
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Office of Inspections and Evaluations



*Analysis of Executive Travel
Within the Internal Revenue Service*

July 22, 2013

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TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

July 22, 2013

MEMORANDUM FOR CHIEF FINANCIAL OFFICER

FROM:

R. David Holmgren

Deputy Inspector General for Inspections and Evaluations

SUBJECT:

Final Inspection Report – Analysis of Executive Travel Within the
Internal Revenue Service (# IE-13-002)

This report presents the results of our inspection to assess the costs and frequency of Internal Revenue Service (IRS) executives' temporary duty travel. Additionally, the Treasury Inspector General for Tax Administration (TIGTA) determined whether the IRS considered alternatives to reduce travel expenses incurred by IRS executives.

Synopsis

The Federal Travel Regulation¹ requires agencies to administer the authorization and payment of travel expenses using the following criteria:

- (a) Must limit the authorization and payment of travel expenses to travel that is necessary to accomplish the agency's mission in the most economical and effective manner,
- (b) Should give consideration to budget constraints, adherence to travel policies, and reasonableness of expenses, and
- (c) Should always consider alternatives, including teleconferencing, prior to authorizing travel. Other alternatives include reduced per diem² and a temporary change of station.³

¹ The Federal Travel Regulation is contained in 41 Code of Federal Regulations (C.F.R.) Chapters 300 through 304, which implements statutory requirements and Executive branch policies for travel by Federal civilian employees and others authorized to travel at Government expense.

² A daily allowance for expenses; a specific amount of money that an organization gives an individual per day to cover living and travel expenses in connection with work done away from the individual's home or post of duty.

³ The relocation to a new post of duty while performing a long-term assignment and subsequent return to the previous post of duty upon completion of that assignment.



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Furthermore, Executive Order 13589,⁴ *Promoting Efficient Spending*, requires each agency to reduce administrative costs including travel and conference-related activities by not less than 20 percent below Fiscal Year (FY) 2010 levels in FY 2013.

In FYs 2011 and 2012, there were 351 and 373 executives in the IRS, respectively.⁵ In FY 2011, the IRS spent approximately \$4.8 million for executive travel. In FY 2012, spending for executive travel decreased to about \$4.7 million.⁶ We analyzed travel information from the GovTrip⁷ and the Integrated Financial System⁸ for IRS executives to determine whether executive travel appeared to be excessive based on travel expenses claimed and the number of days traveled.

Overall, executive travel does not appear to be excessive. However, we noted that a small number of executives had extremely high travel expenses compared to the rest of the executives and that several executives frequently travel to the Washington, D.C., area to conduct day-to-day operations. Moreover, 12 executives (seven in FY 2011 and five in FY 2012) were in travel status for over 200 days. In April 2013, the IRS instituted a new interim travel policy that generally restricts executives from being in travel status more than 75 nights in any fiscal year.

The cost and frequency of travel for some executives indicate that they may not live in the best location to economically accomplish their roles and responsibilities. While the Federal Travel Regulation does not set any total monetary or duration limits on temporary duty travel, the IRS should consider a temporary or permanent change of station as an alternative to long-term temporary duty travel. However, the IRS does not have a policy that requires decision makers to document whether a temporary or permanent change of station was considered as an alternative to long-term temporary duty travel.

⁴ 76 Fed. Reg. 70,863, 70,864 (Nov. 15, 2011). Executive orders are official documents through which the President of the United States manages the operations of the Federal Government.

⁵ The number of executives for each fiscal year was calculated based on the number of executives on-roll as of fiscal year end and the number of executives that worked during the fiscal year but separated before fiscal year end.

⁶ Because some executives were not executives for the entire fiscal year, travel expenses may include travel for trips made as nonexecutives.

⁷ GovTrip is a computer application and database that provides IRS travelers with automated travel planning and reimbursement capabilities. The system also includes authorization, reservation, and vouchering capabilities.

⁸ The Integrated Financial System (IFS) contains the IRS's core financial systems, including expenditure controls, accounts payable, accounts receivable, general ledger, and budget formulation.



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Recommendation

The Chief Financial Officer should require an analysis that compares the costs and benefits of a long-term taxable travel situation⁹ to that of a temporary or permanent change of station and demonstrates that the more favorable alternative was selected. The analysis should be in writing and prepared before placing the employee on long-term travel or authorizing a temporary or permanent change of station.

Response

IRS management agreed with the recommendation. The Chief Financial Officer plans to develop and implement guidance to require a business case in each circumstance that would place an employee in a long-term taxable travel situation. The business case will be used to evaluate and document the costs and benefits of placing the employee in long-term taxable travel status or temporarily or permanently changing the employee's official station.

Additionally, in June 2013 the IRS issued interim guidance¹⁰ that requires that each executive position have an identified position post of duty and that the official station is identified as either location-specific or location-neutral.¹¹ This policy is to be implemented in a manner that strikes the appropriate balance between reducing executive travel and maintaining operations.

Please contact me at (202) 927-7048 if you have questions, or Kevin P. Riley, Director, Office of Inspections and Evaluations, at (972) 249-8355.

⁹ The IRS city-to-city policy, Internal Revenue Manual 1.32.11.9.1, provides for two situations that can be overnight long-term taxable travel: (1) travel to a single location that is expected to last more than one year or (2) employee performs principal duties the majority of the time in a location away from the official station, and this arrangement is expected to last indefinitely or long enough that the new location becomes the main work location.

¹⁰ IRS, *Memorandum for All Executives: Guidance on Executive Travel – Determining Position Post of Duty and Official Station for Executives* (June 26, 2013).

¹¹ In cases where the work activities can be performed in virtually any geographical location, the post of duty will be considered neutral.



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Abbreviations

CADE	Customer Account Data Engine
FY	Fiscal Year
IFS	Integrated Financial System
IRS	Internal Revenue Service
IT	Information Technology
POD	Post of Duty
W&I	Wage and Investment Division



Analysis of Executive Travel Within the Internal Revenue Service

Background

The Internal Revenue Service (IRS) Restructuring and Reform Act of 1998¹ prompted the most comprehensive reorganization and modernization of the IRS in nearly half a century. The IRS reorganized itself to closely resemble the private sector model of organizing around customers with similar needs. To support its structure and ensure accountability, the IRS is divided into three commissioner-level organizations² headed by senior executive management. During Fiscal Years (FY) 2011 and 2012, there were approximately 351 and 373 executives, respectively, who were on-roll at some point during the fiscal years.³ At least 58 percent of the IRS's executives were located in the IRS National Headquarters in the Washington, D.C., area.

The executives who did not reside in close proximity to their primary work location often incurred costs for city-to-city travel. This form of travel involves traveling more than 40 miles away from an employee's official station or post of duty (POD) for an authorized purpose. Unless specifically stated, all references to travel in this report relate to city-to-city travel. The executives incurred about \$4.8 million in travel expenses in FY 2011 and about \$4.7 million in FY 2012, which constituted about 3 percent of the IRS travel budget.⁴ The travel costs incurred by the individual executives varied significantly. The largest amount reimbursed to an executive was about \$160,000 in FY 2011 and \$146,000 in FY 2012.

The executives who did not reside in close proximity to their primary work location often incurred costs to travel to and from their work location.

The Federal Travel Regulation⁵ Section 301.70.1 requires agencies to administer the authorization and payment of travel expenses using the following criteria:

- (a) Must limit the authorization and payment of travel expenses to travel that is necessary to accomplish the agency's mission in the most economical and effective manner,

¹ Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

² The three commissioner-level organizations include Commissioner, Deputy Commissioner for Services and Enforcement, and Deputy Commissioner for Operations Support.

³ The number of executives for each fiscal year was calculated based on the number of executives on-roll as of fiscal year end and the number of executives who worked during the fiscal year but separated before fiscal year end.

⁴ Because some executives were not executives for the entire fiscal year, travel expenses may include travel for trips made as nonexecutives.

⁵ The Federal Travel Regulation is the regulation contained in 41 Code of Federal Regulations (C.F.R.) Chapters 300 through 304, which implements statutory requirements and Executive branch policies for travel by Federal civilian employees and others authorized to travel at Government expense.



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- (b) Should give consideration to budget constraints, adherence to travel policies, and reasonableness of expenses, and
- (c) Should always consider alternatives, including teleconferencing, prior to authorizing travel. Other alternatives include reduced per diem⁶ (Section 301-11.200) and a temporary change of station⁷ (Section 302-3.401).

Furthermore, Executive Order 13589,⁸ *Promoting Efficient Spending*, requires each agency to reduce administrative costs including travel and conference-related activities by not less than 20 percent below FY 2010 levels in FY 2013.

This review was performed in the Office of the Chief Financial Officer at the IRS National Headquarters in Washington, D.C., during the period February through May 2013. We conducted this inspection in accordance with the Council of the Inspectors General for Integrity and Efficiency Quality Standards for Inspections. Detailed information on our objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

⁶ A daily allowance for expenses; a specific amount of money that an organization gives an individual per day to cover living and travel expenses in connection with work done away from the individual's home or POD.

⁷ The relocation to a new POD while performing a long-term assignment and subsequent return to the previous POD upon completion of that assignment.

⁸ 76 Fed. Reg. 70,863, 70,864 (Nov. 15, 2011). Executive orders are official documents through which the President of the United States manages the operations of the Federal Government.



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Results of Review

With the Exception of Some Executives, the Level of Travel Appears to Be Reasonable

In FYs 2011 and 2012, there were 351 and 373 executives in the IRS, respectively. In FY 2011, the IRS spent approximately \$4.8 million for executive travel. In FY 2012, spending for executive travel decreased to about \$4.7 million. Travel for IRS executives was approximately 3 percent of total travel expenses⁹ for each fiscal year. We analyzed travel information from the GovTrip¹⁰ and the Integrated Financial System (IFS)¹¹ for IRS executives to determine whether executive travel appeared to be excessive based on travel expenses claimed and the number of days traveled.

Overall, executive travel does not appear to be excessive. However, we noted that several executives frequently travel to the Washington, D.C., area to conduct day-to-day operations. The cost and frequency of travel for these executives indicate that some executives may not live in the best location to economically accomplish their roles and responsibilities.

About 60 percent of the executives incurred \$10,000 or less in travel expenses, while about 3 percent incurred more than \$60,000

City-to-city travel expenses for IRS executives varied significantly during FYs 2011 and 2012. In FY 2011, expenses ranged from \$0 to \$161,105 and averaged \$13,632. In FY 2012, expenses ranged from \$0 to \$145,911 and averaged \$12,521. In both fiscal years, average expenses were significantly higher than median expenses (\$6,727 for FY 2011 and \$5,624 for FY 2012) because a small number of executives had extremely high travel expenses compared to the rest of the executives. Figure 1 documents the range (minimum and maximum), median, and average travel expenses.

⁹ The total travel expenses consist of domestic and foreign operating travel, training travel, travel of experts and witnesses, gain sharing award, and income tax reimbursement award.

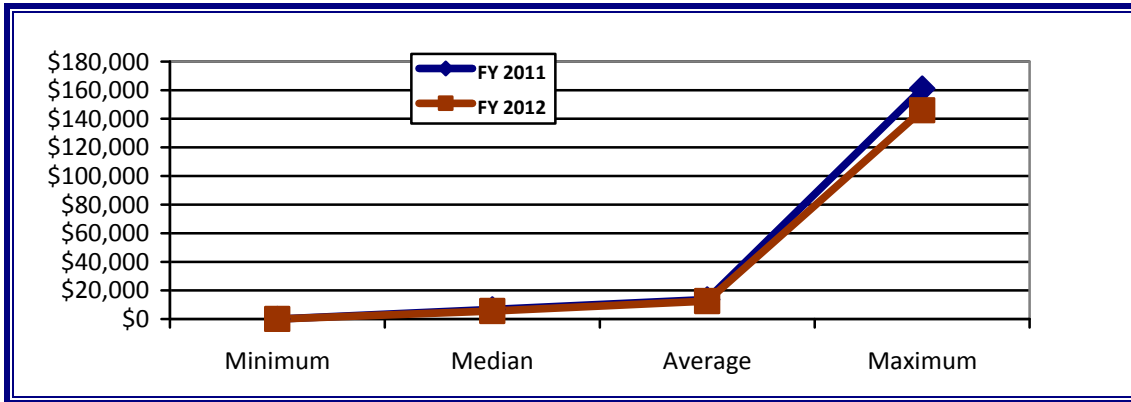
¹⁰ GovTrip is a computer application and database that provides IRS travelers with automated travel planning and reimbursement capabilities. The system also includes authorization, reservation, and vouchering capabilities.

¹¹ The IFS contains the IRS's core financial systems, including expenditure controls, accounts payable, accounts receivable, general ledger, and budget formulation.



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Figure 1: Travel Expenses for IRS Executives

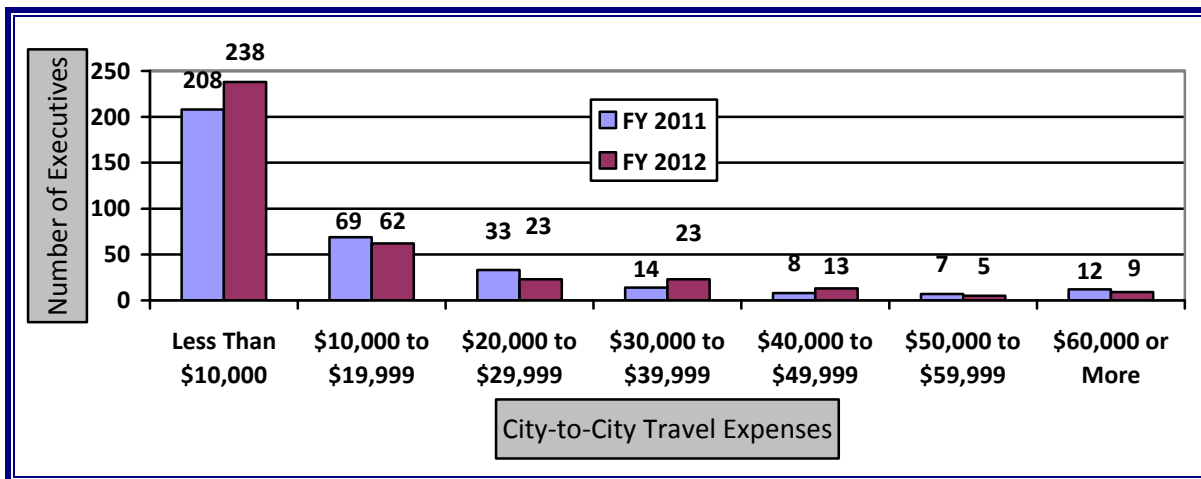


Source: Treasury Inspector General for Tax Administration (TIGTA) analysis of IFS/GovTrip travel data.

We grouped executives by the amounts they claimed for travel expenses in \$10,000 increments from less than \$10,000 to more than \$60,000 to illustrate the level of spending. Based on this grouping, we concluded that travel expenses for most executives appear to be reasonable. In FY 2011, about 59 percent of executives (208 of 351) spent less than \$10,000 for travel. In FY 2012, nearly 64 percent of executives (238 of 373) spent less than \$10,000.

Travel expenses for those executives near the top of the scale appear to be excessive when compared to the average travel expenses for IRS executives. We noted that 21 executives (12 in FY 2011 and nine in FY 2012) each spent more than \$60,000 in one fiscal year. Travel expense for executives in this category exceeded average spending by at least 340 percent. Figure 2 summarizes spending for executive travel for FYs 2011 and 2012.

Figure 2: Summary of Travel Expenses by Executives



Source: TIGTA analysis of IFS/GovTrip travel data.

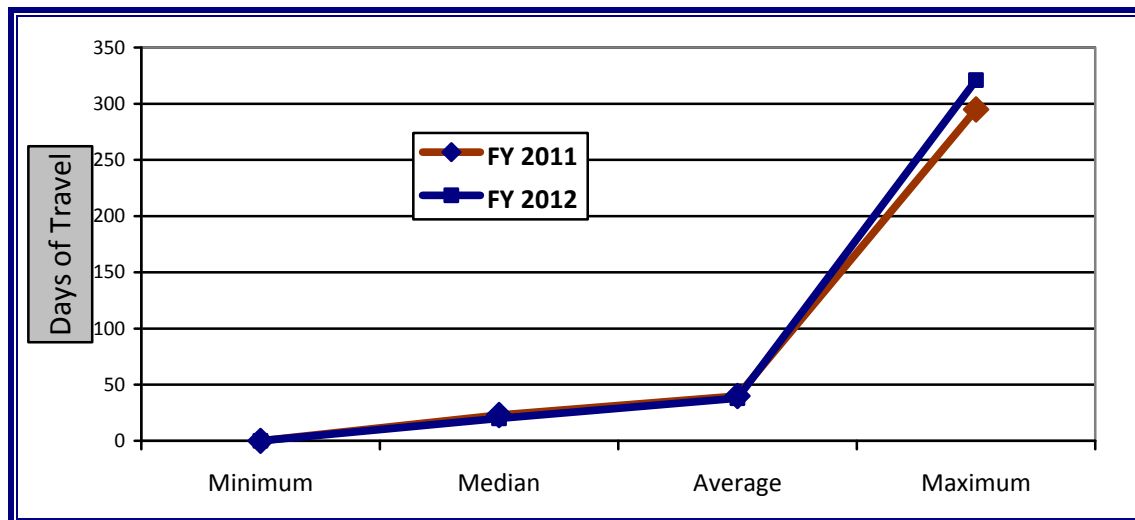


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The number of days traveled for some IRS executives appears to be excessive

The number of days traveled by IRS executives varied significantly for FYs 2011 and 2012. In FY 2011, executive travel ranged from 0 to 295 days and averaged 40.1 days. In FY 2012, executive travel ranged from 0 to 321 days and averaged 37.9 days. In both fiscal years, the average number of days traveled was significantly higher than the median number of days traveled (23 days for FY 2011 and 20 days for FY 2012) because a small number of executives traveled significantly more days compared to the rest of the executives. Figure 3 documents the range (minimum and maximum), median, and average for days traveled.

Figure 3: Days Traveled for IRS Executives



Source: TIGTA analysis of IFS/GovTrip travel data.

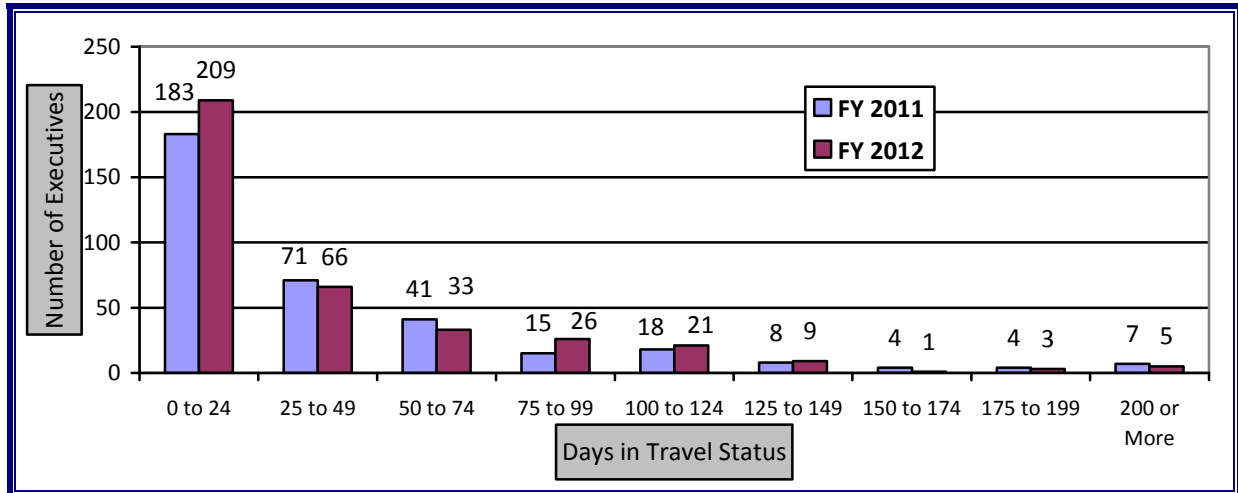
In order to assess the extent of travel for IRS executives, we compared the number of days traveled to the numbers of business days in a fiscal year, which is approximately 250 days after excluding holidays and weekends.¹² We found that most executives (52 percent in FY 2011 and 56 percent in FY 2012) traveled fewer than 25 days, which is less than 10 percent of the business days for the fiscal year. However, the number of days traveled varied significantly during FYs 2011 and 2012, and travel for some executives (seven in FY 2011 and five in FY 2012) exceeded 200 days, which is at least 80 percent of the business days for the fiscal year. Figure 4 summarizes the number of days executives traveled during FYs 2011 and 2012.

¹² While this point of comparison does not account for leave taken during the year or weekends and holidays in travel status, it does provide a consistent indicator to measure the extent of travel.



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Figure 4: Number of Days Traveled by Executives

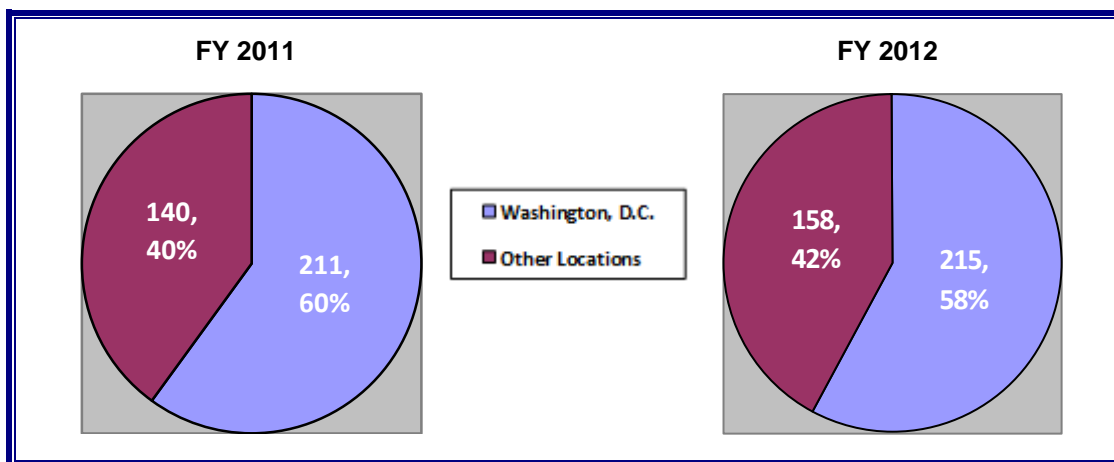


Source: TIGTA analysis of IFS/GovTrip travel data.

The Location of Some Executives Increases the Need for Long-Term Travel

In FYs 2011 and 2012, at least 58 percent of IRS executives lived and worked in the Washington, D.C., area. Approximately 40 and 42 percent of executives lived outside the Washington, D.C., area in FYs 2011 and FY 2012, respectively. Figure 5 documents where IRS executives lived during this time period.

Figure 5: Residence of IRS Executives



Source: TIGTA analysis of IFS/GovTrip travel data.



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Whether or not the executive was located in the Washington, D.C., area had a significant impact on the level of travel for executives. Figures 6 and 7 document that the travel expenses and days traveled for executives in the Washington, D.C., area were significantly lower than those for executives in other locations.

Figure 6: Travel Comparison for FY 2011

	Travel Expenses		Days of Travel	
	Washington, D.C. Area Executives	Executives Based in Other Locations	Washington, D.C. Area Executives	Executives Based in Other Locations
Minimum	\$ 0	\$ 0	0	0
Median	\$ 3,798	\$ 16,942	13	56
Average	\$ 6,024	\$ 25,097	20	71
Maximum	\$ 38,123	\$ 161,105	133	295
Total	\$ 1,271,105	\$ 3,513,625	4,118	9,948

Source: TIGTA analysis of IFS/GovTrip travel data.

Figure 7: Travel Comparison for FY 2012

	Travel Expenses		Days of Travel	
	Washington, D.C. Area Executives	Executives Based in Other Locations	Washington, D.C. Area Executives	Executives Based in Other Locations
Minimum	\$ 0	\$ 0	0	0
Median	\$ 3,163	\$ 14,107	12	45
Average	\$ 5,964	\$ 21,444	20	62
Maximum	\$ 58,322	\$ 145,911	141	321
Total	\$ 1,282,219	\$ 3,388,147	4,289	9,860

Source: TIGTA analysis of IFS/GovTrip travel data.

Executives spent more travel days in Washington, D.C., than in other locations

The Washington, D.C., area was the top travel destination for IRS executives in FYs 2011 and 2012 in terms of days of travel. The second highest location was Atlanta, Georgia. Figure 8 shows the top five locations that executives spent the most time based on the total days of travel.



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Figure 8: Top Travel Destinations for IRS Executives

FY 2011			FY 2012		
<i>Destination</i>	<i>Total Days of Travel</i>	<i>Percent of Total</i>	<i>Destination</i>	<i>Total Days of Travel</i>	<i>Percent of Total</i>
Washington, DC	5,538	39%	Washington, DC	5,988	42%
Atlanta, GA	1,084	8%	Atlanta, GA	692	5%
Philadelphia, PA	472	3%	New York, NY	522	4%
Dallas, TX	439	3%	Philadelphia, PA	513	4%
New York, NY	405	3%	Dallas, TX	444	3%
Total for All Locations	14,064		Total for All Locations	14,149	

Source: TIGTA analysis of IFS/GovTrip travel data.

Several executives spent more than 50 percent of their workdays in locations other than their assigned post of duty

We identified the 15 IRS executives who traveled the most during FYs 2011 and 2012 in terms of the number of days traveled. All executives included in the top 15 travelers traveled more than 125 days in a fiscal year—more than half of the 250 business days available to work. In some cases, the travel days exceeded the number of business days due to employees remaining in travel status during the weekends and holidays.

During the course of our review, the IRS instituted a new interim travel policy that restricts executives from being in travel status more than 75 nights in any fiscal year. The Acting Commissioner must preapprove all exceptions to this restriction. The new policy will remain in effect for the remainder of FY 2013 and will be reevaluated in FY 2014.¹³

The IRS has begun to manage nights in travel status to both save travel costs and minimize days away from the official POD. For example, an executive who flies from Atlanta to Washington, D.C., and returns to Atlanta on a late flight instead of staying overnight and returning to Atlanta the next day only costs the Government three quarters of their per diem for the one day of travel rather than 1½ days of per diem plus the cost of lodging for the one night. In addition to reducing travel funds, this effectively reduces the actual time in travel status as the executive is available for a full work day at their POD on the following day.

While counting the nights of travel provides an alternative method for measuring time in travel status, TIGTA maintains that counting and reporting the days in travel status is more consistent

¹³ IRS, *Memorandum for Executives: New Policy on Executive Travel and Compliance With Long-Term Taxable Travel Requirements* (April 23, 2013).



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with guidance provided in the Federal Travel Regulation, which is based on days in travel status. Although the IRS’s new executive travel policy was not in effect until April 23, 2013, we include the IRS’s calculation of nights traveled in Figures 9, 10, and 11 for comparison purposes.

In FY 2011, travel expenses for the top 15 travelers (more than 4 percent of all executive travelers) were about \$1.2 million—nearly 26 percent of the total travel expenses for all executives. These executives traveled an average of 202 days and spent an average of \$81,544. In FY 2012, travel expenses for the top 15 travelers (4 percent of all executive travelers) were about \$1.1 million—approximately 23 percent of the total travel expenses for all executives. These executives traveled an average of 184 days and spent an average of \$73,054.

Figure 9: IRS Executives Who Traveled Most Often – Fiscal Year 2011

<i>Rank</i>	<i>Executive & Title</i>	<i>Days Traveled</i>	<i>Computed Nights Traveled</i>	<i>Percentage of Business Days</i>	<i>Expenses Claimed</i>
1	Executive A *****Code Number 3(d)***** *****	295	266	118%	\$90,903
2	Executive B *****Code Number 3(d)***** *****	286	259	114%	\$139,262
3	Executive C *****Code Number 3(d)*****	240	214	96%	\$118,776
4	Executive D *****Code Number 3(d)***** *****	215	169	86%	\$161,105
5	Executive E *****Code Number 3(d)***** ***** ¹⁴ *****	214	152	86%	\$57,756
6	Executive F *****Code Number 3(d)***** ***** *****	206	148	82%	\$61,919
7	Executive G *****Code Number 3(d)*****	202	154	81%	\$90,278

¹⁴ *****Code Number 3(d)*****



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Rank	Executive & Title	Days Traveled	Computed Nights Traveled	Percentage of Business Days	Expenses Claimed
8	Executive H *****Code Number 3(d)***** *****	188	161	75%	\$59,964
9	Executive I *****Code Number 3(d)***** *****	186	145	74%	\$74,208
10	Executive J *****Code Number 3(d)***** ***** *****15 *****	178	115	71%	\$54,977
11	Executive K *****Code Number 3(d)***** ***** ***** *****	177	137	71%	\$65,590
12	Executive L *****Code Number 3(d)***** *****	173	108	69%	\$62,233
13	Executive M *****Code Number 3(d)***** *****	159	128	64%	\$51,950
14	Executive N *****Code Number 3(d)*****	154	112	62%	\$61,932
15	Executive O *****Code Number 3(d)***** *****	153	127	61%	\$72,311
Total Expenses Claimed¹⁶					\$1,223,164
Average Days Traveled and Expenses Claimed		202			\$81,544

Source: TIGTA analysis of IFS/GovTrip data and data provided by the Office of the Chief Financial Officer.

¹⁵ *****Code Number 3(d)*****

¹⁶ Total expenses claimed should be \$1,223,165. The \$1 difference is due to rounding expenses claimed to the nearest dollar for each executive included in the table.



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Figure 10: IRS Executives Who Traveled Most Often – Fiscal Year 2012

Rank	Executive & Title	Days Traveled	IRS's Computed Nights Traveled	Percentage of Business Days	Expenses Claimed
1	Executive B *****Code Number 3(d)***** *****	321	298	128%	\$145,911
2	Executive P *****Code Number 3(d)*****	240	190	96%	\$102,753
3	Executive H *****Code Number 3(d)***** *****	222	195	89%	\$72,390
4	Executive Q *****Code Number 3(d)***** *****	212	128	85%	\$58,617
5	Executive E *****Code Number 3(d)***** *****	204	159	82%	\$71,782
6	Executive D *****Code Number 3(d)***** *****	198	153	79%	\$122,386
7	Executive G *****Code Number 3(d)*****	187	143	75%	\$97,447
8	Executive I *****Code Number 3(d)***** *****	186	137	74%	\$74,651
9	Executive R *****Code Number 3(d)***** *****	150	116	60%	\$50,960
10	Executive S *****Code Number 3(d)***** *****	149	105	60%	\$41,411



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<i>Rank</i>	<i>Executive & Title</i>	<i>Days Traveled</i>	<i>IRS's Computed Nights Traveled</i>	<i>Percentage of Business Days</i>	<i>Expenses Claimed</i>
11	Executive T *****Code Number 3(d)***** *****	149	17	60%	\$19,543
12	Executive U *****Code Number 3(d)***** *****	143	108	57%	\$52,291
13	Executive A *****Code Number 3(d)***** *****	141	127	56%	\$58,322
14	Executive O *****Code Number 3(d)***** *****	131	95	52%	\$63,729
15	Executive V *****Code Number 3(d)*****	130	94	52%	\$63,623
Total Expenses Claimed¹⁷					\$1,095,816
Average Days Traveled and Expenses Claimed		184			\$73,054

Source: TIGTA analysis of IFS/GovTrip data and data provided by the Office of the Chief Financial Officer.

Alternatives to long-term travel could reduce travel expenses

We determined the top travel destination for each IRS executive based on the number of days in travel status for each destination. We found that 14 executives in FY 2011 and 11 in FY 2012 spent more than 125 days in travel status at a single destination outside of his/her commuting area.

Figure 11 documents the executives who spent more than 125 days in travel status for a single destination. The figure highlights 10 executives (five in FY 2011 and five in FY 2011) who were actually in travel status at one destination more than 180 days, which means the executives spent more days at that travel destination than at their assigned post of duty. In such cases, the cost and frequency of travel indicate that some executives may not live in the best location to economically accomplish their roles and responsibilities. It might be more cost effective to relocate the executives through a permanent or temporary change of station.

¹⁷ Total expenses claimed should be \$1,095,815. The \$1 difference is due to rounding expenses claim to the nearest dollar for each executive included in the table.



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Figure 11: IRS Executives Who Traveled to One Destination Outside of Their Telecommuting Areas More Than 125 Days

FY 2011					
Rank	Executive & Title	Single Destination	Days Traveled to a Single Destination	IRS's Computed Nights Traveled to a Single Destination	Expenses Claimed
1	Executive A *****Code Number 3(d)***** *****	Washington, DC	290	262	\$88,951
2	Executive B *****Code Number 3(d)***** *****	Washington, DC	238	219	\$115,806
3	Executive C *****Code Number 3(d)***** *****	Washington, DC	213	195	\$105,127
4	Executive G *****Code Number 3(d)***** *****	Washington, DC	193	147	\$86,433
5	Executive F *****Code Number 3(d)***** *****	Atlanta, GA	188	142	\$57,763
6	Executive E *****Code Number 3(d)***** *****	Washington, DC	179	136	\$47,322
7	Executive K *****Code Number 3(d)***** ***** ***** ***** ***** *****	Washington, DC	174	135	\$64,521
8	Executive L *****Code Number 3(d)***** ***** *****	Washington, DC	173	108	\$62,233
9	Executive D *****Code Number 3(d)***** *****	Washington, DC	172	136	\$135,333



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FY 2011					
Rank	Executive & Title	Single Destination	Days Traveled to a Single Destination	IRS's Computed Nights Traveled to a Single Destination	Expenses Claimed
10	Executive J *****Code Number 3(d)***** ***** ***** *****18***** *****	Washington, DC	164	114	\$52,997
11	Executive I *****Code Number 3(d)***** *****	Washington, DC	160	125	\$64,359
12	Executive M *****Code Number 3(d)***** *****	Washington, DC	134	106	\$46,818
13	Executive O *****Code Number 3(d)***** *****	Washington, DC	132	112	\$62,510
14	Executive H *****Code Number 3(d)***** *****	Cincinnati, OH	126	113	\$34,546

FY 2012					
Rank	Executive & Title	Single Destination	Days Traveled to a Single Destination	IRS's Computed Nights Traveled to a Single Destination	Expenses Claimed
1	Executive B *****Code Number 3(d)***** *****	Washington, DC	282	267	\$126,663
2	Executive P *****Code Number 3(d)***** *****	Washington, DC	198	171	\$93,402

¹⁸ *****Code Number 3(d)*****



*Analysis of Executive Travel
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FY 2012					
Rank	Executive & Title	Single Destination	Days Traveled to a Single Destination	IRS's Computed Nights Traveled to a Single Destination	Expenses Claimed
3	Executive D *****Code Number 3(d)***** ***** *****	Washington, DC	187	145	\$117,105
4	Executive G *****Code Number 3(d)*****	Washington, DC	186	143	\$97,086
5	Executive Q *****Code Number 3(d)***** *****	Washington, DC	186	111	\$47,392
6	Executive H *****Code Number 3(d)***** *****	Cincinnati, OH	173	153	\$53,373
7	Executive I *****Code Number 3(d)***** *****	Washington, DC	166	131	\$69,517
8	Executive T *****Code Number 3(d)***** *****	Washington, DC	138	10	\$16,125
9	Executive A *****Code Number 3(d)***** *****	Washington, DC	133	122	\$54,133
10	Executive O *****Code Number 3(d)***** *****	Washington, DC	129	94	\$62,754
11	Executive R *****Code Number 3(d)***** ***** *****	Washington, DC	128	92	\$44,294

Source: TIGTA analysis of IFS/GovTrip data and data provided by the Office of the Chief Financial Officer.

While the Federal Travel Regulation does not set any total monetary or duration limits on temporary duty travel, agencies should consider a temporary change of station as an alternative to long-term temporary duty travel. However, the IRS does not have a policy that requires decision makers to document whether a temporary change of station was considered as an alternative to long-term temporary duty travel.



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Per Federal Travel Regulation Section 302-3.404, an agency will authorize a temporary change of station under the following circumstances:

- It is necessary to accomplish the mission of the agency effectively and economically, and
- The employee is directed to perform a long-term assignment at another official station; or
- The agency otherwise could authorize temporary duty travel and pay travel allowances, including payment of subsistence expenses for the long-term assignment; or
- The agency determines it would be more advantageous, cost and other factors considered, to authorize a long-term assignment; and
- The employee meets any additional conditions the agency has established.

Additionally, to qualify for a temporary change of station, the employee's assignment must be not less than six months or more than 30 months. If the assignment exceeds 30 months, the agency must permanently assign the employee to the temporary official station or POD or return the employee to the previous official station or POD.

An employee who relocates to a new post of duty in the interest of the Government may obtain reimbursement for specific expenses incident to the relocation. Reimbursable relocation expenses can include those related to a house hunting trip, the sale of a home, and the shipment of household goods. From FYs 2009 to 2012, the IRS paid about \$4 million for relocation expenses, and the average cost for relocation expenses for IRS executives was \$46,872.¹⁹ Relocation expenses varied significantly during the four-year period. Expenses ranged from \$168 to \$308,113, and the median relocation expense was \$19,875.

The difference between the median and average relocation expenses can be attributed to the fact that relocations exceeded \$100,000 for 14 of 86 relocations. Additionally, relocations to the Washington, D.C., area appeared to be more costly than relocations to other locations. Figure 12 shows that from FYs 2009 to 2012, the average relocation expenses to the Washington, D.C., area was \$88,186 and to all other locations was \$35,936.

¹⁹ These data only reflects the relocation expenses claimed during FY 2009 through FY 2012. Some of the relocation expenses may not have been claimed since employees generally have two years to file claims for relocation costs reimbursement.



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Figure 12: IRS Executive Relocation Costs – FY 2009 to FY 2012

Destination	Four-Year Total Relocation Costs	Four-Year Total Number of Moves	Average Cost per Move	Range	Median
Washington, D.C., Area	\$1,587,355	18	\$88,186	\$4,008 to \$308,113	\$37,515
Other Locations	\$2,443,618	68	\$35,936	\$168 to \$186,660	\$17,762
All Locations	\$4,030,973	86	\$46,872	\$168 to \$308,113	\$19,875

Source: TIGTA analysis of IRS executive relocation data.

In addition to relocation expenses, an agency has the authority to offer relocation incentives²⁰ to employees with unique skills or in difficult-to-recruit positions. From FYs 2009 to 2012, the IRS paid \$557,412 for relocation incentives to 19 executives included in our review, and the average incentive was \$29,337. Relocation incentives ranged from \$14,117 to \$41,781, and the median incentive was \$27,463.

Although the costs to relocate an executive are unique and could vary considerably, we believe the costs of relocating an executive could be significantly less than long-term travel, especially in cases where the long-term travel could continue for more than one year. Any decisions made to relocate executives must be made in accordance with efforts to limit relocation incentives as directed by the Office of Personnel Management and the Office of Management and Budget, which mandated that agencies must not exceed Calendar Year 2010 spending levels for incentives related to relocation, recruitment, and retention during Calendar Years 2011 and 2012.²¹

Recommendation

Recommendation 1: The Chief Financial Officer should require an analysis that both compares the costs and benefits of a long-term taxable travel situation²² to that of a temporary or permanent change of station and demonstrates that the more favorable alternative was selected. The analysis should be in writing and prepared before placing the employee on long-term travel or authorizing a temporary or permanent change of station.

²⁰ Relocation incentives are authorized under 5 U.S.C. 5753 and 5754 and 5 CFR part 575.

²¹ Office of Personnel Management, CPM 2011-10, *Memorandum for Heads of Executive Departments and Agencies: Guidance on Awards for Fiscal Years 2011 and 2012* (June 10, 2011).

²² The IRS city-to-city policy, Internal Revenue Manual 1.32.11.9.1, provides two situations that can be overnight long-term taxable travel: (1) travel to a single location that is expected to last more than one year or (2) employee performs principal duties the majority of the time in a location away from the official station, and this arrangement is expected to last indefinitely or long enough that the new location becomes the main work location.



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Management's Response: IRS management agreed with this recommendation. The Chief Financial Officer plans to develop and implement guidance to require a business case in each circumstance that would place an employee in a long-term taxable travel situation. The business case will be used to evaluate and document the costs and benefits of placing the employee in long-term taxable travel status or temporarily or permanently changing the employee's official station.

Additionally, in June 2013 the IRS issued interim guidance²³ that requires that each executive position have an identified position POD and that the official station is identified as either location-specific or location-neutral.²⁴ This policy is to be implemented in a manner that strikes the appropriate balance between reducing executive travel and maintaining operations.

²³ IRS, *Memorandum for All Executives: Guidance on Executive Travel – Determining Position Post of Duty and Official Station for Executives* (June 26, 2013).

²⁴ In cases where the work activities can be performed in virtually any geographical location, the post of duty will be considered neutral.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective was to assess the costs and frequency of IRS executive travel and determine whether the IRS considered alternatives to reduce travel expenses incurred by IRS executives. To accomplish this objective, we:

- I. Identified Federal, Department of the Treasury, and IRS travel policy and procedures.
 - A. Reviewed Office of Personnel Management mandates and Executive Orders requiring conservation of travel funds and Federal Travel Regulation requirements on the efficient and economical administration of travel funds.
 - B. Determined whether the IRS has an adequate travel policy in place.
- II. Analyzed IRS executives' overnight travel for FYs 2011 and 2012.
 - A. Analyzed and summarized travel frequency, duration, costs, and destinations for all executives who were on-roll during FYs 2011 and 2012.
 - B. Conducted additional analysis for the top 15 executives whose travel appeared to be long-term, and assessed the IRS's management of long-term travel and consideration of less costly alternatives to long-term travel.
- III. Determined whether the IRS considered alternatives to reduce travel expenses.
 - A. Identified the IRS's procedures on consideration of all possible cost savings related to long-term travel assignments.
 - B. Assessed the IRS's efforts in reducing travel costs.
 - C. Evaluated the IRS's travel budget and spending for FYs 2011 and 2012.



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Appendix II

Major Contributors to This Report

Kevin P. Riley, Director, Inspections & Evaluations
James A. Douglas, Supervisory Evaluator
Jacqueline D. Nguyen, Lead Auditor



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Appendix III

Report Distribution List

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Appendix IV

Management's Response to the Draft Report



CHIEF FINANCIAL OFFICER

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

June 28, 2013

MEMORANDUM FOR R. DAVID HOLMGREN
DEPUTY INSPECTOR GENERAL FOR INSPECTIONS
AND EVALUATIONS

FROM:


Pamela J. LaRue
Chief Financial Officer

SUBJECT:

Draft Review - Analysis of Executive Travel Within the Internal
Revenue Service

The IRS appreciates your review of executive travel and the opportunity to review and respond to the draft Analysis of Executive Travel.

The IRS has over 300 executives, many of whom are required to travel in the course of acting out their responsibilities due to the geographic dispersion of their programs and employees in over 620 posts of duty. IRS executive positions are highly specialized and demand unique skill sets due to the complexity of the underlying tax law and technology infrastructure. It can take years to build the necessary experience in fields such as information technology and tax enforcement and administration – areas critical to successfully running a tax system that collects \$2.5 trillion a year. The employees best-prepared to handle these demanding and complex jobs may not always live where the position is located and may not be in a position to relocate, necessitating some additional travel.

The IRS takes seriously its obligation to be good stewards of government resources. In the current constrained budget environment, the IRS has implemented comprehensive actions that have dramatically reduced travel expenditures. Alternatives to travel, including the expanded use of teleconferences, Office Communicator System, Live Meeting, and CENTRA, a virtual environment application that gives employees intranet access to virtual meeting capabilities, have contributed to helping drive total travel spending down by over 50 percent from Fiscal Year (FY) 2010 to FY 2012. Recognizing our fiscal responsibilities in this area, we have also taken action to strengthen our policies by reinforcing and issuing requirements and operating guidance to reduce non-mission critical travel and updating current procedures on travel expenditures.



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In addition to seven separate guidance documents outlining overall cost savings policies with relation to travel and other areas, in April 2013, the IRS issued guidance on Executive Travel and Compliance with Long-Term Taxable Travel Requirements, which requires executives in travel status more than 75 nights in any fiscal year to obtain prior written approval of the IRS Commissioner.

While these steps represent important progress, and the IRS agrees with your assessment that the overall level of executive travel appears to be reasonable, we believe that more can be done. Moreover, we recognize that in the current fiscal environment, the long-term travel by a few executives represents an excessive expense we cannot sustain.

It is always important, but especially so at this time, that the IRS demonstrate sound management of our resources. Accordingly, this month we also issued interim guidance that further tightens the management of executive travel. This new guidance, which requires that each executive position have an identified position Post of Duty and that the official station is identified as either location specific or location neutral, will be implemented in a manner that strikes the appropriate balance between reducing executive travel and maintaining operations, especially in those cases where we have current executives who may be impacted by the policy. This guidance, along with actions we will take to address the recommendation from this review, strengthens our ongoing efforts to continually improve internal controls regarding executive travel. The proposed corrective action to the recommendation is discussed in the attachment.

If you have any questions, please contact William H. Maglin II, Associate Chief Financial Officer for Financial Management, at (202) 435-5540.

Attachment



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Attachment

RECOMMENDATION 1

The Chief Financial Officer should require an analysis that both compares the costs and benefits of a long-term taxable travel situation to that of a temporary or permanent change of station and demonstrates that the more favorable alternative was selected. The analysis should be in writing and prepared before placing the employee on long-term travel or authorizing a temporary or permanent change of station.

CORRECTIVE ACTION

The Chief Financial Officer will develop and implement guidance to evaluate all current and future travel that would place an individual in a long-term taxable travel (LTTT) situation. This guidance will require a business case to be developed to evaluate and document in writing the cost and the benefit to include addressing the availability of personnel to fill the position before placing an individual in LTTT status or temporarily or permanently changing their official station.

IMPLEMENTATION DATE

July 31, 2013

RESPONSIBLE OFFICIAL

Chief Financial Officer