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October 14, 2011

IRS Workers Use $80 Million in Credit

Over the last one and a half years, IRS staff with government-paid credit cards made more than 174,000 purchases worth more than $80 million. This was according to the results of a recent study by the Treasury Inspector General for Tax Administration (TIGTA). The report, based on records of transactions between September 1, 2007 and March 31, 2009, concluded that the IRS needs to improve its control over government spending using credit cards.

It has been a practice of the IRS to issue credit cards to some of its employees to make purchases of less than $3,000. These purchases are meant to be for items such as office supplies and training. On the other hand, the Federal Acquisition Regulation does not allow high cost purchases to be made neither should any employee charge these purchases to their cards in multiple smaller amounts. Cardholders are also required to seek approval for purchases and verify that funding is available prior to using the credit cards. But during the period reviewed by the study, the 4,270 IRS cardholders made many purchases without proper approvals and verifications of funding.

Furthermore, the TIGTA report revealed that 2,955 purchases were seemingly split into two or more transactions to lower them to within purchase limits and purchases were made from improper sources. As a result, TIGTA Inspector General J. Russell George said, “The IRS must develop the controls necessary to ensure that improper and abusive purchases do not occur, that any such transactions are promptly detected, and that appropriate corrective actions are taken.”

One of the recommendations the TIGTA made to the IRS was to enforce the regulation that split-purchase transactions by its cardholders will not be permitted under any circumstances. Another recommendation was for the IRS to control purchases made with cards more closely and develop and implement guidelines for determining an appropriate span of control for approving officials.

The TIGTA said that it was imperative that management controls be more effectively enforced, as present applicable laws and regulations are insufficient in ensuring that improper and abusive purchases do not occur. On top of that, if and when such purchases do take place, the IRS cannot detect them and take appropriate corrective action quickly enough.

In response, the IRS says it agrees with the TIGTA's recommendations, and have promptly changed their reviews of split-purchase transactions and expanded oversight reviews to include the use of contract vendors and preferred sources. The IRS also intends to provide guidelines on oversight and enforcement responsibilities, develop examples and instances that constitute a split purchase, review the potential split purchases that were highlighted by TIGTA in its report and develop a policy concerning the current span of control on purchase cards.