



NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

Manufacturing Extension Partnership Incurred Avoidable Conference Costs

FINAL REPORT NO. OIG-14-013-A
FEBRUARY 21, 2014

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

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February 21, 2014

MEMORANDUM FOR: Phillip Singerman
Acting Director
National Institute of Standards and Technology
Manufacturing Extension Partnership

A handwritten signature in black ink, appearing to read "Andrew Katsaros".

FROM: Andrew Katsaros
Assistant Inspector General for Audit

SUBJECT: *Manufacturing Extension Partnership Incurred Avoidable
Conference Costs*
Final Report No. OIG-14-013-A

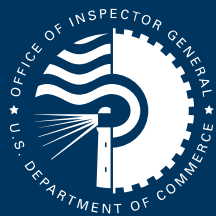
Attached is our final report on our audit of National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership (MEP) conference spending. Our objectives were to develop a reasonable cost estimate of the 2012 NIST-MEP annual conference held in Orlando and determine the legitimacy and reasonableness of travel costs for major conferences in fiscal years 2011 and 2012. We concluded that:

- An estimated \$1.1 million in federal dollars was spent at the 2012 Orlando conference.
- The NIST-MEP event planner retained concessions and benefits for the May 2012 conference that could have been used to reduce the government's conference cost.
- The NIST-MEP event planner raised funds to pay for an evening reception by selling sponsorships in exchange for conference attendee lists and logo branding opportunities on conference materials; none of the sponsorship fees were used to reduce the cost of the conference to the federal government.
- The NIST-MEP event planner retained and/or spent \$236,341 in sponsorship fees, commissions, concessions, and excess registration fees instead of returning these funds and benefits to the government.
- NIST-MEP management agreed to room rates for government attendees that exceeded allowable maximum conference lodging rates in order to standardize rates for government and nongovernment attendees.
- NIST-MEP did not sufficiently process travel claims to guard against waste.

The final report will be posted on OIG's website pursuant to section 8L of the Inspector General Act of 1978, as amended.

In accordance with Department Administrative Order 213-5, please provide us with your action plan within 60 days of the date of this memorandum. We appreciate the assistance and courtesies extended to us by the Department and NIST-MEP. If you have any questions about this report, please contact me at (202) 482-7859 or Ken Stagner, Denver Regional Inspector General for Audits, at (303) 312-7650.

Attachment



Report In Brief

FEBRUARY 21, 2014

Background

The NIST Manufacturing Extension Partnership (MEP) program is a network of technical experts and business advisers who work with small and mid-sized U.S. manufacturers, helping these businesses identify growth opportunities. NIST-MEP, which funds approximately 60 MEP centers across the United States, focuses on five critical areas: technology acceleration; supplier development; sustainability; workforce; and continuous improvement of manufacturing processes, products, and services.

Since 2006, NIST MEP has hosted an annual conference in Orlando to help MEP Centers learn about the latest tools, services, best practices, and strategies to advance the innovation and competitiveness of their clients. In addition, the annual conference is intended to provide attendees the opportunity to connect directly with manufacturers.

Why We Did This Review

Over the past few years, reports have surfaced regarding excessive federal government conference spending, with related activities and expenses that are considered wasteful. Members of Congress from California, Florida, and Maine raised concerns following an allegation in the press that \$3–5 million in federal funds were spent at the May 2012 Manufacturing Innovation Event at the Marriott World Center Resort in Orlando. There was also concern that NIST-MEP requires individual MEP Centers to participate in the annual conference as part of the cooperative agreement terms and conditions, without offering Center attendees the discretion to refuse attending.

This audit responds to U.S. Senator Susan Collins' July 20, 2012, request to review allegations about the NIST-MEP conference spending over the last 2 years, particularly the amount spent on the May 2012 Orlando conference. Our audit's objectives were to (a) develop a reasonable cost estimate for the 2012 NIST-MEP annual conference held in Orlando and (b) determine the legitimacy and reasonableness of travel costs for major NIST-MEP conferences in fiscal years (FYs) 2011 and 2012.

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

Manufacturing Extension Partnership Incurred Avoidable Conference Costs

OIG-14-013-A

WHAT WE FOUND

Federal conference costs are estimated at \$1.1 million. This included the total amount spent by NIST-MEP, an estimate of other agencies' costs, and estimated federal cost share amounts for attending representatives of MEP Centers. Upon receipt of all final invoices and billings related to the conference, we calculated the NIST-MEP share of this amount to be almost \$710,000.

MEP Center attendees were not required to attend conferences. We determined that 51 of 56 MEP Center leaders do not think their Centers are required to participate in the annual conferences.

Hotel costs included unnecessary concessions in the contract. The event planner retained hotel concessions and benefits (e.g., golf greens fees, free rooms, travel points) for the May 2012 conference that could have been used to reduce the government's conference cost.

The conference included evening receptions at no cost to participants. Included was food, alcohol, and live musical entertainment. Funds were raised to pay for the reception through the sale of sponsorships by the conference planner; none of the sponsorship fees were used to reduce the cost of the conference to the federal government.

The conference planner retained funds from the 2012 conference that properly belong to the NIST-MEP program. More than \$230,000 in sponsorship fees were retained and/or spent instead of returned to the government.

NIST-MEP subsidized lodging expenses for private sector attendees. To promote attendance, NIST-MEP management agreed to room rates for government attendees far exceeding maximum conference lodging rates, to standardize rates for government and nongovernment attendees. NIST then reimbursed its attendees for the excessive rates, an expense NIST-MEP could have avoided.

NIST-MEP did not sufficiently process travel claims to guard against waste. It provided some reimbursements to attendees for travel costs that were not properly incurred. It also reimbursed some attendees for unallowable items on travel vouchers.

WHAT WE RECOMMEND

We recommend that the Director, NIST-MEP, implement controls to ensure that:

1. Contractors comply with Federal Travel Regulation (FTR) cost restrictions when choosing a conference location; NIST-MEP monitors contractor performance thoroughly; and NIST-MEP documents contractor compliance with the contract terms and conditions and applicable government regulations, including the FTR.
2. Funds collected from the sales of sponsorships are not used to pay for alcohol and live entertainment but rather to reduce the costs of the conference to the government.
3. NIST-MEP does not accept upgraded suites or any other valuable items related to government travel from government contractors.

We further recommend that the director, NIST-MEP:

4. Make a determination on the recovery of \$148,000 that IMC collected for sponsorship fees and \$88,341 that IMC retained for both registration fees and a concession refund.
5. Evaluate and determine whether administrative disciplinary action is appropriate if NIST management made decisions to subsidize private attendee room rates by increasing government attendees room rates in violation of the FTR maximum allowable rates.
6. Evaluate and determine whether administrative disciplinary action is appropriate for attendees who claimed and reviewing officials who approved expenses that were not incurred for the 2011 or 2012 conferences or who misused government travel card privileges. The bureau should pursue reimbursement of overpayments and correctly reimburse underpaid attendees, wherever possible.

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

Introduction

Since 2006, the National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership (MEP) has hosted an annual conference in Orlando for individual MEP Centers' field staff, private-sector manufacturers, and industry experts. The MEP program is a nationwide network of technical experts and business advisers who work with small and mid-sized U.S. manufacturers, helping these businesses identify growth opportunities. NIST-MEP, which funds approximately 60 MEP Centers across the United States, focuses its resources on five critical areas: technology acceleration; supplier development; sustainability; workforce; and continuous improvement of manufacturing processes, products, and services.

The purpose of the annual conference is to provide an opportunity for MEP Centers to learn about the latest tools, services, best practices, and strategies to advance the innovation and competitiveness of their clients. In addition, the annual conference is intended to provide MEP Center attendees the opportunity to connect directly with manufacturers and make business connections to help grow their companies.

Over the past few years, reports have surfaced regarding excessive federal government conference spending, with related activities and expenses that are considered wasteful. NIST-MEP has a responsibility to act as a careful steward of federal funds to ensure that conference spending is appropriately controlled, effective, and efficient, and to ensure that proper controls are in place to mitigate the risk of inappropriate conference spending.

Members of Congress from California, Florida, and Maine raised concerns following an allegation in the press that \$3–5 million in NIST-MEP federal funds were spent at the May 2012 Manufacturing Innovation Event at the Marriott World Center Resort in Orlando. It was reported that the conference included a reception with seafood buffet, alcohol, and live music. There was also concern that NIST-MEP requires individual MEP Centers to participate in the annual conference as part of the cooperative agreement terms and conditions, without offering Center attendees the discretion to refuse attending.

This audit responds to U.S. Senator Susan Collins' July 20, 2012, request to review allegations about the NIST-MEP conference spending over the last 2 years, particularly the amount spent on the May 2012 Orlando conference. NIST-MEP had originally stated that the total amount of MEP federal funds spent for its May 2012 Manufacturing Innovation Event was \$670,845, adding that these funds were used to cover expenses for "travel, event programming, hotel conference rooms, and event infrastructure."

Our audit's objectives were to:

- Develop a reasonable cost estimate for the 2012 NIST-MEP annual conference held in Orlando
- Determine the legitimacy and reasonableness of travel costs for major NIST-MEP conferences in FYs 2011 and 2012

After review, we estimate \$1,108,943 in federal dollars was spent at the 2012 Orlando conference. This includes the total amount spent by NIST-MEP, an estimate of the costs of other federal agencies, and an estimate of the federal cost share amounts for representatives of the individual MEP Centers to attend. Upon receipt of all final invoices and billings related to the conference, we calculated the NIST-MEP share of this amount to be \$708,970. We further determined that 51 of 56 MEP Center leaders do not think their Centers are required to participate in the annual conferences.

Regarding overall federal spending at MEP conferences in FYs 2011–2012, we found that NIST-MEP lacked adequate controls over much of its conference spending. We concluded that:

- International Management and Consulting LLC (IMC), the NIST-MEP event planner, retained Marriott concessions and benefits (golf greens fees, free rooms, travel points) for the May 2012 conference that could have been used to reduce the government's conference cost.
- The May 2012 conference included evening receptions at no cost to the participants that included food, alcohol, and live musical entertainment. Funds were raised to pay for the reception through the sale of sponsorships by the conference planner that included benefits such as conference attendee lists and logo branding opportunities on conference materials. None of the sponsorship fees were used to reduce the cost of the conference to the federal government.
- IMC retained and/or spent \$236,341 in sponsorship fees instead of returning these funds and benefits to the government.
- To increase conference attendance, NIST-MEP management agreed to room rates for government attendees that far exceeded allowable maximum conference lodging rates in order to standardize rates for government and nongovernment attendees. As a result, NIST-MEP subsidized the lodging costs to nongovernment attendees. NIST then reimbursed NIST attendees for the excessive lodging rates, an expense NIST-MEP could have avoided.
- NIST-MEP did not sufficiently process travel claims to guard against waste. It provided some reimbursements to attendees for travel costs that were not properly incurred. It also reimbursed some attendees for unallowable items on travel vouchers.

For this audit, we reviewed federal regulations and Departmental policies and procedures on conference spending, examined supporting travel documentation of NIST attendees, and conducted follow-up discussions with NIST attendees and officials. From the NIST-MEP and MEP Center attendees' travel cost information we received, we extrapolated those costs to other federal attendees and private sector attendees to estimate total travel costs for the Orlando conferences. We also collected cost information from the meeting and events contractor NIST hired to coordinate the Orlando conferences. See appendix A for a more detailed statement of objectives, scope, and methodology.

Findings and Recommendations

I. Federal Conference Costs Are Estimated at \$1.1 Million

Table I shows the distribution of estimated 2012 conference costs for NIST-MEP attendees, individual state MEP Center attendees, other federal attendees, and private sector attendees.

Table I. NIST-MEP 2012 Annual Conference Costs, by Attendee Group

Attendees	Number of Attendees	Cost Category	Cost	Federal %	Federal Amount
NIST-MEP attendees	0	Preconference costs ^a	\$29,404	100	\$29,404
	48	Payment to conference coordinator	579,545 ^b	100	579,545
		Travel costs	84,875	100	84,875
		Other costs	15,146	100	15,146
NIST-MEP Subtotal		\$708,970		\$708,970	
MEP Center attendees	359	Travel costs	523,482 ^c	33.33	174,477 ^d
		Registration fees	344,419 ^c	33.33	114,795 ^d
Subtotal			\$867,901		\$289,272
Other federal attendees	36	Travel costs	63,656 ^e	100	63,656
		Registration fees	9,045	100	9,045
		Federal sponsorship	38,000	100	38,000
Subtotal			\$110,701		\$110,701
Private sector attendees	382	Travel costs	557,021 ^e	0	0
		Private sector sponsorships	110,000	0	0
		Private sector registrations	144,045	0	0
Subtotal			\$811,066		\$0
Total	825		\$2,498,638		\$1,108,943

Source: NIST-MEP, MEP Centers, and IMC

^a Preconference costs were long lead items (e.g., event signage, labor and equipment related to display construction) requiring purchase in advance of the conference.

^b The \$579,545 paid to IMC was for the services it provided for organizing the conference and did not cover any nonfederal costs of the conference itself.

^c These amounts are self-reported estimates OIG received from MEP Centers.

^d These amounts are estimated costs based on a typical one-third federal cost sharing arrangement between NIST and MEP Centers.

^e Non-NIST and non-MEP Center travel costs are estimated based on MEP Center travel costs for the same conference.

We estimated the total cost of the 2012 NIST-MEP annual conference to be \$2.5 million. Responses on reported costs for this conference could vary, depending on whether respondents refer to all costs (\$2.5 million), just the federal portion (\$1.1 million), or only the NIST-MEP share (\$708,970). NIST-MEP originally reported to Congress that the 2012 Orlando conference cost \$670,845. At that time, it had not received all final invoices and billings and therefore did not have information about the total cost. Consistent with Office of Management and Budget guidance, we did not include employee salaries for time spent attending conferences.

II. MEP Center Attendees Were Not Required to Attend Conferences

MEP Centers are not required to participate in conferences held by NIST-MEP. We asked 56 Centers whether attendance at the annual conferences was mandatory or optional. Out of 56 Centers, 51 replied that attendance was optional, although some added that NIST-MEP highly encouraged attendance.

The five Centers that thought the conferences were mandatory cited the 2012 Hollings MEP General Terms and Conditions, which states: “To facilitate a more rapid transfer of advanced manufacturing technology on a national scale and avoid duplication of effort, the Recipient shall cooperate with NIST and the other NIST Manufacturing Extension Partnership organizations by participating in coordinated joint program activities. Such activities include, but are not limited to the following: participation in national and regional meetings, communities of practice, and sharing of expertise, products and resources within the HMEP system.”

III. Hotel Costs Included Unnecessary Concessions in Marriott Contract with IMC

IMC received a firm-fixed-price contract to organize the Orlando conference for NIST-MEP. To accomplish this, IMC contracted with the Marriott Orlando World Center Resort. The contract included numerous concessions from Marriott that were either retained by IMC or NIST-MEP. The Federal Travel Regulation (FTR) Section 301-74.1(d) requires agencies to ensure that the conference planner not retain for personal use any promotional benefits. Among the items retained by IMC were golf passes and travel award points.

The negotiated concessions in the contract between IMC and Marriott included:

- One complimentary premium bar reception for 2 hours (maximum of \$15,000)
- 12 suites at \$210 per night
- 500,000 Marriott Reward points
- 16 complimentary golf passes
- A 3 percent rebate, up to \$50,000

- Guaranteed sleeping rooms at the prevailing federal, state, and local government per diem rates (the contracted per diem rates were later amended in a contract modification to reflect market rates and a 10 percent commission to IMC)
- One free room night for every 45 sleeping rooms paid
- 10 \$30 VIP complimentary amenities
- 10 rooms at \$99 each night for use during the conference

IMC stated that all benefits went to the conference except for the golf passes, which expired, and Marriott points.¹ For both the 2011 and 2012 conferences, IMC used some of these concessions to upgrade the 12 hotel rooms of certain NIST-MEP managers—some of whom were involved in managing this and other IMC government contracts.

The concessions provided by Marriott for this government-sponsored conference represent costs to the resort that may have resulted in higher room rates for attendees. Including such concessions in the contract also limits the transparency of reporting on conference spending because it is not always possible to accurately calculate how much each concession contributed to increased lodging costs. IMC, acting under contract as the government's representative, should have instead negotiated a lower overall cost for the conference.

IV. Conference Included Evening Receptions at No Cost to Participants

Although the vast majority of attendees are not government employees, NIST-MEP is responsible for organizing the event and setting the agenda. NIST-MEP selected a contractor, IMC, using a firm-fixed-price contract of \$579,545 to organize the conference for NIST-MEP. The contractor, acting as NIST-MEP's agent, was required to obtain NIST-MEP's approval of the actions it took to organize the event through periodic status meetings. Therefore, even though the majority of the attendees are not government employees, the government's conference rules and regulations—including those concerning food and alcohol, entertainment, and sponsorship fees—are applicable to NIST-MEP and its contractor IMC when organizing the Manufacturing Innovation Event conference.

A. Reception Included Free Food, Alcohol, and Live Entertainment

At no cost to the FY 2012 attendees, a \$113,995 reception was held at the Orlando World Marriott Center Resort that included food, alcohol, and live music. Additionally, free evening transportation was provided to and from Walt Disney World. FTR Section 301-74.1(a) on conference planning emphasizes cost reduction, stating conference planners "must minimize all conference costs." Accordingly, agencies are required to ensure that appropriate policies and controls are in place to limit expenses related to food and beverages at conferences sponsored or hosted by the agency.

¹ Because Marriott allows its rewards members to buy, gift, transfer, or donate points, the ultimate value to IMC cannot be estimated.

B. Reception Was Paid For Using Sponsorship Fees that Included Government Funds

To pay for the 2012 reception, IMC stated that it collected \$148,000 from organizations that agreed to sponsor the conference. NIST-MEP and the contractor have both stated to us that it was these sponsorship fees—unrelated to the cost of conducting the conference itself—that were used to pay for the reception events and other miscellaneous expenses, such as theatrical reception lighting and free bus transportation to Disney World.

During our audit, NIST-MEP orally stated that it authorized the sale of sponsorships by IMC; however, the contract between NIST-MEP and IMC did not define any requirements of a sponsor and made no mention of sponsorship fees. Of the amount collected, \$25,000 came from the Department of Homeland Security, \$10,000 from other non-MEP divisions of NIST, and \$3,000 from the Environmental Protection Agency. None of the sponsorship fees collected was used to reduce the cost of the conference to the federal government, despite the transfer of the government's attendee list to sponsors and space for sponsor logos on the government's conference materials in return for the sponsorship fees.

The Department of Commerce has a policy prohibiting the use of outside organization logos in exchange for money, although it does not address sponsorship use specifically.² IMC developed a tiered system of sponsorship, with different benefit levels at various prices. IMC collected and then spent the sponsorship fees on the reception and other miscellaneous events at the conference. NIST-MEP managers verbally informed us that they did not object to IMC collecting and spending sponsorship fees on the reception and other miscellaneous related items without official government involvement or participation.

For a conference involving mainly nongovernmental attendees, it was NIST-MEP's intent to provide a networking reception similar to what the nongovernmental attendees would expect at a nongovernmental conference. Similar sponsorship arrangements were also used to fund a 2011 trip to a local restaurant at a cost of \$48,811. Because these funds represent the sale of a government asset by the government's contractor, IMC, the \$148,000 should have been returned to NIST-MEP as the "owner" of the sold assets to reduce the cost of the conference to the government or to the Department of the Treasury.

² U.S. Department of Commerce. *Logos and Endorsement* [Online]. www.commerce.gov/os/ogc/logos-and-endorsement (accessed November 18, 2013).

V. IMC Retained Funds from the 2012 Conference that Properly Belong to the NIST-MEP Program

A. Commissions and Concessions Paid by Marriott to IMC

IMC also received and retained \$54,450 of commissions and concessions from Marriott for the 2012 conference. All concessions are the property of NIST-MEP in accordance with FTR Section 301-74.1(d). IMC was fully compensated for its services under a firm-fixed-price contract by NIST-MEP. Therefore, \$54,450 of the refund for concessions provided by Marriott belongs to NIST-MEP.

B. Excess Registration Fees Collected by IMC

As noted earlier, IMC was paid \$579,545 to organize the 2012 conference. As part of its contract, IMC collected registration fees to cover meeting space, audio-visual support, signage, and other site-related costs. However, IMC collected registration fees (\$497,509) that exceeded documented expenses (\$463,618)³ in the amount of \$33,891. IMC was fully compensated for its services to organize the conference under a firm-fixed-price contract by NIST-MEP. Therefore, IMC should not receive any additional compensation and the excess fees collected should be returned to NIST-MEP.

Table 2 represents a summary of amounts collected, spent and that should be returned by IMC related to the 2012 conference.

Table 2. NIST-MEP 2012 Revenue and Refunds Retained by IMC

Category	Amounts Collected by IMC	Amount Spent by IMC	Amount IMC Should Have Returned to NIST-MEP
Sponsorship Fee	\$148,000	\$148,000	\$148,000
Commissions and Concessions from Marriott	54,450	0	54,450
Excess Registration Fees	33,891	0	33,891
Total	\$236,341	\$148,000	\$236,341

Source: OIG

³ IMC determined expenses to be \$485,848. However, we reduced expenses by \$22,230 for undocumented administrative charges that IMC imposed on attendees.

VI. NIST-MEP Subsidized Lodging Expenses for Private Sector Attendees

NIST-MEP attendees at the 2011 and 2012 conferences were reimbursed for lodging costs that exceeded allowable amounts for attendance at those conferences. FTR Section 301-74.10 states that “[t]he conference lodging allowance may not exceed 25 percent above the applicable locality lodging per diem rate,” or \$139 per night for 2012. IMC agreed to a modification of the 2011–2012 room rates with Marriott that resulted in 40 percent higher room rates than the prevailing government per diem rates. IMC also received a commission from Marriott in connection with an additional 2012 hotel room rate modification. Marriott was paid by IMC a bulk amount for all of the rooms used for the conference. The amount to be charged for each room was irrelevant to Marriott so long as IMC paid the bulk amount. Therefore, according to IMC, the rate to be charged for each room was a decision that IMC gave to NIST-MEP management to make.

NIST-MEP management decided to subsidize private attendee room rates, using government funds to increase conference attendance.

NIST-MEP management decided that if the rooms for government attendees were charged at the government per diem rate, then the room rates for private sector attendees would have to be higher to meet the Marriott bulk amount for the block of rooms. Therefore—to make the rooms more affordable for private-sector attendees—NIST-MEP managers decided that government attendees should pay a significantly higher room rate, effectively a subsidy for the private-sector attendees. The government attendees paid the same \$195 per night rate as the private sector attendees. We calculated the government attendees subsidy for private sector attendance at the 2012 Orlando conference to be \$20,758.

VII. NIST-MEP Did Not Sufficiently Process Travel Claims to Guard Against Waste

A. NIST Reimbursed Travel Costs That Were Not Incurred During the 2011 and 2012 Annual and Update Conferences

In approving travel claims, NIST provided reimbursement for costs that were not incurred during NIST-MEP 2011 and 2012 conferences. Specifically, travelers were reimbursed for:

- Lodging and lodging taxes that they did not incur at the conferences
- Lodging, meals and incidental expense (M&IE) per diem for personal days (usually at the end of conference)
- M&IE per diem for meals (i.e., breakfast and lunch) that the conferences provided
- Parking expenses that they did not incur at the conferences

In several instances related to the 2011 and 2012 conferences, travelers signed and certified travel vouchers that contained obvious errors. Reviewing officials either did not thoroughly review supporting documentation to ensure that all costs were accurate or

conducted insufficient reviews of some travel vouchers for validity before authorizing reimbursement resulting in overpayment or underpayment to the traveler.

For example, a partial list of our findings shows that NIST-MEP claimed, approved, and certified unallowed travel costs including:

- *Multiple instances where the expenses incurred by the traveler were not accurately recorded on the travel voucher.* For example, there were \$237 in lodging and M&IE costs claimed for a time period when a traveler was on personal leave. In another example, travel expenses were claimed for days that an employee was not traveling. In a third example, in which a claimant was underreimbursed, travel expenses were not recorded on the voucher for all of the days that the claimant was traveling. In each instance, third-party preparers of each related voucher did not factor in either related personal leave or days that an employee was traveling, because the travel order used to prepare the voucher did not accurately reflect the travel that occurred. However, in all of these instances, the traveler, by signature, certified the claim as true and accepted the associated reimbursement.
- *A NIST-MEP invitational speaker claimed \$418 in excess costs for roundtrip travel from North Carolina to Orlando.* The invitational speaker chose to travel by rental car because several additional individuals with no official ties to the MEP program or the annual conference accompanied the invitational speaker to the Orlando resort. The invitational speaker received reimbursement for the rental car as well as the mileage rate suitable to a privately owned vehicle (POV). Although travel by rental car is an allowable option available to the invitational speaker under FTR Sections 301-10.3, 10.4, the cost of the travel must be limited to the lesser of the rental vehicle or commercial airfare. In this case, the airfare was significantly less than the cost of the rental car. Therefore, the invitational speaker's government reimbursement amount should have been limited to the cost of the airfare.

According to the Department of Commerce *Travel Handbook*, Section C301-52.101, a proper voucher is one that is substantially complete in every material respect, including documentation and receipts, and has been signed and dated by the traveler. The trip must also have been authorized and taken, with accurate and appropriate receipts, ticket stubs, and other forms of required documentation retained. Further, the traveler must sign and date the travel voucher, certifying to its correctness. The voucher must then be approved by the appropriate reviewing official. FTR Section 301-71.201 requires the reviewing official to have full knowledge of the employee's activities.

Improper claims by travelers and a lack of effective management controls over reviews of travel claims resulted in mischarging of public funds or underpayment of some travelers.

B. NIST Attendees Charged Unallowable Travel Costs to Government-Issued Travel Cards

NIST attendees charged unallowable travel expenses to government-issued travel cards. We noted instances where travel cards were used for purposes other than government business (e.g., gift and spa shop purchases, lodging for personal days), with amounts ranging from \$26 to \$595. The \$26 amount was improperly reimbursed. The 2009 NIST *Internal Policies and Procedures*, Section 8.12.04, Part G.I.c.1 & G.I.c.2, requires the government-issued travel card to only be used for official travel expenses. This also includes ATM advances withdrawn for official travel expenses where a credit card is not accepted (e.g., for taxi or local transportation systems). FTR Section 301-51.7 states that a traveler “may not use the Government contractor-issued travel charge card for personal reasons while on official travel.” Also, FTR Section 301-70.700, states “employees must use a Government contractor-issued travel charge card for official travel expenses.”

Government travel cards, when properly used, benefit both government and traveler.

NIST is aware that they have used their travel cards for personal and unallowable expenses. Personal expenses are not reimbursable and it is the traveler’s responsibility to pay the travel card bill. However, NIST in effect allowed this improper use of travel cards by not monitoring their use. Given the improper traveler claims and management’s previously noted review of travel claims, there is a high risk of travelers submitting unallowable costs on travel vouchers and receiving reimbursement. Finally, travel card misuse can create an environment for fraudulent claims. This environment poses an avoidable threat to the public trust in government and the MEP program.

C. Hotel Tax Exemptions Were Not Used

Some NIST-MEP attendees incorrectly paid hotel taxes for their stay at the 2011 and 2012 conferences. The state of Florida does not require federal employees on official travel to pay hotel lodging taxes. The appropriate forms to document official travel for the Florida tax exemption are at the GSA Travel Card website (smartpay.gsa.gov); however, NIST-MEP management did not require its employees to use the GSA-provided tax exemption forms. Some NIST-MEP attendees were able to convince the hotel to remove some or all of the tax charge. However, some of these same attendees also claimed the removed taxes for reimbursement on their travel vouchers that NIST-MEP then approved for payment. Because the Florida lodging tax exemption was not enforced by NIST-MEP management, an additional \$2,797 was spent.

Recommendations

We have concluded that NIST-MEP must strengthen its controls over conference spending and travel. To accomplish this, we recommend that the Director, NIST-MEP, implement controls to ensure that:

1. *Contractors comply with Federal Travel Regulation (FTR) cost restrictions when choosing a conference location; NIST-MEP monitors contractor performance thoroughly; and NIST-MEP documents contractor compliance with the contract terms and conditions and applicable government regulations, including the FTR.*
2. *Funds collected from the sales of sponsorships are not used to pay for alcohol and live entertainment but rather to reduce the costs of the conference to the government.*
3. *NIST-MEP does not accept upgraded suites or any other valuable items related to government travel from government contractors.*

We further recommend that the Director, NIST-MEP:

4. *Make a determination on the recovery of \$148,000 that IMC collected for sponsorship fees and \$88,341 that IMC retained for both registration fees and a concession refund.*
5. *Evaluate and determine whether administrative disciplinary action is appropriate if NIST management made decisions to subsidize private attendee room rates by increasing government attendees room rates in violation of the FTR maximum allowable rates.*
6. *Evaluate and determine whether administrative disciplinary action is appropriate for attendees who claimed and reviewing officials who approved expenses that were not incurred for the 2011 or 2012 conferences or who misused government travel card privileges. The bureau should pursue reimbursement of overpayments and correctly reimburse underpaid attendees, wherever possible.*

Summary of Agency Response and OIG Comments

OIG received NIST-MEP's comments on the draft report, which we include as appendix C of this final report. Overall, NIST-MEP concurs with the findings and recommendations in the report. NIST-MEP will develop corrective action plans and ensure timely implementation to address the recommendations.

NIST-MEP states that the issue we identified related to travel reimbursement is resolved. NIST-MEP also notes that it recognizes the importance and the requirements of government conference planning and will continue to improve internal controls to ensure compliance for future MEP conferences.

On February 21, 2014, our office received additional comments from the Department related to (a) sponsorships by outside parties and (b) the characterization of federal dollars in our report. Regarding sponsorships, the Department further stresses its understanding that such activities must be consistent with applicable law and Departmental policy. Regarding federal dollars, the Department and OIG agree with the NIST-MEP calculation of the NIST-MEP-only portion of the FY 2012 conference costs.

We look forward to receiving NIST-MEP's corrective action plan.

Appendix A: Objectives, Scope, and Methodology

The objectives of this audit were to:

- Develop a reasonable cost estimate of the 2012 National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership (MEP) annual conference held in Orlando
- Determine the legitimacy and reasonableness of travel costs for major conferences in fiscal years (FYs) 2011 and 2012

The scope of this audit is NIST-MEP conference spending in fiscal years 2011 and 2012, with particular emphasis on the May 2012 annual conference in Orlando.

For this audit, we:

- Reviewed Office of Management and Budget guidance, as well as the Department's policies and procedures for conference spending
- Evaluated the amount of conference spending at the annual conferences by NIST-MEP, other federal attendees, MEP Center, and private sector attendees
- Examined the documentation supporting travel costs of NIST attendees who attended conferences
- Interviewed NIST attendees and officials regarding travel and other conference costs

We reviewed internal controls significant within the context of the audit objective by interviewing NIST-MEP officials, examining policies and procedures, reviewing written assertions of NIST-MEP officials, and reviewing transaction documentation for evidence of internal controls.

We also reviewed the rules and regulations regarding conference spending and NIST-MEP travel costs by assessing Departmental conference policies and procedures, Office of Management and Budget memorandums regarding conference spending, Federal Travel Regulations, the Department's *Travel Handbook*, and NIST internal policies and procedures for travel. Instances of noncompliance with the portion of these rules and regulations pertinent to our audit objectives are described in the audit report.

During the course of this audit, the auditors did not receive, and therefore did not rely on, information and data from NIST-MEP in electronic format or that had been entered into a computer system, or that resulted from computer processing. Instead, we directly tested NIST-MEP travel source documents. Therefore, we did not test the reliability of NIST-MEP's computer-processed data or directly test NIST's IT systems.

We tested the reliability of the cost data from the conference planner by reconciling cost amounts received from the conference planner with cost amounts received from MEP Centers. No discrepancies were noted; thus, we consider the data sufficiently reliable for use in our audit.

We conducted this audit from September 2012 through December 2013, under the authorities of the Inspector General Act of 1978, as amended, and Departmental Organization Order 10-13, dated April 26, 2013 as amended. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B: Potential Monetary Benefits

	Questioned Costs ^a
Sponsorship fees	\$148,000
Refunds and concessions from Marriott	54,450
Excess registration fees	33,891
Total	\$236,341

^a Per recommendation 4.

Appendix C: Agency Response



UNITED STATES DEPARTMENT OF COMMERCE
National Institute of Standards and Technology
Gaithersburg, Maryland 20899-

FEB 18 2014

MEMORANDUM FOR: Andrew Katsaros, Assistant Inspector General for Audits
Office of Inspector General (OIG)
U.S. Department of Commerce (DOC)

FROM: Phillip Singerman, Acting Director *PS*
Hollings Manufacturing Extension Partnership (MEP)
National Institute of Standards and Technology (NIST)
U.S. Department of Commerce (DOC)

SUBJECT: Response to Final Report, "Manufacturing Extension Partnership
Incurred Avoidable Conference Costs" (February, 2014).

Thank you for the opportunity to provide comments on the U.S. Department of Commerce (DOC) Office of Inspector General (OIG), Office of Audit and Evaluation's Final Report, "Manufacturing Extension Partnership Incurred Avoidable Conference Costs," dated February, 2014. The NIST Hollings Manufacturing Extension Partnership (MEP) program appreciates the professional courtesy that your team has accorded us during this process and commend the diligence which you applied to this review.

We are pleased that the report recognizes that the press allegations regarding the amount of federal funding expended on the May 2012 NIST-MEP National Conference were exaggerated and that no NIST-MEP federal funds were expended on a reception. In addition, it is clear from the Report that there was no requirement by the MEP program for Centers to attend.

As we have discussed, we fully understand the report's recommendations and have already conducted training and taken prompt actions to address many of those recommendations. In anticipation of receipt of the final OIG Report, NIST-MEP cancelled the 2013 and 2014 National Conferences. NIST will solicit the guidance of the Office of Inspector General ((OIG), Office of General Counsel (OGC) and NIST's Acquisition and Management Division (NIST-AMD) as we address your recommendations in conducting future national conferences.

Decisions made at the time of the 2012 conference by NIST-MEP senior management were based upon their best interpretation of current federal policies and regulations relevant at the time of the event. Subsequent to the conference, NIST MEP implemented a series of administrative actions to reflect an updated understanding of federal regulations and to ensure more robust internal controls. These included:

- Effective June 2012, all NIST-MEP meetings have been held at hotels that are able to provide rooms at the federal per diem rate for all attendees, including federal staff.
- Effective June 2012, no sponsorships for NIST-MEP meetings have been solicited.
- Effective June 2012, no receptions have been held during any NIST-MEP meeting.

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- During 2012 and early 2013, in conjunction with the OIG's audit, approximately 200 NIST-MEP travel authorizations and vouchers were reviewed. Of these, approximately 10% were found to contain monetary errors - totaling \$1600 in overpayments and \$600 in underpayments - and all 2012 reimbursements have been corrected.
- Effective Summer 2012, NIST-MEP Administrative Staff reviewed the list of states that provide hotel tax exempt status to federal travelers. If traveling to a state that provides tax exempt status, travelers are provided the appropriate tax exempt form with their travel documents.
- Effective May 2013, the NIST Travel Office conducted training for MEP Managers and Staff, as well as revised and implemented internal travel policies and procedures to ensure appropriate controls.
- Beginning in February of 2014, all meeting planning will utilize NIST's in house conference planning office, and any future meetings will incorporate appropriate OIG recommendations.

The ability to share and disseminate manufacturing best practices is critical to the long-term success of U.S. manufacturing. MEP's statutory charge includes the active "dissemination of scientific, engineering, technical and management information about manufacturing to industrial firms, including small- and medium-sized manufacturing companies" (15 USC § 278k(a)(94)). The National Research Council of the National Academies recently released a comprehensive review of the NIST-MEP Program, titled 21st Century Manufacturing: The Role of the Manufacturing Extension Partnership Program (2013). The report recommends on page 180 that "NIST-MEP should consider reinstating the MEP annual conference as soon as possible" as a mechanism for promulgating best practices among the local Centers.

The findings and recommendations developed as a result of this report will allow NIST-MEP to ensure that as it organizes similar events in the future, the appropriate policies, procedures, and internal controls will be in place.

Again, we thank you for your efforts and for allowing NIST-MEP to provide comments. If you have any questions regarding our response please feel free contact me at 301-975-4676.

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