

OFFICE OF INSPECTOR GENERAL

Audit of Department of Homeland Security's Fiscal Year 2017 Conference Spending



Homeland
Security

May 22, 2019
OIG-19-39



DHS OIG HIGHLIGHTS

Audit of Department of Homeland Security's Fiscal Year 2017 Conference Spending

May 22, 2019

Why We Did This Audit

The *Consolidated Appropriations Act, 2017* (Public Law 115-31) requires the Department of Homeland Security to report event-related spending. Our audit objective was to determine whether DHS' spending on selected hosted or sponsored conferences for fiscal year 2017 was appropriate, reasonable, necessary, and in compliance with the *Consolidated Appropriations Act, 2017*. To help fulfill our audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP.

What We Recommend

We made seven recommendations to improve conference spending reporting.

For Further Information:

Contact our Office of Public Affairs at (202) 981-6000, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

Although KPMG LLP (KPMG) found that DHS management has policies and procedures over conference spending and reporting, improvements are needed. Specifically DHS and its components did not:

- maintain all required supporting documentation of actual conference costs, and certain costs in some instances, did not meet all reasonable and allocable criteria;
- submit a fully compliant annual report to the Office of Inspector General and to the public as the *Consolidated Appropriations Act, 2017* requires;
- fully align with statutory requirements in its written policy governing the classification, approval, and reporting of conferences with scheduled training;
- maintain the required documentation to support the use of training exemptions at certain components; and,
- ensure that in all cases conferences with costs exceeding \$20,000 are accurately and promptly reported to OIG.

These deficiencies occurred because of insufficient resources, competing priorities, inconsistent review of expenses, and the lack of required policies and procedures. KPMG could not determine whether DHS complied with Office of Management and Budget regulations, Federal Travel Regulations, and the Federal Acquisition Regulation. Because of this, there is an increased risk that DHS could fail to report required conference information to OIG and the public in a timely manner.

DHS Response

The Office of the Chief Financial Officer concurred with all seven recommendations. Its corrective actions should mitigate the risk of misreporting conference spending.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

May 22, 2019

MEMORANDUM FOR: Stacy Marcott
Acting Chief Financial Officer
Department of Homeland Security

FROM: Sondra F. McCauley 
Assistant Inspector General for Audits

SUBJECT: *Audit of Department of Homeland Security's
Fiscal Year 2017 Conference Spending*

Attached for your action is our final report, *Audit of Department of Homeland Security's Fiscal Year 2017 Conference Spending*. We incorporated the formal comments provided by your office.

The report contains seven recommendations aimed at improving conference reporting and recordkeeping, and ensuring the accuracy and timeliness of conference submissions. Your office concurred with the seven recommendations. Based on information provided in your response to the draft report, we consider recommendations 1, and 3 through 7 resolved and closed. Recommendation 2 remains open and resolved. Once your office has fully implemented the recommendation, please submit a formal closeout letter to us within 30 days so that we may close the recommendation. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts. Please send your response or closure request to OIGAuditsFollowup@oig.dhs.gov.

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions at (202) 981-6000, or your staff may contact Maureen Duddy, Deputy Assistant Inspector General for Audits, at (617) 565-8723.

Attachment



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

May 21, 2019

Ms. Sondra F. McCauley
Assistant Inspector General for Audits
Department of Homeland Security
Office of Inspector General
395 E Street, SW
Washington, DC 20024

Dear Ms. McCauley,

This report presents the results of our work conducted to address the performance audit objectives relative to the *Audit of Department of Homeland Security's Fiscal Year 2017 Conference Spending*. We performed our work during the period of September 18, 2017 to August 30, 2018, and our scope period for testing was October 1, 2016 through September 30, 2017.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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.

In addition to GAGAS, we conducted this performance audit in accordance with Consulting Services Standards established by the American Institute of Certified Public Accountants (AICPA). This performance audit did not constitute an audit of financial statements or an attestation level report as defined under GAGAS and the AICPA standards for attestation engagements.

The overall audit objectives of our work were to assess the Department of Homeland Security's spending on hosted or sponsored conferences as detailed in appendix A of this report. KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.



This report is intended solely for the use of the Department of Homeland Security Office of Inspector General and DHS management, and is not intended to be and should not be relied upon by anyone other than these specified parties.

KPMG LLP

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Abbreviations

CAT	Conference Approval Tool
CFR	Code of Federal Regulations
FMPM	Financial Management Policy Manual
FAR	Federal Acquisition Regulation
FMD	Financial Management Division
FTR	Federal Travel Regulation
GAGAS	Generally Accepted Government Auditing Standards
OCFO	Office of the Chief Financial Officer
OMB	Office of Management and Budget

Background

In June 2011, the President's Executive Order 13576, *Delivering an Efficient, Effective, and Accountable Government*, launched the Campaign to Cut Waste. This campaign intensified efforts to identify instances across the government in which waste or excess may exist and to take immediate steps to address those instances. The Office of Management and Budget (OMB) issued Memorandum 11-35, *Eliminating Excess Conference Spending and Promoting Efficiency in Government*, in September 2011, instructing agencies to review their policies and internal controls for conference-related activities and expenses.

In May 2012, OMB issued *Promoting Efficient Spending to Support Agency Operations* (OMB M-12-12), instructing agencies to initiate senior-level review of all planned conferences and senior-level approval for all future conferences for which net expenses by the agency would exceed \$100,000. This memorandum prohibited expenses in excess of \$500,000 on a single conference without a waiver and required agencies to report publicly on all agency-sponsored conferences with net expenses in excess of \$100,000. OMB M-12-12 instructed agencies to "ensure that no Federal funds are used for unnecessary or inappropriate purposes and that all conference expenses and activities comply with both Federal Travel Regulation (FTR) and Federal Acquisition Regulation (FAR) requirements on lodging, food and beverages, per diem reimbursement, and contracting of goods and services."

In November 2016, OMB issued *Amending OMB Memorandum M-12-12, Promoting Efficient Spending to Support Agency Operations* (OMB M-17-08). Most significantly, this memorandum removed the senior-level approval requirement for planned and future conferences for which net expenses by the agency would exceed \$100,000. Department of Homeland Security internal policy in effect for fiscal year 2017 contradicted OMB M-17-08 and required such approval. Additionally, OMB M-17-08 instructed agencies to adjudicate timely. This allows for timely commitment by participants, facilitating cost-saving opportunities related to travel, such as early registration and advance travel bookings. This memorandum maintained the reporting and spending requirements as set forth by OMB M-12-12.

Consolidated Appropriations Act, 2017 (Public Law (P.L.) 115-31), requires agencies to:

- report annually to the Inspector General all conferences held by the agency during FY 2017 for which the cost to the United States Government was more than \$100,000; and,
- notify the Inspector General, within 15 days after the end of a quarter, of the date, location, and attendance of an agency conference, for which the cost to the United States Government was more than \$20,000.

Consolidated Appropriations Act, 2017 (P.L. 115-31), set forth the following restrictions regarding use of appropriated funds for conferences:

Division E Title VII Sec. 739 subsection (d) (131 STAT. 387):

“A grant or contract funded by amounts appropriated by this or any other appropriations Act may not be used for the purpose of defraying the costs of a conference described in sub-section (c) that is not directly and programmatically related to the purpose for which the grant or contract was awarded, such as a conference held in connection with planning, training, assessment, review, or other routine purposes related to a project funded by the grant or contract.”

Division F Title V Sec. 527 (131 STAT. 428):

“None of the funds made available in this Act may be used to pay for the travel to or attendance of more than 50 employees of a single component of the Department of Homeland Security, who are stationed in the United States, at a single international conference unless the Secretary of Homeland Security, or a designee, determines that such attendance is in the national interest and notifies the Committees on Appropriations of the Senate and the House of Representatives within at least 10 days of that determination and the basis for that determination: *Provided*, That for purposes of this section the term “international conference” shall mean a conference occurring outside of the United States attended by representatives of the United States Government and of foreign governments, international organizations, or nongovernmental organizations: *Provided further*, That the total cost to the Department of Homeland Security of any such conference shall not exceed \$500,000.”

Guidance contained in OMB M-12-12 and M-17-08 and the General Services Administration’s FTR Bulletin (FTR § 300-3.1) defines “conference” as “[a] meeting, retreat, seminar, symposium, or event that involves attendee travel. The term ‘conference’ also applies to training activities that are considered to be conferences under Title 5 of the Code of Federal Regulations § 410.404.”

DHS conference guidance references the aforementioned definition for “conference” albeit with additional clarifications. Specifically, it further refines the definition to include:

- “A prearranged gathering, with a formal agenda, held for presentation, consultation, discussion and/or exchange of information, views or opinions on a common purpose or topic. A conference may take the form of a retreat, convention, seminar, symposium, or workshop offsite.”
- “Annual or semi-annual gatherings of managerial employees at a location

outside the primary duty station of the majority of participants to discuss strategic initiatives, management goals etc. should not be considered a meeting, but rather is properly characterized as a retreat or off-site, which is subject to this policy.”

The DHS Office of the Chief Financial Officer (OCFO) coordinates and manages DHS-wide reporting of DHS-sponsored conference information. The DHS OCFO sets department-wide policies. DHS components develop and implement procedures and internal controls related to conference approval and reporting, consistent with the DHS-wide policy (see appendix C for a list of DHS’ reporting components).

DHS OCFO requires components to submit hosted¹ or sponsored² conference requests in the Conference Approval Tool (CAT). CAT serves as the central repository for hosted or sponsored conference requests, above and below the \$100,000 threshold. According to CAT records, DHS hosted or sponsored 469 conferences with total costs approximating \$19.7 million in FY 2017. In its FY 2017 public report to OIG, DHS OCFO reported hosting or sponsoring 30 conferences with expenses greater than \$100,000 each, totaling \$8.9 million, as shown in table 1.

Table 1- FY 2017 DHS Hosted/Sponsored Conference Summary

FY 2017	Number of Conferences	Total Reported Conference Costs (in millions)
DHS-hosted or -sponsored conferences included in the OIG report	30	\$8.9
All other DHS-hosted or -sponsored conferences included in CAT	439	\$10.8
Total Conferences Reported in CAT	469	\$19.7

Source: KPMG-generated table based on information provided by DHS OCFO

Procedures, Findings, and Recommendations

Objectives 1, 2, and 3: Review of Detailed Expenses

To achieve audit objectives 1, 2, and 3 (see appendix A for seven audit objectives), we selected a sample of conferences and reviewed supporting documentation consisting of approval packages submitted to DHS OCFO, contracts, invoices, travel vouchers, travel expenditure reports, attendance lists, and other documentation related to the conference, as applicable. We

¹ A hosted conference is an event where DHS plans and coordinates the event.

² A sponsored conference is synonymous with a hosted conference.

vouched DHS-reported costs to the underlying supporting documentation. We verified compliance with FAR and FTR.

Component records differed from CAT records by \$3.1 million. Additionally, DHS was unable to provide support for 39 of the 86 samples, representing \$203,660 of total sampled costs. We did not perform procedures for objectives 1, 2, and 3 for those reported costs (table 2 summarizes the costs subjected to test work).

Table 2: Sample Selection Summary (Total Reported Costs)

	Reported Costs (in millions)
Final sample (from the 86 samples depicted in appendix A table 6)	\$11.0
Differences between component support and CAT (see Finding I)	\$3.1
Total sampled costs for which we performed procedures	\$7.9
Unsupported costs from final sample (see Finding I)	\$0.2
Total costs for which we evaluated compliance with FAR and FTR	\$7.7
Total reported costs for all FY 2017 hosted/sponsored conferences	\$19.7
Percentage of total reported costs evaluated for compliance with FAR and FTR	39.1%

Source: KPMG’s analysis of data obtained from DHS-OCFO

In performing these procedures, we noted the following findings:

Finding I (relates to Objectives 1 and 2): DHS components did not consistently maintain supporting documentation of actual conference costs input into CAT.

For 85 of 86 conferences sampled, CAT-recorded costs disagreed with the component’s records by \$3,115,387. Differences totaled less than one dollar for 18 of these 85 conferences.

Components often estimated costs in CAT, resulting in differences between CAT and component records. In some instances, the estimate represented actual costs, such as facility expenses. In other instances, the estimate represented unrealized costs, such as an employee not attending a conference due to change in plans.

For 7 of 86 conferences sampled, costs incurred related to the conference facility, but the component excluded the cost from its records. Components reported an estimate for the 7 conferences in CAT. For an additional 15 conferences sampled, costs incurred related to an invitational traveler to a DHS employee that was from a component other than the host component. These costs were identified through conference attendees' listings, post conference reports and inquiry of the components regarding if conferences had attendees from other conferences. However, expense records in CAT and in component records excluded these costs. Therefore we cannot quantify the amount of these costs.

DHS could not provide acquisition and travel amount support for 39 of 86 conferences sampled, representing a total of \$203,660. These costs included both acquisition and travel amounts. We were unable to assess whether these costs met the reasonable or allocability criteria described in FAR, Subpart 31.2, *Contracts with Commercial Organizations*.

Without support, we could not determine compliance with the provisions of Section 2 of OMB-M-12-12, as amended by OMB-M-17-08, related to compliance of conference expenditures with FTR and FAR.

Recommendation 1: We recommend the Department of Homeland Security, Office of the Chief Financial Officer, formalize periodic monitoring of the completeness and accuracy of conference reporting in CAT, to include verification of supporting documentation for conference costs.

OCFO Comments

Response: Concur. Component CFOs are required to certify the accuracy and completeness of conference data contained within CAT each year. Additionally, the DHS OCFO Financial Management Financial Policy Branch conducts quarterly testing of component-reported actual costs in CAT. These procedures were implemented during the first quarter of fiscal year 2018 and continue. OCFO provided OIG with a copy of its testing work program, and the results of its completed quarterly tests and related CFO certification documents under separate cover. OCFO requested that OIG consider this recommendation resolved and closed as implemented.

Analysis of the Comments

OCFO's corrective actions are responsive to the recommendation. OCFO provided us with a copy of its testing work program and the results of completed quarterly tests, as well as the related CFO certification that showed its verification of the accuracy of conference reporting in CAT. Our review demonstrates that OCFO has conducted quarterly testing of component-

reported actual costs. This satisfies the intent of the recommendation; we therefore consider this recommendation resolved and closed.

Finding II (relates to Objectives 1 and 2): DHS conference costs did not all meet the criteria associated with reasonable and allocable, as set forth in FAR.

For 66 of 86 conferences sampled, components incurred and reported costs totaling \$94,873 (1.2 percent) that did not meet the reasonable criteria described in FAR, Subpart 31.2, *Contracts with Commercial Organizations*. These costs were made up of travel costs in excess of FTR rates that were not approved by a supervisor prior to being incurred.

For 28 of 86 conferences sampled, components incurred and reported costs of \$69,787 (0.91 percent) that did not meet the allocability criteria described in FAR, Subpart 31.2, *Contracts with Commercial Organizations*. These costs resulted from employees including costs incurred for work travel on the same trip that did not relate to attending the conference.

For 23 of 86 conferences sampled, components incurred supervisor-approved costs in excess of FTR per diem rates. These amounts totaled \$16,110 (0.21 percent) of reported costs. This includes all travel costs in excess of FTR rates with the exception of flights, which we provided an allowance to account for taxes and fees. These costs result from late travel bookings and/or late approval. Table 3 summarizes these findings, comprising a total \$180,770 in deficient costs.

Table 3: Summary of Findings Related to Unreasonable & Unallocable Conference Costs and Costs in excess of FTR per diem

Deficiency Identified	Costs Associated with Deficiency
Unreasonable	\$94,873
Unallocable	\$69,787
Costs in excess of FTR per diem	\$16,110
Total deficient costs	\$180,770
Total costs evaluated for compliance with FAR and FTR (see Table 2)	\$7.7 million
Percentage of costs evaluated	2.3%

Source: KPMG’s analysis of data obtained from DHS OCFO

Recommendation 2: We recommend the Department of Homeland Security, Office of the Chief Financial Officer, take steps to ensure compliance with FTR for costs incurred while on government travel.

OCFO Comments

Response: Concur. Chapter 7 of the DHS Financial Management Policy Manual (FMPM) establishes DHS policy over travel planning, authorizing, spending, and vouchering in compliance with the Federal Travel Regulation. Each component is responsible for establishing the internal policies, procedures, and controls necessary to achieve that compliance. In addition, on a monthly basis, each component must certify to the OCFO Financial Management Division (FMD) its compliance with the entire FMPM.

OCFO noted that although the audit report indicates that certain costs cited as excessive were attributed to late travel bookings and/or late approval, there is no indication of whether these conditions were avoidable. In addition, although the audit report does not indicate which FTR requirement (per diem schedule or actual expense) was not met, it does indicate that the level of non-compliance with the GSA meal and lodging schedules was limited to 0.21 percent of reported costs. OCFO also noted that DHS is proud that its control efforts have kept excessive travel spending to such a minimal level and will continue to reinforce its commitment to prudent use of taxpayer funds.

Lastly, under separate cover, OCFO sent OIG a copy of the Desk-Side Procedures currently in use as a demonstration of actual quality control activities in place within OCFO's Office of Financial Operations. OCFO requested that OIG consider this recommendation resolved and closed as implemented.

Analysis of the Comments

OCFO's corrective actions are responsive to the recommendation. However, the OCFO did not provide us with steps taken to ensure compliance with the FTR in regards to reasonable, allocable, and excess per diem rates due to late bookings. Although OCFO has policies and procedures in place, our results demonstrate that it has not been consistently followed. Therefore, the recommendation will remain open until OCFO tests FY 2018 travel expenses to ensure compliance with the FTR and shares those results with the OIG for verification. The OCFO agreed with the Estimated Completion Date of September 30, 2019.

Objective 3: Test DHS FY 2017 Hosted and Sponsored Conferences for Compliance with Requirements

We did not note any findings related to Objective 3.

Objectives 4 and 5: Review of Required Annual Reporting

To achieve audit objectives 4 and 5 related to reporting, we obtained the annual report as published on the DHS website (public report) and the annual report provided to OIG (annual report). We traced conferences recorded in the CAT with costs greater than \$100,000 to these reports. Additionally, we evaluated whether any conferences with costs less than \$100,000 actually exceeded \$100,000 in costs. We noted the following findings:

Finding III (relates to objectives 4 and 5): DHS' annual report to OIG and DHS' report to the public was incomplete.

DHS reported one conference in CAT costing approximately \$89,500. However, we obtained evidence supporting total costs in excess of \$100,000. The annual and public reports excluded this conference. DHS did not comply with the provision in Section 2 of OMB M-12-12, as amended by OMB-M-17-08, which notes, "Agencies shall report on conference expenses on a dedicated place on their official website."

The unsupported cost exceptions in Finding I could affect the required reporting of conference spending in the public and annual reports. The required annual report depends upon the data entered into CAT. Failure to fully support or report costs in CAT increases the risk that DHS fails to report a required conference, or reports a conference that is not required.

Recommendation: See recommendation and related response and analysis in Finding 1.

Finding IV (relates to objective 5): DHS' conference activity annual report to OIG did not include all elements required by P.L. 115-31.

In its annual report, DHS omitted a detailed statement of costs or a description of the contracting procedures used to hold the conference. Therefore, DHS did not comply with requirements described in P.L. 115-31 Division E Title VII Sec. 739 subsection (b) related to the annual submission of a detailed statement of costs for conferences over \$100,000 to OIG.

Recommendation 3: We recommend the Department of Homeland Security, Office of the Chief Financial Officer, amend its conference reporting policies and procedures to ensure its annual reporting to OIG includes a detailed statement of costs and a description of contracting procedures used in accordance with P.L. 115-31.

OCFO's Comments

Response: Concur. The annual conference reporting to OIG was expanded by an accompanying spreadsheet providing additional information regarding costs included in DHS conference activities, along with a description of contracting procedures used. A copy of the format that will be used for reporting beginning in 2018 was provided to OIG under separate cover. OCFO requested that OIG consider this recommendation resolved and closed as implemented.

Analysis of the Comments

OCFO's corrective actions are responsive to the recommendation. OCFO expanded the annual conference reporting to OIG. We reviewed the documentation provided by OCFO, which demonstrates that it accounted for additional information regarding costs included in DHS conference activities and shows the contracting procedures used. This satisfies the intent of the recommendation; we therefore consider this recommendation resolved and closed.

Objectives 4 and 5: Completeness of Required Reporting

To assess the completeness of annual reporting of conferences exceeding \$100,000 related to objectives 4 and 5, we obtained a sample of attended conferences, internal DHS components listings of conferences, and listings of training events. We completed the following procedures:

- obtained evidence that the conference was not hosted by DHS by searching the internet, and reviewing news articles and websites;
- determined whether the conferences were reported in CAT; and,
- evaluated appropriateness of conference approval or reporting process exemption by inspecting the conference title and/or training exemption certificate/approval.

In performing these procedures, we noted the following findings:

Finding V (relates to objectives 4 and 5): DHS components did not accurately report all hosted or sponsored conferences in CAT.

Of 506 conferences sampled from the component internal listings, 61 conferences were not included in CAT. These conferences reported costs less than \$100,000.³ This violates requirements of the *DHS Financial Management*

³ We identified one conference with costs exceeding \$100,000 that a DHS component did not report in CAT or in its internal conference list. However, this conference was appropriately

Policy Manual, Chapter 7, Section 7.10, stipulating component reporting of actual conference costs within 45 days of the conference’s conclusion.

Additionally, we noted 1 of 30 attended conferences sampled was a hosted conference. These exceptions increase the likelihood of failure to report a required conference in public or annual reports in a timely manner.

Recommendation: See recommendation and related response and analysis for Finding 1.

Finding VI (relates to objectives 4 and 5): DHS’ written policy governing the classification, approval, and reporting of conferences in which training is scheduled does not fully align with statutory requirements.

DHS policy exempts certain DHS training events from the conference approval and reporting process. Specifically, DHS policy contradicts statutory requirements in which it incorrectly exempts events that are less than the entire duration of the event is for training.⁴

DHS management excludes events from the conference approval and reporting process when “training” constitutes at least 8 hours per day. However, the written policy only requires “training” to be 75 percent of the time (6 hours per day). Contradictory policies increase the risk of incomplete reporting as required by P.L. 115-31 and OMB M-17-08.

Additionally, the Department’s FY 2017 general report on conference activities included on its official website references training activities that DHS holds to support its mission. It fails to differentiate training activities from conferences. DHS management did not design policies to address these considerations.

Recommendation 4: We recommend the Department of Homeland Security, Office of the Chief Financial Officer, amend its policy governing conferences to ensure exemption for training events from the conference approval and reporting requirements.

included in the annual and public reports. We note that we did not perform procedures over the reasonableness and allocability of costs for this conference due to its exclusion from the CAT.

⁴ Section 4101 of Title 5 of the United States Code (USC) defines “training” and states “‘training’ means the process of providing for and making available to an employee, and placing or enrolling the employee in, a planned, prepared, and coordinated program, course, curriculum, subject, system, or routine of instruction or education, in scientific, professional, technical, mechanical, trade, clerical, fiscal, administrative, or other fields which will improve individual and organizational performance and assist in achieving the agency’s mission and performance goals.”

OCFO Comments

Response: Concur. On February 8, 2019, OCFO FMD staff amended the policy regarding conferences to clearly state training events are required to account for 8 work hours per day. Additionally, OCFO further strengthened the policy requiring the use of government facilities and limiting non-travel expenditures to \$75,000 for exempt training events. This demonstrates the OCFO's commitment to hold down costs and prevent non-training events from being misclassified by components. OCFO provided OIG a copy of Chapter 7.10, "Conferences," under separate cover. OCFO requested that OIG consider this recommendation resolved and closed as implemented.

Analysis of the Comments

OCFO's corrective actions are responsive to the recommendation. OCFO provided us with a copy of chapter 10, "Conferences," from its updated policy. We reviewed this updated policy and agreed that it has been strengthened to require the use of Government facilities and limit non-travel expenditures to \$75,000 for exempt training events. This satisfies the intent of the recommendation; we therefore consider this recommendation resolved and closed.

Recommendation 5: We recommend the Department of Homeland Security, Office of the Chief Financial Officer, disclose events considered as exempt conferences in the general report on conference activities that accompanies the public report on hosted or sponsored conferences.

OCFO Comments

Response: Concur. OCFO FMD staff will ensure that the next general report on conferences describes the types of events considered exempt and the approval level required. To be exempt, a component management official (equivalent to the Under Secretary for Management) must make and retain a written determination stipulating the decision was made in accordance with the training exemption criteria in the FMPM. DHS requires components to meet specific criteria to exempt training. Training is exempt if it meets the following four criteria:

1. Training will be performed by DHS or Federal employees, or by contracted external instructors if there is no documented expertise in DHS to conduct the training.
2. A total of 8 work hours per day (excluding lunch or breaks) is used for a planned, organized exchange of information between presenters and the audience.

3. Training will be conducted at a no-cost facility (Federal, state, or local government-owned or leased).
4. Costs are limited to travel, transportation, and per diem.

Additionally, DHS implemented a quarterly testing process beginning with the fourth quarter of FY 2018 whereby components are required to submit their lists of exempt training and OCFO selects a sample for tracing back to the components' supporting documentation. OCFO provided OIG with a copy of its initial testing results under separate cover. OCFO requested that OIG consider this recommendation resolved and closed as implemented.

Analysis of the Comments

OCFO's corrective actions are responsive to the recommendation. OCFO Financial Management Division staff will ensure that general reports on conferences describe the types of events considered exempt and the level of approval required. Additionally, we reviewed DHS' implemented quarterly testing, which began with the fourth quarter of FY 2018. This testing requires components to submit their lists of exempt training, from which OCFO selects a sample for tracing back to the components' supporting documentation. This satisfies the intent of the recommendation; we therefore consider the recommendation resolved and closed.

Finding VII (relates to objectives 4 and 5): DHS components did not maintain the required documentation to support the use of training exemptions.

One component was unable to provide a list of events eligible for the training exemption. For 5 of 25 training exemptions sampled, components were unable to provide the written determination of eligibility for exemption. For an additional 5 of 25 training exemptions sampled, components lacked written determinations that met all required exemption criteria.

We also noted some components did not maintain the required documentation for training events exempt from the conference approval and reporting policies. One component could not provide a list of training-exempt events.

These incidents represent component noncompliance with DHS policy. Component management indicated these incidents occurred because they misunderstood DHS policies. These exceptions increase the likelihood of failure to report, in a timely manner, a required conference in the public or annual reports.

Recommendation 6: We recommend the Department of Homeland Security, Office of the Chief Financial Officer, develop and implement training for

component personnel, and establish oversight controls at the DHS consolidated level to reinforce training exemption policies and procedures.

OCFO Comments

Response: Concur. As part of the FMPM publication process, components are required to update internal policies and procedures and provide evidence and certification that those procedures comply with DHS' FMPM. On February 8, 2019, OCFO FMD staff published an updated FMPM Chapter 7.10, "Conferences." Upon certification by the components that their internal policies and procedures have been updated and included in the FMPM, OCFO will provide OIG corroborating documentation of these actions and request closure of this recommendation.

Additionally, DHS OCFO's Financial Management Financial Policy Branch conducts quarterly testing of component-reported actual costs in CAT. These procedures were implemented during the first quarter of FY 2018 and continue. OCFO has provided OIG a copy of its testing work program, as well as the results of completed quarterly tests and related CFO certification documents under separate cover.

Analysis of the Comments

OCFO's corrective actions are responsive to the recommendation. OCFO provided us with a copy of its quarterly testing program of components' reported actual costs in CAT. We also received under separate cover the certification by DHS components that their internal policies and procedures had been updated and are in compliance with DHS' FMPM. This satisfies the intent of the recommendation; we therefore consider the recommendation resolved and closed.

Objective 6: Review of Required OIG Notification

To achieve audit objective 6, we sampled conferences for which DHS reported costs exceeding \$20,000 and verified with OIG the accuracy of the reported date, location, and attendance. Of the 86 conferences sampled, 62 reported costs exceeding \$20,000. In performing these procedures, we noted the following finding:

Finding VIII (relates to objective 6): DHS did not report all conferences with costs exceeding \$20,000 timely and accurately to OIG

For hosted or sponsored conferences with costs exceeding \$20,000, DHS sometimes failed to report within 15 days of the end of the quarter and/or did

not report the date, location, and attendance, as required by P.L. 115-31 Division E Title VII Sec. 739 subsection (c) [131 STAT. 388]. Specifically, DHS reported:

- 4 of 62 conferences later than 15 days after the end of the quarter in which the conference occurred;
- 9 of 62 conferences with the incorrect conference dates;
- 5 of 62 conferences with the incorrect conference location; and,
- 57 of 62 conferences with the incorrect number of attendees.

Tables 4 and 5 summarize these findings.

Table 4: Timeliness Results of 15-Day Post Quarter-end Reporting Requirement

15-Day Post Quarter-end Reporting Requirement Timeliness (sample of 62)		
Reported on Time	Reported Late	Not Reported
58 (93.5%)	4 (6.5%)	0

Source: KPMG’s analysis of data obtained from DHS OCFO

Table 5: Accuracy Results of 15-Day Post Quarter-end Reporting Requirement

15-Day Post Quarter-end Reporting Requirement Accuracy (sample of 62)		
Information Reported	Reported Accurately	Reported Inaccurately
Conference Dates	53 (85.5%)	9 (14.5%)
Conference Location	57 (91.9%)	5 (8.1%)
Number of Attendees	5 (8.1%)	57 (91.9%)

Source: KPMG’s analysis of data obtained from DHS OCFO

We determined that DHS did not report all conferences greater than \$20,000 to OIG timely and accurately. DHS policies lack requirements for components’ verification of the originally reported information. Components often notify OIG in advance of conference dates, and report anticipated locations, dates, and attendance. Anticipated reporting often differs from actual circumstances.

We noted exceptions related to inaccurate reporting of costs, incorrect use of training exemptions, and exclusion of conferences from CAT as outlined above in Findings I, V, VI, and VII. Exceptions could result in noncompliance with the above provision of P.L. 115-31.

Recommendation 7: We recommend the Department of Homeland Security, Office of the Chief Financial Officer, enhance existing policies and procedures to ensure timely and accurately reporting to OIG of all conference information, via CAT, based on actual locations, dates, and number of attendees.

OCFO Comments

Response: Concur. During FY 2018, OCFO FMD staff automated the notification to OIG of all conference events entered into CAT with estimated costs exceeding \$20,000. CAT has been modified to push automated notification to OIG when components enter actual costs for those events.

Analysis of the Comments

OCFO's corrective action is responsive to the recommendation. OCFO provided its updated policy and examples of the automatic notification to us for conferences that exceeded the \$20,000 threshold. This satisfies the intent of the recommendation; we therefore consider the recommendation resolved and closed.

Objective 7: Review of Conference Funding

To achieve audit objective 7, we examined fund codes as reported in CAT for conference expenses. We verified the appropriateness of each fund code based on alignment between the conference mission and the fund's purpose, as stated in the Department of the Treasury's Federal Account Symbols and Titles Book. We did not identify any instances of noncompliance with P.L. 115-31 Division E Title VII Sec. 739 subsection (d) (131 STAT. 387).

Appendix A: Objectives, Scope, and Methodology

Objectives

The overall objectives of our audit were:

- Objective 1: Test DHS' FY 2017 hosted or sponsored conference costs for compliance with the allocable and reasonable criteria described in FAR, Subpart 31.2, *Contracts with Commercial Organizations*. Report instances of noncompliance identified that *Government Auditing Standards* require reporting, or that warrant the attention of DHS OIG and DHS management.
- Objective 2: Test DHS' FY 2017 hosted or sponsored conference costs for compliance with Section 2 of OMB M-12-12, *Promoting Efficient Spending to Support Agency Operations*, as amended by OMB-M-17-08, *Amending OMB Memorandum M-12-12, Promoting Efficient Spending to Support Agency Operations*. Report instances of noncompliance identified that *Government Auditing Standards* require reporting, or that warrant the attention of DHS OIG and DHS management.
- Objective 3: Test DHS' FY 2017 hosted or sponsored conference costs for compliance with the requirements described in Public Law 115-31, Division F Title V Sec. 527 [131 STAT. 428]. Report instances of noncompliance identified that *Government Auditing Standards* require reporting, or that warrant the attention of DHS OIG and DHS management.
- Objective 4: Test DHS' FY 2017 reporting on conference costs for compliance with Section 2 of OMB Memorandum 12-12 *Promoting Efficient Spending to Support Agency Operations*, Section 2, as amended by OMB Memorandum 17-08 *Amending OMB Memorandum M-12-12, Promoting Efficient Spending to Support Agency Operations*. These memorandums require public reporting of all hosted or sponsored conferences with expenses in excess of \$100,000. Report instances of noncompliance that *Government Auditing Standards* require reporting, or that warrant the attention of DHS OIG and DHS management.
- Objective 5: Test DHS' FY 2017 reporting to the DHS OIG for compliance with the requirements described in Public Law 115-31 Division E Title VII Sec. 739 subsections (a) and (b) [131 STAT. 387]. Report instances of noncompliance identified that *Government Auditing Standards* require reporting, or that warrant the attention of DHS

OIG and DHS management.

Objective 6: Test the timeliness of notification of conference spending by DHS to the OIG during FY 2017 for compliance with the requirements described in Public Law 115-31 Division E Title VII Sec. 739 subsection (c) [131 STAT. 388]. Report instances of noncompliance identified that *Government Auditing Standards* require reporting, or that warrant the attention of DHS OIG and DHS management.

Objective 7: Test DHS' FY 2017 hosted or sponsored conference costs for compliance with the requirements described in Public Law 115-31 Division E Title VII Sec. 739 subsection (d) [131 STAT. 388]. Report instances of noncompliance identified that *Government Auditing Standards* require reporting, or that warrant the attention of DHS OIG and DHS management.

Scope and Methodology

Our performance audit scope covered conferences hosted or sponsored by DHS between October 1, 2016 and September 30, 2017, as reported in CAT. As noted in the background section, DHS comprises 16 reporting components.

Fourteen of the 16 DHS components reported hosted or sponsored conferences within CAT. The Office of Health Affairs and OIG⁵ did not report any hosted or sponsored conferences within CAT. We performed overall procedures over completeness of conference reporting as described below.

To achieve our audit objectives, we reviewed DHS OCFO and DHS component policies. We interviewed officials within DHS OCFO and DHS components to determine whether policies and practices promote compliance with applicable statutory, regulatory, and policy requirements.

We also obtained the population of conferences hosted or sponsored by DHS components during the period October 1, 2016 to September 30, 2017, from DHS OCFO management as extracted from CAT. There were 469 total conferences reported as hosted or sponsored by DHS components. We stratified the population by DHS component, reported cost, and conference location. We selected all conferences with reported actual costs greater than \$100,000 over which to perform procedures. We also selected a sample of conferences with reported costs less than \$100,000. Our sample was judgmental as we targeted certain conferences for selection based on our risk assessment. For example,

⁵ Although OIG did not report any conferences, they would have been intentionally omitted from the sample.

we targeted conferences that we judgmentally determined to be in high visibility locations, such as Miami, Florida, and Las Vegas, Nevada. We also selected all international conferences. In total, we selected 100 conferences for test work.

Out of the 100 conferences selected for test work, we obtained evidence that 13 conferences were only attended,⁶ not hosted, and one conference received an exemption from reporting because it met the DHS internal policy definition of training. With these 14 exclusions, we subjected 86 conferences to test work.

Table 6 summarizes our sample selection:

Table 6: Sample Selection Summary (Number of Conferences)

Reported Conference Costs	Original Sample Size [A]	Samples Determined to be Attended Conferences* [B]	Samples Determined to have Received a Training Exemption [C]	Final Sample Size over Which Procedures were Performed [A]-[B]-[C]
Greater than \$100,000	41	11	1	29
Greater than \$20,000 but less than 100,000	33	0	0	33
Total greater than \$20,000	74	11	1	62
Less than \$20,000	26	2	0	24
Grand total	100	13	1	86

Source: KPMG’s analysis of data obtained from DHS OCFO

*Attended conferences were not within the scope of our performance audit as described above.

We assessed the reliability of the conference spending data reported in the above table by reviewing the related documentation for each conference. We determined that the data was sufficiently reliable for the purposes of this report.

We conducted this performance audit between September 2017 and August 2018 pursuant to the *Inspector General Act of 1978*, as amended, and

⁶ An attended conference is an event attended by DHS personnel, but not planned or coordinated by DHS.

according to the Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence, to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.

Appendix B: Office of the Chief Financial Officer Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20528



Homeland
Security

March 29, 2019

MEMORANDUM FOR: Sondra F. McCauley
Assistant Inspector General for Audits
Office of Inspector General

FROM: Jim H. Crumacker, CIA, CFE 
Director
Departmental GAO-OIG Liaison Office

SUBJECT: Management Response to OIG Draft Report: "Audit of
Department of Homeland Security's Fiscal Year 2017
Conference Spending" (Project No. 18-041-AUD-DHS)

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the work of the Office of Inspector General (OIG) in planning and conducting its review and issuing this report.

The Department is pleased to note the OIG's report does not cite any examples of fraud, waste and abuse. We believe this is attributable to our continued investment in ensuring DHS has strong internal controls for conference approval and reporting. The DHS Office of the Chief Financial Officer (OCFO) remains committed to evaluating proposed conference and training events to drive efficiency and effectiveness of DHS mission delivery for the American taxpayer and ensuring taxpayer dollars are spent to provide the most value at the least cost.

The draft report contained seven recommendations with which the Department concurs. Attached find our detailed response to the each recommendation. Technical comments were previously provided under separate cover.

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Attachment

**Attachment: Management Response to Recommendations
Contained in OIG Draft Report 18-041-AUD-CFO**

The OIG recommended that the DHS Office of the Chief Financial Officer (OCFO):

Recommendation 1: Formalize periodic monitoring of the completeness and accuracy of conference reporting in the CAT, to include verification of supporting documentation for conference costs.

Response: Concur. Component CFOs are required to certify the accuracy and completeness of conference data contained within CAT each year. Additionally, the DHS OCFO Financial Management Financial Policy Branch conducts quarterly testing of Component-reported actual costs in CAT. These procedures were implemented during the first quarter of Fiscal Year (FY) 2018 and continue. We have provided the OIG a copy of our testing work program, and the results of completed quarterly tests and related CFO certification documents under separate cover.

We request OIG consider this recommendation resolved and closed as implemented.

Recommendation 2: Take steps to ensure compliance with the FTR for costs incurred on government travel.

Response: Concur. Chapter 7 of the DHS Financial Management Policy Manual (FMPM) establishes DHS policy over travel planning, authorizing, spending, and vouchering in compliance with the Federal Travel Regulation (FTR). Each Component is responsible for establishing the internal policies, procedures, and controls necessary to achieve that compliance. In addition, on a monthly basis, each Component must certify to the OCFO Financial Management Division (FMD) compliance with the entire FMPM.

As part of DHS's official policy of FTR compliance, FMPM Section 7.9 is clear that expenses that exceed the maximum expense rate authorized and are not supported by receipts will not be reimbursed. Section 7.9 also requires that each Component perform travel voucher audits as an internal control over the travel process. While the FTR is clear about what constitutes excessive costs, it allows for two different methodologies for establishing permitted lodging and meal costs—the per diem schedule and the actual expense method. The per diem schedule cites a specific dollar amount that may be spent on lodging and meals at a specific location. The actual expense method allows for an increase of up to 300 percent of that amount subject to certain criteria and proper approval. It is important to note that although OIG's draft audit report indicates that certain costs cited as excessive were attributed to late travel bookings and/or late approval, there is no indication of whether these conditions were avoidable.

In addition, although the audit report does not indicate which FTR requirement (per diem schedule or actual expense) was not met, it does indicate that the level of non-compliance with the GSA meal and lodging schedules was limited to 0.21 percent of reported costs. DHS is proud that its control efforts have kept excessive travel spending to such a minimal level and will continue to reinforce its commitment to prudent use of taxpayer funds. Lastly, under separate cover, we have sent OIG a copy of the Desk-Side Procedures currently in use as a demonstration of actual quality control activities in place in the OCFO's Office of Financial Operations.

We request OIG consider this recommendation resolved and closed as implemented.

Recommendation 3: Amend its conference reporting policies and procedures to ensure its annual reporting to the OIG includes a detailed statement of costs and a description of contracting procedures used in accordance with P.L. 115-31.

Response: Concur. The annual conference reporting to the OIG was expanded with an accompanying spreadsheet to account for additional information regarding costs included in DHS conference activities, including a description of contracting procedures used. A copy of the format that will be used beginning with 2018 reporting was provided to OIG under separate cover.

We request OIG consider this recommendation resolved and closed as implemented.

Recommendation 4: Amend its policy governing conferences to ensure exemption for training events from the conference approval and reporting requirements.

Response: Concur. On February 8, 2019, OCFO FMD staff amended the policy regarding conferences to clearly state training events are required to account for 8 work hours per day. Additionally, OCFO further strengthened the policy requiring the use of government facilities and by limiting non-travel expenditures to \$75,000 for exempt training events, further demonstrating our commitment to hold down costs and to prevent non-training events being misclassified by Components. We have provided OIG a copy of Chapter 7.10, "Conferences" under separate cover.

We request OIG consider this recommendation resolved and closed as implemented.

Recommendation 5: Disclose events considered as exempt conferences in the general report on conference activities that accompanies the public report on hosted or sponsored conferences.

Response: Concur. OCFO FMD staff will ensure that the next general report on conferences describes the types of events considered exempt and the approval level required. To be exempt, a Component management official (equivalent to the Under

Secretary for Management) must make and retain a written determination stipulating the decision was made in accordance with the training exemption criteria in the FMPM. DHS requires Components to meet specific criteria to exempt a training. A training is exempt if it meets the following four criteria:

- 1) Training will be performed by DHS or federal employees, or by contracted external instructors if there is no documented expertise in DHS to conduct the training,
- 2) A total of eight work hours per day (excluding lunch or breaks) for a planned, organized exchange of information between presenters and the audience,
- 3) The training will be conducted at a no-cost facility (federal, state, or local government-owned or leased), and
- 4) Costs are limited to travel, transportation, per diem.

Additionally, DHS implemented a quarterly testing process beginning with Q4 FY 2018 whereby Components are required to submit their list of exempt training and we select a sample and trace back to the Component supporting documentation. We have provided OIG a copy of our initial testing results under separate cover.

We request OIG consider this recommendation resolved and closed as implemented.

Recommendation 6: Develop and implement training for Component personnel, establish oversight controls at the DHS consolidated level to reinforce training exemption policies and procedures.

Response: Concur. As part of the FMPM publication process, Components are required to update internal policies and procedures and must provide evidence and certification that those procedures are in compliance. On February 8, 2019, OCFO FMD staff published an updated FMPM Chapter 7.10, "Conferences." Upon certification by the Components that their internal policies and procedures to the FMPM, we will provide the OIG corroborating documentation of these actions and request the closure of this recommendation.

Additionally, the DHS OCFO Financial Management Financial Policy Branch conducts quarterly testing of Component-reported actual costs in CAT. These procedures were implemented during the first quarter of Fiscal Year (FY) 2018 and continue. We have provided the OIG a copy of our testing work program, and the results of completed quarterly tests and related CFO certification documents under separate cover.

Estimated Completion Date (ECD): April 30, 2019.

Recommendation 7: Recommend that the Department of Homeland Security Office of the Chief Financial Officer enhance existing policies and procedures to ensure timely and accurately reporting to OIG of all conference information via the CAT, based on actual locations, dates and number of attendees.

Response: Concur. During FY 2018, OCFO FMD staff automated the notification to OIG of all conference events entered into CAT with estimated costs exceeding \$20,000. The CAT has been modified to push auto notification to OIG when Components enter actual costs for those events.

We request OIG consider this recommendation resolved and closed as implemented.

Appendix C: DHS' Reporting Components

DHS comprises the following 16 reporting components:

1. Immigration and Customs Enforcement (ICE)
2. United States Secret Service (USSS)
3. Federal Law Enforcement Training Centers (FLETC)
4. Citizenship and Immigration Services (CIS)
5. United States Coast Guard (USCG)
6. Transportation Security Administration (TSA)
7. Customs and Border Protection (CBP)
8. Science and Technology Directorate (S&T)
9. Federal Emergency Management Agency (FEMA)
10. Office of Operations and Coordination (OPS)
11. Office of Inspector General (OIG)
12. National Protection and Programs Directorate (NPPD)
13. Management Directorate (MGMT)
14. Office of Health Affairs (OHA)
15. Domestic Nuclear Detection Office (DNDO)
16. Office of Intelligence and Analysis (I&A)

Appendix D: Report Distribution

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