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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

CIVIL DIVISION

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APR 2 9 1969

Dear Mr. Preston:

We have reviewed selected administrative operations and related financial transactions of the National Office, Internal Revenue Service (IRS), Treasury Department, through fiscal year 1967.

Our examination was directed toward an evaluation of administrative procedures and internal controls relating to the disbursement of funds, primarily for the settlement of accounts of accountable officers, and included such tests of financial transactions as we deemed appropriate. Program operations were not included in our review.

The selected administrative operations and financial transactions we reviewed were generally handled in a satisfactory manner. We noted, however, certain deficiencies in controls over travel which might establish improper precedents in the handling of travel matters. We noted also some erroneous overpayments which were discussed with responsible officials who took or promised to take appropriate corrective action. We believe that the corrective action taken or promised on the matters disclosed by our review should strengthen controls over travel administration; therefore, we are making no recommendations in this report.

The more significant deficiencies are presented below for your information.

CONTROLS OVER TRAVEL AND
IMPROVEMENTS NEEDED THEREIN

Each official in IRS who is authorized to approve travel vouchers is required to perform an administrative review of the voucher to determine that the travel was necessary and was performed as directed. He is also responsible for assuring that expenses claimed by employees for travel are adequately justified.

During fiscal year 1967, the Fiscal Management Division preaudited all vouchers amounting to $100 or more before they were certified for payment. All vouchers under $100 were preaudited on a statistical sample basis.

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We reviewed 346 travel vouchers submitted by 81 employees during fiscal year 1967. These vouchers totaled over $40,000 and included both preaudited and unaudited vouchers. Our review disclosed deficiencies in both preaudited and unaudited vouchers in that (1) unusual expenditures were not adequately justified on some vouchers, (2) reimbursement was made to employees for unallowable personal expenses, and (3) a rental car was used in lieu of a less costly General Services Administration (GSA) vehicle.

Unusual expenditures should be adequately justified on vouchers

The IRS Travel Handbook states that it is the responsibility of those who authorize and approve travel vouchers to ascertain that the travel voucher contains adequate justification for the use of first-class air travel and for actual subsistence higher than and in lieu of per diem before vouchers are certified for payment. The handbook implements Standardized Government Travel Regulations (SGTR) contained in Bureau of the Budget Circular A-7, as revised effective March 1, 1965. The SGTR states that agencies will prescribe conditions under which reimbursement may be authorized for actual subsistence in lieu of per diem and specifies conditions under which first-class air travel may be used.

We found 13 instances in which fiscal year 1967 travel vouchers were reviewed and certified for payment even though the vouchers, in our opinion, did not have adequate justification for the traveler's use of first-class air service. For example, we found five round trips from Washington, D.C., to San Francisco, California, made in first-class accommodations, and the only justification given was the performance of official work enroute. There was no explanation as to why it was necessary to perform official work enroute or the nature thereof.

We noted that, during fiscal year 1967, 14 employees made 46 trips for which subsistence was paid on an actual expense basis. We found that the vouchers for seven of these trips contained adequate justification. Of the remainder, the vouchers for 35 trips, in our opinion, had inadequate justification and four had no justification at all.

One of the 35 vouchers which contained inadequate justification for the reimbursement of actual expenses concerned a trip to Atlanta, Georgia, by a National Office official, who indicated on the voucher that unusually high hotel costs necessitated the claiming of actual expenses. There was no indication on the voucher as to why it was necessary to use a higher-priced hotel.

The Fiscal Management Officer issued a memorandum on March 9, 1967, requesting that adequate justification be provided when vouchers are submitted on an actual expense basis. However, we noted that vouchers submitted on an actual expense basis on 11 trips made during fiscal year 1968 by three of the 14 employees whose vouchers we had reviewed for fiscal year 1967 did not, in our opinion, contain adequate justification.

We discussed these matters with the Fiscal Management Officer and were advised that a letter would be written requesting additional justification for the use of first-class air travel when the reasons given on the voucher appeared inadequate. We were advised also that the IRS Travel Handbook would be revised to require that both the nature of the trip and the unusual circumstances necessitating actual expense would be stated on the voucher. We believe that, if effectively implemented, these actions will reasonably assure that unusual expenditures are adequately justified on travel vouchers.

<u>Reimbursement for voluntary return during temporary duty should be at lowest cost</u>

The SGTR, section 6.4, states that, in cases of voluntary return of a traveler for nonworkdays to his official duty station, the maximum reimbursement allowable for the round-trip transportation and per diem enroute will be the travel expense which would have been allowable had the traveler remained at his temporary duty station.

We noted that two travelers voluntarily returned to their homes from a temporary duty station in Arizona over the Christmas holiday in December 1966, at a cost of $407.60 to the Government over and above the cost of per diem had they remained in Arizona. We found no evidence that offical duties were performed by these travelers while they were away from their temporary duty station in Arizona at Government expense.

We brought this matter to the attention of the Chief, Accounting Branch. He advised that approval for payment of the transportation costs was made through administrative error and that $186.80 was collected from one traveler and that action will be taken to collect the remaining $220.80 from the other traveler.

<u>GSA vehicles should be used in lieu of commercial car rentals</u>

The SGTR, section 3.4., states that the hire of an automobile will be allowed if authorized or approved as advantageous to the Government whenever the employee is engaged on official business within or outside his designated post of duty.

We noted that the Director, National Computer Center, rented a car for trips between Martinsburg, West Virginia, and Washington D.C., on official business during fiscal year 1967 and 9 months of fiscal year 1968 at a cost of $1,931.78. We were advised that a car was obtained from a car rental agency because there was a lack of adequate common carrier transportation between the two points. We believe that adequate consideration was not given to the lower cost which would have been incurred had a GSA car been used. We estimate that a GSA car would have cost only about $920 if used during the same period of time.

After we brought this matter to the attention of the Fiscal Management Division we were advised that a GSA car has been requisitioned for use by the Director, National Computer Center.

IMBALANCE IN TRAVEL ADVANCE ACCOUNT

In 1966, the Internal Audit Division discovered an imbalance in the travel advance account amounting to about $2,100. On the basis of subsequent analyses of travel vouchers, travel advance records, and other related records by the internal auditors and Accounting Branch personnel, such imbalance was reduced by about $1,200. The Fiscal Management Division eventually wrote off from the travel advance account the remaining $900 imbalance because such advances could not be identified with specific travelers and could not be collected through means available to the Division.

We were advised by the Chief, Operations Branch, Internal Audit Division, that the Internal Audit Division did not agree with the action taken by the Fiscal Management Division because they believe the Fiscal Management Division should determine whether there was an accountable officer and whether relief from loss should be requested from the General Accounting Office. We were advised by the Chief, Accounting Branch, that an accountable officer could not be determined.

We have reviewed the records retained by the Fiscal Management Division on this matter. In view of the efforts by Fiscal Management Division to resolve the problem and the corrective action taken to improve controls over the travel advance account, we believe that the write-off of the remaining imbalance was appropriate under the circumstances.

ADVANCE LISTING OF RANDOM NUMBERS FOR STATISTICAL SAMPLING

Section 48.2 of Title 3 of the General Accounting Office Policy and Procedures Manual for the Guidance of Federal Agencies states that statistical sampling requires random selection of vouchers for the sample audit.

At the time of our review, an advance listing of the random numbers for the selection of vouchers under $100 for audit was included in internal instructions. We believe that the advance listing of random numbers could result in the manipulation in the assignment of voucher numbers to avoid audit of particular vouchers.

We discussed this matter with Fiscal Management Division officials who informed us that numbers would be assigned to vouchers by an employee not involved in the processing thereof as they arrived in the Fiscal Section.

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In accordance with section 13 of Title 8 of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, the records of financial transactions through June 30, 1967, may be transferred to the Federal Records Center for storage.

Please advise us of any additional action taken on the matters discussed in this report.

We wish to acknowledge the courtesies and cooperation extended to our representatives during the review.

Sincerely yours,

Max A. Neuwirth

Max A. Neuwirth
Associate Director

Mr. Edward F. Preston
Assistant Commissioner (Administration)
Internal Revenue Service
Treasury Department