



Treasury Inspector General for Tax Administration Office of Audit

CITIBANK PURCHASE CARD AND FLEET CARD REBATES WERE MAXIMIZED AND ARE NOW PROPERLY ALLOCATED

Issued on March 30, 2012

Highlights

Highlights of Report Number: 2012-10-031 to the IRS Deputy Commissioner for Services and Enforcement and Deputy Commissioner for Operations Support.

IMPACT ON TAXPAYERS

The IRS receives rebates based on its purchase card and fleet card expenditures. Rebates are increased based on the total volume of expenditures and timeliness of payments. Controls are generally operating effectively for the IRS to achieve compliance with the Prompt Payment Act and to maximize rebates. However, approximately \$1 million of purchase card rebates were not allocated to the correct appropriations, reducing the amounts that could have been spent IRS-wide, including providing services to taxpayers.

WHY TIGTA DID THE AUDIT

This audit was included in our Fiscal Year (FY) 2011 Annual Audit Plan and addresses the major management challenge of Erroneous and Improper Payments and Credits. The overall objectives were to determine whether the IRS has established sufficient controls in the purchase card and fleet card programs to ensure rebates are maximized and properly allocated and that payments are made in compliance with the Prompt Payment Act.

WHAT TIGTA FOUND

The IRS's management controls over the credit card payment and rebate allocation processes are generally operating effectively to achieve compliance with the Prompt Payment Act and Office of Management and Budget Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs, including maximizing rebates. TIGTA determined that, on average, invoices for purchase card and fleet card accounts were paid within five calendar days of the invoice receipt date. This significantly contributed to the IRS achieving compliance with the Prompt Payment Act and maximizing rebates. From September 2007 through March 2009, the IRS made 106,080 payments totaling more than \$102 million for purchase card and fleet card

accounts to Citibank. These payments were timely in 99.96 percent of the instances.

Fleet card rebates received during FY 2008 through FY 2010 were properly allocated to the appropriation from which the funds were originally expended; however, only the purchase card rebates received after the first quarter of FY 2010 were properly allocated. The incorrectly allocated purchase card rebates resulted in a misappropriation of funds totaling approximately \$1 million. The misappropriation was due to the IRS not returning the rebates to the correct appropriation, and not because TIGTA identified any instances in which these funds were used for personal use or evidence of criminal wrongdoing.

Although the IRS is still unable to validate the amount of rebates it receives and has no assurance that the amounts are correct, the Department of the Treasury asked the General Services Administration to determine whether the rebate amounts received from Citibank were accurate. The General Services Administration audit identified additional rebates owed to the Department of the Treasury, but the final report had not been issued by the conclusion of TIGTA's fieldwork and, therefore, TIGTA does not know how much was applicable to the IRS.

WHAT TIGTA RECOMMENDED

TIGTA made no recommendations as a result of the work performed during this review. However, key IRS officials reviewed the report prior to its issuance and agreed with the facts and conclusions presented.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2012reports/201210031fr.pdf>