



Treasury Inspector General for Tax Administration Office of Audit

ALTHOUGH CITIBANK TRAVEL REBATES HAVE SIGNIFICANTLY INCREASED, THEY WERE NOT PROPERLY ALLOCATED, RESULTING IN THE MISAPPROPRIATION OF FUNDS

Issued on September 24, 2010

Highlights

Highlights of Report Number: 2010-10-124 to the Internal Revenue Service Deputy Commissioner for Operations Support.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) receives travel card rebate payments from its credit card services contractor (Citibank) based on the total dollar volume of its travel expenditures and the timeliness of payments. Rebates are required by law to be returned to the IRS appropriation account(s) from which travel expenditures were originally charged. The Agency-Wide Shared Services function retained the majority of the approximately \$3.2 million in rebates received during our audit period, instead of properly allocating them back to all five IRS appropriation accounts. This resulted in a misappropriation of funds. Ensuring rebates are distributed back to the correct budget appropriation accounts would enable the IRS to use the rebates to help fund operations IRS-wide, including providing services to taxpayers.

WHY TIGTA DID THE AUDIT

This review was conducted as part of the TIGTA Fiscal Year 2010 Annual Audit Plan and addresses the major management challenge of Erroneous and Improper Payments and Credits. The overall objective was to determine whether the IRS has effective internal controls to ensure that Citibank travel card rebates are maximized, accurate, and properly allocated.

WHAT TIGTA FOUND

The IRS travel card rebate program lacks sufficient management oversight, and the IRS did not ensure travel rebates were maximized, accurate, and properly allocated. As a result, the method the IRS used to distribute the quarterly travel rebates caused a misappropriation of funds to occur. However, TIGTA did not identify any instances in which these funds were used for personal use or find any evidence of criminal wrongdoing.

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In addition, there is no assurance that the rebate amounts the IRS receives are accurate. Citibank does not provide any data that would allow the IRS to recalculate and verify the accuracy of the rebates. Also, travel claims were not always timely filed and approved, which reduced rebate amounts.

However, the IRS has made much progress in maximizing the amount of rebates through the new Citibank contract and improved controls over the travel card program affecting rebates. The new Citibank contract provides a new type of rebate that has significantly increased the amount of rebates received.

Although rebates have increased, prompt action is needed to correct the allocation of rebates and obtain validation of rebate amounts. In addition, increased emphasis is needed to fully maximize the amount of rebates received and to further strengthen controls over the travel card program affecting rebates.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS establish and implement policies and procedures and institute an oversight program to ensure that all future travel card rebate allocations are properly distributed and that the time period allowed for approving a travel claim is clarified. In addition, the IRS should seek assistance from the Department of the Treasury to obtain the necessary Citibank data to validate the rebate amounts it receives.

The IRS agreed with all of our recommendations. The IRS has developed procedures to properly allocate rebates and plans to institute an oversight program. However, the IRS disagreed with the use of the term "misappropriation of funds" used in this report and thought the term "misallocation of funds" was a more accurate description of its noncompliance with applicable laws and regulations.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2010reports/201010124fr.pdf>.

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