



*Although Citibank Travel Rebates Have Significantly Increased, They Were Not Properly Allocated, Resulting in the Misappropriation of Funds*

**September 24, 2010**

**Reference Number: 2010-10-124**

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.



## HIGHLIGHTS

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

## Highlights

**Final Report Issued on September 24, 2010**

Highlights of Reference 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.

### **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.

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.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

September 24, 2010

**MEMORANDUM FOR DEPUTY COMMISSIONER FOR OPERATIONS SUPPORT**

*Margaret E. Beeg*  
**FROM:** (for) Michael R. Phillips  
Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Although Citibank Travel Rebates Have Significantly Increased, They Were Not Properly Allocated, Resulting in the Misappropriation of Funds (Audit # 200910034)

This report presents the results of our review of the travel card rebate program. The overall objective of this review was to determine whether the Internal Revenue Service has effective internal controls to ensure that Citibank travel card rebates<sup>1</sup> are maximized, accurate, and properly allocated. This audit is one of a series of audits planned to assess how the Internal Revenue Service is managing its travel, fleet, and purchase credit cards. This review is included in our Fiscal Year 2010 Annual Audit Plan and addresses the major management challenge of Erroneous and Improper Payments and Credits.

Management's complete response to the draft report is included as Appendix VII.

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 questions or Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations), at (202) 622-8500.

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<sup>1</sup> A rebate is a monetary payment provided by credit card contractors to agencies based on either dollar volume spent or timeliness and frequency of payments to the contractor.



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## *Abbreviations*

AWSS	Agency-Wide Shared Services
CCS	Credit Card Services
FY	Fiscal Year
GSA	General Services Administration
IRS	Internal Revenue Service
OMB	Office of Management and Budget
TIGTA	Treasury Inspector General for Tax Administration



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## *Background*

The Travel and Transportation Reform Act of 1998<sup>1</sup> stipulates that Government-sponsored and contractor-issued travel cards shall be used by all United States Government personnel to pay for official Government travel expenses. Each Federal department or agency selects one of the General Services Administration (GSA) card services contractors and receives rebate<sup>2</sup> proceeds from the contractor under the terms of the GSA contract.<sup>3</sup> The Internal Revenue Service's (IRS) travel card program includes two types of accounts: Individually Billed Accounts (hereafter referred to as individual travel accounts) and Centrally Billed Accounts (hereafter referred to as central travel accounts).

The individual travel account is to be used by an individual employee for official Government travel and travel-related expenses only while away from his or her official duty station. The individual traveler receives and is responsible for paying the bill. The central travel accounts are corporate travel card accounts that are set up for each of the IRS business units for the purpose of paying for common carrier<sup>4</sup> transportation expenditures and related fees for employees who are in official travel status away from their official duty stations but who do not have individual travel cards (for example, new employees who have not yet obtained their own individual travel cards or infrequent travelers).

Under the current Citibank contract, rebates are based on two primary factors: the total amount of travel card purchases (hereafter referred to as expenditures and also known as net charge volume)<sup>5</sup> and the timeliness of payments for the travel expenditures. Rebates are increased by prompt payments and are reduced or eliminated by late payments, delinquencies,<sup>6</sup> and charged-off accounts.<sup>7</sup> From Fiscal Year (FY) 2005 through the first quarter of FY 2010, the IRS received quarterly travel card rebates totaling approximately \$3.2 million.

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<sup>1</sup> 5 U.S.C. 5701 P.L. 105-264.

<sup>2</sup> A rebate is a monetary payment provided by credit card contractors to agencies based on either dollar volume spent or timeliness and frequency of payments to the contractor.

<sup>3</sup> The Department of the Treasury selected the Citibank contract for all of its bureaus.

<sup>4</sup> A common carrier is defined as a private-sector supplier of air, rail, or bus transportation.

<sup>5</sup> Net charge volume is the sum of all travel expenditures, including Travelers Checks, convenience checks, automated teller machine, and other fee-generating products/services less merchant credits (return of goods or services).

<sup>6</sup> Delinquencies occur on individual travel accounts when a balance due remains unpaid for a period of 61 calendar days or more from the closing date of the Government credit card contractor's statement on which the charges first appeared.

<sup>7</sup> A charge-off is the removal of an account from a credit card issuer's books as an asset after it has been delinquent for a period of time, usually 180 calendar days. When an account is charged off, the credit card issuer absorbs the outstanding balance as a loss.



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Office of Management and Budget (OMB) Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs, (hereafter referred to as the Circular) prescribes policies and procedures to agencies regarding how to maintain internal controls that reduce the risk of fraud, waste, and error in Government charge card programs.<sup>8</sup> The Circular also stipulates that unless specific statutory authority exists allowing rebates to be used for other purposes, rebates must be returned to the appropriation<sup>9</sup> or account from which they were expended and can be used for any legitimate expenditure by the appropriation or account to which they were returned, or as otherwise authorized by statute.

In the Federal budget process, Congress passes the yearly Federal budget, which provides funding appropriations to agencies. The Department of the Treasury allocates a portion of its funding to the IRS, which has five regular appropriation accounts: Taxpayer Services, Enforcement, Operations Support, Business System Modernization, and Health Insurance Tax Credit Administration. Appropriations are distributed into budget activity categories and functional activity categories<sup>10</sup> that divide the appropriation accounts into numerous basic functions.

The IRS' Credit Card Services (CCS) Branch (part of Employee Support Services in the Agency-Wide Shared Services (AWSS) function) has administrative oversight and program responsibilities for the IRS' credit card programs. These responsibilities include acting as the IRS liaison with Citibank and the Department of the Treasury for all aspects of its credit card programs (travel, purchase, and fleet cards), monitoring account activity, updating and testing internal controls and procedures, and providing training.

We were unable to assess the reliability of the travel data contained in the IRS' Integrated Financial System, due to the unavailability of the data provided to us from Citibank. Although we utilize the web-based system Citibank Custom Reporting System provided by Citibank to verify related payment information, we considered the data contained in the Integrated Financial System and Citibank to be undetermined in terms of completeness and accuracy. However, in our opinion, using the data for our purposes did not weaken our analysis or lead us to an incorrect message.

This review was performed at the AWSS function's CCS Branch in Indianapolis, Indiana, during the period October 2009 through May 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan

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<sup>8</sup> Appendix V provides information about the guidance on Government credit card rebates found in OMB Circular A-123, Appendix B.

<sup>9</sup> An appropriation is a provision of law authorizing the expenditure of funds for a given purpose and to incur obligations.

<sup>10</sup> The IRS allocates its budget by various levels of budget activities (such as Infrastructure or Shared Services and Support) and classifications (such as operating travel and training travel). The IRS uses various accounting codes to track its budget expenditures. It also tracks rebate allocations using accounting codes (e.g., Appeals operating travel or Small Business/Self-Employed Division training travel).



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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.



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## *Results of Review*

The IRS travel card rebate program lacks sufficient management oversight, and the IRS did not ensure travel rebates were maximized, accurate, and properly allocated. The AWSS function retained the majority of the approximately \$3.2 million in travel card rebates received during our audit period even though the IRS' travel expenditures were funded from all 5 of its appropriation accounts. The IRS could not provide us with documentation of who made this decision, but it resulted in a misappropriation of funds<sup>11</sup> for each quarter because the rebates should have been distributed back to those five appropriation accounts from which the travel expenditures originated. Although we did not trace the travel rebate fund allocations below the appropriation level, and the scope of our review did not include specific audit tests to identify fraudulent transactions using rebate funds, our field work did not identify any instances in which these funds were used for personal use. We did not refer this issue to TIGTA Office of Investigations as we did not identify any evidence of criminal wrongdoing.

In addition, the IRS is not able to validate the amount of rebates it receives and has no assurance that the amounts are correct. In addition, the amount of rebates was reduced due to the untimely submission and approval of some travel vouchers (hereafter referred to as travel claims).

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<sup>12</sup> that has significantly increased the amount of rebates received. In addition, some of the initiatives that the IRS undertook to improve the timeliness of payments to Citibank included bringing a new automated travel system<sup>13</sup> online, implementing new controls to alert card holders that their travel card balances were past due, and ensuring central travel accounts were timely paid.

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<sup>11</sup> U.S. Code, Title 31, Section 1301, The Misappropriation Act, requires that funds appropriated by Congress be used only for the programs and purposes for which the appropriation was made. U.S. Code, Title 31, Section 1301(a), commonly known as the Purpose Statute, states: "Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law." The use of funds for a purpose other than that for which the funds were appropriated is a violation of the Purpose Statute (which is considered a misappropriation).

<sup>12</sup> The current contract between the Department of the Treasury and Citibank awards the IRS two types of rebates, which are paid quarterly: sales rebates and productivity rebates. Sales rebates are based on the total dollar volume of travel expenditures during a specified period. Productivity rebates are provided on all travel card transactions based on the net charged volume and the agency's promptness of payments. The prior contract did not contain productivity rebates for individual travel accounts.

<sup>13</sup> GovTrip is a web-based travel management system used by the IRS for creating travel authorizations, making reservations, and processing travel reimbursement claims.



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

### ***Improper Allocation of Rebates Resulted in the Misappropriation of Funds***

The IRS used two approaches for distributing travel card rebates, but neither approach properly followed the Circular. The Circular states that rebate proceeds are to be returned to the appropriation account from which they were expended and can be used for any legitimate expenditure. For the period FY 2005 through the first quarter of FY 2010, the travel card rebates totaled approximately \$3.2 million. The AWSS function retained the majority of the rebates, even though the IRS' travel expenditures were funded from all five appropriation accounts. The IRS advised us that it interpreted the Circular as supporting its retention of the rebates within the AWSS function to cover the costs of the Employee Support Services programs and operations because they believed this was a legitimate purpose. However, this practice violated both the Circular and the Purpose Statute, and the misappropriation of funds occurred. The Circular does not specify how the rebates should be further distributed below the appropriation account level, but this is something the IRS can determine.

The IRS could not provide us documentation of how its rebate allocation practices originated. In addition, the IRS had not developed or implemented any internal policies, procedures, or guidelines for the allocation of rebates, even though the IRS began receiving rebates with the inception of the SmartPay1<sup>14</sup> card in 1998. We believe this contributed to the improper practices for distributing rebates. In February 2010, the IRS drafted procedures to govern the allocation of rebates, which were not finalized by the end of our fieldwork. We did not review the draft policy document and cannot comment on whether it will address the issues we identified.

The IRS' budget has five regular appropriation accounts: Taxpayer Services, Enforcement, Operations Support, Business System Modernization, and Health Insurance Tax Credit Administration. Information obtained from the IRS showed that travel expenditures IRS-wide were funded from all of these appropriation accounts during FY 2005 through the first quarter of FY 2010. As such, the rebates should have been distributed back to these appropriation accounts. Once distributed to an appropriation account, the rebate amounts can be used by any business unit or program that is funded by that appropriation account.

The travel card rebates the IRS received for the first quarter of FY 2010 were significantly larger than in prior periods and amounted to over \$1 million for that quarter alone. During the prior

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<sup>14</sup> SmartPay1 was a Federal travel card program that provided purchase, travel, and fleet credit cards to agencies throughout the United States Government and was in effect from November 30, 1998, through November 29, 2008.



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periods, the quarterly travel card rebates usually ranged from about \$25,000 to almost \$400,000.<sup>15</sup> Because the rebate amounts are becoming increasingly significant, it is even more critical that rebates are properly distributed.

The IRS needs to ensure it is properly using its funds, including ensuring travel rebates are distributed back to the appropriate budget appropriation accounts. This would enable the IRS to use the rebates to help fund operations IRS-wide, including providing services to taxpayers.

## ***Recommendations***

**Recommendation 1:** The Chief Financial Officer should establish and implement policies and procedures that are in compliance with the Circular to ensure travel card rebates are distributed to the appropriation against which the expenditures were originally charged. The IRS should also determine how the rebates will be further distributed below the appropriation account level.

**Management's Response:** The IRS agreed with this recommendation and will take the following actions: 1) The Chief Financial Officer is incorporating guidance into the FY 2011 Financial Operating Guidelines to outline the procedure for charging travel card rebates to appropriations in compliance with the Circular; 2) the AWSS and the Chief Financial Officer have developed a procedure to distribute the rebate and are working to develop a formal Standard Operating Procedure that describes the procedures for quarterly Citibank Rebates distribution that will be followed for FY 2011; and 3) the Chief Financial Officer will continue to work with business unit budget offices to ensure fund control procedures are followed and the integrity of each appropriated account is maintained. The established guidelines and procedures will be reviewed on a regular basis to ensure that they are current.

**Recommendation 2:** The Deputy Commissioner for Operations Support should institute an oversight program, including periodic reviews, to ensure the new policies and procedures were implemented and that future travel card rebates are properly distributed.

**Management's Response:** The IRS agreed with this recommendation. The Agency-Wide Shared Services Office of Strategy and Finance will develop procedures and conduct periodic reviews to monitor the distribution of rebate monies.

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<sup>15</sup> Appendix VI provides details of travel card rebates and the net charge volume attributable to the IRS' travel card expenditures from FY 2007 through the first quarter of FY 2010.



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**Citibank Rebate Amounts Cannot Be Validated, and No Internal Revenue Service Efforts Were Being Made to Obtain Validation**

The IRS does not verify whether the quarterly rebates received from Citibank are accurate, and we determined that Citibank currently does not provide any data that would allow the IRS to do this. IRS managers stated that they do not have any policies and procedures for verifying the accuracy of the Citibank rebates. Instead, they rely on the Department of the Treasury to ensure the accuracy of the travel card rebates that are received from Citibank. When we met with representatives from the Department of the Treasury, we learned that while they also do not have any written policies or procedures to verify the accuracy of the rebate, they do perform a “reasonableness test”<sup>16</sup> on sales rebates by comparing various reports<sup>17</sup> they receive from Citibank that provide periodic information on Treasury travel expenses (total sales) charged to Citibank cards.

We attempted to recalculate the rebate amounts disbursed to the IRS based on the reports<sup>18</sup> the Department of the Treasury received from Citibank for the period of September 2007 through March 2009. During our discussions with Citibank to determine the method used for the calculation of the rebate, the Citibank representative stated that the calculation is programmed into a Citibank mainframe computer and it is impossible to provide the formula that can be used to validate the amount of rebates.

Good internal control systems provide assurance that internal control and transactions are clearly documented and that the documentation is readily available for examination. Without this control, the IRS cannot be assured that the approximately \$3.2 million in travel card rebates received from FY 2005 through the first quarter of FY 2010 were accurate. If they are less than what they should have been, the IRS did not receive its rightful amount of rebates and taxpayers are not receiving the benefit of additional tax administration activities funded partially from rebates.

Because GSA manages the master contract that the Department of the Treasury has with Citibank, the IRS should coordinate with the Department of the Treasury to advise GSA of its concerns regarding Citibank’s failure to provide the necessary mathematical formula that will allow the IRS to recalculate and validate the rebate amounts received. The issue of unverifiable Citibank calculation of rebates has been referred to our Office of Investigations for consideration.

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<sup>16</sup> Reasonableness tests are procedures to examine the logic of accounting information.

<sup>17</sup> The Department of the Treasury reviews the Citibank monthly cycle spend reports (Departmental roll-up level) to compare the spend amount to the rebate net charge volume amount provided separately by Citibank.

<sup>18</sup> GSA SmartPay Refund by Bureau analysis reports items such as net credit volume, sales rebate, productivity refund, and net refund.



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## **Recommendations**

**Recommendation 3:** The Chief Financial Officer should coordinate with the Department of the Treasury acquisition representatives to work with Citibank in obtaining the data necessary to independently verify the quarterly travel card rebate amounts. Once this is achieved, a documented policy and procedure to confirm the accuracy of the rebate amounts should be established, including a monitoring program to provide oversight and periodic reporting. The Deputy Commissioner for Operations Support should ensure the policy is implemented.

**Management's Response:** The IRS agreed with this recommendation. The AWSS has discussed the process required to validate rebate earnings with the Department of the Treasury. The IRS was informed that steps are taken to validate the Sales portion of the rebates; however, neither the Department of the Treasury nor the bureaus have the ability to validate the Productivity rebates for 100 percent accuracy. The AWSS contacted the GSA to obtain information about independent validation of rebates and was advised that it has recently contracted with an outside accounting firm to perform reviews of the rebate process. Per the GSA, the Department of the Treasury will be on the review list for FY 2011; however, validation will be performed at the Treasury level only and not by specific bureau.

**Recommendation 4:** The Chief Financial Officer should share the observations in this report with the Department of the Treasury and the IRS' Citibank contract representative at the GSA for use when negotiating the next agreement with the travel card services contractor. This will ensure that data will be provided to enable the IRS and other Department of the Treasury bureaus to independently verify the amount of rebates due to the agency.

**Management's Response:** The IRS agreed with this recommendation. The IRS' inability to independently validate rebates has been shared by the AWSS with the Department of the Treasury and the GSA Office of Charge Card Management. The GSA has agreed to incorporate the Department of the Treasury in the contracted rebate audits planned for FY 2011. The AWSS will utilize any audit findings made available by the GSA and the Department of the Treasury to ensure the IRS maximizes rebate earnings. The AWSS will support the Department of the Treasury and GSA in the development of contractor requirements related to independent rebate validations for future contracts.

## **Travel Claims Were Not Always Timely Submitted and Approved**

Analysis of travel claims showed that about 34 percent of the travel claims in our sample were not submitted in the required 5 business days after the completion of travel, but only about 8 percent were not timely approved. As a result of delays in filing travel claims, the subsequent reimbursement to Citibank is also delayed, potentially causing the IRS to risk not maximizing travel card rebates. Specifically, the productivity portion of the rebate is based on timely



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payment of the travel card balance on the monthly statement. As a result, delays in reimbursements may delay when travel card balances are paid, which may reduce rebates.<sup>19</sup>

We randomly selected a sample of 89 travel claims processed through the GovTrip system between May 2008 and August 2009 to determine whether the travel claims were timely submitted and timely approved.

**Timeliness of submitting travel claims**

According to the Internal Revenue Manual on travel regulations, at the conclusion of the business travel, the traveler is required to prepare and submit a travel claim through GovTrip within 5 business days after the official travel has ended.<sup>20</sup>

We found that 30 (34 percent) of the 89 travel claims were not filed within the required 5 business days of the completion of travel. We did not review the potential cause of the untimeliness in this review; however, this issue will be included in a future audit of the travel card program.<sup>21</sup> Figure 1 provides details on the number of business days it took for the IRS employees to file their travel claims after the conclusion of the travel period.

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<sup>19</sup> For example, if the travel period was at the beginning of the monthly statement cycle and the travel claim was not timely filed and approved, there would not be a negative reduction of the productivity rebate if the travel claim was paid before the monthly statement was issued. Conversely, if the travel period was toward the end of the monthly statement cycle or crossed over into the next statement cycle, even if the travel claim was timely filed and approved, the productivity rebate would be unavoidably lessened because the travel claim would not be paid until after the monthly statement was issued.

<sup>20</sup> Internal Revenue Manual 1.32.1.8 (2) states: “You must submit your travel voucher within 5 working days after completion of the trip.” However, if the traveler is in continuous travel status (traveling 30 days or more with no return to duty station or residence), he or she is required to file a travel voucher once every 30 calendar days. We did not analyze the data to identify if any in our sample were continuous travelers.

<sup>21</sup> There may be several reasons why a traveler did not file within 5 business days: continuous travel, annual or sick leave immediately after a travel period, or another travel assignment immediately after the prior travel period. We did not test to determine if any of the travelers in the sample encountered any of these situations.



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**Figure 1: Time Taken to Submit Travel Claims**

<b>Business Days to Submit Travel Claim</b>	<b>Number of Timely Travel Claims</b>	<b>Number of Untimely Travel Claims</b>	<b>Percent</b>
0 – 5	59		66.3%
6 – 10		20	22.5%
11 – 15		7	7.9%
16 – 35		3	3.4%
Total number of travel claims reviewed = 89			
Number of untimely travel claims		30	33.7%

Source: IRS Integrated Financial System travel data.

**Timeliness of approving travel claims**

After employees file their GovTrip travel claims, the travel system will automatically send an email notification to the employee’s supervisor to alert them that a travel claim is awaiting their review and approval. We researched the IRS travel procedures and guidance to determine the number of business days the approving official has to approve a travel claim and did not find any guidance that clearly specified the requirements. However, the IRS’ Travel Services management referred us to the Official IRS Travel Guide<sup>22</sup> and explained that they interpreted this guidance to imply that the approving officials have 7 calendar days to approve a travel claim. We believe this guidance does not clearly define the number of calendar days for approving a travel claim and should be updated to specify the time allowed to approve a travel claim.

Our analysis of the 89 travel claims revealed that 7 (8 percent) of the 89 travel claims were not approved timely (within the implied 7 calendar days). These 7 travel claims were approved between 8 and 26 calendar days from the travel claim submission date. Figure 2 details the number of calendar days it took for the IRS approving official to approve the travel claims.

<sup>22</sup> IRM 1.32.1.8 (14), Official IRS Travel Guide, provides “The IRS must notify you within 7 calendar days after receipt of the travel claim and must provide the reasons why the travel claim is not proper.”



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**Figure 2: Time Taken to Approve Travel Claim**

Calendar Days to Approve Travel Claim	Number of Timely Travel Claims	Number of Untimely Travel Claims	Percent
0 – 7	82		92.1%
8 – 10		4	4.5%
11 – 15		2	2.2%
16 – 30		1	1.1%
Total number of travel claims reviewed = 89			
Number of travel claims approved after 7 calendar days		7	7.9%

Source: IRS Integrated Financial System Travel Card Data.

Although two-thirds of the travel claims in our sample were submitted timely and the majority were approved timely, the need still exists to ensure the timeliness of filing and approving travel claims. This can be accomplished by providing periodic reminders to IRS travelers and managers and by advising them why it is important to handle travel claims timely. It is an important part of IRS employees’ responsibility to appropriately manage this financial responsibility. In addition, maximizing rebates is important because rebates funded by Citibank are returned to the IRS’ operating budget.

### **Recommendation**

**Recommendation 5:** The Chief Financial Officer should: 1) issue an IRS-wide memorandum reminding employees of the time requirements for filing and approving travel claims and 2) revise the Internal Revenue Manual to clarify the time period allowed for approving travel claims.

**Management’s Response:** The IRS agreed with this recommendation and will take the following actions: 1) the Chief Financial Officer will communicate through the appropriate mechanism the time requirement for approving travel claims and 2) the Chief Financial Officer will include the time requirement for approving travel claims in its revision to the travel Internal Revenue Manual.



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## ***The New Citibank Contract and Increased Controls Have Significantly Increased Rebates***

### **The new Citibank contract resulted in significantly increased rebate amounts**

The November 2008 SmartPay2 contract with Citibank that contained higher basis points and an additional type of rebate for individual travel account cards,<sup>23</sup> along with the split-disbursement option<sup>24</sup> in GovTrip, collectively resulted in a significant increase in the rebate amounts. Under the prior contract, the Citibank quarterly rebates ranged from about \$25,000 to \$150,000 during FYs 2007 and 2008. In FY 2009, when both the new contract and the split disbursement were in effect, the rebates doubled over the course of that year. Prior to FY 2009, the rebates averaged approximately \$62,000. Furthermore, in the first quarter of FY 2010, rebates dramatically increased to over \$1 million for just that quarter alone.<sup>25</sup>

Features of the SmartPay2 contract that created a substantial increase in the rebates were:

- Sales rebate basis points increased from 8 to 78.5 (approximately a tenfold increase).
- A productivity rebate was added for the individual travel account.

During FY 2009, the IRS completed its migration to GovTrip as its new automated travel system. This system provided a split-disbursement option that allowed Citibank to be paid directly from the IRS when travel claims were paid. According to Treasury Directive 74-12, *Use of Government Contractor-Issued Travel Charge Cards*, bureaus and offices must use the mandatory split-disbursement option within GovTrip for certain travel related expenses. The split-disbursement requirement ensures that at least part of each travel reimbursement payment reaches Citibank quicker than would have been the case under the previous IRS travel system. Prior to the implementation of GovTrip, the IRS reimbursed the traveler and the traveler paid Citibank after he or she received the travel card statement. In analyzing the sample of 89 IRS GovTrip travel claims, we found that 100 percent of the travelers appropriately used the split-disbursement option to pay Citibank directly.

While we could not quantify the actual amounts of split-disbursement payments that were made before the monthly statements were issued and therefore how much of the increase in rebates was due to the split-disbursement feature, Citibank did receive payments quicker. What is clear

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<sup>23</sup> Central travel accounts received productivity rebates under SmartPay1.

<sup>24</sup> GovTrip automatically sets the default for certain travel expenses (such as airline tickets, lodging, and car rental) to be paid directly to Citibank rather than to the traveler. The traveler has the ability to manually change this option for any travel expenses.

<sup>25</sup> Appendix VI provides details of travel card rebates and the net charge volume attributable to the IRS' travel card expenditures from FY 2007 through the first quarter of FY 2010.



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is that the split-disbursement feature and the increase in sales basis points greatly contributed to the IRS' ability to maximize travel card rebates.

**Controls for past-due travel accounts helped reduce travel card account delinquencies**

The IRS' efforts to identify past-due accounts that would soon become delinquent and the use of automated notifications to travelers have been effective in minimizing the number of delinquent travel card accounts, a factor in positively influencing IRS rebate amounts. Accounts become past due when a balance remains unpaid for a period of 31 to 60 calendar days, and are considered delinquent 61 calendar days after the closing date of the Citibank monthly statement. In a FY 2002 Treasury Inspector General for Tax Administration (TIGTA) audit report,<sup>26</sup> the TIGTA found that the IRS travel card coordinators were not promptly notifying managers of employees who had not timely paid their travel card bills. Therefore, managers were not able to take corrective actions against employees to help promote prompt employee payments and obtain higher Citibank rebates.

In July 2005, the IRS centralized its travel card program responsibilities from the individual business units to the AWSS function's CCS Branch. As a result of the centralization, the CCS Branch began conducting analyses of Citibank reports of past-due and delinquent accounts. In April 2007, the CCS Branch began sending notices to travelers and their respective managers to remind them to pay past-due amounts before they reached delinquent account status. The IRS decided in July 2007 to only send the notices to the travelers and discontinued the notices to the travelers' managers.

These past-due notices have had a positive effect in preventing travel card holder accounts from becoming delinquent. As a result of these notices, the number of cardholders that received a past-due notice and subsequently became delinquent decreased from 170 (3 percent) of 6,276 travel cardholders in FY 2008 to 162 (2 percent) of 8,053 travel cardholders in FY 2009.

Although the IRS' past-due notice procedures have been effective in reducing the number of cardholder accounts reaching delinquent status, some IRS employee travel accounts were still charged off. From September 2007 through March 2009, 134 IRS employee accounts were charged off for a total of approximately \$290,000, which also reduced the amount of IRS rebates because rebates are not earned on delinquent accounts. When IRS employees fail to pay their individual travel card balances and travel cards become delinquent or are suspended, it reflects poorly on the IRS and its responsibility to operate with high levels of integrity and accountability.

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<sup>26</sup> *The Travel Charge Card Program's Controls Could Be Enhanced* (Reference Number 2002-10-183, dated September 23, 2002).



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**Controls were strengthened and central travel accounts were timely paid**

The IRS' internal controls helped ensure it met the 30-day requirement<sup>27</sup> for timely payment of central travel account monthly statements. With central travel accounts, employees do not submit individual claims for common carrier transportation expenditures. Instead, the transportation expenditures are shown on the monthly statements for each central travel account. For the central account monthly statements, CCS Branch staffs are responsible for ensuring each travel expense on the monthly statement is authorized and correct, monitoring and reviewing the activity on the central travel account monthly statement, and verifying that funds are available prior to forwarding the monthly statement to the IRS' finance center for payment to Citibank.

Our review of the monthly statements for the central travel accounts from October 2007 through April 2009 determined that less than 1 percent were not timely paid. We reviewed the IRS' reconciliation payment tracking documents and Citibank records of central travel account payments and found that the CCS Branch is timely reconciling and certifying the monthly central travel account statements and timely forwarding the certified reconciled statements to the IRS' finance center. We examined all 834 central travel account payments totaling \$4.8 million that were made during our audit period. Of those 834 payments, we found only 2 (0.2 percent) that were not timely paid<sup>28</sup> according to the requirements of the Prompt Payment Act; i.e., 30 calendar days from the date the IRS received the central travel account statement from Citibank.

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<sup>27</sup> P.L. 97-177, 5 CFR Part 1315 § 1315.4 (Prompt Payment Act Section 1315.4, Prompt payment standards and required notices to vendors, paragraph (g) iv.). The Prompt Payment Act requires that agencies pay invoices within 30 days.

<sup>28</sup> One payment was 2 calendar days late and the other was 26 calendar days late.



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## **Appendix I**

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

The overall objective of this review was to determine whether the IRS has effective internal controls to ensure that Citibank travel card rebates<sup>1</sup> are maximized, accurate, and properly allocated. To achieve this objective, we:

- I. Obtained an overall understanding of the IRS' policies, procedures, and controls that affect travel card program rebates.
  - A. Interviewed the appropriate CCS Branch personnel.
  - B. Contacted personnel at the Department of the Treasury to obtain an overall understanding of their involvement, roles, and responsibilities and of the procedures they follow to help ensure that the IRS receives the proper amount of rebates from Citibank.
  - C. Reviewed the contract between the GSA and Citibank and the task order issued for the Department of the Treasury to identify the rebate terms. We contacted IRS and Citibank personnel to understand the definitions of the rebate terms.
- II. Determined whether the IRS and the Department of the Treasury's verification procedures are effective for ensuring that the IRS receives the appropriate travel card rebate amounts.
  - A. Attempted to use the travel card transactions data obtained from the Citibank Custom Reporting System<sup>2</sup> to recalculate and compare to the Department of the Treasury's reports of rebates paid to the IRS for the period September 1, 2007, to March 31, 2009.
  - B. Assessed the reliability of Citibank's computer-processed travel card data and determined whether the data is sufficiently reliable to use for audit tests.
- III. Determined whether the IRS' internal controls effectively maximized the travel card rebate amounts.
  - A. Selected a random sample of 89 individual travel claims from 92,562 filed in GovTrip from September 5, 2007, through August 28, 2009. We obtained information about

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<sup>1</sup> A rebate is a monetary payment provided by credit card contractors to agencies based on either dollar volume spent or timeliness and frequency of payments to the contractor.

<sup>2</sup> The Citibank Custom Reporting System provides a listing of all attributes, metrics, and filters to produce queries and reports.



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- payments for these travel claims from the Integrated Financial System<sup>3</sup> to determine when the travel claims were paid. A random sample was used as a method in which each member of the population has an equal chance of being selected, thereby ensuring no bias is used in the sample selection.
- B. Determined whether the IRS' controls are effective to ensure reconciliation and timely payments of central travel account statement balances.
  - C. Reviewed 834 Citibank central account payments to identify the number of days from the statement date to the date Citibank was paid.
  - D. Determined the amount and frequency of the IRS' individual travel account and central travel account delinquent accounts and charge-offs/write-offs and the potential effect, if any, on the rebates.
- IV. Identified the quarterly travel card rebate amounts received in FYs 2007–2009 and the first quarter of FY 2010 and prepared a chart to identify any unusual increases or decreases.
- V. Determined whether the IRS allocated and used the rebate amounts in accordance with all applicable policies and procedures.
- VI. Followed up on the FY 2002 TIGTA<sup>4</sup> audit recommendations related to travel card rebates to determine whether corrective actions were sufficient to fully address the audit findings.

**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 the following internal controls were relevant to our audit objective: the IRS' policies, procedures, and controls to ensure the IRS receives the proper amount of rebates from Citibank, maximizes rebates, and properly allocates the rebates received. We evaluated these internal controls by: 1) interviewing management; 2) reviewing a sample of GovTrip individual travel claims, including the filing, approval, and payment of each travel claim; and 3) reviewing all central travel account payments during our audit time period.

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<sup>3</sup> The Integrated Financial System is a single integrated financial system that connects the agency's accounting, performance, budgeting, and procurement functions.

<sup>4</sup> *The Travel Charge Card Program's Controls Could Be Enhanced* (Reference Number 2002-10-183, dated September 23, 2002).



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## **Appendix II**

### *Major Contributors to This Report*

Nancy A. Nakamura, Assistant Inspector General for Audit (Management Services and Exempt Organizations)  
Alicia P. Mrozowski, Director  
Doris J. Hynes, Acting Audit Manager  
Michelle Philpott, Audit Manager  
Gene A. Luevano, Lead Auditor  
David P. Robben, Senior Auditor  
Ahmed M. Tobaa, Senior Auditor  
Steve E. Holmes, Auditor



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## **Appendix III**

### *Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Chief, Agency-Wide Shared Services OS:A  
Chief Financial Officer OS:CFO  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Employee Support Services OS:A:ESS  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:COIC:IC  
Audit Liaisons:  
    Chief, Agency-Wide Shared Services OS:A  
    Senior Technical Advisor, Agency-Wide Shared Services Audit & Inspection Liaison  
    OS:A



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## Appendix IV

### *Outcome Measures*

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

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

- Cost Savings, Funds Put to Better Use – Actual; \$3,161,592 in travel card rebates<sup>1</sup> were not disbursed to the correct appropriation<sup>2</sup> accounts for operational needs for the period FY 2005 through the first quarter of FY 2010 (see page 5).

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

We reviewed applicable Federal guidance (OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs, and the Misappropriations Act)<sup>3</sup> to determine how travel card rebates should be disbursed. We interviewed IRS program officials to determine the IRS' use and allocation of the travel card rebates and requested IRS policies and procedures that govern these practices. We analyzed the amount of quarterly travel card rebates received, the amount of quarterly travel card expenditures by appropriation, and the amount and distribution of the quarterly rebates.

The Circular requires that rebates be returned to the appropriation account(s) from which the travel card expenditures were originally charged. We found that the IRS did not properly distribute rebates of \$3,161,592 back to the 5 IRS appropriation accounts. The AWSS function retained the majority of the rebates even though the IRS' travel expenditures were funded from all five appropriation accounts. The IRS advised us that it interpreted the Circular as supporting its retention of the rebates within the AWSS function to cover the costs of the Employee Support Services programs and operations because they believed this was a legitimate purpose. However, this resulted in a misappropriation of rebate funds received from Citibank.

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<sup>1</sup> A rebate is a monetary payment provided by credit card contractors to agencies based on either dollar volume spent or timeliness and frequency of payments to the contractor.

<sup>2</sup> An appropriation is a provision of law authorizing the expenditure of funds for a given purpose and to incur obligations.

<sup>3</sup> U.S.C. Title 31 Section 1301.



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**Type and Value of Outcome Measure:**

- Reliability of Information – Actual; \$3,161,592 in rebate amounts that could not be independently validated to ensure accuracy (see page 7).

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

We interviewed IRS program officials and Department of the Treasury representatives to determine the verification process used to ensure the correct amount of rebates was paid by Citibank. We interviewed Citibank representatives to determine the methodology to calculate the rebates. We reviewed applicable Federal guidance (OMB Circular A-123) to determine the agency's responsibility to ensure the proper management of rebates.

We found that the IRS did not attempt to verify whether the rebates received from Citibank were accurate and we determined that Citibank currently does not provide any data that would allow the IRS to accomplish this verification. Without this control, the IRS has no assurance that the \$3,161,592 in travel card rebates received from FY 2005 through the first quarter of FY 2010 was accurate.



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## **Appendix V**

### *Excerpt From Office of Management and Budget Circular A-123, Appendix B*

OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs, specifically states that the goal of this guidance is to maximize the benefits to the Federal Government when using Government charge cards to pay for goods and services by, for example:

- Improving financial, administrative, and other benefits offered to the Government by Government charge card providers and other entities, including maximizing rebates<sup>1</sup> where appropriate.
- Ensuring effective controls are in place to mitigate fraud, misuse, and delinquency.
- Reducing administrative costs and time for purchasing and paying for goods and services.

To drive down costs while ensuring that charge card programs effectively support the agency mission and financial controls, charge card managers must strive to:

- Utilize proper cash management decision-making to maximize agency sales productivity rebates or Government-wide interest income earned by the Department of the Treasury as the situation determines.
- Employ the necessary internal controls to identify and collect corrective rebates.<sup>2</sup>

In order to ensure that agencies are in the best position to maximize sales and productivity rebates, charge card managers must:

- Ensure on-time payments and appropriate card use by employing the processes and tools identified in the Guidance.
- Initiate internal controls to ensure that appropriate charge card use is maximized.

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<sup>1</sup> A rebate is a monetary payment provided by credit card contractors to agencies based on either dollar volume spent or timeliness and frequency of payments to the contractor.

<sup>2</sup> Corrective rebates are payments from the charge card vendor to the agency to correct improper or erroneous payments or an invoice adjustment.



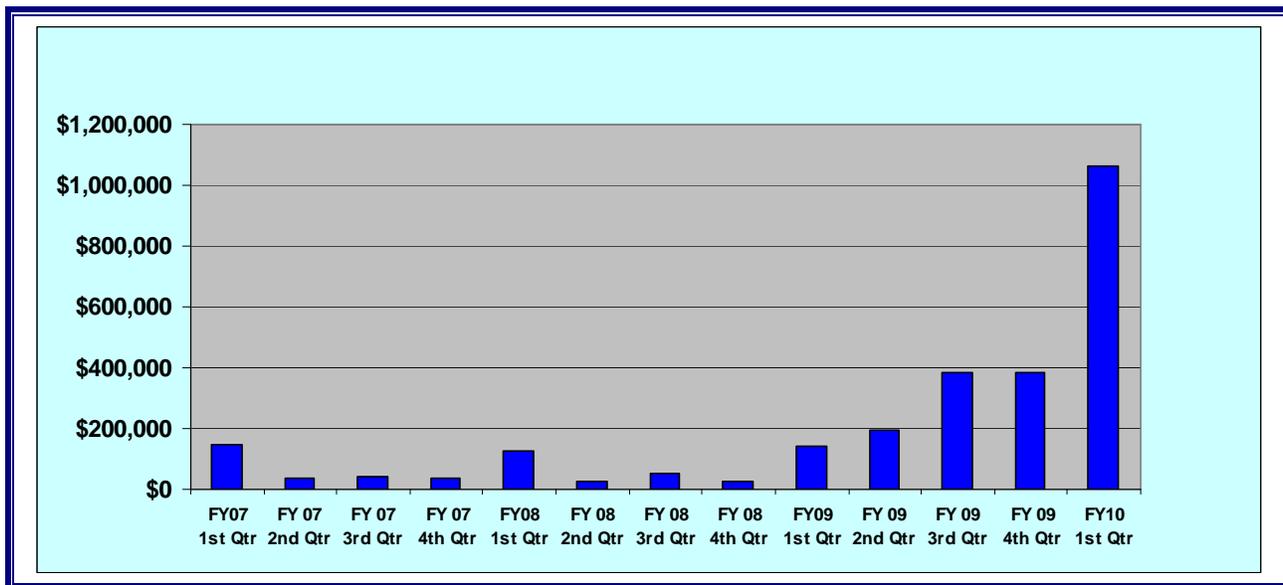
*Although Citibank Travel Rebates Have Significantly Increased, They Were Not Properly Allocated, Resulting in the Misappropriation of Funds*

**Appendix VI**

*Internal Revenue Service Travel Card Rebates<sup>1</sup> and Net Charge Volumes<sup>2</sup>*

The two figures below show the amount of the IRS travel card rebates received and the travel card net charge volumes by fiscal year and quarter. Figure 1 shows that generally the highest amounts of rebates for each fiscal year were received in the first quarter of the fiscal year. In FY 2009, when both a new contract and a split-disbursement feature in the automated travel system were in effect, the rebates doubled over the course of that year. Prior to FY 2009, the rebates averaged approximately \$62,000. Furthermore, in the first quarter of FY 2010, rebates dramatically increased to over \$1 million for just that quarter alone.

**Figure 1: Travel Card Rebates**



Source: Department of the Treasury GSA SmartPay Refunds by Bureau report.

<sup>1</sup> A rebate is a monetary payment provided by credit card contractors to agencies based on either dollar volume spent or timeliness and frequency of payments to the contractor.

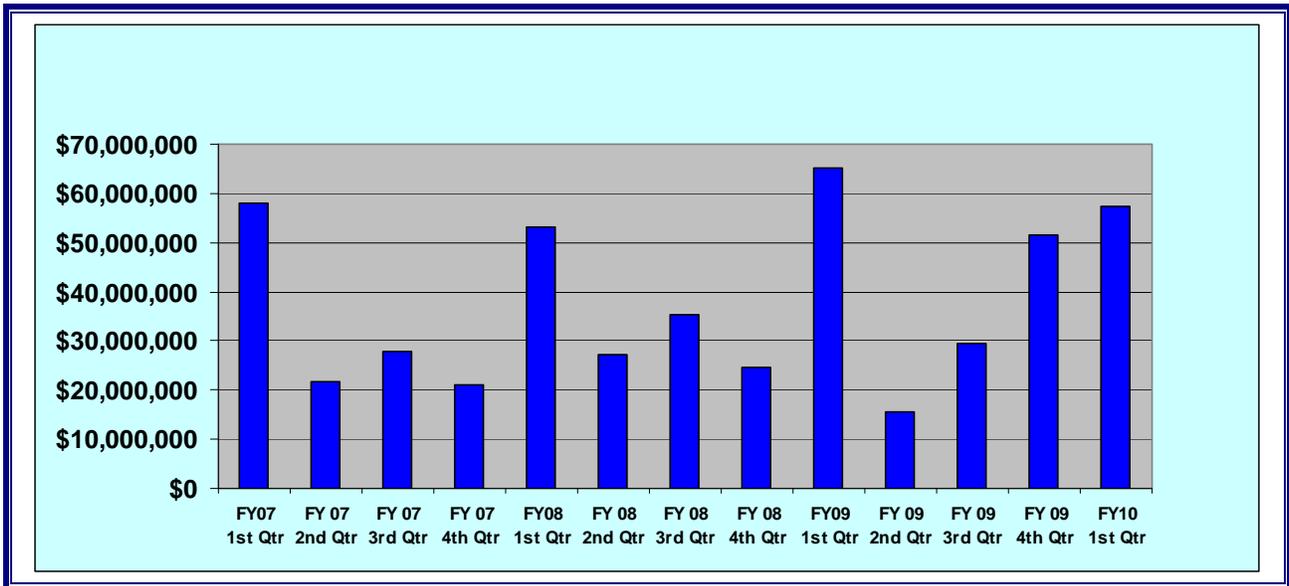
<sup>2</sup> Net Charge Volume is the sum of all travel expenditures, including Travelers Checks, convenience checks, automated teller machine, and other fee-generating products/services less merchant credits (return of goods or services).



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Figure 2 shows that the IRS' travel expenditures were greater in the first quarter of each fiscal year. Because net charge volumes are used in the calculation of rebates, the resulting rebates also were higher in the first quarter of each fiscal year.

**Figure 2: Travel Card Net Charge Volume**



Source: Department of the Treasury GSA SmartPay Refunds by Bureau report.



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**Appendix VII**

*Management's Response to the Draft Report*



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

RECEIVED  
SEP 10 2010  
BY: ...MAY...

September 10, 2010

MEMORANDUM FOR MICHAEL R. PHILLIPS  
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: David A. Grant *David A. Grant*  
Chief, Agency-Wide Shared Services

SUBJECT: Final Audit Report – Although Citibank Travel Rebates Have  
Significantly Increased, They Were Not Properly Allocated  
Resulting in Misappropriation of Funds (Audit #200910034)

Thank you for the opportunity to respond to the final version of the subject audit report. The report was conducted to determine the Internal Revenue Service's (IRS) apportionment methodology for rebates from Citibank. Our response to the five recommendations is attached. However, after reviewing this Draft Final Report, we disagree with all references to the use of the phrase, *Misappropriation of Funds*, in the report title and throughout the Final Audit Report. Rather, the accurate description is *misallocation of funds*, and the phrase *Resulting in the Misappropriation of Funds* should be deleted in its entirety.

TIGTA's continued use of the term *misappropriated* is inaccurate because *misappropriated* means the deliberate and unauthorized use of funds, which is clearly not the case in this situation. Agency-Wide Shared Services (AWSS) received the rebate in the form of a check and placed the funds in the Operations Support account to defray the costs of the credit card program. If Operations Support were to charge the cost of the program to the business units on a pro rata basis, the outcome would be the same. Therefore, we do not consider this a violation of the Purpose Statute in U.S. Code, Title 31, Section 1301(a), as indicated in your report.

In accordance with OMB Circular A-123, Appendix B, IRS has changed its method of allocating the rebates, and effective January 2010, IRS is distributing the rebates to the business units for which the rebates were generated.

We appreciate your continued support and the valuable assistance and guidance your team provides. If you have any questions, please contact me or a member of your staff



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may contact Mary Beth Murphy, Director, Employee Support Services at (202) 283-7784. For matters concerning audit follow-up, please contact Larry Pugh, Office of Strategy and Finance, Agency-Wide Shared Services, at (202) 622-4541.

Attachment



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**RECOMMENDATION #1:** The Chief Financial Officer should establish and implement policies and procedures that are in compliance with the Circular to ensure travel card rebates are distributed to the appropriation against which the expenditures were originally charged. The IRS should also determine how the rebates will be further distributed below the appropriation account level.

**CORRECTIVE ACTION:** We agree with this recommendation and will take the following actions:

1. CFO is incorporating guidance into the FY 2011 Financial Operating Guidelines to outline the proper procedure for charging travel card rebates to appropriations in compliance with the Circular.
2. Agency-Wide Shared Services (AWSS) and CFO have already developed a procedure to distribute the rebate, which was in effect for most of FY 2010. AWSS is working with CFO to develop a formal Standard Operating Procedure (SOP) that describes the procedures for quarterly Citibank Rebates distribution. The procedure as outlined in the SOP will be followed for FY 2011.
3. CFO will continue to work with business unit budget offices to ensure fund control procedures are followed and the integrity of each appropriated account is maintained. The established guidelines and procedures will be reviewed on a regular basis to ensure that they are current.

**IMPLEMENTATION DATE:** (Action 1) February 15, 2011; (Action 2) January 1, 2011; (Action 3) January 1, 2011

**RESPONSIBLE OFFICIAL:** (Action 1) Associate CFO for Corporate Budget; (Action 2) Director, Employee Support Services, Agency-Wide Shared Services; (Action 3) Associate CFO for Corporate Budget

**CORRECTIVE ACTION MONITORING PLAN:** Timely implementation of this action will be monitored in Treasury's Joint Audit Management Enterprise System (JAMES).

**RECOMMENDATION #2:** The Deputy Commissioner for Operations Support should institute an oversight program, including periodic reviews, to ensure the new policies and procedures were implemented and that future travel card rebates are properly distributed.

**CORRECTIVE ACTION:** We agree with this recommendation. The Agency-Wide Shared Services Office of Strategy and Finance, an independent organization reporting directly to the Chief, AWSS, will develop procedures and conduct periodic reviews to monitor the distribution of rebate monies.



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**IMPLEMENTATION DATE:** January 1, 2011

**RESPONSIBLE OFFICIAL:** Director, Office of Strategy and Finance, Agency-Wide Shared Services

**CORRECTIVE ACTION MONITORING PLAN:** Timely implementation of this action will be monitored in Treasury's Joint Audit Management Enterprise System (JAMES).

**RECOMMENDATION #3:** The Chief Financial-Officer should coordinate with the Department of the Treasury acquisition representatives to work with Citibank in obtaining the data necessary to independently verify the quarterly travel card rebate amounts. Once this is achieved, a documented policy and procedure to confirm the accuracy of the rebate amounts should be established, including a monitoring program to provide oversight and periodic reporting. The Deputy Commissioner for Operations Support should ensure the policy is implemented.

**CORRECTIVE ACTION:** We agree with this recommendation. AWSS has discussed the process required to validate rebate earnings with the Treasury Department. We were informed that steps are taken to validate, to the extent possible, the Sales portion of the rebates; however, neither the Treasury Department nor the bureaus have the ability to validate the Productivity rebates for 100% accuracy. AWSS contacted the General Services Administration (GSA) to obtain information about independent validation of rebates and was advised that they have recently contracted with an outside accounting firm, Deloitte and Touche, to perform reviews of the rebate process. Per GSA, Treasury will be on the review list for FY2011; however, validation will be performed at the Treasury level only and not by specific bureau.

**IMPLEMENTATION DATE:** Completed

**RESPONSIBLE OFFICIAL:** Director, Employee Support Services, Agency-Wide Shared Services

**CORRECTIVE ACTION MONITORING PLAN:** NA

**RECOMMENDATION #4:** The Chief Financial Officer should share the observations in this report with the Department of the Treasury and the IRS' Citibank contract representative at the GSA for use when negotiating the next agreement with the travel card services contractor. This will ensure that data will be provided to enable the IRS and other Department of the Treasury bureaus to independently verify the amount of rebates due to the agency.



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**CORRECTIVE ACTION:** We agree with this recommendation. The IRS' inability to independently validate rebates has been shared by AWSS with Treasury and the GSA Office of Charge Card Management. GSA has agreed to incorporate Treasury in the contracted rebate audits planned for FY2011. However, as stated in our response to Recommendation #3, validation will be performed at the Treasury level only and not by specific bureau. AWSS will utilize any audit findings made available by GSA and Treasury to ensure IRS maximizes rebate earnings. AWSS will support Treasury and GSA in the development of contractor requirements related to independent rebate validations for future contracts.

**IMPLEMENTATION DATE:** Completed

**RESPONSIBLE OFFICIAL:** Director, Employee Support Services, Agency-Wide Shared Services

**CORRECTIVE ACTION MONITORING PLAN:** NA

**RECOMMENDATION #5:** The Chief Financial Officer should: 1) issue an IRS-wide memorandum reminding employees of the time requirements for filing and approving travel claims and 2) revise the Internal Revenue Manual to clarify the time period allowed for approving travel claims.

**CORRECTIVE ACTION:** We agree with this recommendation and will take the following actions:

1. CFO will communicate through the appropriate mechanism the time requirement for approving travel claims.
2. CFO will include the time requirement for approving travel claims in its revision to the travel Internal Revenue Manual.

**IMPLEMENTATION DATE:** (Action 1) June 30, 2011 (Action 2) June 30, 2011

**RESPONSIBLE OFFICIAL:** The Associate Chief Financial Officer for Internal Financial Management

**CORRECTIVE ACTION MONITORING PLAN:** Timely implementation of this action will be monitored in Treasury's Joint Audit Management Enterprise System (JAMES).