TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Enhanced Controls Are Needed to Ensure Compliance With Federal Travel Regulations and IRS Travel Policy

September 20, 2021

Report Number: 2021-10-071

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Why TIGTA Did This Audit

This audit was initiated because IRS employee domestic travel is completed using Federal funds. Both the traveler and the approving official must exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business. The overall objective of this audit was to assess the effectiveness of controls over employee domestic travel claims.

Impact on Taxpayers

The IRS spent over $122 million associated with approximately 92,000 domestic city-to-city travel claims during Fiscal Year 2019 and the first half of Fiscal Year 2020. IRS employees traveled domestically to support ongoing IRS operations and to participate in training. Inefficient use of publicly funded travel resources potentially limits the ability of the IRS to accomplish its mission.

What TIGTA Found

TIGTA found numerous instances in which IRS travelers were reimbursed for expenses when travel regulations were not followed or the traveler could have saved travel funds. Specifically, privately owned vehicles were authorized without considering whether a rental car was more cost effective and travel claims were approved when travelers submitted vouchers without appropriate documentation (*i.e.*, missing airfare receipts and privately owned vehicle mileage support). Based on its sample results, TIGTA estimates that the IRS reimbursed employees approximately $435,000 that could have been avoided if travelers had used a rental car instead of their personal vehicles. These compliance issues were the result of a lack of key internal controls and breakdowns in existing controls. For example, the IRS failed to timely update internal guidance related to rental cars as the preferred method of transportation over using a personal vehicle. In addition, approving officials accepted inadequate voucher documentation. While the IRS was subsequently able to locate adequate support for all travel claims, TIGTA estimates that the IRS reimbursed employees for more than $9.5 million in expenses when travelers submitted vouchers without the documentation required by the Federal Travel Regulation and IRS policy.

Further, many travelers did not secure a State lodging tax exemption where applicable. Although not explicitly required by the Federal Travel Regulations, these travelers could have saved funds by securing State lodging tax exemptions.

Additionally, continuous travel for acting or detail assignments was not properly approved or tracked at appropriate intervals. Seven of 13 detail assignments reviewed were not being tracked or reviewed within the responsible Chief Financial Officer function and had not received approval from a Deputy Commissioner as required.

Finally, TIGTA found that IRS domestic travelers consistently complied with air travel class requirements. Specifically, IRS travelers are consistently using coach class travel accommodations as required by travel regulations (as opposed to premium class seating).

What TIGTA Recommended

TIGTA made five recommendations to the Chief Financial Officer to mitigate the issues identified in our audit. These included ensuring that mandatory travel training includes an emphasis on recent changes in the Federal Travel Regulation, continuing efforts to update IRS domestic travel policy to clearly state the established order of preference for mode of transportation, and developing a process to identify and properly approve long-term travel.

IRS management agreed with four of the recommendations, partially agreed with the other recommendation, and stated that they have already taken actions to address all five report recommendations.

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

September 20, 2021

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Enhanced Controls Are Needed to Ensure Compliance With Federal Travel Regulations and IRS Travel Policy (Audit #202010005)

This report presents the results of our review that assessed the effectiveness of controls over employee domestic travel claims. This review is part of our Fiscal Year (FY) 2021 Annual Audit Plan and addresses the major management and performance challenge of *Reducing Fraudulent Claims and Improper Payments*.

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

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 Heather M. Hill, Acting Assistant Inspector General for Audit (Management Services and Exempt Organizations).

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Background

Internal Revenue Service (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, 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.[1] Specifically, the FTR addresses which types of travel expenses can be reimbursed by the Government agency to the traveler.

Within the IRS, 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. The CFO office develops and maintains the IRS's Internal Revenue Manual (IRM) that supplements the FTR by providing IRS-specific travel policies and procedures. It includes a City-to-City Travel Guide that describes the responsibilities of travelers and approving officials.[2] The CFO office also maintains a 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, and 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.

Certain travel situations may require additional approvals:

- Employees who expect to be in travel status for six months or longer must obtain prior approval.
- Long-term assignments away from an employee's post of duty, requiring travel reimbursement, and expected to last more than one year require prior approval. Also, if management of the traveler believes the assignment will last a full year plus one day beyond the date it began, the employee's travel reimbursements may become taxable income.

Once these travel situations are approved, the employee must scan or fax a copy of the signed approval into the IRS's electronic travel system with each associated travel voucher. IRS policy dictates that all temporary duty detail assignments should be evaluated every 90 days to determine if the employee should return to their original official station. It further dictates that after 60 days in a detail status (day 61), the traveler needs to make an effort to find housing at a reduced per diem rate.

The IRS must select the method of transportation most advantageous to the Government. Several factors, including cost, must be considered in making this decision. According to the FTR, common carrier transportation (*e.g.*, airline, train, bus, ship, or other transit system), when

[1] 41 C.F.R. § 300–304.

[2] IRM 1.31.11 (Sept. 25, 2019).

reasonably available, is presumed to be the most advantageous method, followed by Government automobile, rental car, and then privately owned vehicle (POV).[3] The FTR established this order of preference in May 2015. The IRS issued an interim guidance memo in August 2020 establishing that a rental car is the preferred transportation method when driving. Individuals who prefer to drive their POV must complete a cost comparison between the mileage cost versus the cost of renting a vehicle for the same time period. The comparison must be approved prior to the trip and supporting documentation must be attached to the travel voucher.

Lastly, certain States offer Federal travelers an exemption from State sales tax. Generally, this exemption applies to hotels and car rentals and requires documentation to support the exemption (*e.g.*, Government identification or a State tax exemption form). The requirements and forms vary from State to State, and travelers are only exempt from State sales tax if they use a Government travel card. Further, the exemption applies only to State sales tax and does not cover other taxes and fees that may appear on a bill unless State law extends to those specific types of taxes. For example, 12 States currently offer exemption from State hotel lodging taxes. In one State, a traveler must only display proof of federal employment in order to obtain the exemption. Other States require proof of Federal employment and/or the traveler must submit an exemption form, or other documentation. Further complicating matters for travelers, each State maintains its own exemption form, as no universal Federal exemption form exists. This inconsistent approach to tax exemption can present challenges for travelers, who may not be aware of the various exemption documentation requirements.

Results of Review

Approving Officials Did Not Always Ensure IRS Employees Complied With Federal Travel Regulations and Agency Travel Policies

We found numerous instances in which IRS travelers were reimbursed for expenses when travel regulations were not followed or the traveler could have saved travel funds (based on our review of two statistical samples of travel vouchers submitted for payment between October 1, 2018, and March 31, 2020). During that time, the IRS spent over $122 million associated with approximately 92,000 domestic city-to-city travel claims. Specifically, we found POV mileage expenses were approved without the required rental car cost comparison and travel claims were approved without appropriate documentation present at the time the vouchers were submitted (*i.e.*, missing airfare receipts and POV mileage support). These compliance issues were the result of a lack of key internal controls and breakdowns in existing controls. For example, the IRS failed to update internal guidance timely to reflect changes to the FTR related to rental cars being designated as the preferred method of transportation over using a POV. In addition, approving officials accepted inadequate voucher documentation. Finally, we determined that many travelers did not secure a State lodging tax exemption where applicable. Figure 1 provides an overall summary of our voucher review and related results. See Appendix II for

[3] 41 C.F.R. § 301-10.5

additional details of the population, examined vouchers, vouchers with errors, and projected values from our voucher review.

Figure 1: Compliance Issues and Cost Savings Opportunities Identified

Compliance Issue/Type of Savings	Vouchers Examined	Vouchers With Errors	Projected Savings	Projected Expenses Lacking Appropriate Documentation
Expenses Lacking Appropriate Documentation	87	24	---	$9,576,098
Rental Car vs POV	87	7	$434,801	---
State Lodging Taxes	105	41	---	---

Source: Treasury Inspector General for Tax Administration (TIGTA) analysis of Integrated Financial System travel claim data and ConcurGov voucher submissions.[4]

Use of rental cars instead of POVs could have saved travel funds

IRS travelers who used a POV could have reduced travel costs if they used a rental car instead. We determined that for seven (8 percent) of the 87 travel claims reviewed, IRS approving officials and travelers could have reduced costs by using a rental car instead of claiming POV mileage. Based on our sample results, we estimate that the IRS reimbursed employees approximately $435,000 in POV mileage costs during our audit period that could have been avoided by using a rental car.[5]

The FTR includes an order of preference for transportation methods available for city-to-city travel. Air travel, when readily available, is presumed to be the most advantageous method of transportation and is followed by Government vehicles, rental cars, and lastly, POVs. If a traveler prefers to use a POV, the traveler must complete a cost comparison worksheet showing estimated cost using a POV instead of the presumed most advantageous transportation method to the Government. Travel reimbursement is limited to the most cost-efficient transportation method.

The FTR order of preference was updated in May 2015. However, the IRS interim policy was not updated to reflect these changes until August 2020. The IRS updated its supplemental guidance on the cost comparison process in September 2020. In six of the seven cases, the approving officials did not require travelers to complete cost comparisons considering the transportation method that was most advantageous to the Government. While a cost comparison was completed in one of the seven cases reviewed, the IRS traveler was following outdated guidance

[4] The Integrated Financial System is a packaged system software solution the IRS uses for internal financial management processes. ConcurGov is the official travel system for IRS travelers. This system is a Web-based, end-to-end travel management system used to plan, authorize, arrange, process, and manage official Federal travel.

[5] The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the point estimate of $434,801 is between $140,178 and $1,109,360. This range is based on empirical likelihood.

when making the decision to use a POV and only compared POV mileage expense to the cost of air travel. When travelers do not ensure that the claimed transportation expense is the most advantageous to the Government, IRS travel dollars are more vulnerable to waste. The IRS states it has extended the interim policy until the updates can be incorporated into the IRS domestic travel policy, which is planned for December 2021.

Approving Officials certified travel claims for reimbursement without appropriate documentation

Some IRS approving officials certified travel claims for employee reimbursement for expenses without appropriate documentation such as air transportation and one-way POV mileage claims in excess of $75. We determined that 24 (28 percent) of the 87 domestic 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 travel claims, managers in our sample approved over $9,000 in expenses that did not have the required supporting documentation at the time the voucher was approved. Based on our sample, we estimate that the IRS reimbursed employees for more than $9.5 million in expenses without having complete supporting documentation at the time the voucher was approved.[6] Figure 2 provides a breakdown of the 24 vouchers with expenses lacking proper support.

Figure 2: Travel Claims Supporting Documentation

Description	Number of Vouchers With Errors	Dollar Value	Projected Vouchers[7]	Projected Dollar Value[8]
Missing airfare expense receipts	11	$5,428	11,581	$5,714,495
Missing POV mileage support	13	$3,668	13,687	$3,861,603
TOTAL	24	$9,096	25,268	$9,576,098

Source: TIGTA analysis of Integrated Financial System travel claim data and ConcurGov voucher submissions.

- In 11 instances, the voucher did not contain proper support at the time the voucher was approved for claimed airfare, representing approximately $5,400. Travelers did not include receipts documenting the final airfare. Instead, other types of documentation, such as the travel itinerary, were provided. Both the FTR and IRS travel policy require travelers to provide receipts for all common carrier expenses and for any expense over $75. While the IRS was subsequently able to locate and provide receipts associated with

[6] The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the point estimate of $9,576,098 is between $6,340,953 and $13,751,426. This range is based on empirical likelihood.

[7] The projected population totals are based on a two-sided 95 percent confidence interval. We are 95 percent confident that the missing airfare expense receipt actual population total is between 5,942 and 19,687. We are 95 percent confident that the missing POV mileage support actual population total is between 7,517 and 22,158.

[8] The point estimate projections are based on a two-sided 95 percent confidence interval. We are 95 percent confident that the missing airfare expense receipts point estimate of $5,714,495 is between $2,975,136 and $9,753,332. We are 95 percent confident that the missing POV mileage support point estimate of $3,861,603 is between $2,151,000 and $6,322,407. This range is based on empirical likelihood.

all of the claimed airfares, approving officials did not have this information when they certified the travel claims for reimbursement.

- In 13 instances, the voucher did not contain support for claimed one-way POV mileage in excess of $75, representing approximately $3,700. These travel claims did not include the required documentation to support the amount of miles used for the POV mileage calculation. While the IRS was able to provide electronic driving directions with mileage showing the route the traveler may have driven, approving officials did not have this information when they certified the travel claims for reimbursement.

For airfare, 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.[9] 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.[10] Further, when the transportation expense is for POV mileage, IRS policy requires that a cost comparison be completed with appropriate supporting documentation attached.

The IRS stated that some travelers continue to incorrectly assume that the electronic air travel itinerary included within the electronic travel system supported the claimed airfare. Travelers and approving officials also used the electronic air travel itinerary received via e-mail instead of the final travel invoice to support the claimed airfare because they contain similar information. With respect to the lack of documentation related to POV mileage, IRS policy did not clearly identify that supporting documentation was necessary to document the miles used in the POV mileage calculation. When approving officials do not adequately review expense claims to ensure that the traveler provided all required supporting documentation prior to certifying his or her travel voucher for payment, the IRS could potentially provide inaccurate reimbursements to the traveler.

Travelers could have saved travel funds by securing State lodging tax exemptions

We determined that, in many cases, travelers did not secure a State lodging tax exemption when available to them. For 41 (39 percent) of the 105 travel claims reviewed as part of our statistical sample, IRS travelers could have secured lodging tax exemptions because the State offered an exemption to Federal travelers.[11]

The FTR general rules establish that travelers must exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business.[12] Depending on the State, lodging payments using a Government travel credit card may be exempt from State sales tax. The FTR outlines the use of the tax exemption form for State lodging taxes in applicable States, but it does allow for lodging taxes paid by a Federal traveler to be reimbursed, even if paid in a State exempt from sales tax. However, the IRS instructs travelers to seek the lodging tax exemption when traveling to the applicable States.

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[9] 41 C.F.R. § 301-11.25.

[10] IRM 1.32.11.7.7 (July 2, 2019).

[11] We reviewed 105 travel claims out of a population of approximately 11,000 domestic city-to-city travel claims to a State that offers a tax exemption.

[12] 41 C.F.R. § 301-2.3.

The IRS asserts that approximately half of these travelers attempted to secure an exemption. There was no documentation to support this assertion, but the most common explanation was that the hotel did not accept the exemption form the traveler used and, in one case, the traveler did not have all required forms. For the remaining travelers, the IRS stated that no attempt was made to secure the exemption because the FTR and IRM do not contain a specific requirement to secure a lodging tax exemption. As previously mentioned, documentation requirements vary considerably across States, which can make obtaining the tax exemption challenging for travelers, especially if they do not make themselves aware of the exemption requirements in advance. However, when travelers do not ensure that all allowed exemptions are secured, the traveler misses an opportunity to potentially save IRS travel dollars.

The CFO should:

Recommendation 1: Ensure that mandatory travel training includes an emphasis on recent changes in the FTR and updates to IRS policies. At a minimum, the changes described should include the August 2020 IRS interim guidance memorandum and the May 2015 FTR change that established a rental car over a POV as the preferred method of transportation when driving to a temporary duty station.

> **Management's Response:** IRS management agreed with this recommendation and indicated that mandatory travel training was implemented on January 4, 2021, with over 37,000 travelers trained by July 2, 2021.
>
> > **Office of Audit Comment:** The implemented mandatory travel training does inform travelers that they must compare airfare, rental car expenses, and POV mileage when completing cost comparisons. However, the training does not include a specific description of the FTR change that established a rental car over a POV as the preferred method of transportation when driving to a temporary duty station.

Recommendation 2: Ensure that mandatory travel training on sufficient supporting documentation includes (a) a specific explanation that an electronic itinerary is not sufficient documentation to support claimed airfare expense and (b) clarification regarding when a cost comparison is required and the supporting documentation that must be submitted with the cost comparison.

> **Management's Response:** IRS management agreed with this recommendation and indicated that information on itinerary versus invoice is included in mandatory training. Other actions IRS management described included working with the travel vendor to help travelers upload the invoice versus itinerary and a new cost comparison worksheet to better support travelers with documentation requirements.

Recommendation 3: Revise IRS policy and continue IRS training efforts to include a reminder that travelers should determine prior to travel if a specific tax exemption form is needed and submit the form when traveling to the tax-exempt States.

> **Management's Response:** IRS management partially agreed with this recommendation. The IRS agreed to continue training efforts and remind travelers to seek lodging tax exemptions. IRS management disagreed with revising IRS policy and asserted the IRS

City-to-City Travel Guide has always included the State lodging tax exemption information.

Office of Audit Comment: While the IRS City-to-City Travel Guide includes information about general lodging taxes, it does not include any information regarding State lodging tax exemption and how to secure the exemption when traveling to certain States. Including that information in training courses does not replace the importance of formal publication in the IRS City-to-City Travel Guide.

Recommendation 4: Continue efforts to incorporate the interim guidance into IRS domestic travel policy to clearly state the established order of preference for mode of transportation. This order of preference should align with the presumed most advantageous method of transportation established in the FTR.

Management's Response: IRS management agreed with this recommendation. The IRS has extended the expiration date for the interim guidance on the established order of preference to December 2021, until it can be incorporated into the IRM.

Continuous Travel for Acting or Detail Assignments Was Not Properly Approved or Tracked at Appropriate Intervals

The IRS is not properly managing or tracking IRS employees' long-term temporary duty assignments.[13] We reviewed a judgmental sample of 13 long-term trips (four trips were between 61 days and six months, and nine trips were over six months) and found that the IRS CFO Travel Policy and Review (TP&R) office was not following IRS policy for approval and periodic monitoring of long-term assignments. IRS policy requires additional approval when acting or detail assignments are expected to extend beyond six months. This approval is initiated at the business unit level. Once appropriate business unit approval is secured, the approval is then sent to the IRS CFO TP&R office for routing to the appropriate Deputy Commissioner for final approval. During the travel, the CFO TP&R office is required to review the trip every 90 days to determine the need for continued travel. Additionally, when travel to one location is expected to exceed 60 days, travelers must pursue options for reduced per diem expenses. Review and approval is handled by the business units using a reduced per diem analysis form, but completed approvals are to be sent to the CFO TP&R office. Every 30 days, business units should consider temporary travel to a single location to determine whether continued travel is necessary.

Seven of the nine detail assignments over six months were not being tracked and reviewed by the TP&R office and had not received approval from a Deputy Commissioner as required. Generally, travelers completed the reduced per diem analysis forms, but the forms were not always sent to the CFO TP&R office. Many travelers reduced the amount claimed for meals and incidentals expenses, but most lodging was not reduced below per diem.

[13] For the purposes of this review, "long-term temporary duty assignment" means any travel that falls into either of the previously described two categories; or acting or detail assignments extending beyond six months involving travel and travel to one location exceeding 60 days.

The dollar value of the 13 judgmentally sampled trips is approximately $650,000 spread across approximately 75 travel authorization numbers. We completed an analysis of domestic travel claim data by employee to identify potential long-term travel assignments. This analysis yielded 136 individuals who were potentially in a long-term travel assignment. These 136 individuals collectively filed over 400 travel vouchers with a total dollar value of approximately $3.3 million.

The IRS stated that the individual previously responsible for tracking long-term travel assignments retired prior to Fiscal Year (FY) 2019, and the new individual may not have been properly trained on how to keep track of the trips.[14] Additionally, the IRS asserts that reduced lodging is not always available to the traveler. Further, the CFO TP&R office relies on business units to manage their respective travel programs, including compliance with travel policies and regulations. If the business unit does not submit the approval form to the CFO TP&R office, the trip is not routed for proper approvals or tracked for follow-up every 90 days. It is important that long-term travel assignments are identified, approved, and properly tracked in order for appropriate monitoring of such assignments.

Recommendation 5: The CFO office should develop a process to (a) identify individuals on long-term travel and (b) ensure that all ongoing and potential long-term travel is properly approved and reviewed at appropriate intervals.

> **Management's Response:** IRS management agreed with the recommendation and indicated a primary and a backup employee have been assigned and provided with training on the policies and procedures. The IRS will also ensure travel details over six months will receive the correct level of approval.

Travelers Consistently Complied With Air Travel Class Requirements

Based on an analysis of domestic air travel ticket details available from the IRS ConcurGov travel system, we determined that IRS travelers are consistently claiming coach class airfare. Air ticket data include two primary points for each air travel transaction: cabin class and fare basis. The cabin class is the class of service the traveler received, and the fare basis is the class of service the individual paid for and claimed for reimbursement. Our analysis revealed that all the fare basis codes matched with a coach class fare and, therefore, travelers were using coach class travel as required by travel regulations (as opposed to premium class air travel).

According to the FTR, when making official travel arrangements, Government travelers are required to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business. Therefore, Government travelers should consider the least expensive class of travel that meets their needs. Consistent with this requirement, the FTR provides that, with limited exceptions, travelers must use coach class air accommodations.[15] A prior TIGTA audit report included a recommendation to enhance existing policies related to travel upgrades.[16] In response, the IRS implemented updates to the Airline Accommodations

[14] 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.

[15] 41 C.F.R. § 301-10.122.

[16] TIGTA, Report No. 2019-10-015, *International Travel Claims With Unallowable or Unsupported Expenses Were Certified for Payment by Approving Officials* (June 2019).

section of the IRM and published a checklist for travelers to complete along with the premium class travel approval form.[17] As a result, IRS employees are aware of the FTR stipulations and compliance with the air travel class requirements has improved.

[17] IRM 1.32.11.5.1.1 (July 2, 2019).

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to assess the effectiveness of controls over employee domestic travel claims. To accomplish our objective, we:

- Identified the controls (Governmentwide laws, regulations, and policies) over domestic travel claims and controls specific to travel for long-term acting assignments.
- Obtained extracts of domestic travel claim data and reports from the Integrated Financial System Travel Expenditures report for voucher posting dates from October 1, 2018, through March 31, 2020 (FY 2019 – 2nd quarter FY 2020), and ConcurGov reports for travel departure dates from September 1, 2018, through March 31, 2020.
- Coordinated with TIGTA's contract statistician and develop a sampling plan to ensure selection of statistically valid random samples. Our first sample of 87 city-to-city domestic travel claims was selected using a 95 percent confidence interval, 15 percent error rate, and ±8 percent precision factor. Our second sample of 105 city-to-city domestic travel claims to States that offer a State lodging tax exemption was selected using a 95 percent confidence interval, 20 percent error rate, and ±8 percent precision factor. We then determined whether sampled travel claims comply with the requirements of the FTR and IRM travel guidance. TIGTA's contract statistician also assisted with developing the reported benefit to ensure statistical validity of the point estimate and projected population totals.

Performance of This Review

This review was performed with information obtained from the Office of the Deputy Chief Financial Officer located in Washington, D.C., during the period June 2020 through March 2021. 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.

Major contributors to the report were Heather Hill, Assistant Inspector General for Audit (Management Services and Exempt Organizations); LaToya P. George, Director; Seth Siegel, Audit Manager; Nathaniel Russell, Lead Auditor; Jody-Ann Sommerville, Student Trainee; Alberto Garza, Manager (Data Analytics); and Lance Welling, Information Technology Specialist (Data Analytics).

Validity and Reliability of Data From Computer-Based Systems

We performed tests to assess the reliability of data from the Integrated Financial System and ConcurGov electronic travel system. We evaluated the data by (1) performing electronic testing of required data elements (evaluating transaction totals and sums, evaluating completeness of transaction dates, and performing reconciliations to data from source systems to determine if the data obtained are complete and accurate), (2) reviewing existing information about the data and the systems that produced them, and (3) interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for purposes of this report.

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 also include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: Governmentwide laws, regulations, and policies in place governing domestic travel; the IRS CFO policies, procedures, and internal controls in place for administering domestic travel; and controls specific to travel for long-term acting assignments. To assess these controls, we selected and reviewed samples of domestic travel claims from FY 2019 and the first half of FY 2020 and met with IRS management to discuss our results.

Appendix II

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.

Figure 1: Details of Population, Examined Vouchers, Vouchers With Errors, and Projected Values

Concern Identified	Number of Vouchers in Population	Number of Vouchers Examined	Number of Vouchers With Errors	Projected Erroneous Vouchers	Projected Dollar Value – Savings	Projected Dollar Value – Reliability of Information
Expenses Without Appropriate Supporting Documentation at the Time Expenses Were Approved	91,597	87	24	25,268[1]		$9,576,098
Rental Car	91,597	87	7	7,370[2]	$434,801	

Source: TIGTA analysis of Integrated Financial System travel claim data and ConcurGov voucher submissions.

Type and Value of Outcome Measure:

Cost Savings (Funds Put to Better Use) – Potential; $434,801 on 7,370 domestic travel claims for which using a rental car could have saved travel funds in Fiscal Year 2019 and the first half of FY 2020, or $1,449,337 over five years (see Recommendations 1 and 4).[3]

Methodology Used to Measure the Reported Benefit:

Our testing identified that using a rental car would have saved travel funds for seven of 87 claims reviewed from our population of 91,597 domestic city-to-city travel claims. We selected a statistically valid sample of 87 domestic travel claims. Out of the sample of 87 domestic travel claims, we identified the 13 travel claims with POV mileage claimed and determined that IRS approving officials and travelers could have reduced costs by using a rental car instead of claiming POV mileage for seven of the 13 travel claims with POV mileage. 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 on travel claims for which using a

[1] 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 16,987 and 34,996.

[2] 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 3,021 and 14,539.

[3] Because our audit period is 18 months, the five-year forecast is based on multiplying the point estimate by two-thirds and multiplying that result by five and assumes, among other considerations, that economic conditions and travel regulations do not change.

rental car instead of a POV would have saved travel funds. The point estimate for this outcome measure is $434,801,[4] and the projected population total is 7,370.[5]

Type and Value of Outcome Measure:

Reliability of Information – Potential; $9,576,098 on 25,268 domestic travel claims without appropriate documentation at the time travel vouchers were approved in FY 2019 and the first half of FY 2020 (see Recommendation 2).

Methodology Used to Measure the Reported Benefit:

Our testing identified that approving officials approved travel vouchers and certified employee reimbursement for expenses without appropriate documentation for 24 of 87 claims reviewed from our population of 91,597 domestic travel claims. We selected a statistically valid sample of 87 domestic 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 on travel claims for which airfare was claimed without a proper receipt or one-way POV mileage over $75 was claimed without support for the mileage. The point estimate for this outcome measure is $9,576,098,[6] and the projected population total is 25,268.[7]

Management's Response: IRS management partially agreed with this outcome measure and asserted that the lack of documentation does not extend to price discrepancies.

Office of Audit Comment: TIGTA considers all of the domestic travel claims approved without appropriate documentation at the time the travel voucher was approved as having a potential impact on the reliability of claimed travel expenses. Attaching appropriate documentation is an important control to show the final cost of travel expenses and demonstrates the documentation needed by approving officials to validate actual cost of airfare prior to approving the travel voucher.

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[4] The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the point estimate of $434,801 is between $140,178 and $1,109,360. This range is based on empirical likelihood.

[5] 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 3,021 and 14,539.

[6] The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the point estimate of $9,576,098 is between $6,340,953 and $13,751,426. This range is based on empirical likelihood.

[7] 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 16,987 and 34,996.

Appendix III

Management's Response to the Draft Report

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

CHIEF FINANCIAL OFFICER

September 1, 2021

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Teresa R. Hunter
Chief Financial Officer

Teresa R. Hunter

Digitally signed by Teresa R. Hunter
Date: 2021.09.01 17:54:23 -04'00'

SUBJECT: Draft Audit Report – Enhanced Controls Are Needed to Ensure Compliance With Federal Travel Regulations and IRS Travel Policy (Audit # 202010005)

Thank you for the opportunity to review and comment on the TIGTA Draft Report number 202010005, "Enhanced Controls Are Needed to Ensure Compliance With Federal Travel Regulations and IRS Travel Policy," dated July 26, 2021. The IRS takes its responsibility seriously to ensure that IRS travelers remain compliant with the Federal Travel Regulations (FTR) Chapter 301. The IRS is committed to adhering to all federal laws, regulations, and IRS policies, procedures, and guidelines that are applicable to the management of the IRS travel program. As we exercise sound stewardship of IRS funds, we continue to remind employees and managers to be mindful of decisions they make and be aware of situations that could be perceived as wasteful or inappropriate.

We appreciate your review of our internal controls and acknowledgement of our enhancements to the airline accommodations policy as it relates to air travel class requirements.

Attached is a detailed response to address the report recommendations and outcome measures. We have already taken actions to address all five report recommendations.

If you have any questions, please contact me at 202-317-6400, or your staff can contact Anthony Chavez, Associate CFO for Financial Management at 202-803-9730.

Attachments: (2)

ATTACHMENT 1

RECOMMENDATION 1

Ensure that mandatory travel training includes an emphasis on recent changes in the FTR and updates to IRS policies. At a minimum, the changes described should include the August 2020 IRS interim guidance memorandum and the May 2015 FTR change that established a rental car over a POV as the preferred method of transportation when driving to a temporary duty station.

CORRECTIVE ACTION

The IRS agrees with this recommendation. Interim Guidance was implemented on August 5, 2020 and mandatory travel training was implemented on January 4, 2021 in the IRS "Mandatory Travel Policy Training" course number 78675. The mandatory travel training was completed July 2, 2021, with over 37,000 travelers trained.

IMPLEMENTATION DATE

January 4, 2021

RESPONSIBLE OFFICIAL

Not Applicable

CORRECTIVE ACTION MONITORING PLAN

Not Applicable

RECOMMENDATION 2

Ensure that mandatory training on sufficient supporting documentation includes (a) a specific explanation that an electronic itinerary is not sufficient documentation to support claimed airfare expense and (b) clarification regarding when a cost comparison is required and the supporting documentation that must be submitted with the cost comparison.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The IRS included itinerary versus invoice in the "Mandatory Travel Policy Training" course number 78675 on January 4, 2021. We worked with the travel vendor DTI to help travelers upload the invoice versus itinerary. Additionally, a new cost comparison worksheet was completed and issued August 2020 to better support travelers with documentation requirements.

IMPLEMENTATION DATE

January 4, 2021

RESPONSIBLE OFFICIAL

Not Applicable

CORRECTIVE ACTION MONITORING PLAN

Not Applicable

RECOMMENDATION 3

Revise IRS policy and continue IRS training efforts to include a reminder that travelers should determine prior to travel if a specific tax exemption form is needed and submit the form when traveling to the tax-exempt states.

CORRECTIVE ACTION

The IRS partially agrees with this recommendation. The IRS does not concur with modifying policy as it is not a mandatory requirement under the Federal Travel Regulations. The IRS agrees to continue efforts on reminders and training. The IRS will continue to remind travelers to seek lodging tax exemptions. The issue is included in the IRS "Understanding Travel Policy Training" course number 78675. The IRS City-to-City Guide, IRM 1.32.11, has always included the state lodging tax exemption information. The IRS includes an audit review item for lodging tax exemptions within ConcurGov to remind and encourage travelers to seek lodging tax exemptions.

IMPLEMENTATION DATE

January 4, 2021

RESPONSIBLE OFFICIAL

Not Applicable

CORRECTIVE ACTION MONITORING PLAN

Not Applicable

RECOMMENDATION 4

Continue efforts to incorporate the interim guidance into IRS domestic travel policy to clearly state the established order of preference for mode of transportation. This order of preference should align with the presumed most advantageous method of transportation established in the FTR.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The IRS issued interim guidance in August 2020 stating the established order of preference. Interim guidance (IG) carries the same weight and enforcement as an IRM until it can be incorporated into the IRM. The IRS has extended the expiration date of the IG to December 2021.

IMPLEMENTATION DATE

August 2020

RESPONSIBLE OFFICIAL
Not Applicable

CORRECTIVE ACTION MONITORING PLAN
Not Applicable

<u>RECOMMENDATION 5</u>
The CFO office should develop a process to a) identify individuals on long term travel, and b) ensure all ongoing and potential long-term travel is properly approved and reviewed at appropriate intervals.

CORRECTIVE ACTION
The IRS agrees with this recommendation. The IRS a) assigned a primary and a backup employee to review travel assignments and process approvals. Both employees have been provided with training on the policies and procedures and we expect a significant improvement with this process; and b) will ensure city-to-city travel details over six months will be approved by the Deputy Commissioner for Operations Support or Deputy Commissioner for Services and Enforcement appropriately.

IMPLEMENTATION DATE
January 4, 2021

RESPONSIBLE OFFICIAL
Not Applicable

CORRECTIVE ACTION MONITORING PLAN
Not Applicable

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ATTACHMENT 2

Type and Value of Outcome Measure

Cost Savings (Funds Put to Better Use) – Potential; $434,801 on 7,370 domestic travel claims for which using a rental car could have saved travel funds in Fiscal Year 2019 and the first half of FY 2020, or $1,449,337 over five years (see Recommendations 1 and 4).

IRS Response

The IRS agrees with this outcome measure. The IRS has updated the Travel Cost Comparison Worksheet, which is required when a traveler chooses a method of transportation other than the authorized method of transportation (common carrier or rental car). Supporting documentation for all costs entered on the worksheet are required, such as travel itineraries, ticketed invoices for all common carrier charges, screen shot captures of MapQuest/Google maps of mileage, ConcurGov screen shots of airfare and rental car cost. The new travel cost comparison requirement is also covered in our mandatory travel training course. Due to this process improvement and enhanced cost comparison worksheet, the IRS expects that this actual five-year loss for recommendation 1 and 4 will be significantly lower than $1,449,337.

Type and Value of Outcome Measure

Reliability of Information – Potential; $9,576,098 on 25,268 domestic travel claims without appropriate documentation in FY 2019 and the first half of FY 2020 (see Recommendation 2).

IRS Response

The IRS partially agrees with this outcome measure in that the selected claims were lacking appropriate supporting documentation, however, the issue is limited to a lack of documentation and doesn't extend to price discrepancies. The approving officials did validate actual cost for airfare prior to approving the travel voucher. The government was not overcharged for airfare in any of the cases reviewed by TIGTA. The ConcurGov voucher reflects the total cost of airfare, flight information, and the method of payment used which indicates it is a proper payment.

Appendix IV

Abbreviations

CFO	Chief Financial Officer
FTR	Federal Travel Regulation
FY	Fiscal Year
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
POV	Privately Owned Vehicle
TIGTA	Treasury Inspector General for Tax Administration
TP&R	Travel Policy and Review

To report fraud, waste, or abuse,
call our toll-free hotline at:

(800) 366-4484

By Web:

www.treasury.gov/tigta/

Or Write:

Treasury Inspector General for Tax Administration

P.O. Box 589

Ben Franklin Station

Washington, D.C. 20044-0589

Information you provide is confidential, and you may remain anonymous.