number of nights incurred and the types of expenses included in the total charged. Instead, other types of documentation, such as a credit card receipt or a credit card statement, were provided. While the IRS was subsequently able to locate and provide detailed lodging receipts associated with both lodging claims, it did not have this information when approving officials certified the travel claims for reimbursement.

For lodging and other authorized expenses of more than $75, the FTR requires travelers to provide receipts or a reason acceptable to the agency explaining why the necessary receipts are unable to be furnished. IRS policy further specifies the types of expenses for which receipts must be provided to approving officials, including (but not limited to) lodging, airfare, and transportation expenses. For the 25 instances we identified, the IRS stated that some travelers and approving officials incorrectly assumed the electronic airfare itinerary included within the travel reservation and reimbursement system supported the claimed airfare. The IRS further provided that it was an oversight by the travelers and approving officials to use the electronic airfare itinerary instead of the final travel invoice to support the claimed airfare because they contain similar information.

We concluded that approving officials did not adequately review expense claims for accuracy, completeness, and compliance or ensure that the traveler provided all required supporting documentation prior to certifying his or her travel voucher for payment. When approving officials do not ensure that complete supporting documentation is provided in travel claims, IRS travel dollars are more vulnerable to waste and abuse.

The IRS stated that it has established, or will establish, accounts receivables and will begin collection action for any of the unallowable costs that exceed the $25 threshold in accordance with the IRS policy for collection of overclaimed amounts.

Recommendations

The CFO should:

Recommendation 1: Clarify IRS guidance as to whether the use of frequent flyer miles to upgrade to first class or business class accommodations requires prior approval if it will result in increased costs to the Government for another traveler (such as a law enforcement escort).

> ***Management's Response:*** The IRS agreed with this recommendation and indicated that the CFO will issue policy guidance clarifying if prior approval is ever required when using frequent flyer miles to upgrade to first class or business class accommodations.

Recommendation 2: Strengthen management controls by: a) enhancing existing policies and procedures pertaining to travel upgrades to ensure that they conform to the FTR; b) implementing procedures to obtain copies of original receipts, to include final travel invoices, meeting agendas and confirmations, or other original source data, to verify pre-trip justifications and trip outcomes for the purposes of validating traveler business class travel request attestations and enhancing IRS internal monitoring; and (c) implementing procedures requiring the traveler to provide information to their approving official if the travel plans or the business purpose of the trip change post trip authorization, prior to the traveler's departure on travel.

> ***Management's Response:*** The IRS agreed with this recommendation and indicated that the CFO will ensure that enhancements are made to existing policies and procedures pertaining to travel upgrades, including a checklist outlining requirements to comply with the FTR and requiring submission of original receipts, travel invoice for airfare, and other source data. The checklist will also include requirements for pre-trip justifications and meeting agenda, if applicable.

Recommendation 3: Pursue collection of reimbursed amounts identified in this audit that were in excess of the allowable travel costs.

> ***Management's Response:*** The IRS agreed with this recommendation and asserted that the CFO has established accounts receivables and pursued collection for the overclaimed unallowable travel expenses in accordance with the IRS debt collection policy.

Recommendation 4: Provide training or issue a clarifying memorandum defining what constitutes sufficient supporting documentation for each travel expense category, with special emphasis placed on larger expenses, such as airfare and lodging, and premium travel requirements.

> ***Management's Response:*** The IRS agreed with this recommendation and indicated that the CFO will issue a memorandum to better define what constitutes sufficient documentation for various travel expenses, such as airfare, lodging, and premium travel.

Recommendation 5: Consult with responsible officials from the General Services Administration to implement system updates to the electronic travel system to prevent claiming lodging and lodging taxes in excess of permissible lodging limits for foreign travel and to include a representation of truth and accuracy that the traveler must agree to prior to electronic processing of his or her travel expense claim.

> ***Management's Response:*** The IRS agreed with this recommendation and indicated that the CFO will work with the General Services Administration to evaluate making enhancements to ConcurGov to prevent travelers from claiming lodging and lodging taxes exceeding the foreign per diem rates and will discuss adding a certification statement to ConcurGov that requires travelers to sign stating that the voucher is true and correct to the best of one's knowledge.

Recommendation 6: Develop and deploy a travel requirements acknowledgment document for all international travelers and their approving officials that clarifies the requirements for travel authorization, voucher submission, and approval as well as traveler and approver roles and responsibilities. The document should a) specifically addresses travel requirements and prohibitions associated with international travel and b) require signature by the traveler and his or her approving official prior to beginning each and every international official travel occurrence.

> ***Management's Response:*** The IRS agreed with this recommendation and indicated that the CFO will develop and implement a ConcurGov Foreign Travel Documentation Checklist that clarifies the requirements for a travel authorization and voucher, including the approval process and roles and responsibilities. The checklist will require that the traveler and approving official sign to acknowledge that they have reviewed and complied with the requirements for international travel.

Authorization Forms for Official Travel Were Not Completed With All Required Approval Signatures Prior to Official Travel or Were Not Included in Travel Voucher Documentation

We found that 66 (57 percent) of 115 travel claims we sampled did not have a completed Form 1321 with all required approval signatures posted to the IRS's travel reservation and reimbursement system as required. Subsequent to our initial review of the 115 travel claims, the

IRS was able to provide us with 46 Forms 1321 that had been completed but not posted by the traveler to the travel reservation and reimbursement system. However, the IRS could not provide complete Forms 1321 with all required approval signatures for the remaining 20 (17 percent) of the 66 travel claims.

Appropriate signatures may not have been obtained due to the amount of time it takes to obtain all signatures prior to departure. Based upon an analysis of signature dates on completed forms in our sample (excluding forms related to the IRS Office of Chief Counsel employees), we determined that travelers typically submitted their Form 1321 about 30 days prior to their trip dates. After submitting the form, managers usually took seven days or less to sign the Form 1321 and forward it to the LB&I Division. However, the LB&I Division ITO took more than 14 days on average to process and sign the form, and almost half of the completed forms in our analysis were signed three days or less before the start of the trip.

Form 1321 is used to ensure that travelers have managerial authorization to perform international travel; funds are available for the travel; and required travel documents, such as passports and electronic Country Clearances, have been obtained. IRS policy requires international travelers to complete Form 1321 and forward it to the manager of the International Meetings, Travel, and Visitors' Programs in the LB&I Division for final approval. IRS employees are not permitted to engage in international travel until a copy of the form, signed by the appropriate party, has been returned to the traveler. Each of the 66 forms we reviewed that were attached to the traveler's voucher were missing at least one required signature.

Form 1321 approval certifies that the traveler has all the documents necessary for foreign travel: official passport, visa (if required), and electronic Country Clearance. If all of the required items are not secured, it could result in significant increased cost to the Federal Government. For example, while the traveler may be allowed to board the flight, the traveler could potentially be detained by customs officers at the destination due to issues with the travel documents. Dependent upon the facts and circumstances, the traveler may be denied entry and be required to return to the United States. This would result in additional travel expenses and lost time and would also prevent completion of the mission, which likely would require a return trip duplicating the originally planned travel expenditures. Furthermore, an electronic Country Clearance includes health information and security threat information. Not properly considering this information could expose the traveler to contracting a disease from a foreign location if not properly vaccinated. The traveler could also be exposed to hostile activity if proper security measures are not considered.

Ensuring that Form 1321 has been properly completed and signed prior to approving travel authorization requests is critical to ensuring that the traveler has all the requisite travel documentation and vaccinations and is fully informed of any potential security issues at or near his or her travel destination.

Recommendations

The Commissioner, LB&I Division, should:

Recommendation 7: Provide reminders to travelers and approving officials that Form 1321 is to be completed and all required managerial reviews are to be confirmed prior to employee travel.

> ***Management's Response:*** The IRS agreed with this recommendation and indicated that the LB&I Division issued, on June 28, 2018, e-mail instructions for international travel, reminding travelers that international travel authorizations must be submitted in ConcurGov at least 30 days in advance of travel or 45 days if a visa is required and that the authorization must have a completed Form 1321.
>
> The IRS further indicated that the LB&I Commissioner issued a follow-up e-mail on October 16, 2018, providing directions for international travelers and approving officials and reminding employees of the steps they must follow to secure approval for international travel. The LB&I Division also held a meeting on November 1, 2018, to discuss this recommendation and reinforce these timeliness expectations.

Recommendation 8: Consider updating travel policies and procedures to include required time frames for the LB&I Division ITO to review, approve, and timely return submitted Forms 1321, which would prevent travelers from having to abruptly delay or cancel official travel abroad. In addition, the LB&I Division should periodically conduct a quality review of this process to ensure that these time frames are met.

> ***Management's Response:*** The IRS agreed with this recommendation and indicated that the LB&I Division will implement time frames for the ITO to review, approve, and return Form 1321 to travelers. The LB&I Division will periodically conduct a quality review of the process to ensure that the time frames are met.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective was to assess the effectiveness of controls over employee international travel claims for the period of October 1, 2015, through September 30, 2017. To accomplish our objective, we:

I. Evaluated the adequacy of the overall control environment over international travel.

A. Identified LB&I Division ITO policies, procedures, and internal controls related to the review and approval of international travel.

B. Identified the CFO policies, procedures, and internal controls related to travel authorizations and travel claims, including the requirements for exceptions to FTR and IRM guidelines.

C. Identified CI policies, procedures, and internal controls related to the review and approval of international travel.

D. Identified Counsel policies, procedures, and internal controls related to the review and approval of international travel.

II. Determined the number of travel claims from the IRS Integrated Financial System related to international travel that occurred during Fiscal Years[1] 2016 and 2017 and determined whether the data were reliable.

A. Evaluated data statistics (transaction totals and sums, complete transaction dates, *etc.*) and determined that the data were sufficiently reliable for our purposes.

B. Compared summary values from the datasets to travel reports we generated from the Integrated Financial System.

III. Reviewed a statistical sample of international travel claims to determine whether selected travel claims comply with the requirements of the FTR and IRM travel guidance. A contracted statistician assisted with developing our sampling plan to ensure selection of a statistically valid random sample.

A. Selected a statistical sample of international travel claims from the population determined in Step II above and secured travel documentation from the IRS's travel reservation and reimbursement system, the LB&I Division ITO Passport Tracker database, the CI Travel Office, and the Office of Chief Counsel Travel Office.

[1] Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.

We grouped the international travel claims by travel office and then by dollar value into nine categories, or strata (three strata for each travel office group (the LB&I Division ITO, the CI Travel Office, and the Office of Chief Counsel Travel Office) broken out by the total dollar value of the travel claim). The travel office groupings were chosen based upon the commonality of the policies and processing methods. We chose the dollar groupings to distribute approximately one-third of the count of the vouchers into each dollar stratum. We used an optimum allocation method to blend these two stratification methods into nine group and dollar strata. For example, an LB&I Division traveler, or another IRS division excluding the CI or the Office of Chief Counsel, that filed a travel claim for $2,835 would be assisted by the LB&I Division ITO, while a CI traveler that filed a claim for $2,120 would be assisted by the CI Travel Office.

We selected a statistically valid sample of 106 of the 1,565 international travel claims. The sample size was based upon a 95 percent confidence interval, a 20 percent expected error rate, and an 8 percent precision rate factor. We chose a statistical random sample to ensure that all international travel claims in our population had an equal chance of being selected and to allow the results to be projected to the overall population. Population totals and selected items by stratum are as follows:

1. Office of Chief Counsel, less than $2,300: seven in the population, two in the sample.
2. Office of Chief Counsel, $2,300 to less than $3,600: 20 in the population, three in the sample.
3. Office of Chief Counsel, $3,600 and greater: 32 in the population, five in the sample.
4. CI, less than $2,300: 366 in the population, 16 in the sample.
5. CI, $2,300 to less than $3,600: 301 in the population, 19 in the sample.
6. CI, $3,600 and greater: 318 in the population, 28 in the sample.
7. LB&I Division ITO, less than $2,300: 154 in the population, seven in the sample.
8. LB&I Division ITO, $2,300 to less than $3,600: 194 in the population, 12 in the sample.
9. LB&I Division ITO, $3,600 and greater: 173 in the population, 14 in the sample.

B. Selected all international travel claims of $10,000 or more in a certainty stratum. As a result, we included in our review all 10 international travel claims that met this criteria. Eight of these travel claims were in the “CI, $3,600 and greater” stratum, and two of these travel claims were in the “LB&I Division ITO $3,600 and greater” stratum. One of the travel claims was included in the selected sample in Step III.A from the "CI, $3,600 and greater" stratum. We chose to use a certainty stratum for these travel claims because of the high dollar value and the risk that these claims might have included premium class airfare or other premium accommodations.

C. Determined whether the trip was properly authorized by determining whether there was a fully completed Form 1321, *Authorization for Official Travel*, with approval prior to travel dates. *Note: We determined CI Attaché foreign travel was approved by reviewing e-mails.*

D. Determined whether reimbursed expenses were appropriate.

   1. Determined whether the selected airfare was appropriate.[2] For example, all noncoach airfare was approved in advance and in accordance with regulations.

   2. Determined whether claimed lodging and subsistence were within the limits for the travel location.

   3. Determine whether unallowable miscellaneous expenses were excluded from the claimed amounts on the travel claim.

E. Determined whether the travel claim included all required supporting documents, such as receipts for expenses more than $75.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: LB&I Division, Counsel, CFO, and CI policies and procedures related to the review and approval of international travel. To assess these controls, we selected and reviewed a random sample of international travel claims for Fiscal Years 2016 and 2017 and met with the LB&I Division ITO, the CFO, the Office of Chief Counsel, and the CI to discuss our results.

[2] We completed an analysis of ConcurGov airfare transaction information to assist in identifying potential instances of other than coach class airfare.

Appendix II

Major Contributors to This Report

Greg Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations)
Troy D. Paterson, Acting Assistant Inspector General for Audit (Management Services and Exempt Organizations)
Deann L. Baiza, Acting Assistant Inspector General for Audit (Management Services and Exempt Organizations)
Alicia Mrozowski, Director
Seth Siegel, Audit Manager
George Hartman, Lead Auditor
Nathaniel Russell, Senior Auditor

Appendix III

Report Distribution List

Deputy Commissioner for Operations Support
Deputy Commissioner for Services and Enforcement
Chief Counsel
Chief, Criminal Investigation
Chief Financial Officer
Commissioner, Large Business and International Division
Deputy Chief, Criminal Investigation
Deputy Chief Financial Officer
Deputy Commissioner, Large Business and International Division
Associate Chief Financial Officer for Financial Management
Director, Criminal Investigation – International Operations
Director, Large Business and International, Program and Business Solutions
Director, Large Business and International, Resource Solutions
Director, Office of Audit Coordination

Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Cost Savings – Questioned Cost – Potential; $30,863 on 206 international travel claims approved with unallowable expenses for Fiscal Years 2016 and 2017 claims, or $77,158 over five years[1] (see page 3).

Methodology Used to Measure the Reported Benefit:

Our testing identified one or more questioned costs for 20 of 115 claims reviewed from our population of 1,565 international travel claims. We selected a statistically valid sample of 106 international travel claims consisting of nine strata broken out by group and dollars and a certainty stratum that included nine additional international travel claims for $10,000 or more. A contracted statistician assisted with developing our sampling plan to ensure selection of a statistically valid random sample and also assisted with developing the reported benefit to ensure statistical validity of the point estimate. The reported benefit is based upon travel claims with unallowable expenses we identified in our testing. We then excluded claims for which the IRS was able to show that the costs were disallowed in a post-payment review. We then added the following values to calculate the total questioned cost:

- The point estimate for unallowable costs: $24,232.[2]
- Actual unallowable costs in the certainty stratum: $6,631.[3]

[1] The five-year forecast is based on dividing our results for Fiscal Years 2016 and 2017 by two and multiplying the result by five and assumes, among other considerations, that economic conditions and travel regulations do not change. A fiscal year is any yearly accounting period, regardless of its relationship to a calendar year; the Federal Government's fiscal year begins on October 1 and ends on September 30.
[2] The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the point estimate is between $5,918 and $42,546. This projection is to the international travel claims not included in the certainty stratum of international travel claims exceeding $10,000.
[3] The actual unallowable amount from the certainty stratum is $11,399. However, a traveler requested, and was granted approval for, relief from a $4,768 travel-related debt. The reported amount excludes this waived amount.

We followed a similar methodology for developing the projected population total of international travel claims with questioned costs. We added the following values to calculate the total international travel claims with questioned cost:

- The projected population total for unallowable costs: 202.[4]
- Actual claims with unallowable costs in the certainty stratum: 4.

Type and Value of Outcome Measure:

- Reliability of Information – Potential; one instance of underreporting premium class travel to the U.S. General Services Administration (via the Department of the Treasury); the unreported business class airfare was $6,830 (see page 3).

Methodology Used to Measure the Reported Benefit:

The CFO submitted an inaccurate Premium Class Travel Report for Fiscal Year 2017. Our testing identified a business class flight that occurred in October 2016 that was claimed and reimbursed to the traveler but not reported on the Premium Class Travel Report.

Type and Value of Outcome Measure:

- Protection of Resources – Potential; 241 international travel claims approved without a completed Form 1321, *Authorization for Official Travel*, with all required approval signatures included in the attachments, representing $909,215, or approximately $2.3 million over five years[5] (see page 10).

Methodology Used to Measure the Reported Benefit:

Our testing identified that one or more of the required signatures on the Form 1321 were missing for 20 of 115 claims reviewed from our population of 1,565 international travel claims. We selected a statistically valid sample of 106 international travel claims consisting of nine strata broken out by group and dollars and a certainty stratum that included nine additional international travel claims. A contracted statistician assisted with developing our sampling plan to ensure selection of a statistically valid random sample and also assisted with developing the reported benefit to ensure statistical validity of the point estimate. The reported benefit is based upon travel claims for which the IRS was unable to provide a Form 1321 completed with all

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[4] The projected population total is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the actual population total is between 110 and 295. This projection is to the international travel claims not included in the certainty stratum of international travel claims exceeding $10,000.

[5] The five-year forecast is based on dividing the results for Fiscal Years 2016 and 2017 by two and multiplying that result by five and assumes, among other considerations, that economic conditions and travel regulations do not change.

required approval signatures. We then added the following values to calculate the total travel claims missing a complete Form 1321:

- The projected population total for claims with a missing complete Form 1321: 237.[6]
- Actual claims with a missing complete Form 1321 in the certainty stratum: four.

The reported total travel claim value is based upon the travel claim value associated with a missing Form 1321 as recorded in the IRS's Integrated Financial System. We then added the following values to calculate the total travel claim value:

- The point estimated for claims with a missing complete Form 1321: $850,336.[7]
- Actual claimed expenses associated with a missing complete Form 1321 in the certainty stratum: $58,879.

We calculated a five year impact to illustrate the continuing potential risk to the Government.

[6] The projected population total is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the actual population total is between 134 and 341.
[7] The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the point estimate is between $471,370 and $1,229,302.

Appendix V

Management's Response to the Draft Report

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

CHIEF FINANCIAL OFFICER

April 8, 2019

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: For Ursula S. Gillis William H. Maglin II
Chief Financial Officer

SUBJECT: Draft Audit Report – International Travel Claims With Unallowable or Unsupported Expenses Were Certified for Payment by Approving Officials (Audit # 201810019)

Thank you for the opportunity to respond to the draft audit report. As the report correctly points out, international travel is critical to the IRS's compliance efforts. IRS employees travel internationally to secure records for tax cases, meet with foreign officials on tax matters and represent the United States in global tax administration forums. The IRS also has the competent authority delegation for the United States Tax Treaty and Tax Information Exchange Agreement network and in that role, IRS employees travel internationally to resolve matters of double tax in accordance with our treaty network and, where appropriate, enter into Advance Pricing Agreements with treaty partners.

We are committed to ensuring that the IRS's international travel policies and processes support accurate payments of international travel expenses. The IRS takes seriously its obligation to be a good steward of government resources. In its report, TIGTA estimated "that the IRS reimbursed employees $35,631 in unallowable expenses during Fiscal Years 2016 and 2017," which is less than one percent (1%) of the "almost $5 million" spent by the IRS on international travel during that time frame. We are committed to taking actions to eliminate even that small amount and appreciate your recommendations. We offer the following clarifications with respect to a few statements in the report.

Business-Class Airfare

We want to clarify two premium travel claims addressed in the report. In the first, an agent traveled in business class to accompany a senior IRS official who used frequent flyer miles for a business-class upgrade. TIGTA noted in its report that it is unclear whether the senior official's upgrade was properly authorized.

2

According to 41 CFR § 301.10.123 Note 1, government travelers may upgrade to other than coach-class accommodations at their personal expense, including through redemption of frequent flyer benefits. Treasury Directive 74-13, which establishes policy and responsibilities for the approval of first-class and business-class transportation accommodations, states that upgrades using frequent flyer points do not require approval. Therefore, the senior IRS official acted properly in using personal frequent flyer miles to upgrade to business class. However, TIGTA recommended in its report that the IRS should clarify its guidance on the use of frequent flyer benefits for upgrades to first-class and business-class transportation accommodations. The IRS agrees and will revise the relevant section of the IRM to mirror the relevant section in Treasury Directive 74-13.

In the second, a traveler requested business-class airfare to attend a conference as a keynote speaker and to hold meetings with foreign tax administration officials. The traveler's flight time was about 22 hours (not including layovers) on the outbound flight and about 25 hours (not including layovers) on the return flight. The traveler had traveled in business class on prior international trips for government business but always used personal miles to upgrade. The traveler attempted but was unable to upgrade using miles for the trip at issue and, being under the impression that he or she satisfied the requirements to travel in business class since each flight was over 14 hours, asked for approval from the IRS commissioner to purchase a business-class ticket and the request was approved.

Notwithstanding the IRS's commissioner's approval, the traveler was advised that he or she would need to complete Treasury Department Form (TD F) 70-02.6, which authorizes business-class travel where: "The origin and/or destination are outside the continental United States (OCONUS), and the scheduled flight time, including stopovers and change of planes, is in excess of 14 hours. In this instance you will not be eligible for a rest stop en route or a rest period upon arrival at your duty site (a rest stop or rest period is defined as a full night of sleep)."

After the trip, the traveler asserted that he or she did not have a rest period on the outbound leg because upon arriving, the traveler spent time drafting and responding to emails and preparing for meetings scheduled for the next day. The traveler provided email correspondence with the foreign officials about the meetings at the time he or she submitted the travel request. Although neither TD F 70-02.6 nor the IRM address whether the performance of routine work, such as emailing and preparing for meetings, upon arrival satisfies the prohibition against taking a rest period to qualify for business-class airfare, the IRS's unwritten policy is that it does not. However, the IRS has found nothing to indicate that the traveler was aware of that policy at the time of the trip. We appreciate TIGTA's review and the IRS is in the process of revising the IRM to clarify its policy that engaging in routine work prior to a rest period is not sufficient to justify premium travel. However, the traveler has repaid the government for the excess costs of the upgrades to business class for both legs of the trip.

3

Other Travel Expenses

The audit also found that some travel claims included incorrect airfare documentation. The airfare itinerary and the airfare receipt documents look very similar and approving officials sometimes mistakenly accept the itinerary as airfare documentation. The IRS is looking into a systemic solution for avoiding these errors. It is important to note that during the audit, TIGTA found no price discrepancies and the government was not overcharged for airfare in any of these cases.

The report also states that personal expenses were reimbursed to travelers inappropriately. Although we recognize that some expenses were reimbursed incorrectly due to oversight, the audit found no intentional misuse of funds for traveler's personal expenses and in every case, the employee reimbursed the government for the overpayment. Also, we must clarify the report's statements with respect to expenses claimed for travel not performed. ******3****** cited in the report, travel was indeed performed. The traveler who "claimed per diem for one location while not working in that travel location," in fact traveled to and worked in a different location on official business (and the amounts ultimately reimbursed accounted for the correct travel location).*****************************3*********************************
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The IRS has already taken several actions to improve its international travel policies and procedures by:

- Educating IRS travelers through information available on the employee intranet.
- Modifying procedures and issuing communications to travelers highlighting the requirement to attach signed Forms 1321, Authorization For Official Travel, to travel vouchers and revising the travel software so users must either upload the required travel documents or provide a justification for omitting them.
- Establishing an inventory of international travel requests received by the International Travel Office to ensure all requests are processed timely and that travelers receive completed Forms 1321 timely.
- Strengthened business-class travel review processes including post-travel reviews of foreign travel vouchers to ensure that Forms 1321 have been completed appropriately and approved before payments are issued to travelers.

The IRS agrees with most of your recommendations and will implement the corrective actions detailed in attachment 1. We have already implemented one of your recommendations and believe that implementing the rest will further enhance the international travel program. We do not agree with the outcome measures and our responses to them are detailed in attachment 2.

We appreciate the continued support and assistance provided by your staff and the recommended improvements to our program. If you have any questions, please contact me or a member of your staff may contact William H. Maglin, II, Acting Deputy CFO, at 202-317-4147.

Attachments (2)

Attachment 1

RECOMMENDATION 1

The Chief Financial Officer should clarify IRS guidance as to whether the use of frequent flyer miles to upgrade to first class or business class accommodations requires prior approval if it will result in increased costs to the Government for another traveler (such as a law enforcement escort).

CORRECTIVE ACTION

The IRS agrees with this recommendation. The CFO will issue policy guidance clarifying if prior approval is ever required when using frequent flyer miles to upgrade to first-class or business-class accommodations.

IMPLEMENTATION DATE

July 31, 2019

RESPONSIBLE OFFICIAL

Chief Financial Officer

CORRECTIVE ACTIONS MONITORING PLAN

The CFO will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored monthly until completed.

RECOMMENDATION 2

The Chief Financial Officer should strengthen management controls by: a) enhancing existing policies and procedures pertaining to travel upgrades to ensure that they conform to the FTR; b) implementing procedures to obtain copies of original receipts, to include final travel invoices, meeting agendas and confirmations, or other original source data to verify pre-trip justifications and trip outcomes for the purposes of validating traveler business class travel request attestations and enhancing IRS internal monitoring; and (c) implementing procedures requiring the traveler to provide information to their approving official if the travel plans or the business purpose of the trip change post trip authorization, prior to the traveler's departure on travel.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The CFO will ensure that enhancements are made to existing policies and procedures pertaining to travel upgrades, including a checklist outlining requirements to comply with the FTR and requiring submission of original receipts, travel invoice for airfare, and other source data. The checklist will also include requirements for pre-trip justifications and meeting agendas, if applicable.

IMPLEMENTATION DATE

July 31, 2019

RESPONSIBLE OFFICIAL

Chief Financial Officer

CORRECTIVE ACTION MONITORING PLAN

The CFO will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored monthly until completed.

RECOMMENDATION 3

The Chief Financial Officer should pursue collection of reimbursed amounts identified in this audit that were in excess of the allowable travel costs.

CORRECTIVE ACTION

The IRS CFO established accounts receivables and pursued collection for the overclaimed unallowable travel expenses in accordance with the IRS debt collection policy.

IMPLEMENTATION DATE

Implemented/Closed

RESPONSIBLE OFFICIAL

N/A

CORRECTIVE ACTION MONITORING PLAN

N/A

RECOMMENDATION 4

The Chief Financial Officer should provide training or issue a clarifying memorandum defining what constitutes sufficient supporting documentation for each travel expense category, with special emphasis placed on larger expenses, such as airfare and lodging, and premium travel requirements.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The CFO will issue a memorandum to better define what constitutes sufficient documentation for various travel expenses, such as airfare, lodging and premium travel.

IMPLEMENTATION DATE

June 30, 2019

RESPONSIBLE OFFICIAL

Chief Financial Officer

CORRECTIVE ACTION MONITORING PLAN

The CFO will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored monthly until completed.

RECOMMENDATION 5

The Chief Financial Officer should consult with responsible officials from the General Services Administration to implement system updates to the electronic travel system to prevent claiming lodging and lodging taxes in excess of permissible lodging limits for foreign travel and to include a representation of truth and accuracy that the traveler must agree to prior to electronic processing of his or her travel expense claim.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The CFO will work with the General Services Administration to evaluate making enhancements to ConcurGov to prevent travelers from claiming lodging and lodging taxes exceeding the foreign per diem rates and discuss adding a certification statement to ConcurGov that requires travelers to sign stating that the voucher is true and correct to the best of one's knowledge.

IMPLEMENTATION DATE

July 31, 2019

RESPONSIBLE OFFICIAL

Chief Financial Officer

CORRECTIVE ACTION MONITORING PLAN

The CFO will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored monthly until completed.

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RECOMMENDATION 6

The Chief Financial Officer should develop and deploy a travel requirements acknowledgment document for all international travelers and their approving officials that clarifies the requirements for travel authorization, voucher submission, and approval as well as traveler and approver roles and responsibilities. The document should a) specifically addresses travel requirements and prohibitions associated with international travel and b) require signature by the traveler and his or her approving official prior to beginning each and every international official travel occurrence.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The CFO will develop and implement a ConcurGov Foreign Travel Documentation Checklist that clarifies the requirements for a travel authorization and voucher, including the approval process and roles and responsibilities. The checklist will require that the traveler and approving official sign to acknowledge that they have reviewed and complied with the requirements for international travel.

IMPLEMENTATION DATE

June 15, 2019

RESPONSIBLE OFFICIAL

Chief Financial Officer

MONITORING PLAN

The CFO will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored monthly until completed.

RECOMMENDATION 7

The Commissioner, Large Business and International Division should provide reminders to travelers and approving officials that Form 1321 is to be completed and all have required managerial reviews confirmed prior to employee travel.

CORRECTIVE ACTION

The LB&I Division issued on June 28, 2018, email instructions for international travel, reminding travelers that international travel authorizations must be submitted in ConcurGov at least 30 days in advance of travel or 45 days if a visa is required and that the authorization must have a completed Form 1321.

The LB&I Commissioner issued a follow up email on October 16, 2018, providing directions for international travelers and approving officials, and reminding employees of the steps they must follow to secure approval for international travel. LB&I also held a meeting on November 1, 2018, to discuss this recommendation and reinforce these timeliness expectations.

IMPLEMENTATION DATE

Implemented/Closed

RESPONSIBLE OFFICIAL

N/A

MONITORING PLAN

N/A

RECOMMENDATION 8

The Commissioner, Large Business and International Division should consider updating travel policies and procedures to include required time frames for the LB&I ITO to review, approve, and timely return traveler submitted Forms 1321, which would prevent travelers from having to abruptly delay or cancel official travel abroad. In addition, the LB&I Division should periodically conduct a quality review of this process to ensure that these time frames are being met.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The LB&I Division will implement timeframes for the International Travel Office (ITO) to review, approve and return Form 1321 to travelers. The LB&I Division will periodically conduct a quality review of the process to ensure that the timeframes are being met.

IMPLEMENTATION DATE

Develop and implement timeframes for ITO's Form 1321 processing by July 15, 2019. Conduct a quality review of processing timeframes by February 15, 2020.

RESPONSIBLE OFFICIAL

Commissioner, Large Business and International Division

MONITORING PLAN

The Commissioner, Large Business and International Division will enter accepted corrective actions into the Joint Audit Management Enterprise System (JAMES). These corrective actions are monitored monthly until completed.

Attachment 2

Type and Value of Outcome Measure:

Cost savings – Questioned Cost – Potential; $30,863 on 206 international travel claims approved with unallowable expenses for Fiscal Year 2016 and 2017 claims, or $77,158 over five years.

IRS Response:

The IRS agrees with this outcome measure. Due to process improvements and enhanced employee communications, the IRS expects that the actual five-year loss for unallowable expenses will be significantly lower than $77,158.

Type and Value of Outcome Measure:

Reliability of Information – Potential – One instance of underreporting premium class travel to the U. S. General Services Administration (via the Department of the Treasury); the unreported business-class airfare was $6,830.

IRS Response:

The IRS agrees with this outcome measure.

Type and Value of Outcome Measure:

Protection of Resources – Potential; 241 international travel claims approved without a completed Form 1321, *Authorization for Official Travel*, with all required approval signatures included in the attachments, representing $909,215, or $2,273,038 over five years.

IRS Response:

The IRS agrees with this outcome measure. The IRS, however, expects significant future improvement due to recently modified procedures that ensure signed Forms 1321 are uploaded with the associated travel claims in the travel software.