



*Controls Over the Use of Premium-Class  
Travel Are Generally Effective, but Did Not  
Detect Some Employees Traveling Without  
Proper Authorization*

**September 9, 2009**

**Reference Number: 2009-10-117**

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



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

September 8, 2009

**MEMORANDUM FOR CHIEF FINANCIAL OFFICER**

*Michael R. Phillips*

**FROM:**

Michael R. Phillips  
Deputy Inspector General for Audit

**SUBJECT:**

Final Audit Report – Controls Over the Use of Premium-Class Travel  
Are Generally Effective, but Did Not Detect Some Employees  
Traveling Without Proper Authorization (Audit # 200910005)

This report presents the results of our review of the controls over the use of premium-class travel. The overall objective of this review was to determine the extent of premium-class<sup>1</sup> travel within the Internal Revenue Service (IRS) and whether IRS internal controls adequately ensure that such travel was properly authorized and justified. This review was part of the Treasury Inspector General for Tax Administration Fiscal Year 2009 Annual Audit Plan risk-based coverage under the major management challenge of Erroneous and Improper Payments.

*Impact on the Taxpayer*

According to a Government Accountability Office report,<sup>2</sup> premium-class flights are of special concern to taxpayers because they often cost thousands of dollars more than the coach-class alternatives. We identified approximately \$49,000 in unauthorized premium-class airline travel that occurred during Fiscal Year 2008. The IRS recently implemented new travel guidelines which resulted in a dramatic decrease in the use of unauthorized premium-class travel; however, additional emphasis and improvements in travel guidelines are still needed to help prevent unauthorized travel in the future.

---

<sup>1</sup> Premium class is defined as first and business classes.

<sup>2</sup> *Premium Class Travel: Internal Control Weaknesses Governmentwide Led to Improper and Abusive Use of Premium Class Travel* (GAO-07-1268, dated September 2007).



## *Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

### Synopsis

While IRS controls over premium-class travel are generally effective, they do not ensure that every instance of premium-class travel is properly authorized. Specifically, our review of premium-class airline tickets purchased in Fiscal Year 2008 and the first 6 months of Fiscal Year 2009 identified 11 instances of premium-class airline tickets that were not properly authorized. Early in Calendar Year 2008, the Office of Management and Budget and the Department of the Treasury issued guidance relating to the use of premium-class travel, which included a recommendation<sup>3</sup> that certain premium-class travel policies and procedures be implemented immediately. The IRS had most of the recommended procedures already in place and properly implemented the remaining procedures during Calendar Year 2008. As a result of these additional procedures, the use of premium-class airline travel by employees has decreased dramatically. However, it is still possible for employees to purchase premium-class travel tickets without proper authorization. Specifically, IRS current controls do not prevent employees from purchasing unauthorized premium-class airline tickets. In addition, IRS travel guidelines regarding the purchase of first-class train tickets need to be clarified. Our review found several instances of employees purchasing unauthorized first-class train tickets because they were less expensive than coach airline tickets.

When IRS employees purchase unauthorized premium-class travel tickets, IRS approving officials and the IRS Chief Financial Officer are unaware of the ticket purchases and the related costs. As a result, unauthorized and improper expenditures can occur and the required annual report on premium-class travel may be inaccurate. While the new procedures that the IRS has implemented are generally effective, they could be improved to better ensure that the use of premium-class travel by employees is adequately monitored in the future and that all instances of premium-class travel, both authorized and unauthorized, are reported to the Department of the Treasury as required.

### Recommendations

We recommended that the Chief Financial Officer issue guidance emphasizing when premium-class travel is appropriate and managers should ensure that employees and approving/authorizing officials are aware of the current IRS travel policies. The Chief Financial Officer also should clarify the section of the IRS travel guide that states that train service can be used instead of a contract airline<sup>4</sup> when it is cost effective. It should be clarified that employees should not purchase first-class train tickets without authorization from the IRS Commissioner.

---

<sup>3</sup> *Use of Premium Class Travel* (OMB M-08-07, dated January 8, 2008) and *First-Class and Business-Class Travel* (Treasury Directive: 74-13, dated March 21, 2008).

<sup>4</sup> An airline under contract with the Federal Government to provide reduced fares to Federal employees.



*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

*Response*

The Chief Financial Officer agreed with all of our recommendations and has already taken actions to address them. Specifically, the Chief Financial Officer issued guidance to ensure that all IRS employees and approving officials are aware that premium-class travel tickets should not be purchased without proper authorization. The Chief Financial Officer reiterated this policy to IRS senior executives and division finance officers. The Chief Financial Officer also plans to add language to an upcoming update to the Official IRS Travel Guide to clarify that employees should not purchase first-class train tickets, even as part of a cost comparison, without prior authorization from the IRS Commissioner. Management's complete response to the draft report is included as Appendix VI.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have any questions or Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations), at (202) 622-8500.



---

*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

*Table of Contents*

**Background** .....Page 1

**Results of Review** .....Page 4

    Premium-Class Airline Tickets Were Purchased Without Proper Authorization and Some Were Not Justified.....Page 5

Recommendation 1: ..... Page 7

    First-Class Train Tickets Were Purchased Without Proper Authorization.....Page 7

Recommendation 2:.....Page 8

**Appendices**

    Appendix I – Detailed Objective, Scope, and Methodology .....Page 9

    Appendix II – Major Contributors to This Report .....Page 11

    Appendix III – Report Distribution List .....Page 12

    Appendix IV – Outcome Measure .....Page 13

    Appendix V – Office of Management and Budget and the Department of the Treasury Recommendations .....Page 14

    Appendix VI – Management’s Response to the Draft Report .....Page 15



*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

---

*Abbreviations*

CFO	Chief Financial Officer
GAO	Government Accountability Office
IRS	Internal Revenue Service
TRAS	Travel Reimbursement and Accounting System



---

*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

## *Background*

With respect to Government travel, Federal employees on official travel are expected to follow published guidelines related to when and how premium-class<sup>1</sup> travel can be used. Widespread improper use of premium-class airline travel in several Federal agencies has raised concerns with Congress and the Government Accountability Office (GAO) about the effectiveness of controls over travel by Federal employees. According to the Internal Revenue Service (IRS) travel guide, employees can use first-class or business-class accommodations only if one or more of the following conditions are met:

### **Justification for use of first-class accommodations**

- Coach class or business class is not reasonably available.
- Necessary to accommodate a disability or other special need.
- Exceptional security circumstances exist.
- Required because of the mission.
- For train accommodations, coach class is inadequate.

### **Justification for use of business-class accommodations**

- Regularly scheduled flights provide only first-class and business-class accommodations.
- Space is not available in coach-class accommodations in time to accomplish the mission, which is urgent and cannot be postponed.
- Necessary to accommodate a disability or other special need.
- Security purposes or exceptional circumstances exist that make the use of business-class accommodations essential to the successful performance of the mission.
- Coach-class accommodations on a foreign air carrier do not provide adequate sanitation or health standards.
- Use results in an overall cost savings to the Government by avoiding additional subsistence costs, overtime, or lost productive time while awaiting coach-class accommodations.

---

<sup>1</sup> Premium class is defined as first and business classes.



---

*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

- The origin and/or destination are outside the continental United States, and the scheduled flight time, including stopovers and change of planes, is in excess of 14 hours.
- Required because of the mission.

Early in Calendar Year 2008, both the Office of Management and Budget and the Department of the Treasury issued guidance relating to the use of premium-class travel, which included a recommendation<sup>2</sup> that certain premium-class travel policies and procedures be implemented immediately. Refer to Appendix V for a detailed listing of all the recommendations. The IRS' existing travel guide already included many of these recommendations.

The recommendations were the result of control breakdowns identified in a GAO audit report<sup>3</sup> regarding the use of premium-class travel. The GAO estimated that the Federal Government spent more than \$230 million on about 53,000 premium-class travel tickets from July 1, 2005, through June 30, 2006. Of the more than \$230 million in Governmentwide premium-class travel, the GAO estimated that 67 percent of the trips were improperly authorized, improperly justified, or both. According to the GAO, premium-class flights are of special concern to taxpayers because they often cost thousands of dollars more than the coach-class alternatives. The serious fiscal challenges facing the Federal Government dictate that agencies do everything they can to operate as efficiently as possible. While the GAO report identified instances of improper premium-class travel within the Department of the Treasury, the report did not include any statistics for the IRS.

This review assessed the effectiveness of IRS controls over employees' use of premium-class travel. The Chief Financial Officer (CFO) has the overall responsibility of establishing effective controls and procedures over the use of premium-class travel in the IRS. IRS managers have the responsibility for ensuring that their staffs are aware of agency travel policies and that those policies are adhered to.

When IRS employees incur a premium-class travel expense, they claim the expense on their travel reimbursement voucher which is approved by their immediate manager. However, the premium-class travel expense is not properly authorized unless it receives the approval of the IRS Commissioner for first-class travel or the Commissioner, Large and Mid-Size Business Division, for business-class travel. IRS employees are required to obtain this authorization prior to incurring the premium-class travel expense and the CFO is notified as part of this process. The CFO annually prepares a report for the Department of the Treasury which lists all authorized instances of premium-class travel at the IRS. Without effective internal controls over

---

<sup>2</sup> *Use of Premium Class Travel* (OMB M-08-07, dated January 8, 2008) and *First-Class and Business-Class Travel* (Treasury Directive: 74-13, dated March 21, 2008).

<sup>3</sup> *Premium Class Travel: Internal Control Weaknesses Governmentwide Led to Improper and Abusive Use of Premium Class Travel* (GAO-07-1268, dated September 2007).



*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

premium-class travel, the IRS is at risk of incurring unnecessary travel expenses in situations where the premium-class travel was not justified, authorized, or both.

This review was performed at the IRS National Headquarters in Washington, D.C., in the office of the CFO during the period January through April 2009. 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. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



---

*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

## *Results of Review*

To strengthen controls over the use of premium-class travel, the IRS implemented the additional procedures recommended by the Office of Management and Budget and the Department of the Treasury that were not already included in the IRS travel guide. One of the new procedures required that the IRS submit an annual premium-class travel report to the Department of the Treasury, and the IRS complied with this requirement during Fiscal Year 2008. The other recommended procedure restricted the use of business-class travel for long international flights. In August 2008, the IRS Commissioner issued new requirements<sup>4</sup> for the approval of business-class travel. Prior to the new requirements, employees flying more than 14 hours were permitted to use business-class travel. Based on the new requirements, IRS employees flying more than 14 hours must make every effort to schedule rest periods in order to reduce the travel time for each travel segment to less than 14 hours and use coach-class tickets for each flight. As a result of this policy change, the use of business-class travel within the IRS significantly decreased from 30 tickets reported in Fiscal Year 2008 to 3 tickets approved during the first 6 months of Fiscal Year 2009.

While the new procedures were generally effective, improvements are needed to better ensure that premium-class travel is adequately monitored in the future. During our review of premium-class airline tickets purchased during Fiscal Year 2008 and the first 6 months of Fiscal Year 2009, we found that 11 of the 51 premium-class airline tickets were not authorized properly. We also determined that several employees improperly purchased first-class train tickets because they were less expensive than coach airline tickets. When IRS employees purchase unauthorized premium-class travel, improper expenditures can occur and not be detected by IRS management. Since IRS management was unaware of the premium-class travel expenditures, the expenditures were not included in the required annual report to the Department of the Treasury. As a result, the IRS Fiscal Year 2008 annual report regarding the use of premium-class travel was inaccurate.<sup>5</sup>

Although the number of premium-class travel tickets has decreased significantly since the IRS implemented the new travel-related procedures, it is still possible for employees to purchase first-class and business-class tickets without proper authorization. For example, an IRS employee can purchase a premium-class travel ticket directly from the airline instead of going through the electronic travel system, which would automatically flag the ticket for additional

---

<sup>4</sup> Memorandum dated August 13, 2008, from the IRS Commissioner regarding the new requirements for approval of business-class travel, international travel, and cyber security when traveling.

<sup>5</sup> Treasury Directive 74-13 dated March 21, 2008, requires Department of the Treasury bureaus to submit an annual report of premium-class travel to the Department of the Treasury to be combined in a Departmental-wide report to the General Services Administration.



*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

review. It is important that IRS managers and employees be reminded that the purchase of premium-class travel tickets must have proper authorization. Although the traveler’s immediate manager can approve the employee’s travel arrangements, premium-class travel is not authorized unless the IRS Commissioner or the Commissioner, Large and Mid-Size Business Division, approves the purchase.

***Premium-Class Airline Tickets Were Purchased Without Proper Authorization and Some Were Not Justified***

Although the majority of premium-class travel tickets were properly authorized, we found that the IRS’ new approval procedures and requirements do not ensure that every instance of premium-class travel is properly authorized. We analyzed Citibank credit card expense records for all IRS employees from October 2007 through March 2009 and identified 11 (22 percent) of 51 instances of employees purchasing first-class and business-class airline tickets that were not properly authorized by the appropriate IRS approving official. Figure 1 shows details of the 11 unauthorized tickets.

***Figure 1: Schedule of Unauthorized Premium-Class Travel Tickets***

<b>Date of Trip</b>	<b>Type of Trip</b>	<b>Type of Ticket</b>	<b>Cost of Ticket<sup>6</sup></b>
<b>Fiscal Year 2008</b>			
April 2008	Domestic	First Class	\$558
October 2007	International	Business Class	\$8,247
November 2007	International	Business Class	\$3,991
December 2007	International	Business Class	\$3,615
February 2008	International	Business Class	\$8,299
April 2008	International	Business Class	\$10,642
May 2008	International	Business Class	\$4,660
May 2008	International	Business Class	\$4,334
May 2008	International	Business Class	\$4,314
<b>Total Fiscal Year 2008</b>			<b>\$48,660</b>
<b>Fiscal Year 2009</b>			
November 2008	Domestic	First Class	\$838
December 2008	Domestic	First Class	\$1,394
<b>Total Fiscal Year 2009</b>			<b>\$2,232</b>
<b>Total Cost of Tickets</b>			<b>\$50,892</b>

*Source: Citibank credit card expense records.*

<sup>6</sup> Some individual legs of travel may be coach prices.



---

*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

We also determined that IRS employees' use of premium-class service was not justified in 3 of the 11 cases:

- One of the 8 business-class tickets was not justified based on the travel guidelines because the total travel time for this trip was not greater than 14 hours.
- Two of the three first-class tickets did not include a justification.

Because of the unauthorized premium-class travel, the IRS Fiscal Year 2008 report on premium-class travel that the IRS CFO submitted to the Department of the Treasury was inaccurate. Specifically, the report contained only 32 first-class and business-class tickets, totaling \$226,000. However, during our review of the Citibank data, we found that the IRS actually purchased 41 premium-class travel tickets, totaling \$275,000. The 9 unauthorized premium-class travel tickets purchased during Fiscal Year 2008, totaling approximately \$49,000, were not included in the IRS annual report to the Department of the Treasury. These nine tickets were not submitted to the IRS Commissioner or one of the Deputy Commissioners of the IRS<sup>7</sup> for approval and, as a result, these approving officials were unaware that these tickets existed. Although the employees' immediate managers may have approved the employees' travel arrangements and corresponding travel vouchers, the use of premium-class travel is not authorized until the employee receives approval from the IRS Commissioner for first-class travel or from one of the Deputy Commissioners or the Commissioner, Large and Mid-Size Business Division, for business-class travel.

The IRS' ongoing transition to a new travel reimbursement system includes controls that identify premium-class travel. Business-class airline tickets are generally only available on international flights. During our audit period, most of the IRS employees used the Travel Reimbursement and Accounting System (TRAS),<sup>8</sup> which cannot process claims for overseas flights. Consequently, travel authorizations and travel vouchers for these flights were processed manually, which presents a higher risk that premium-class travel authorizations may not be sent to the appropriate officials for approval. The IRS is in the process of replacing the TRAS with GovTrip<sup>9</sup> and expects to completely discontinue the use of the TRAS by July 31, 2009. The GovTrip system will be used to process all travel authorizations and vouchers for IRS employees, including overseas flights.

One advantage of GovTrip is that it has automated controls that the TRAS does not have that will improve monitoring and oversight of travel expenses incurred by IRS employees. For example, GovTrip has a routing option that electronically alerts the appropriate IRS official

---

<sup>7</sup> Beginning in Fiscal Year 2009, all business-class travel should be authorized by the Commissioner, Large and Mid-Size Business Division.

<sup>8</sup> The TRAS is the IRS travel system that is used by employees to prepare travel authorizations, advance requests, and claims. The TRAS is an automated system that uses electronic signatures and interfaces to the automated accounting system to generate payments to employees.

<sup>9</sup> GovTrip is an automated travel support system used by many government agencies.



---

## *Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

when an employee is attempting to book and purchase a premium-class airline ticket. We believe that this routing feature is an efficient and economical control to help ensure that employees do not improperly purchase premium-class airline tickets in the future.

However, if an IRS employee purchases a premium-class airline ticket directly from an airline, it will not be included in the GovTrip reservation and, consequently, it will not be routed to the appropriate IRS approving official. One of the two instances of unauthorized premium-class travel in Fiscal Year 2009 appears to involve an employee upgrading to first-class directly with the airline. If this occurs, there is no upfront control to prevent the purchase of the premium-class travel ticket, only an after-the-fact control when the manager reviews the travel voucher and sees the premium-class travel ticket. All IRS managers and employees should be reminded that the purchase of premium-class travel tickets must have proper authorization.

### ***Recommendation***

**Recommendation 1:** The CFO should issue guidance emphasizing that 1) premium-class travel tickets should not be purchased without proper authorization and 2) managers should ensure that employees and approving/authorizing officials are knowledgeable of the current IRS travel policies.

**Management's Response:** IRS management agreed with the recommendation. In early July 2009, the CFO posted guidance on the IRS Intranet emphasizing that premium-class travel tickets should not be purchased without proper authorization. In addition, the CFO reiterated the premium-class travel authorization policies to IRS senior executives and presented these policies to the division finance officers.

### ***First-Class Train Tickets Were Purchased Without Proper Authorization***

During our analysis of the Citibank credit card expense records, we identified four instances of employees purchasing first-class train tickets that were not justified or properly authorized. We believe that the IRS travel guidelines are unclear and contributed to this situation. Specifically, one section of the IRS travel guide<sup>10</sup> outlines when an employee must use a contract airline.<sup>11</sup> This section also states that an employee can use train service instead of the contract airline when it is cost effective; however, it does not specifically restrict the use of train service to coach class. Based on our review of the IRS' use of first-class train tickets, some employees may have interpreted this language to mean that they can purchase any type of train ticket as long as it is less expensive than the contract airline ticket. In all four of the cases, the employees compared the cost of the first-class train ticket to the cost of a coach-class ticket with the contract airline

---

<sup>10</sup> Internal Revenue Manual Section 1.32.1.1.10(1)d, Use of Contract City-Pair Fares, dated September 1, 2006.

<sup>11</sup> An airline under contract with the Federal Government to provide reduced fares to Federal employees.



---

*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

and chose the first-class train ticket because it was less expensive. However, according to IRS management, employees are not entitled to a first-class ticket based solely on the fact that it is less expensive. We could not calculate the added cost to the IRS for these four tickets because the travel documentation did not identify the cost of a coach-class train ticket. Figure 2 provides a schedule with the details of the four tickets.

**Figure 2: Schedule of Unauthorized First-Class Train Tickets**

Date of Trip	Type of Train Ticket	Cost of Ticket
November 2007	First Class	\$513
February 2008	First Class	\$677
August 2008	First Class	\$893
September 2008	First Class	\$717
<b>Total Cost of Tickets</b>		<b>\$2,800</b>

*Source: Citibank credit card expense records.*

According to the IRS travel guide, employees should not purchase first-class train tickets without authorization from the IRS Commissioner. In addition, employees are generally expected to use coach accommodations for train travel. Traveling first-class without proper authorization is prohibited and results in improper use of Government funds.

## **Recommendation**

**Recommendation 2:** The CFO should clarify the section of the IRS travel guide that states that train service can be used instead of a contract airline when it is cost effective. It should be clarified that employees should not purchase first-class train tickets, even as part of a cost comparison, without authorization from the IRS Commissioner.

**Management's Response:** IRS management agreed with the recommendation and posted guidance on the IRS Intranet to clarify for all employees and managers that first-class train tickets should not be purchased without authorization from the IRS Commissioner. The CFO also plans to add language to the Official IRS Travel Guide to state that employees should not purchase first-class train tickets, even as part of a cost comparison, without proper authorization from the IRS Commissioner.



---

*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

## **Appendix I**

### *Detailed Objective, Scope, and Methodology*

The overall objective of this review was to determine the extent of premium-class travel within the IRS and whether IRS internal controls adequately ensure that such travel was properly authorized and justified. To accomplish this objective, we:

- I. Identified the policies and procedures the IRS follows to ensure that premium-class travel is properly authorized and justified.
  - A. Identified the procedures the IRS implemented relating to premium-class travel in response to the Office of Management and Budget and Department of the Treasury guidance.<sup>1</sup>
  - B. Obtained from the IRS any reports listing the extent of premium-class travel incurred during Fiscal Year 2008 by IRS employees.
  - C. Determined the extent that the IRS implemented the premium-class travel policies recommended in the recent Office of Management Budget and Department of the Treasury guidance.
- II. Determined whether premium-class travel incurred at the IRS during Fiscal Year 2008 and the first 6 months of Fiscal Year 2009 was authorized and justified.
  - A. Obtained access to the IRS travel card company database of travel expenses incurred by IRS employees during Fiscal Year 2008 and the first 6 months of Fiscal Year 2009. From this database, we performed queries to identify all premium-class travel incurred by IRS employees during the audit period. We did not obtain a download of the Citibank's entire travel card company database since it was not provided in time for our review. In addition, we did not attempt to identify any travel expenses of IRS employees that were paid for in cash or with personal credit cards.
    1. Performed data validation tests on the travel card data. We conducted sanity checks on the credit card data fields to ensure that the amounts were reasonable and the dates were within the audit period.

---

<sup>1</sup> *Use of Premium Class Travel* (OMB M-08-07, dated January 8, 2008) and *First-Class and Business-Class Travel* (Treasury Directive: 74-13, dated March 21, 2008).



*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

2. Compared premium-class travel data we identified to premium-class travel data produced by Citibank and concluded that data reliability was sufficient for the review.
  - B. Obtained any documentation used by the IRS to record the approval of premium-class travel and compared these to the population of premium-class travel identified from the credit card data in Step II.A. to ensure that all instances of premium-class travel were appropriately authorized.
  - C. Reviewed the reason for premium-class travel contained in the documents obtained in Step II.B. to ensure that the travel was justified based on the criteria in the Department of the Treasury Directive.



*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

**Appendix II**

*Major Contributors to This Report*

Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations)

Alicia P. Mrozowski, Director

Michelle Philpott, Audit Manager

Tom J. Cypert, Lead Auditor

Gary D. Pressley, Senior Auditor

David P. Robben, Senior Auditor



---

*Controls Over the Use of Premium-Class Travel Are Generally  
Effective, but Did Not Detect Some Employees Traveling  
Without Proper Authorization*

---

**Appendix III**

*Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Deputy Commissioner for Operations Support OS  
Deputy Commissioner for Services and Enforcement SE  
Chief, Agency-Wide Shared Services OS:A  
Commissioner, Large and Mid-Size Business Division SE:LM  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:CPIC:IC  
Audit Liaisons: Chief, Agency-Wide Shared Services OS:A  
Chief Financial Officer OS:CFO  
Commissioner, Large and Mid-Size Business Division SE:LM



---

*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

## Appendix IV

### *Outcome Measure*

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

#### **Type and Value of Outcome Measure:**

- Reliability of Information – Actual; \$48,660 of unauthorized premium-class air travel by IRS employees during Fiscal Year 2008 was not reported to the Department of the Treasury (see page 5). Potential; \$2,232 of unauthorized premium-class air travel by IRS employees during Fiscal Year 2009 might not have been reported to the Department of the Treasury (see page 5).

#### **Methodology Used to Measure the Reported Benefit:**

To determine the amount of unreported premium-class air travel by IRS employees, we identified the number of premium-class air tickets that had been charged on IRS travel cards for the period October 2007 through March 2009 that had not been properly authorized. During our review, we found that nine unauthorized premium-class travel tickets were not included on the IRS Fiscal Year 2008 report to the Department of the Treasury.<sup>1</sup> The amount identified is not based on a sample, but is the total amount of unauthorized premium-class travel tickets purchased. The data came from Citibank financial records that were considered to be reliable.

In addition, we identified 2 instances of unauthorized first-class travel during the first 6 months of Fiscal Year 2009. These unauthorized premium-class travel tickets potentially would not have been included on the IRS' Fiscal Year 2009 annual report to the Department of the Treasury. Since our fieldwork ended before the end of Fiscal Year 2009 and the annual report was not yet due to the Department of the Treasury, we do not know what would have been reported for premium-class travel for Fiscal Year 2009.

---

<sup>1</sup> Treasury Directive 74-13 dated March 21, 2008, requires Department of the Treasury bureaus to submit an annual report of premium-class travel to the Department of the Treasury to be combined in a Departmental-wide report to the General Services Administration.



---

*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

## **Appendix V**

### *Office of Management and Budget and the Department of the Treasury Recommendations*

The review performed by the GAO during 2007 identified internal control weaknesses that led to improper and abusive use of premium-class travel by Federal employees. As a result of the findings of the GAO review, the Office of Management and Budget and the Department of the Treasury<sup>1</sup> requested that Government organizations and agencies implement the following recommendations:

- Require that premium-class travel requests for all agency personnel, including senior-level executives, be approved by an individual at least at the same level as the traveler or by an office designated to approve premium-class travel.
- Develop and issue internal guidance that explains when mission criteria and intent call for premium-class accommodations.
- Define what constitutes a rest period.
- Require annual certifications of a disability, unless such disability is lifelong.
- Restrict premium-class travel for both temporary duty and permanent change of station travel (relocations) when the employee is not required to report to duty the following day.
- Prohibit blanket travel authorizations for premium-class travel, unless the traveler has a certification of disability.
- Use Treasury Department Form 70-02.6 (First-Class and Business-Class Travel Request and Authorization) for internal review and approval of premium-class travel.
- Submit an annual report of all approved first-class and business-class travel that occurred during each fiscal year (beginning in Fiscal Year 2008) to the Department of the Treasury Deputy CFO.

---

<sup>1</sup> *Use of Premium Class Travel* (OMB M-08-07, dated January 8, 2008) and *First-Class and Business-Class Travel* (Treasury Directive: 74-13, dated March 21, 2008).



*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

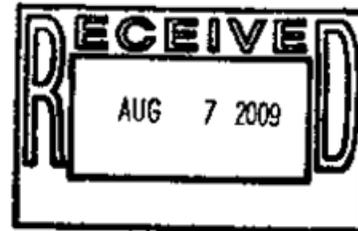
**Appendix VI**

*Management's Response to the Draft Report*

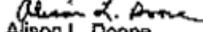


DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

August 7, 2009



MEMORANDUM FOR MICHAEL R. PHILLIPS  
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:   
Alison L. Doone  
Chief Financial Officer

SUBJECT: Response to Draft Audit Report – Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization (Audit # 200910005)

Attached is our response to the Treasury Inspector General for Tax Administration's (TIGTA) draft report titled, "Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization."

We agree with the two recommendations and have addressed them to communicate, clarify, and ensure that IRS employees and managers are aware of the current travel policy that requires appropriate authorization for premium-class travel. The responses to the recommendations include management corrective actions, implementation dates, and responsible officials.

If you have any questions, please contact me at (202) 622-6400, or have a member of your staff contact William H. Maglin, Associate Chief Financial Officer for Internal Financial Management, at (202) 435-5499.

Attachment



---

*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

Attachment.

**RECOMMENDATION 1**

*The Chief Financial Officer (CFO) should issue guidance emphasizing that 1) premium-class travel tickets should not be purchased without proper authorization and 2) managers should ensure that employees and approving/authorizing officials are knowledgeable of the current IRS travel policies.*

**CORRECTIVE ACTION:**

The Chief Financial Officer (CFO) in early July 2009 issued guidance emphasizing that premium class travel tickets should not be purchased without proper authorization. This guidance was posted on *IRS Headlines* and the IRS intranet to ensure that all employees and approving/authorizing officials are aware of current IRS travel policies. In addition, CFO reiterated the requirement for proper authorization of premium-class travel to the Senior Executive Team on July 8, 2009, and on July 16, 2009, CFO also presented the policies related to first-class/business-class travel to the Division Finance Officers.

**IMPLEMENTATION DATE:**

July 16, 2009

**RESPONSIBLE OFFICIAL:**

Associate Chief Financial Officer for Internal Financial Management (OS:CFO:f)



---

*Controls Over the Use of Premium-Class Travel Are Generally Effective, but Did Not Detect Some Employees Traveling Without Proper Authorization*

---

2

**RECOMMENDATION 2**

*The CFO should clarify the section of the IRS travel guide that states that train service can be used instead of a contract airline when it is cost effective. It should be clarified that employees should not purchase first-class train tickets, even as part of a cost comparison, without authorization from the IRS Commissioner.*

**CORRECTIVE ACTION 1:**

CFO posted guidance on required authorizations for premium class travel, including first-class train tickets, on *IRS Headlines* and the IRS intranet in early July 2009 that clarified for all employees and managers that employees should not purchase first-class train tickets, even as part of a cost comparison, without authorization from the IRS Commissioner. In addition, CFO reiterated the requirement for proper authorization of all first-class travel by the Commissioner to the Senior Executive Team on July 6, 2009, and on July 16, 2009, CFO also presented the policies on first-class/business-class travel, including first-class train tickets, to the Division Finance Officers.

**IMPLEMENTATION DATE:**

July 16, 2009

**RESPONSIBLE OFFICIAL:**

Associate Chief Financial Officer for Internal Financial Management (OS:CFO:J)

**CORRECTIVE ACTION 2:**

In an upcoming update, CFO will add language to IRM 1.32.1, Official IRS Travel Guide, that states that train service can be used instead of a contract airline when it is cost effective. The new language will state that employees should not purchase first-class train tickets, even as part of a cost comparison, without prior authorization from the IRS Commissioner.

**DUE DATE:**

March 31, 2010

**RESPONSIBLE OFFICIAL:**

Associate Chief Financial Officer for Internal Financial Management (OS:CFO:J)