

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Employee Travel Card Misuse Is Being Identified Through Established Internal Reviews

November 3, 2021

Report Number: 2022-10-004

Why TIGTA Did This Audit

The Travel and Transportation Reform Act of 1998 and the Federal Travel Regulation mandate the use of a Government-issued travel charge card (referred to as a "travel card"), except where specifically exempted, and stipulate that the travel card shall be used by all U.S. Government personnel to pay for official Government travel and travel-related expenses. Personnel who misuse or abuse a travel card may be subject to administrative or disciplinary actions up to and including removal from Federal service. The overall objective of this review was to determine whether select IRS internal controls are properly designed and implemented to prevent and detect individually billed travel card misuse.

Impact on Taxpayers

The mandatory use of the travel card enables the IRS to obtain rebates offered by the credit card contractor, thus helping to fund agency operations. It is critical that the IRS has effective internal controls designed to identify potential misuse of travel cards. These types of safeguards and internal controls are key to preventing fraud, waste, and abuse.

What TIGTA Found

Our review of the IRS's travel card program found that controls are generally effective and that potential travel card violations were identified by the IRS Credit Card Services (CCS) Branch. Office of Management and Budget Circular No. A-123, Appendix B, consolidates Governmentwide charge card program management requirements and guidance, establishing standard minimum requirements for Government charge card programs. Specifically, the Circular requires travel card internal controls to be established and monitored by agencies to provide assurance that travel card programs are operating as designed. The IRS established the Procedures, Analysis, and Review unit within the CCS Branch and made it responsible for designing and undertaking reviews of individually billed travel card transactions to reasonably ensure that travel card misuse is identified and referred to IRS management.

TIGTA determined that, for the period of December 4, 2017, through May 3, 2019, the IRS consistently identified travel card misuse, including the purchase of prohibited items and use of the travel card outside of authorized travel periods. TIGTA obtained over 500,000 travel card transactions made during this date range to review for possible misuse. TIGTA performed analyses similar to three key reviews completed by the CCS Branch of travel card transactions. TIGTA analyzed the data to identify (1) employee travel card transactions that occurred outside the time period of authorized official travel, (2) bank withdrawals made without authorized travel, and (3) improper or unauthorized items purchased by an IRS employee using their Government travel card. TIGTA did not identify any instances of travel card misuse not already identified by the CCS Branch. As a result, TIGTA believes the monthly reviews of credit card transactions established by the CCS Branch can be reasonably relied upon to identify travel card misuse.

In addition, the CCS Branch consistently referred the misuse to management, and management generally applied appropriate disciplinary action outlined in the *IRS Manager's Guide to Penalty Determinations* to determine those disciplinary actions. In a previous audit report, TIGTA found that disciplinary actions against employees were typically less severe than those recommended by the IRS's penalty guidelines in approximately half of the cases reviewed.

What TIGTA Recommended

TIGTA made no recommendations as a result of the work performed during this review.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

November 3, 2021

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

A handwritten signature in blue ink that reads "Michael E. McKenney".

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Employee Travel Card Misuse Is Being Identified Through Established Internal Reviews (Audit # 202010004)

This report presents the results of our review to determine whether select Internal Revenue Service (IRS) controls are properly designed and implemented to prevent and detect individually billed travel card misuse. This review is part of our Fiscal Year 2022 Annual Audit Plan and addresses the major management and performance challenge of *Reducing Fraudulent Claims and Improper Payments*.

The Treasury Inspector General for Tax Administration made no recommendations as a result of the work performed during this review. However, we provided IRS management officials with an advance copy of this report for review and comment prior to issuance. IRS management responded with no comments and agreed to proceed to the final report.

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

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Background

The Travel and Transportation Reform Act of 1998 and the Federal Travel Regulation mandate the use of a Government-issued travel charge card (hereafter referred to as a “travel card”), except where specifically exempted, and stipulate that the travel card shall be used by all U.S. Government personnel to pay for official Government travel and travel-related expenses.¹ The Federal Travel Regulation also states that personnel who misuse or abuse the travel card may be subject to administrative or disciplinary actions up to and including removal from Federal service.

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) requires all Executive Branch agencies to establish and maintain safeguards and internal controls to prevent fraud, waste, and abuse of travel cards.² Office of Management and Budget Circular No. A-123, Appendix B, consolidates Governmentwide charge card program management requirements and guidance, establishing standard minimum requirements for Government charge card programs.³ Specifically, the Circular requires travel card internal controls to be established and monitored by agencies to provide assurance that travel card programs are operating as designed.

The U.S. General Services Administration SmartPay program provides charge cards to U.S. Government agencies, as well as tribal governments, through a master contract negotiated with multiple banks. Internal Revenue Service (IRS) employees typically incur travel-related expenses through use of an individually billed account. These individually billed accounts are issued to employees to pay for official travel and travel-related expenses. The Government reimburses employees for authorized expenses, and the employee is responsible for ensuring that charges incurred on the travel card are paid in full.

Within the IRS, the Chief Financial Officer function is responsible for travel card program policy and related audits. The Credit Card Services (CCS) Branch, located within the Chief Financial Officer function, is responsible for the administration, procedures, and oversight of the Government Travel Card Program. CCS Branch activities and responsibilities include making changes to travel card account permissions, providing guidance and direction to travel cardholders and managers, and initiating and completing the dispute resolution process when unauthorized, erroneous, or duplicate charges appear on the statements of account.

As part of their oversight responsibilities, the CCS Branch has instituted multiple reviews of individually billed travel card transactions to reasonably ensure that travel card misuse is identified and referred to IRS management for further investigation and possible disciplinary action. The CCS Branch uses accounting data from the Integrated Financial System and Concur travel system, as well as information from its travel card provider, Citibank, to perform reviews of employee travel card transactions.

¹ Pub. L. No. 105-264, 112 Stat. 2350.

² Pub. L. No. 112-194, 126 Stat. 1445.

³ Office of Management and Budget, OMB Circular No. A-123, Appendix B (Revised), *A Risk Management Framework for Government Charge Card Programs* (Aug. 2019).

The following are three key reviews that the CCS Branch performs monthly:

- **100 Percent Matching Review**

The purpose of this review is to identify any employee travel card transactions that occurred outside the time period of authorized official travel. Such transactions would indicate potential unauthorized use of the employee's travel card. As part of this review, the CCS Branch matches travel card transactions to travel vouchers to identify any transactions outside of the authorized travel period. The CCS Branch further reviews transactions that appear to be outside of authorized travel periods to confirm that they are instances of travel card misuse before referring them to IRS management or to the Treasury Inspector General for Tax Administration (TIGTA) for further investigation. For example, vendors may charge an employee's travel card account before or after the authorized travel period, leading a reviewer to initially identify these as potential misuse, but upon further research, these are determined to be appropriate.

- **Automated Teller Machine (ATM) Transaction Review**

The purpose of this review is to identify any bank withdrawals made without authorized travel. As part of this review, the CCS Branch reviews ATM transactions to determine if the ATM use was within the allowable amounts and time frames as outlined in Internal Revenue Manual (IRM) 1.32.4.2.4, *Cash From Automatic Teller Machines Access*.⁴

- **Itemized Purchase Detail Review**

The purpose of this review is to identify improper or unauthorized items purchased by an IRS employee using their Government travel card. As part of this review, the CCS Branch reviews any item descriptions associated with traveler credit card transactions provided by the merchant (also known as "detailed third-party data") to determine if improper or unauthorized items were purchased. Examples of unauthorized travel card purchases include postage stamps, prepaid credit cards, toys, clothing, baby items, lottery tickets, and alcohol (when not purchased with food).

The CCS Branch provides instances of potential misuse to IRS management through the appropriate Labor Relations/Employee Relations office for further review and disciplinary action determinations. The Labor Relations/Employee Relations office supports IRS management in addressing employee misconduct issues by providing procedural guidance on taking disciplinary and adverse actions, handling contract and agency grievances, and monitoring performance management. The IRS has developed the *IRS Manager's Guide to Penalty Determinations* (hereafter referred to as the "Penalty Guide"), which provides managers with guidelines for resolving employee misconduct, including misuse of a travel card. IRS management, taking into account the Penalty Guide, reviews the referred cases and determines what, if any, disciplinary actions are warranted.

⁴ Dated July 5, 2019.

Results of Review

Internal Reviews of Travel Card Usage Reasonably Detect Misuse

Our review of the IRS's travel card program found that controls are generally effective and that potential travel card violations were identified by the CCS Branch. The IRS established the Procedures, Analysis, and Review unit within the CCS Branch and made it responsible for designing and undertaking reviews of individually billed travel card transactions.

TIGTA obtained records for 508,961 SmartPay 2 travel card transactions occurring between December 4, 2017, and May 3, 2019. As part of our review, we performed analyses similar to the three key reviews performed by the CCS Branch. Our analyses did not identify any instances of travel card misuse not already identified by the CCS Branch. As a result, we believe the monthly reviews of credit card transactions established by the CCS Branch can be reasonably relied upon to consistently identify travel card misuse. The specific results of our analyses include:

- **100 Percent Matching Review**

The purpose of this review was to identify any employee travel card transactions that occurred outside the time period of authorized official travel. Transactions occurring outside officially approved travel dates may indicate the use of the travel card for reasons unrelated to an employees' official travel and are at higher risk of being inappropriate. TIGTA began with a population of 508,961 transactions and removed those that were not purchases (such as returns) and travel fees. As a result, TIGTA identified 326,828 purchases relevant to our analysis. We reviewed a random sample of 230 of these IRS travel card purchases.⁵ TIGTA identified four cases of potential travel card misuse, all of which were already identified by the CCS Branch and had been referred to IRS management for potential disciplinary review.

- **ATM Transaction Review**

The purpose of this review was to identify any bank withdrawals made without authorized travel. TIGTA identified 937 employees who made 5,467 ATM transactions during our review period. We reviewed a random sample of 65 employees, who made 1,232 ATM transactions, and determined whether ATM transactions were made outside official travel periods.⁶ We identified three employees who made a total of nine ATM transactions outside of the official travel periods. These transactions had already been identified by the CCS Branch, which researched them further and determined they were authorized transactions.

- **Itemized Purchase Detail Review**

The purpose of this review was to identify improper or unauthorized items purchased by an IRS employee using their Government travel card. TIGTA identified 1,576 employees who potentially used their travel card to purchase prohibited items. In total, we

⁵ Our sample was selected using a 95 percent confidence interval, 1 percent error rate, and ± 3 percent precision factor. We did not project the results of our statistical sample.

⁶ Our sample was selected using a 95 percent confidence interval, 3 percent error rate, and ± 10 percent precision factor. We did not project the results of our statistical sample.

identified 3,752 purchases of potentially improper or unauthorized items. We identified these purchases using a keyword search of detailed third-party data for prohibited items, such as alcohol, gambling, and tobacco products. We performed a detailed analysis of a random sample of 30 of these employees, who made a total of 76 transactions.⁷ Most transactions were ultimately deemed to be appropriate and allowable; however, four employees were found to have travel card transactions that indicated possible misuse. The CCS Branch had identified these travel card transactions and had referred the four employees to IRS management for potential disciplinary review.

The Federal Travel Regulation summarizes the travel policy for all Federal civilian employees and others authorized to travel at the Federal Government's expense. The Federal Travel Regulation provides instructions and information regarding which types of travel expenses are permitted for reimbursement by the Federal Government. IRM 1.32.4, *Government Travel Card Program*, establishes and specifies travel card program requirements for IRS employees.⁸ The IRM instructs travelers that the travel card can be used only for official IRS travel and allowable travel-related expenses.

The IRS Generally Took Appropriate Actions in Response to Travel Card Misuse

We reviewed a random sample of substantiated travel card misuse cases and determined that most adverse personnel actions fell within the range of recommended actions established by the Penalty Guide. A previous TIGTA report found disciplinary actions against employees were typically less severe than those recommended by the IRS's penalty guidelines in approximately half of the 30 cases reviewed.⁹

We identified 798 instances of travel card misuse substantiated by IRS management.¹⁰ We randomly sampled 30 cases (representing 32 instances of travel card misuse) to identify the administrative or disciplinary action taken in response to these instances of travel card misuse. The employee disciplinary actions taken by the IRS are summarized in Figure 1.

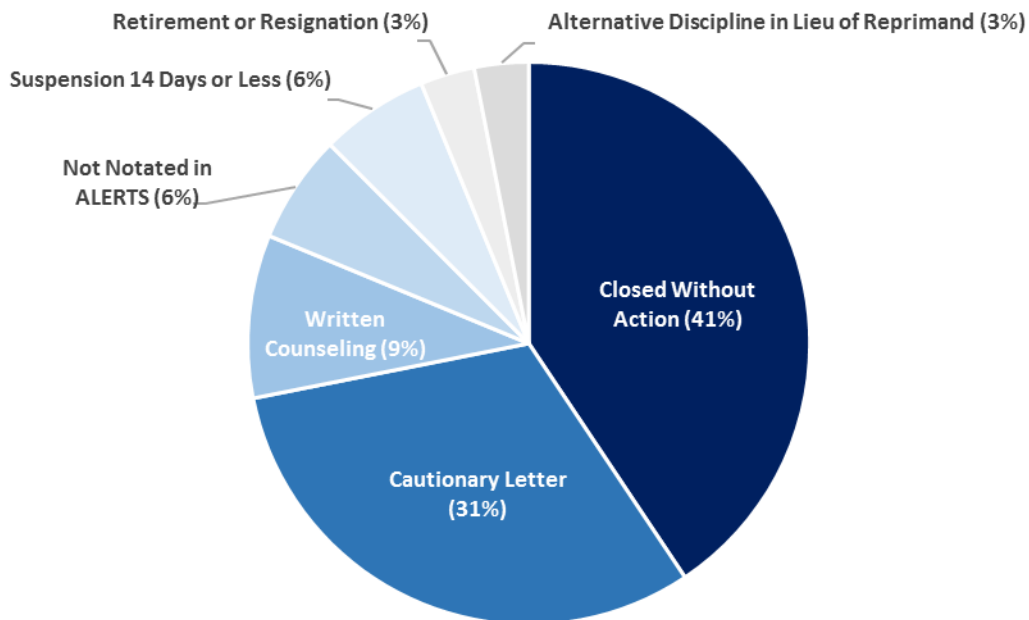
⁷ Our sample of 30 cases was randomly selected from the overall population of 1,576 employees representing 3,752 instances of travel card misuse, for which the travel card misuse was substantiated and referred to IRS management for potential administrative or disciplinary action. Our sample size of 30 was chosen based on the availability of resources. We did not project the results of our sample.

⁸ Dated July 5, 2019.

⁹ TIGTA, Report No. 2013-10-032, *Travel Card Controls Are Generally Effective, but More Aggressive Actions to Address Misuse Are Needed* p.12 (April 2013).

¹⁰ The 798 instances of travel card misuse were committed by 751 IRS employees, some of whom had multiple infractions.

Figure 1: Summary of IRS Disciplinary Actions for Substantiated Travel Card Violations



Source: TIGTA analysis of IRS Automated Labor and Employee Relations Tracking System (ALERTS) case information.¹¹

The Charge Card Act requires agencies to impose appropriate adverse personnel actions (including removal in appropriate cases) for cases in which employees fail to comply with applicable travel charge card terms and conditions or applicable agency regulations or they commit fraud with respect to a travel charge card. IRM 1.32.4 reiterates the requirements to impose adverse personnel actions when unauthorized use of a travel card occurs as defined by the Charge Card Act.

The Penalty Guide provides managers with guidelines for identifying, reporting, and resolving misuse of a travel card. Case information stored in ALERTS can also be viewed by other IRS users with appropriate permissions to compare case dispositions for consistency and other agency reporting purposes.¹² IRS management relies on the information available in ALERTS to research employee case history when applying the Penalty Guide. However, the Penalty Guide affords IRS management leeway when determining appropriate administrative or disciplinary actions based on the facts and circumstances of a case as well as mitigating factors. According to IRS policy, the use of the Penalty Guide is not mandatory, and the ultimate decision lies with IRS management. We determined that most adverse personnel actions fell within the range of recommended actions established by the Penalty Guide.

In addition, TIGTA reviewed disciplinary actions associated with 19 other cases we identified in which the employee previously had a substantiated instance of misuse related to their travel card. IRS guidelines require the use of progressive discipline – imposition of the least serious disciplinary or adverse action applicable to correct the problem, with penalties imposed at an

¹¹ Disciplinary actions labeled as “Not Notated in ALERTS” represent cases forwarded to IRS Chief Counsel, which are not notated in ALERTS. The sum of the percentages in Figure 1 does not equal 100 due to rounding.

¹² According to IRS guidance, detailed and meaningful information regarding instances of disciplinary actions (including travel card misuse) and any resulting personnel actions should be documented in ALERTS.

Employee Travel Card Misuse Is Being Identified Through Established Internal Reviews

escalating level for subsequent offenses that may or may not be the same or similar to the prior offense. We reviewed the disciplinary actions for these 19 cases and found that, when warranted, IRS management generally took actions that were in alignment with those suggested by the Penalty Guide.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether select IRS internal controls are properly designed and implemented to prevent and detect individually billed travel card misuse. To accomplish our objective, we:

- Reviewed the account and transaction controls established to prevent and detect travel card misuse.
- Analyzed travel card transaction data to determine whether select internal controls are functioning as intended.
- Obtained available credit card data for transactions occurring between December 4, 2017, and May 3, 2019, and determined if data obtained were consistent with the data used by the IRS.
- Identified potential travel card misuse, including but not limited to transactions outside of an employee's travel dates, unauthorized ATM withdrawals, and unallowable purchases identified using third-party, itemized reporting. We selected three random samples to test for potential travel card misuse. Our first sample of 230 travel card purchases was selected using a 95 percent confidence interval, a 1 percent error rate, and a ± 3 percent precision factor. Our second sample of 65 IRS employees' ATM transactions was selected using a 95 percent confidence interval, a 3 percent error rate, and a ± 10 percent precision factor. Our third sample was a random sample selected to review the third-party, itemized reporting for 30 IRS employees' transactions. We did not project the results of our statistical or random samples. We also determined if these potential travel card misuses were identified by IRS controls. A contract statistician assisted with developing the sampling plan.
- Determined whether the IRS took appropriate corrective actions to address improper travel card usage by selecting a random sample of 30 cases. We did not project the results of our random sample.
- Reviewed all cases for which employees previously had a substantiated issue related to travel cards.

Performance of This Review

This review was performed with information obtained from the Office of the Chief Financial Officer located in Washington, D.C.; Jacksonville, Florida; Atlanta, Georgia; Richmond, Virginia; and Beckley, West Virginia, during the period June 2020 through August 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 M. Hill, Assistant Inspector General for Audit (Management Services and Exempt Organizations); Glen Rhoades, Director; Lindsay M. Steward, Audit Manager; Evan A. Close, Lead Auditor; David A. Lawson, Auditor; Ahmed M. Tobaa, Auditor; and Lance J. 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 Citibank, the CCS Branch, and ALERTS. We evaluated the data by 1) performing electronic testing of required data elements 2) reviewing existing information about the data and the system that produced them, and 3) interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the 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 include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: IRS internal policies and procedures and other guidance pertaining to travel card reviews as well as CCS Branch Credit Card Misuse Reports and supporting documentation. We evaluated these controls by reviewing the IRS's methodology for reporting confirmed and pending violations in the Credit Card Misuse Reports, ALERTS, ConcurGov, and the Integrated Financial System.

Glossary of Terms

Term	Definition
Alternative Discipline in Lieu of Reprimand	Alternative discipline refers to an action other than traditional discipline for misconduct warranting a written reprimand or disciplinary suspension of 14 days or less. Alternative discipline is available to both bargaining and non-bargaining unit employees. If alternative discipline is a viable option to adequately correct the employee’s misconduct, discussions must occur prior to entering into the traditional disciplinary process, <i>i.e.</i> , prior to the issuance of a letter of reprimand or a proposal to suspend.
Automated Labor and Employee Relations Tracking System	ALERTS allows users to establish, track, and maintain employee relations cases and to establish and track Labor Relations activities, unfair labor practice charges, and events for negotiation processes, grievances, and arbitration proceedings.
Closed Without Action	A type of action that is appropriate when the evidence fails to clearly establish that wrongdoing occurred and further investigation could not resolve the issue.
ConcurGov	The official travel system for IRS travelers.
Integrated Financial System	A packaged system software solution. It enables the IRS to integrate the majority of its internal financial management processes, share common financial data and practices across the entire organization, and produce and access financial data online in a real-time environment
Internal Revenue Manual	The primary, official source of IRS “instructions to staff” related to the organization, administration, and operation of the IRS.
Written Counseling	A type of action that is appropriate to correct minor misconduct when a written record is deemed necessary, but actual disciplinary action is not required. Written counseling consists of an information memorandum, usually from the immediate manager, that identifies a specific behavior in need of correction and gives the employee instruction on how to correct that behavior as well as the potential consequences if the misconduct is repeated. The memorandum should clearly identify the date and nature of any specific misconduct that occurred. It may be used to inform an employee of appropriate behavior expectations and as a warning of the consequences for failure to follow work rules. If inappropriate behavior continues and formal disciplinary action is pursued, written counseling memoranda may form part of the evidentiary file.

Appendix III

Abbreviations

ALERTS	Automated Labor and Employees Relations Tracking System
ATM	Automated Teller Machine
CCS	Credit Card Services
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
TIGTA	Treasury Inspector General for Tax Administration



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