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Report to the Chairman, Subcommittee on Federal Services, Post Office and Civil Service, Committee on Governmental Affairs, U.S. Senate

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TAX ADMINISTRATION

Information on IRS Executive Relocations and Travel Matters

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The Honorable David H. Pryor
Chairman, Subcommittee on Federal Services,
Post Office and Civil Service
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This report responds to your request for information on certain aspects of the Internal Revenue Service's (IRS) travel and transportation activities. Specifically, we obtained information on frequency and costs associated with recent relocations of IRS executives. We also reviewed whether IRS considered less costly alternatives to long-term travel and IRS' procedures for selecting meeting and conference sites, particularly at nongovernmental locations. In addition, we looked at IRS' efforts to encourage use of modern technology to reduce travel costs.

Results in Brief

In the 3-year period ending September 1992, there were 122 IRS executive relocations at a cost estimated by the IRS Chief Financial Officer of about $60,000 each. IRS executive assignments, including relocations, are made by the Commissioner upon advice by IRS' Executive Resources Board. Relocations are made to meet immediate management needs and to develop a qualified corps of executives to meet future needs.

IRS procedures require consideration of lower cost alternatives for long-term travel associated with temporary duty assignments exceeding 2 months. IRS does not centrally maintain long-term travel data, since authority to approve such assignments is dispersed among many IRS units throughout the organization. We reviewed long-term travel assignments made at four IRS offices during fiscal year 1992, In these cases, officials who authorized the travel said that less costly alternatives were considered.

Our review of a judgmental sample of 67 meetings and conferences held at nongovernmental facilities during fiscal year 1992 showed that the site selections, for the most part, generally met federal requirements that were in effect at that time. In 1993, IRS revised its procedures on selection of meeting and conference sites to restrict the use of nongovernmental facilities for these activities. The revisions responded, in part, to recommendations from the Department of the Treasury Inspector General

(IG) that were based on a conclusion that IRS was not adequately managing the selection of nongovernmental facilities for such activities.

IRS has encouraged the use of modern technology to reduce travel costs and estimated that IRS saved nearly $3 million in travel expenses from January through July 1993 by using videoconferencing. IRS officials said IRS continues to assess its strategies to take advantage of emerging telecommunications technology.

Background

IRS is a highly decentralized organization with 85 percent of its 116,000 staff located in field offices throughout the nation—in 7 regional offices, 63 district offices, 2 computing centers, and 10 service centers. Each regional office is provided a travel budget, which is disseminated to district offices and service centers under a regional financial plan. In turn, each district office and service center manages its own travel budget.

In most cases, records to support travel expenses (for any purpose—e.g., operations, training, or relocation) would be located in the office authorizing the expenditure. Generally, this would be at the regional office for field staff or at the Office of Financial Operations for National Office staff. When a relocation is involved, the office to which the employee relocates would maintain the travel records.

For fiscal year 1992, IRS travel and moving expenses constituted about 2.4 percent of the total IRS budget or about $162 million of the $6.8 billion budget. This budget provides funds for (1) travel in support of IRS operations, (2) travel for training purposes, and (3) costs of employee relocations. Table 1 shows the total travel and moving expenses for the 3-year period from fiscal year 1990 through 1992.

Table 1: Total Travel and Moving Expenses, IRS Fiscal Years 1990-1992

Dollars in millions

Moving/travel expenses	1990	1991	1992	Total
Operating travel	$ 90.0	$107.8	$104.0	**$301.8**
Training travel	30.6	44.5	34.2	**109.3**
Moving expenses	26.6	35.7	23.6	**85.9**
Total travel and moving expenses	**$147.2**	**$188.0**	**$161.8**	**$497.0**

Source: IRS Office of Budget Execution.

Objectives, Scope, and Methodology

The objectives of our review were to examine selected IRS relocation and travel activities during fiscal years 1990 through 1992, particularly

- the frequency and costs of recent IRS relocations of executives,
- the long-term travel costs and procedures for selecting meeting and conference sites, and
- the uses of modern technologies to reduce travel costs.

To meet our first objective, we obtained data on executive relocation activity from the Office of Executive Support, Human Resources Division, the Assistant Commissioner (Human Resources and Support). These data included policies, IRS studies, and a complete listing of all executive positions held by current IRS executives as of May 1993 and the duration and location of prior executive cadre assignments. We also discussed the executive development program with the Chief Financial Officer.

We obtained information on travel and relocation costs and associated policies and regulations from the Budget Division and the Office of Systems and Accounting Standards Division, the Assistant Commissioner (Finance) Controller. We obtained the latest available data for 3 years, fiscal years 1990 through 1992. We focused on obtaining readily available data, but we found that specific data on individual relocations were not readily or centrally available. Thus, we selected a small, nonrepresentative sample of six executives who relocated during the review period. We compiled relocation cost data for these six executives on the basis of information provided by IRS' Office of Systems and Accounting Standards Division.

Our selection process was designed to ensure that the executive case studies chosen for our review would (1) include some high-cost relocations and (2) differ with regard to the length of time the executives were in the executive service and the number of relocations they made. We randomly selected two executives from a group of executives who had the highest annual relocation contract costs during the review period. This group collectively accounted for about 25 percent of the total relocation contract expenses incurred during fiscal years 1990 through 1992. We also randomly selected one executive from each of four other groups: (1) executives newly selected into the executive service who had moved once, (2) executives newly selected into the executive service who had moved more than once, (3) executives who entered the executive service before 1990 who had moved once, and (4) executives who entered the executive service before 1990 who had moved more than once.

Complete data for IRS' expenditures on long-term travel and meetings and conferences were not readily available because these data are maintained in the units managing these activities. Because of resource limitations and the availability of our staff, we selected four locations to review records relating to these travel costs: (1) the Albany, New York District Office; (2) the North Atlantic Regional Office in New York City, New York; (3) the Office of Chief Counsel (Legal Services and Appeals) in Washington, D.C.; and (4) the Washington, D.C. National Office. At these offices, we interviewed officials on IRS' consideration of alternatives to long-term travel, reviewed records on site selection for meetings and conferences held at nongovernmental locations, and examined the use of modern technology. We also obtained related data on long-term travel from the Brookhaven, New York Service Center. We compared the activities examined with applicable regulations.

We reviewed our previous reports and obtained available, related government or private studies regarding relocations, travel, and associated topics. We reviewed related reports of internal audit by IRS and Treasury.

We performed our review in accordance with generally accepted government auditing standards from March through November 1993.

Executive Relocations

As of April 1993, 301 executive positions were authorized within IRS—247 in the Senior Executive Service and 54 GS-15 executives. More than 60 percent of these positions (187 positions) are located in IRS field offices, with the remainder in its National Office.

The Executive Resources Board manages the development of IRS' executives. The Board is composed of the Deputy Commissioner; the Chief of Management and Administration; and one rotating member from the IRS senior executives, currently the Chief of Taxpayer Services. The Board is responsible for making recommendations to the Commissioner for promotion and reassignment of executives, including relocations. The Board recommends candidates for the Senior Executive Service to the Commissioner. According to IRS officials, the new executives' initial assignments routinely require relocation. New executives should, in the opinion of these officials, leave the unit from which they entered the development program to obtain more diversified experience.

Executive reassignments are a product of IRS' Succession Planning System—a program for the development and assignment of executives.

Under the system, annually, the Commissioner, the Board, the regional commissioners, the assistant commissioners, and the affected executives engage in a succession planning review to (1) plan executive development and placement, (2) develop the executive cadre, and (3) forecast future executive resource needs. The Board uses this process to identify and approve a group of qualified candidates who are willing to fill specific positions, often involving a relocation. When vacancies occur, a candidate from this group can be recommended to the Commissioner for the specific position.

Factors that the Board is to consider in recommending specific executive assignments include

- the immediate needs of IRS,
- the longer term development of a broadly experienced cadre of executives through a series of diversified and increasingly responsible assignments, and
- the individual circumstances of the executives involved.

Another factor that sometimes affects assignments is the need to periodically relocate executives to ensure the appearance of impartiality in matters involving sensitive decisions that affect the taxpaying public.

Number and Frequency of Executive Relocations

Data provided by IRS' Office of Executive Support showed 122 relocations by 111 executives during fiscal years 1990 through 1992. Forty-one of these executives were relocated for their first executive assignment. Some executives relocated twice during this period, while others received reassignments that did not require a relocation. Most relocations were either from one field office to another (72 cases) or from a field office to the National Office (35 cases), as shown in table 2.

Table 2: Relocations by 111 Executives During Fiscal Years 1990 Through 1992

Assignment relocation	Number of relocations
National Office to field	15
Field to National Office	35
Field to field	72
Total	**122**

Source: IRS Office of Executive Support.

Eleven of the 111 executives moved twice during this period. Seven of these 11 officials became an executive during the 3-year period we reviewed. The longest period between relocations for these executives was 31 months and the shortest period was 13 months. (See table 3.)

Table 3: The Elapsed Time Between Relocations for 11 Executives Who Moved Twice During Fiscal Years 1990 Through 1992

	Assignment Relocation	Time between relocations (months)
Executive 1	Field to National Office	24
	National Office to field	19
Executive 2	Field to field	18
	Field to National Office	13
Executive 3	Field to field	13
	Field to National Office	29
Executive 4	Field to field	29
	Field to National Office	15
Executive 5	Field to field	[a]
	Field to field	31
Executive 6	Field to field	[a]
	Field to National Office	20
Executive 7	Field to field	[a]
	Field to National Office	20
Executive 8	Field to field	[a]
	Field to field	16
Executive 9	Field to field	[a]
	Field to field	20
Executive 10	Field to field	[a]
	Field to National Office	21
Executive 11	Field to field	[a]
	Field to National Office	16

[a]The elapsed time was not computed for these executives on their first executive relocation. These seven officials became executives during our review period.

Relocation Expenses

Expense data for all executive relocations during the 3-year period could not be readily reviewed and summarized because records for the relocations were maintained at many different locations. Travel vouchers for individual relocations were kept at the IRS office in which an executive was moved, while billing data for the transportation of household goods were kept at the General Services Administration. Development of expense information was further complicated because of limitations on the existing IRS administrative computer system and the fact that relocation payments can be made for up to 3 years after the move.

Total IRS moving expenses for the 3-year period we reviewed were about $86 million, as shown in table 1. Only total moving expenses were available, and details of executive relocations were not provided. According to IRS' Chief Financial Officer, the cost of executive relocations is estimated at an average of $60,000 each. Using this estimate, extrapolated executive relocation expenses for the 3 years under review were about $7.3 million.

We compiled relocation expenses on 8 relocations for 6 of the 111 executives who relocated during our review period. Two of these executives moved twice over the 3-year period, and we included both moves as part of our compilation. Total relocation expenses for each of these eight executive relocations ranged from $12,244 to $123,041. The largest expense category was payment for the sale of executives' homes to relocation services contractors; these payments ranged from 51 percent to 78 percent of the total spent for each relocation. According to an IRS official, in selling a home the relocating executive often uses a relocation contractor. IRS currently pays a fee to the contractor of about 25 percent of the appraised value of the executive's house. The contractor is to purchase the executive's house at the appraised value and then dispose of the house.[1] Relocation services contract payments were made in six of the eight cases. (See the summary in table 4.)

Because we judgmentally selected our sample to examine a variety of relocation costs and circumstances, these expenses are not necessarily representative of all executive relocations.

[1]IRS began using these types of services in December 1984, when the practice was first allowed throughout the federal government. Eligible employees have up to 3 years to use the relocation services contract.

Table 4: Relocation Expense Reimbursements for Six Selected Executives

	Executive							
	A	B	C	C (Move two)	D	D (Move two)	E	F
Home Sale	[a]	$7,264	[a]	[a]	[a]	[a]	[a]	[a]
Relocation services contract	[a]	[a]	21,485	32,062	39,547	33,390	63,846	88,902
Home purchase	$1,653	[a]	4,877	5,471	2,446	7,977	2,378	3,437
Temporary housing and househunting	3,758	5,359	6,763	8,781	1,092	982	12,441	12,727
Other reimbursements[b]	6,832	7,605	8,813	8,685	7,353	7,560	6,081	17,974
Total relocation reimbursements	**$12,243**	**$20,228**	**$41,938**	**$54,999**	**$50,438**	**$49,909**	**$84,746**	**$123,040**

[a]Not applicable.

[b]Includes miscellaneous expense allowance, relocation income tax allowance, en route travel, and the shipment/storage of household goods.

Source: IRS Systems and Accounting Standards Division.

The average expense of the eight relocations was $54,693. As a comparison, the Employee Relocation Council[2] reported that corporations spent an average of $46,667 in 1991 to relocate employees who owned homes (a figure that included all employees—executives and others).

Long-Term Travel

IRS defines long-term travel as travel by an employee on a temporary duty assignment for a period of time exceeding 2 months. If an employee's travel is to exceed 2 months, IRS regulations require that officials authorizing the travel consider the feasibility of either reducing the employee's per diem or permanently assigning the employee to the new location. According to the IRS Relocation Coordinator, IRS regards the 2-month period as a starting point for managers and supervisors to look at all possible cost savings. IRS officials indicated that although temporary duty assignments for 2 or 3 months may be too short a time to consider changing a duty station, permanent reassignment may be appropriate if the temporary duty is expected to exceed a year.

[2]The Council was established in 1964 as an association to represent major corporations and the relocation service industry (including government) by conducting studies of relocation practices and procedures.

IRS does not maintain central records of IRS-wide temporary duty travel expenditures, including long-term travel. Travel records are maintained by the IRS office authorizing the travel. To examine IRS management of long-term travel, we reviewed long-term travel assignments made over a period of 12 months in four IRS locations. At these locations—the North Atlantic Regional Office, the Albany District Office, the Brookhaven Service Center, and the National Office of the Chief Counsel (Legal Services and Appeals)—we found eight instances of long-term travel in fiscal year 1992. In these eight cases, officials who authorized the travel said there were no feasible alternatives to the long-term travel and that IRS had considered less costly housing arrangements.

Site Selection for Meetings and Conferences

Federal and IRS regulations require that the authorizing official ensure that several conditions are met before authorizing a meeting or conference.[3] These conditions include (1) justification for each trip; (2) authorization for the number of attendees; (3) approval by the appropriate head of office for requests where the total costs exceed $5,000; (4) justification for the use of nongovernmental facilities; and (5) cost comparisons to document certain expenditures. IRS revised the conditions in 1993 to clarify its justification requirements for selecting meeting and conference sites, partly in response to recommendations by the Department of the Treasury IG. After surveying data on site selections nationwide, the IG concluded that IRS was not adequately managing site selection and not fully complying with regulations.

To reach these conclusions, the IG reviewed data prepared by IRS from all seven IRS regions and the IRS National Office. These data identified over 64,300 meetings during the 2-year period ending June 30, 1991. More than 3,500 of these meetings were held in nongovernmental facilities. From data on these meetings, the IG reviewed 40 meetings held in off-site nongovernmental facilities. The IG found that in 28 percent of the meetings, IRS had not complied with any of the selection requirements and in 45 percent had not complied with most of the requirements. The IG found full compliance in only 2 of the 40 meetings reviewed.

To review IRS' adherence to federal requirements for authorizing meetings and conferences, we reviewed fiscal year 1992 authorization records at three IRS offices. The three offices were the Albany District Office, the

[3]The General Services Administration recently issued new federal travel regulations relating to conference planning (58 Fed. Reg. 58234, Oct. 29, 1993). These regulations implement Office of Management and Budget Bulletin 93-11 (Apr. 19, 1993), which provided policy guidance on conference site selection.

North Atlantic Regional Office, and the Office of Chief Counsel (Legal Services and Appeals). These offices are not necessarily representative of all IRS offices. During fiscal year 1992, these offices held 67 meetings and conferences at nongovernmental locations. From our review, we concluded that IRS officials had generally complied with federal requirements in most instances. About two-thirds of these meetings were for training purposes. All of the meetings were properly authorized and approved, but some of the meeting records did not meet all requirements specified in IRS regulations. For example, some did not include a list of attendees, did not consider alternative governmental facilities, or did not contain full cost comparisons.

Telecommunications Technology

Over the years, IRS has used telecommunications technology, such as speaker phones and one-way and two-way audio systems, for remote conference calls. In addition, IRS now uses newer technology, such as videoconferencing, to reduce training and travel costs. So that IRS could aggressively implement videoconferencing, Treasury directed $5 million from IRS' travel budget in fiscal year 1991 to help fund this effort.

IRS operates two separate nationwide, videoconferencing systems. "Wideband video" contains two-way audio with one-way video broadcast from the IRS National Office television studio to 63 currently operational sites simultaneously. This system began as a pilot project by the Human Resources' Training Division in September 1990 and became permanent in September 1992. IRS plans to have the wideband video system operating at 87 sites by the end of 1995. According to IRS officials, wideband videoconferencing (1) is best suited for larger groups of people; (2) is cost beneficial for broadcasts being delivered to multiple locations; and (3) serves as an excellent delivery system for conducting training, informational events, or meetings.

The other IRS videoconferencing system, "Video 2000," is a two-way audio and two-way video system started as a pilot program by IRS' Information Systems Division in fiscal year 1992. Variations of multiple site hookups can be made on this system, with two-way audio and two-way video at all sites. This system is best suited for meetings of 8 to 12 people at each location. IRS has identified several applications for Video 2000, such as large case litigation sessions; job interviews; focus group discussions; and business, work plan, or operational reviews. In October 1993, 43 sites were hooked-up to Video 2000, with plans for at least 85 sites by the end of 1995.

Although IRS has no policy regarding the use of telecommunications technology, IRS components seem to be aware of the current state of the art in this medium. IRS has encouraged the use of this technology through various informational correspondence, memoranda, and a Video 2000 Bulletin. We noted that many of IRS' functional areas and organizational units were using telecommunications technologies.

Some of the benefits IRS cited from using telecommunications technology were (1) personal contact without traveling, (2) more productive meetings, (3) a better attendance at meetings, (4) greater access to experts during meetings, and (5) timely dissemination of information. IRS also estimated cost benefits of about $2.9 million from more than 300 Video 2000 conferences held at 43 videoconferencing sites from January through July 1993. IRS compared videoconference program costs with traditional training costs in a sample of 20 of 47 training events conducted via wideband videoconferencing during fiscal years 1990 through 1993 and concluded that videoconferencing in these events had saved IRS more than $3 million. More than 60 percent ($1.9 million) of this cost benefit occurred during fiscal year 1993.

Agency Comments

On December 15, 1993, we discussed a draft of this report with IRS' Chief of Management and Administration and other IRS officials, who generally agreed with the information presented. We included suggested technical changes when appropriate.

As agreed with the Subcommittee, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from that date of this letter. At that time we will make copies available to others upon request. Major contributors to this report are listed in appendix I. If you have any questions concerning this report, please call me on (202) 512-5407.

Sincerely yours,

Jennie S. Stathis

Jennie S. Stathis
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