



OFFICE OF THE SECRETARY

Quarterly Conference Reporting Processes Need Improvement

FINAL REPORT NO. OIG 13-001-I

OCTOBER 17, 2012

U.S. Department of Commerce
Office of Inspector General
Office of Audit and Evaluation

FOR PUBLIC RELEASE





UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

October 17, 2012

MEMORANDUM FOR: Scott B. Quehl
Chief Financial Officer and Assistant Secretary for Administration

FROM: Andrew Katsaros
Assistant Inspector General for Audit

SUBJECT: *Quarterly Conference Reporting Processes Need Improvement*
Final Report Number OIG-13-001-I

Attached is the final report of our evaluation of the Department of Commerce's controls over its quarterly conference reporting. Our objective was to determine whether the Department of Commerce has established controls and provided guidance to bureaus for reporting quarterly conference data.

Our review found that, for this first conference report, the Department established initial operational processes and reporting guidance. However, these processes are still in development and need to become clearly established before the information in its periodic reports is fully reliable. We noted that the bureaus over- and under-reported costs by \$37,000 and \$70,000, respectively, and reported \$280,000 in unsupported costs. The Department also accepted bureaus' conference spending data with only a limited validation of the reported data and planning procedures, which resulted in incorrect reporting for select conferences. The Department needs to address these concerns to ensure the reliability of conference data in future submissions; our report offers recommendations for addressing these concerns.

In accordance with Department Administrative Order 213-5, please provide us with an action plan within 60 calendar days of the date of this memorandum.

We appreciate the assistance and courtesies extended to us by your staff during the review. If you have any questions about this report, please contact me at (202) 482-7859 or Patty McBarnette, Director, Financial Statement Audits, at (202) 482-3391.

cc: Lisa Casias, Deputy Chief Financial Officer and Director for Financial Management
MaryAnn Mausser, Audit Liaison
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Report In Brief

OCTOBER 17, 2012

Background

In fiscal year (FY) 2012, the Department of Commerce received an appropriations provision in the Consolidated and Further Continuing Appropriations Act, 2012 (P.L. 112-55) requiring it to submit to the Office of Inspector General (OIG) quarterly reports on the costs and contracting procedures related to FY 2012 Departmental conferences for which the government's costs exceeded \$20,000.

In the Department's first conference spending report to OIG, five bureaus—including the Census Bureau, International Trade Administration, National Oceanic and Atmospheric Administration, National Telecommunications and Information Administration, and U.S. Patent and Trademark Office USPTO—reported 24 conferences, totaling over \$1.7 million, in the first quarter of FY 2012.

Why We Did This Review

In March 2012, the Department submitted its first quarter conference report to OIG, along with a summary of its report validation process and an explanation of ongoing improvements to conference reporting guidance. In April, we initiated an evaluation of the conference reporting process; our objective was to determine whether the Department of Commerce has established controls and provided guidance to bureaus for reporting quarterly conference data.

We limited the scope of our evaluation to processes for reporting the Department's conference data for the first quarter FY 2012—October 1, 2011, through December 31, 2011.

OFFICE OF THE SECRETARY

Quarterly Conference Reporting Processes Need Improvement

OIG-13-001-I

WHAT WE FOUND

Our review found that, for this first conference report, the Department established initial operational processes and reporting guidance. However, these processes are still in development and need to become clearly established before the information in its periodic reports is fully reliable. We noted that:

- The bureaus over- and under-reported costs by \$37,000 and \$70,000, respectively, and reported \$280,000 in unsupported costs.
- The Department accepted bureaus' conference spending data with only a limited validation of the reported data and planning procedures, which resulted in incorrect reporting for select conferences.

The Department needs to address these concerns to ensure the reliability of conference data in future submissions.

WHAT WE RECOMMEND

We recommend that the Director of the Office of Administrative Services:

1. Strengthen operating policy to ensure bureaus accurately report actual conference spending data, identify estimated costs, and provide updates to these estimates when actual costs become available.
2. Require bureaus to maintain supporting documentation for costs incurred, planning considerations, and decision justifications.
3. Acquire assurances from bureaus that all required conferences are included in the quarterly report.
4. Provide training to ensure clear understanding of developed policies, documentation requirements, and the conference spending data report process.
5. Develop a process to examine questionable costs and document results.
6. Conduct and document tests of the reasonableness of second quarter FY 2012 conference expenditure data provided by the bureaus.
7. Review bureau procedures for planning conferences and selecting facilities to ensure compliance with Departmental policies and procedures.

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*COVER: Detail of fisheries pediment,
U.S. Department of Commerce headquarters,
by sculptor James Earle Fraser, 1934*

Introduction

In fiscal year (FY) 2012, the Department of Commerce received an appropriations provision¹ requiring it to submit to the Office of Inspector General (OIG) quarterly reports on the costs and contracting procedures related to FY 2012 Departmental conferences for which the government's costs exceeded \$20,000.

The Department's Office of Financial Management (OFM) was the lead office responsible for gathering the bureaus' data and submitting the first quarterly report. Accordingly, OFM developed and issued standardized conference policies and procedures to ensure bureaus' compliance with the Federal Travel Regulation (FTR), 41 Code of Federal Regulations (CFR) parts 300–304, which governs federal conferences and meetings. FTR requires agencies to (a) plan conferences using a cost-effective approach, (b) document planning decisions and justifications, and (c) properly account for costs.² In October 2011, OFM requested that bureaus certify their adherence to required conference policies and procedures, including using proper controls to mitigate the risks of inappropriate conference spending.

In January 2012, OFM asked all bureaus for conference data—including, but not limited to:

- Detailed statements of bureaus' conference-related costs, including food and beverages, audio–visual services, and travel; and
- Descriptions of the contracting procedures related to the conferences.

In the Department's first conference spending report to OIG, five bureaus—including the Census Bureau, International Trade Administration (ITA), National Oceanic and Atmospheric Administration (NOAA), National Telecommunications and Information Administration (NTIA), and U.S. Patent and Trademark Office (USPTO)—reported 24 conferences, totaling over \$1.7 million, in the first quarter of FY 2012. Though not specifically required by the appropriations provision, OFM sampled 13 of the 24 reported conferences for a high-level validation, which amounted to a reasonableness review of the reported conference spending data prior to providing the conference report to OIG. In March 2012, the Department submitted its first quarter conference report to OIG, along with a summary of its report validation process and an explanation of ongoing improvements to conference reporting guidance.

In April 2012, we initiated an evaluation of the conference reporting process; our objective was to determine whether the Department of Commerce has established controls and provided guidance to bureaus for reporting quarterly conference data. Looking only at processes for reporting first quarter FY 2012 conference data, we (a) assessed the Department's policies and procedures for the oversight of conference procurement and management; (b) examined the Department's requirements—and the communication of those requirements to bureaus—for reporting quarterly conference data; and (c) evaluated bureaus' reporting and the Department's report validation process. See appendix A for details regarding our objectives, scope, and methodology.

¹ The Consolidated and Further Continuing Appropriations Act, 2012 (P.L. 112-55).

² 41 CFR pt. 301-74.

Our review found that, for this first conference report, the Department established initial operational processes and reporting guidance. However, these processes are still in development and need to become clearly established before the information in its periodic reports is fully reliable. We noted that the bureaus over- and under-reported costs by \$37,000 and \$70,000, respectively, and reported \$280,000 in unsupported costs. The Department also accepted bureaus' conference spending data with only a limited validation of the reported data and planning procedures, which resulted in incorrect reporting for select conferences. The Department needs to address these concerns to ensure the reliability of conference data in future submissions.

OFM has since submitted the second quarter conference report to OIG, on June 1, 2012, after which the Department has made significant changes to the reporting process. The Department then transferred oversight of the quarterly conference reporting process from OFM to the Office of Administrative Services (OAS) for the third quarter. Additionally, the Department is now implementing a number of process improvements, including updating relevant conference policies and procedures and requiring specified levels of management review and pre-approval. The Department has also updated its conference planning checklist, clarified relevant terms including "conference expense," and placed new emphasis on reporting actual conference costs. Department leadership appears committed to strengthening the processes and controls surrounding bureau conference activities, as well as to implementing the requirements of OMB Memorandum M-12-12 related to promoting efficient spending on travel, conferences, real property, and fleet management.

Findings and Recommendations

I. The Conference Data Report Included Inaccurate Information

The bureaus' first quarter conference spending data incorrectly reported certain costs. At the time OFM collected the data, the Department had not fully developed policies or processes associated with its quarterly conference spending submissions. The documentation supporting the reported costs showed that bureaus both over- and under-reported costs in some instances, while providing estimates in lieu of actual costs in others. As a result, the Departmental report contained a variety of inaccurate conference spending information.

A. Bureaus Over- and Under-Reported Some Conference Costs

Two of the five bureaus reporting conferences in the first quarter over-reported some conference costs by a combined total of approximately \$37,000 and under-reported other costs by more than \$70,000, as illustrated in table I (below).

Table I. Summary of Over- and Under-Reported Conference Costs with Documented Support in FY 2012 First Quarter Report

Cost Description	Amount Over-Reported	Amount Under-Reported	Net
Audio-Visual	\$1,500	\$0	\$1,500
Food and Beverage	\$7	\$0	\$7
Lodging	\$1,615	-\$14,685	-\$13,070
Meals and Incidental Expenses (M&IE)	\$460	-\$8,982	-\$8,522
Other Costs	\$20,456	-\$5,670	\$14,786
Conference Planner	\$0	-\$3,655	-\$3,655
Transportation	\$8,459	-\$36,221	-\$27,762
Travel	\$4,756	-\$1,560	\$3,196
TOTAL	\$37,253	-\$70,773	-\$33,520

Source: Bureau documentation supporting conference costs

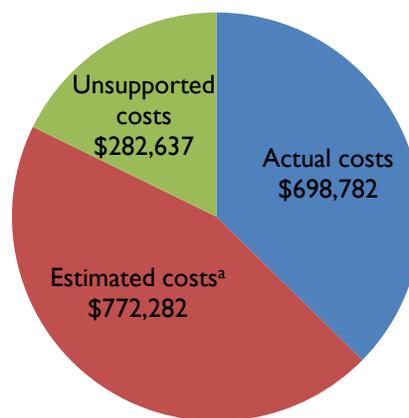
The remaining three bureaus reporting conferences in the first quarter did not produce reviewable travel voucher or vendor invoice support for more than \$280,000 of the reported conference costs. Because these unsupported costs were primarily for M&IE, transportation, and lodging costs—which were the costs we most frequently identified

as misreported—we believe there is potential for additional reporting discrepancies in first quarter conference spending data.

B. Bureaus Often Reported Estimated Conference Costs Instead of Actual Costs

We also noted that bureaus more often reported estimated costs, as developed during conference planning, than the actual costs requested by OFM. Our review of all 24 conferences showed that, of the more than \$1.7 million in reported conference costs, bureaus reported only \$700,000 based on actual costs, with \$772,000 (44 percent) based on estimated amounts (see figure 1 below). These estimated costs, when combined with unsupported costs, account for more than 60 percent of reported conference spending data for the first quarter of FY 2012.

Figure 1. Costs Included in the First Quarterly Conference Report



Source: OFM's first quarter conference report validation files and bureau documentation

^a Estimated costs include some budgeted conference expenditures for which partial support was available but insufficient to fully support an individual line item of the spending report.

Some bureaus stated that they provided estimated costs rather than obtaining and compiling actual costs because not all actual expenses are available immediately or at the close of a quarter. One bureau stated that it might not receive invoices for several months or, in rare instances, years following the conclusion of a conference. This occurred in four instances when invoices were not available at the time the spending report was prepared. However, we identified many more instances where actual cost data was available at the bureaus but not submitted.

II. The Department Did Not Complete a Thorough Review of the Conference Data

OFM's validation of first quarter conference spending data was a review for reasonableness and relied on the estimated costs reported by the bureaus in lieu of the required actual costs. OFM reviewed only a limited amount of documentation supporting the bureau conference costs.

A. The Department's Validation Methods Allowed for Estimated Costs

OFM's approach to validating information in the first quarter conference spending report included selecting samples, requesting and reviewing supporting documentation, and validating the reported conference spending data. After we discovered reporting discrepancies, OFM officials informed us that it did not plan to fully confirm each cost or perform a complete review of conference spending data when it prepared for its validation. This level of oversight, it asserted, would have been prohibitive due to limited time and resources. Instead, OFM performed reasonableness tests and accepted costs that appeared appropriate. Department officials also told us that, because there is no process in place to ensure that bureaus reported all conferences held during the period or that they reported on all required conference spending information, OFM accepted the information provided by the bureaus as complete.

The Department justified using budgeted or estimated amounts for the conference report for two reasons. First, according to Department officials, bureaus do not receive conference invoices for international procurements for up to a year following the conclusion of a conference. Second, bureau estimates of individually reported costs were generally determined to be accurate within 5 percent of actual costs. However, we did not find sufficient support for these determinations as they related to first quarter conference spending. For instance, the reporting of estimated costs was not limited to the nine reported international conferences; bureaus provided estimates for 21 of the 24 conferences. Further, our review of bureau support for conference spending showed that estimated costs were often over- or under-stated compared to the confirmed actual costs. For example, one bureau reported estimated costs for interpreters at one particular conference as \$66,000 while we confirmed the actual costs to be \$51,890.

B. The Department Reviewed Limited Conference Documentation

P.L. 112-55 requires the Department to provide a description of the conference subject, the number of conference attendees, a detailed statement of conference costs, and a description of the conference planning procedures. Our review determined that, for 69 percent of the conferences, OFM did not confirm the number and types of participants, federal or non-federal, attending the conferences. Further, for 75 percent of the conferences, the OFM did not obtain documentation supporting the bureaus' reported attendees' travel and M&IE costs. This prompted particular concern when our review noted questionable travel cost data provided by the bureaus. While the bureaus produced some documentation showing that these costs were approved—including premium class travel for medical reasons—and OFM officials acknowledged inquiring about these costs, we believe OFM should maintain more substantial bureau response and approval documentation to more fully support review efforts. The lack of supporting travel documentation also prevented OFM from confirming whether attendees properly discounted costs from their M&IE when conferences included meals,

as required by FTR.³ Consequently, the Department did not ensure that bureaus properly accounted for their use of government funds.

OFM's review of first quarter conference spending also did not include a review of the bureaus' conference planning or procurement processes. Although the report required a description of conference planning procedures, our review noted that bureaus provided limited conference planning information. We found that bureaus did not disclose cost comparisons for four of the six conferences with contracted services. In addition, we found that bureaus did not include justifications for the use of nonfederal facilities. One bureau reported holding a conference solely at a federal facility, while its reported costs included a dinner at a nonfederal facility. Another bureau's conference planning documents included costs that required specific justification and approval. While these costs were approved, a separate justification was neither documented on an approval form nor identified as a necessary part of an official entertainment or representation program. These issues highlight the need for the Department to enhance its current review process by analyzing bureau conference planning and procurement descriptions, collecting more information about bureau decisions, and obtaining supporting documentation as needed, especially as it deploys the new process. As the Department establishes its process, the Department can reassess its approach to reviews of bureau documentation.

Recommendations

We recommend that the Director of OAS:

1. Strengthen operating policy to ensure bureaus accurately report actual conference spending data, identify estimated costs, and provide updates to these estimates when actual costs become available.
2. Require bureaus to maintain supporting documentation for costs incurred, planning considerations, and decision justifications.
3. Acquire assurances from bureaus that all required conferences are included in the quarterly report.
4. Provide training to ensure clear understanding of developed policies, documentation requirements, and the conference spending data report process.
5. Develop a process to examine questionable costs and document results.
6. Conduct and document tests of the reasonableness of second quarter FY 2012 conference expenditure data provided by the bureaus.
7. Review bureau procedures for planning conferences and selecting facilities to ensure compliance with Departmental policies and procedures.

³ 41 CFR § 301-74.21.

Summary of Agency and OIG Comments

In responding to our draft report, the Department concurred with all of our recommendations and outlined its perspective on the report's findings and actions already taken to strengthen controls over conference spending. The Department stated that it welcomes all opportunities for improving its policies, processes, and procedures to maintain strong internal controls. Overall, the Department believes that the first conference report complied with the Consolidated and Further Continuing Appropriations Act, 2012.

We appreciate all the efforts made by the Department to strengthen the oversight of conference and reporting requirements and expect the prompt publication of the updated comprehensive conference policy. As the Department continues to improve its policies, process, and procedures, we stress the importance of the bureaus reporting supported, actual conferencing costs and taking measures to ensure the reliability of data reported to OIG.

Appendix A: Objectives, Scope, and Methodology

The objective of this evaluation was to determine whether the Department has established controls and provided guidance to bureaus for reporting quarterly conference data. The scope was limited to the processes for reporting the Department's conference data for the first quarter fiscal year (FY) 2012—October 1, 2011, through December 31, 2011.

For this review, we:

- Reviewed the Department's policies and procedures for the oversight of conference procurement and management to determine whether the Department has established satisfactory policies and procedures to monitor and manage conferences.
- Examined the Department's requirements for reporting quarterly conference spending data, as well as the communication of those procedures to bureaus, to determine whether the Department established sufficient guidance on reporting conference spending data and clearly communicated those requirements to bureaus.
- Evaluated the documentation supporting costs reported in the Department's conference spending data for the first quarter of FY 2012 and reviewed documentation supporting the Department's report validation process.
- Interviewed officials and obtained documentation from bureaus providing reporting information: the Office of Financial Management, Census Bureau, International Trade Administration, National Oceanic and Atmospheric Administration, National Telecommunications and Information Administration, and U.S. Patent and Trademark Office.

We conducted this review from April through July 2012, under the authorities of the Inspector General Act of 1978, as amended, and Departmental Organization Order 10-13, dated August 31, 2006, as amended. The review was conducted in accordance with the *Quality Standards for Inspection and Evaluation* (January 2011) issued by the Council of the Inspectors General on Integrity and Efficiency.

Appendix B: Potential Monetary Benefits

Potential Monetary Benefits		
	Questioned Costs	Funds Put to Better Use
Unsupported costs	\$ 282,637	\$ 0

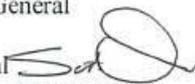
Appendix C: Agency Response



UNITED STATES DEPARTMENT OF COMMERCE
 Chief Financial Officer and
 Assistant Secretary for Administration
 Washington, D.C. 20230

OCT 04 2012

MEMORANDUM FOR Todd J. Zinser
 Inspector General

FROM: Scott Quehl 
 Chief Financial Officer and
 Assistant Secretary for Administration

SUBJECT: Response to the August 31, 2012, OIG Draft Report on Quarterly
 Conference Reporting

We appreciate the opportunity to review and comment on the draft report on quarterly conference reporting. The Department is committed to being good stewards of taxpayer dollars, including in our implementation of conferences that help further Commerce's mission to help businesses create American jobs and strengthen the economy. We welcome all opportunities for improving our policies, processes and procedures to maintain strong internal controls and reporting structures and agree with the recommendations provided in the report. We were pleased that your review did not identify any findings related to the misuse of Government funds. We would like to take this opportunity to offer our perspectives regarding the scope and outcomes in the report and also inform the Office of Inspector General (OIG) of the many actions we have already taken to strengthen our controls over conference spending.

We believe the Department's first quarter conference report submitted to the OIG was in compliance with the requirements of the Consolidated and Further Continuing Appropriations Act of 2012. Although the Act does not make a distinction between reporting actual versus estimated costs, we will explore the OIG concerns on the type of cost estimates used in the report along with the impact of waiting for actual costs before we report on conferences. We appreciate the suggestions from the OIG on areas meriting the application of a full audit of data, and will use these recommendations to build upon the reasonableness tests we applied to the first quarter information the bureaus provided.

The Department plans to cover reviews of conference costs under its established OMB required A-123 internal control assessment program. Reviewing sample conference cost data through the A-123 assessment aligns the testing of these controls with the testing of all other Departmental financial internal controls. Since OMB guidance (Memorandum M-12-12) has expanded the definition for conferences and thus increased the universe of conferences to be reviewed, the Department decided to leverage contractor support to more expeditiously review internal controls over the FY 2012 conference data.

Since the beginning of FY 2012, the Department has continued to enhance its controls around conference spending. On October 21, 2011, the Department issued conference policy so that all bureaus would have one set of written policies with which to comply. The initial policy addressed funding, conference planning and spending, travel, and food, and included a "Conference Planning Checklist."

In May 2012, OMB issued Memorandum M-12-12, “Promoting Efficient Spending to Support Agency Operations.” The Department immediately enhanced its initial policies to address implementation of the Memorandum through issuance of “Summary Guidance for Conference Review and Approval” to ensure Headquarters, operating units and sub-units complied with all requirements of the Memorandum. Additionally, the Department implemented a more comprehensive and stringent review and pre-approval process for the conferences it sponsors, co-sponsors or hosts than was required by the Memorandum. This Summary Guidance included templates and detailed instructions for requesting conference pre-approval and quarterly reporting. In addition to initial training sessions with Bureau representatives, training on policies and procedures, including reporting, is scheduled for all appropriate personnel in November.

The Department has continued to refine its policy guidance and has a comprehensive policy circulating for final review, approval and publication. Commerce’s processes and procedures are designed to ensure that any events directly support mission achievement in a cost-conscious and responsible manner. Moreover, the Department will continue to consider methods for strengthening policies and revising conference reporting requirements and templates, factoring in the recommendations provided in the OIG report.

cc: Fred Stephens
Lisa Casias
Mary Pleffner

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