

# Department of Homeland Security Office of Inspector General

## DHS Conference Spending



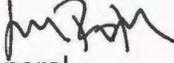


**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

April 25, 2014

MEMORANDUM FOR: The Honorable Chip Fulghum  
Acting Chief Financial Officer  
Department of Homeland Security

FROM: John Roth   
Inspector General

SUBJECT: *DHS Conference Spending*

Attached for your action is our final report, *DHS Conference Spending*. We incorporated the formal comments from the Department in the final report.

The report contains five recommendations aimed at improving conference spending. Your office concurred with all recommendations. Based on information provided in your response to the draft report, we consider recommendation 3 closed, and recommendations 1, 2, 4, and 5 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should include evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.

Please email a signed PDF copy of all responses and closeout requests to [OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov).

Consistent with our responsibility under the *Inspector General Act*, we will provide copies of our report to appropriate 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, or your staff may contact Anne L. Richards, Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



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## Abbreviations

CBP	Customs and Border Protection
CFR	Code of Federal Regulations
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FMPM	Financial Management Policy Manual
FY	fiscal year
ICE	Immigration and Customs Enforcement
NPPD	National Protection and Programs Directorate
OMB	Office of Management and Budget
S&T	Science and Technology Directorate
TSA	Transportation Security Administration
USCIS	U.S. Citizenship and Immigration Services



## **Executive Summary**

The Department of Homeland Security (DHS) hosts or sponsors conferences to enhance its mission. These conferences bring DHS employees and stakeholders together to share information, deliver education or training, and coordinate and collaborate with other Federal and non-Federal stakeholders on common issues or goals. According to DHS, during fiscal year 2012, DHS components hosted or sponsored 35 conferences exceeding \$100,000 at a total cost of \$7.5 million. We conducted this audit as a follow-on to our prior report *DHS' Policies and Procedures Over Conferences*, OIG-13-96, to determine whether the DHS conference spending was appropriate, reasonable, and necessary.

The amount DHS spent on conferences was appropriate, reasonable, and necessary in most instances. Conference packages submitted for approval stated the purpose of the conference. In addition, the conference agenda reflected appropriate content and encompassed full working days for the attendees. In many instances, the components made an effort to reduce conference costs by limiting the number of attendees and selecting a location within the local area.

The Department needs to make further improvements in guidance related to conference record-keeping and add more specificity in guidance to ensure conference estimates and reported costs are accurate and have adequate documentation. DHS has established policies and procedures designed to ensure conference spending is appropriate and in the best interest of the Federal Government and taxpayers. DHS also has policies to ensure it complies with most aspects of the Office of Management and Budget's guidance for conferences. In addition to these efforts, the Department continues to further develop guidance and initiate reviews of component conference spending.

Components did not always accurately estimate or revise conference cost estimates when anticipated costs changed, and did not always accurately report final conference costs. We identified \$329,438 in conference spending for which components did not provide adequate documentation. Additionally, components did not always demonstrate that using external conference planners was cost effective. Consequently, DHS cannot ensure that conference spending is always in the best interest of the Federal Government and taxpayers.

We made five recommendations to the Department. Upon implementation, these recommendations should lead to more accurate estimating and reporting of conference costs; improve conference spending documentation, transparency, and accountability;



and minimize external event planning costs. DHS has concurred with all five recommendations.

## **Background**

DHS secures the nation from many threats through five core mission areas: prevent terrorism and enhance security, secure and manage U.S. borders, enforce and administer immigration laws, safeguard and secure cyberspace, and ensure resilience to disasters. More than 240,000 DHS employees are responsible for these missions, along with hundreds of thousands of people across Federal, state, local, and territorial governments; the private sector; and other nongovernmental organizations.

DHS hosts, sponsors, and conducts conferences to enhance its mission. These conferences also bring DHS employees and stakeholders together to share information; deliver education or training; and coordinate and collaborate with other Federal and non-Federal stakeholders on common issues or goals. Conferences are pre-arranged events that typically include designated or registered participants, a defined agenda, and scheduled speakers or discussion panels on defined topics. The term *conference* encompasses meetings, retreats, seminars, symposia, or events that involve attendee travel, and also applies to training activities considered to be conferences under 5 Code of Federal Regulation (CFR) § 410.404.<sup>1</sup>

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 areas across the Government where waste or excess may exist, and to take immediate steps to address them. The Office of Management and Budget (OMB) issued Memorandum 11-35 in September 2011, instructing agencies to review their policies and internal controls for conference-related activities and expenses.

In November 2011, the President signed Executive Order 13589, "Promoting Efficient Spending." This Executive Order required that agencies develop plans to ensure efficient spending in several areas, including conferences. In May 2012, OMB issued Memorandum 12-12 instructing agencies to initiate senior-level review of all planned conferences, and senior-level approval for all future conference expenses exceeding \$100,000. This memorandum also 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<sup>2</sup> expenses exceeding \$100,000. In accordance with

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<sup>1</sup> 41 CFR § 300-3.1

<sup>2</sup> Net expenses are total costs less any fees or revenue received by the agency through the conference



OMB requirements, DHS publicly reported that for fiscal year (FY) 2012, it hosted or sponsored 35 conferences exceeding \$100,000. The total cost of these 35 conferences was \$7.5 million. This audit is a follow-on to our June 2013 report, *DHS' Policies and Procedures over Conferences* audit, OIG-13-96. In that report, we determined that although DHS complies with most aspects of OMB's guidance, DHS had not finalized its guidance on conferences, and had not always adhered to DHS policies on conference oversight. We performed this audit to determine whether DHS' conference spending was appropriate, reasonable, and necessary.

## **Results of Audit**

The amount DHS spent on conferences spending was appropriate, reasonable, and necessary in most instances. Conference packages submitted for approval stated the purpose of the conference. In addition, the conference agenda reflected appropriate content and encompassed full working days for the attendees. In many instances, the components made an effort to reduce conference costs by limiting the number of attendees and selecting a location within the local area.

The Department needs to make further improvements in guidance related to conference record-keeping and add more specificity in guidance to ensure conference estimates and reported costs are accurate and have adequate documentation. DHS has established policies and procedures designed to ensure conference spending is appropriate and in the best interest of the Federal Government and taxpayers. The Department also has policies to ensure it complies with most aspects of OMB's guidance for conferences. In addition to these efforts, the Department continues to further develop guidance and initiate reviews of component conference spending.

Components did not always accurately estimate or revise conference cost estimates when anticipated costs changed, and did not always accurately report final conference costs. We identified \$329,438 in conference spending for which components did not provide adequate documentation. Additionally, components did not always demonstrate that using external conference planners was cost effective. Consequently, the Department cannot ensure that the amount spent on conferences is always in the best interest of the Federal Government and taxpayers.

### **Estimated and Reported Conference Costs**

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Components did not always submit accurate or complete conference cost estimates to the Department or revise cost estimates when anticipated conference costs changed. DHS has established policies and procedures designed to ensure conference spending is appropriate and in the best interest of the



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Federal Government and taxpayers. The Department also complies with most aspects of OMB's guidance. DHS continues to further develop guidance on conferences and initiate oversight reviews of component conference spending. Accurate and detailed estimates are critical for ensuring conference approvals are based on valid and reliable cost information and that components have taken all reasonable steps to minimize conference costs.

Additionally, components did not always report to the Department actual costs that were complete and accurate. Accurate reporting of conference costs is essential to furthering the transparency and accountability of Federal spending. Based upon problems identified with components' estimating, documenting, and reporting of conference costs, DHS is at risk of approving conference expenditures that are not necessary, reasonable, or in the best interests of taxpayers. Furthermore, it may not provide complete transparency by reporting conference expenditures that are not accurate.

#### **Estimated Conference Costs**

Accurate and detailed cost estimates are essential during the approval process. DHS' *Financial Management Policy Manual (FMPM), Section 7.10.1 – Conference Controls*, requires components to submit cost estimates when requesting the Deputy Secretary's approval for conferences exceeding \$10,000, and the Secretary's approval for conference costs exceeding \$500,000. Similarly, OMB Memorandum 12-12 requires the Deputy Secretary to review and approve all conferences estimated to exceed \$100,000, and prohibits expenses in excess of \$500,000 absent a waiver by the Secretary.

In FYs 2012 and 2013, components did not consider all potential conference costs when preparing cost estimates and did not revise these estimates when anticipated conference costs changed. Consequently, cost estimates submitted to the Department for approval were not always reliable or accurate. For the FY 2012 conferences we reviewed, supported costs exceeded approved estimated costs by an average of 33 percent and for FY 2013 conferences by an average of 27 percent.

DHS guidance does not require components to document the assumptions and methodologies used in developing conference cost estimates. Our audit identified numerous instances of inadequately developed estimates that DHS may have caught had it required such documentation:

- U.S. Citizenship and Immigration Services (USCIS) significantly underestimated lodging costs for its FY 2012 *USCIS Field Operations Conference*. Specifically, it estimated attendees' lodging for one night



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instead of four nights. As a result, the supported actual costs exceeded the approved estimate by \$104,801, or 121 percent.

- Immigration and Customs Enforcement (ICE) underestimated transportation costs in its estimate for the FY 2012 *ICE Intelligence Training*. Specifically, the estimate incorrectly included one-way fare instead of round-trip fare. Additionally, the estimate did not include miscellaneous travel costs such as baggage and parking fees, and used an incorrect per diem rate. As a result, the supported actual cost exceeded the approved estimate by \$53,078, or 112 percent.

DHS' FMPM *Section 7.10.1* also requires components to submit a justification when actual conference cost exceeds 10 percent of the approved estimated cost. However, it does not require resubmission of estimates for approval when estimated costs change. Therefore, components did not always resubmit updated estimates when anticipated conference costs changed:

- Customs and Border Protection (CBP) did not update its cost estimate and seek DHS approval when it decided 34 travelers would stay an additional day at its FY 2012 *Office of Border Patrol Chief's Conference*, resulting in additional costs of \$8,228. CBP also did not include \$9,445 for baggage fees and lodging tax in its original estimate.
- CBP did not update the scheduled dates and cost estimates when it rescheduled its FY 2013 *East Coast Trade Symposium*. The component also did not estimate travel costs for this conference even though it served as a training session for field and headquarters personnel. The component could have anticipated such costs. CBP incurred travel costs for this conference totaling \$20,614. Ultimately, the total conference cost was 156 percent more than the original estimate.

### **Reported Conference Costs**

Accurate reporting of conference costs is essential to furthering the transparency and accountability of Federal spending. OMB Memorandum 12-12 requires annual public reporting of all conferences exceeding \$100,000. To meet this requirement, DHS requires components to submit a report quarterly for all conferences hosted that quarter. Senior component financial officials rely on data calls to conference coordinators or sponsors within the program offices to provide actual conference costs for quarterly and annual reporting to DHS.



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Some component senior financial officials noted that they have limited resources to meet DHS reporting requirements; DHS reporting requirements are burdensome; or DHS guidance is not clear regarding how it defines conference spending reporting categories. Furthermore, components had difficulty assembling and producing documentation to support all reported conference costs, even after multiple requests by our office. Components noted limitations of existing procurement, financial, and travel management systems to identify costs related to specific conferences as a primary challenge. This challenge limits components' ability to produce adequate documentation to support and facilitate the audit of reported conference costs.

In FY 2013, DHS implemented a web-based approval and tracking tool for components to enter and submit conference approval requests and estimates and to report actual conference costs. However, DHS had not evaluated the accuracy of component reporting via this tool during our audit. DHS' Office of Chief Financial Officer Risk Management and Assurance Division reviewed hosted conferences conducted during the first two quarters of FY 2013. However, its review primarily focused on compliance with required approvals and justifications. This review did not directly test the accuracy of component reporting of conference costs against supporting documentation, but identified instances of inaccurate and incomplete cost reporting.

DHS did not report complete and accurate costs for all conferences in its FY 2012 public conference report. Similarly, component quarterly conference spending reports for the first two quarters of FY 2013 were not complete or accurate. Furthermore, components could not provide adequate documentation to validate reported travel amounts as fully supported in all instances. We identified \$161,460 in travel costs that were unsupported. For example:

- Federal Emergency Management Agency (FEMA) did not report \$11,847 in costs incurred for use of an external travel coordinator in its FY 2012 *Presidential Policy Directive 8: Mitigation Framework Stakeholder Engagement Event* conference. In addition, FEMA could not support \$3,872 in travel costs. FEMA reported \$22,122 in travel costs for this conference, but could only provide documentation for \$18,250.
- FEMA reported \$224,313 as the actual total cost of its FY 2012 *National Flood Conference*. However, FEMA provided additional information that reflected a conference cost of at least \$243,048. Our reconciliation of FEMA's cost summary to supporting documentation disclosed the total net conference cost might have been as much as \$281,022. The



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Component provided documentation for \$124,887 in total travel costs, but only reported \$69,738.

- FEMA reported that 185 invitational travelers attended its FY 2012 *Continuity of Operations Strategic Planning Conference for States, Territories, Tribes, and the District of Columbia* at a cost of \$243,528. However, the component could not support \$155,837 in travel costs and only provided documentation for 118 invitational travelers.
- Science and Technology Directorate (S&T) submitted estimated rather than actual costs in its quarterly report to DHS for its FY 2013 *First Responder Resource Group* meeting. S&T reported costs of \$147,553, which reflected \$55,200 in estimated planning costs not actually incurred.
- National Protection and Programs Directorate (NPPD) provided no documentation to support \$1,752 in reported travel costs for its FY 2012 *Federal Cyber Security Workshop and Conference*.
- NPPD did not include \$10,782 in venue and audio-visual costs for its FY 2013 *SAFECOM Emergency Response Council Meeting* in its quarterly report to DHS.

OMB Memorandum 12-12 provides that agencies should ensure that conference attendance and expenses are limited to only the levels required to carry out the mission of the conference. The Department's ability to effectively assess and approve conferences diminishes when it does not have complete and accurate cost estimates. That includes planning costs already incurred or other costs that changed significantly after approval. Furthermore, conferences with actual costs exceeding \$100,000 that were estimated below that amount may not have been reviewed and approved by the Deputy Secretary, as required.

Accurate reporting of conference costs is important to ensure transparency and allow for historical cost analysis for reoccurring conferences. When components do not report conference costs accurately, the Department is not able to meet all Federal reporting responsibilities or gather reliable information to assess its conference spending.



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### **Recommendations**

We recommend that the Department of Homeland Security, Office of the Chief Financial Officer:

#### **Recommendation #1:**

Revise the Financial Management Policy Manual to require components to—

- a) Document assumptions and methodologies used to develop estimates on the Conference Activity Form.
- b) Update cost estimates and resubmit conference approval requests when there is a change in planning assumptions that will affect costs, such as location, fees, venue, attendance or dates.

#### **Recommendation #2**

Require the Risk Management and Assurance division to test the accuracy of conference costs reported to the Department in its future Annual Quality Reviews.

#### **Recommendation #3**

Work with component senior financial officials to define specific record-keeping requirements to ensure accurate and complete reporting of conference costs incurred. These requirements should ensure that adequate documentation, such as invoices, travel reports, contract files, and conference agendas, are maintained in a manner that facilitates timely audit or review.

### **Management Comments and OIG Analysis**

In its response to our draft report, the Department concurred with all five of our recommendations. The Department stated that it makes every effort to ensure that conference controls are effective and that conference spending is driven by critical mission requirements. The Department also indicated that it took a proactive approach in managing conference spending by focusing on improving efficiencies. Some of the efficiencies implemented by the Department include (1) maximizing the use of government office space and facilities for training events and meetings, (2) limiting the number of DHS attendees to a conference, and (3) holding conferences on a biennial rather than annual basis. According to the



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Department, total conference spending decreased by more than 50 percent from FYs 2012 to 2013.

**Recommendation #1: Concur.** Although the Office of the Chief Financial Officer's Financial Management Division no longer uses the Conference Activity Form to track costs, components will be required to submit any assumptions and methodologies used in calculating conference costs as part of their submission via a new Web-based cost-tracking tool. The Department also stated that Section 7.10 of the revised FMPM requires components to resubmit a conference for approval when changes in assumptions and methodologies increase the estimated cost of a conference or expand conference dates. According to the Department, a new policy to implement this revision has been drafted and is in the final clearance process. The Department expects to implement the policy by April 30, 2014.

**OIG Analysis:** The Department's response to this recommendation addresses the intent of the recommendation. This recommendation is resolved and will remain open until the Department provides evidence that components are required to submit assumptions and methodologies used in calculating conference costs. The component should also provide a copy of the new policy memo, once implemented.

**Recommendation #2: Concur.** According to the Department, the Office of the Chief Financial Officer's Risk Management and Assurance division began testing reported conference costs as part of its semi-annual quality reviews in January 2014. The testing of FY 2013 third and fourth quarter conferences will include a report on the accuracy of conference costs for each conference tested.

**OIG Analysis:** The Department's response to this recommendation addresses the intent of the recommendation. This recommendation is resolved and will remain open until the Department provides the Risk Management and Assurance division's methodology for its annual quality reviews. Specifically, the Department will need to provide documentation to support the nature and extent of its testing for conference cost accuracy. We will close this recommendation upon determining that the evidence provided meets the intent of this recommendation.

**Recommendation #3: Concur.** According to the Department, the Office of the Chief Financial Officer's Financial Management division distributed a memo on February 25, 2014, to component senior financial officials. This memo advises the components of the Department's record-keeping guidelines and the need for readily available conference documentation. It also indicates that components



should not need longer than 14 calendar days to respond to a conference data call, audit, or internal control review.

OIG Analysis: We received a copy of the memo referenced in the Department's official response to this report. DHS distributed the memo to Senior Financial Officers for the various DHS components. The document outlines the types of conference documentation components should retain. It also indicates the timeframes for which components should be able to provide conference documentation in response to inquiries. For conferences held in FY 2012 and after, components should retain documentation in such a way that they can respond to inquiries within 14 days. For conferences held prior to FY 2012, components should be able to provide documentation to requesters within 30 days. We reviewed this document and believe it meets the intent of our recommendation. Therefore, we are closing this recommendation.

#### **Use of Conference Planners**

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Cost minimization is a critical consideration in conference planning to ensure that costs are reasonable. Conference planners play a key role in determining how much a conference will cost. Conference planning may be performed using component staff or an external conference planner.

FEMA, NPPD, and Transportation Security Administration (TSA), used external conference planners for four conferences. These components did not always maintain adequate documentation to support all costs incurred for external conference planners. They did not demonstrate that external conference planners were the most cost-effective means for planning a conference. Additionally, these components did not always ensure that external conference planners appropriately considered Government-owned facilities when determining proposed conference locations.

We identified \$167,978 in costs that were unsupported because the component did not have detailed invoices or contractors' cost reports or did not provide documentation to support the reported costs. Specifically,

- FEMA relied on a contractor to provide travel coordination services for invitational travelers attending its *Presidential Policy Directive 8 Mitigation Framework Stakeholder Engagement Event* conference in FY 2012. The contractor invoiced FEMA for \$5,567 in other direct costs, but no supporting detail describing these costs was provided.



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- A contractor planned FEMA's FY 2012 *National Flood Conference* and was paid \$216,723 for its services. FEMA provided only an Excel spreadsheet of summary costs for \$151,119 in contractor's costs noted as finance, graphics, execution, or information technology.
- NPPD used an external conference planner for its *Federal Cyber Security Conference and Workshop*. NPPD provided an invoice as well as the contractor's final cost report to support the planning costs. However, we could not reconcile \$11,292 in costs for contractor travel, printing, materials, and supplies noted on the cost report to the related invoice.

There was not sufficient evidence to determine that these costs were accurate, allowable, or reasonable without adequate detailed information from the event planning contractors. DHS' FMPM requires components to identify, document, track, and review costs related to conference planning and to maintain documentation related to conference planning in a manner that allows for audit review and management inquiry. However, DHS did not evaluate the accuracy of reported conference costs and ascertain whether components maintained adequate documentation to support costs in the Annual Quality Control Review.

The *Federal Travel Regulation Appendix E to Chapter 301—Suggested Guidance for Conference Planning*, indicates that conference planning should begin at least one year in advance of the conference, depending on the conference size, type, and intended effect. However, components did not always limit conference-planning costs or disclose the full conference-planning cost to DHS. Specifically,

- TSA did not include \$33,520 in conference planning costs already incurred when it requested DHS approval for its FY 2013 *International Pipeline Security Forum* in San Diego, California. Ultimately, external event planning costs for this conference totaled \$67,040, or double the approved estimated amount, and accounted for 64 percent of the \$105,564 total cost of the conference. TSA reported that 158 participants attended the conference, equaling conference planning costs of about \$424 per attendee. .
- NPPD awarded a \$1.6 million contract for an external conference planner to support its National Cyber Security Division Fiscal Year 2012 conferences. Although NPPD did request DHS approval of the conference-planning contract, it did not disclose that the contract contained about \$523,853 in firm-fixed pricing for audio-visual equipment and contract-level management. Rather, NPPD said it would submit future approval



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requests for each conference and would not incur costs for any conference not approved by DHS. NPPD subsequently requested DHS approval in June 2012, to host its *Government Forum of Incident Response and Security Teams Conference*, which contained estimated audio-visual costs of \$201,960 and conference planning costs of \$132,860. When the Department questioned the reasonableness of these costs, NPPD officials said they could not minimize the costs because the contract required NPPD to spend the fixed sum by September 30, 2012.

The *Federal Travel Regulation, Section 301-74.1*, requires conference planners to take steps to maximize the use of Government-owned conference facilities. DHS' FMPM permits conference planners and approving officials to use privately-owned conference space only if appropriate Government-owned space is unavailable. Yet, TSA did not always demonstrate that external conference planners considered Government-owned conference facilities.

Specifically, TSA did not require its external conference planner to maximize the use of Government-owned facilities for its FY 2013 *International Pipeline Security Forum* in San Diego, California. TSA's contract required the external conference planner to perform a cost comparison of at least three venues so TSA could select the venue with the lowest costs. However, TSA did not provide documentation to support that the conference planner considered Government-owned facilities. Furthermore, the contract between TSA and the venue used for this conference allowed the external event planner to collect a 10 percent commission on hotel rooms booked in connection with the conference.

Although the *Federal Travel Regulation* does not prohibit the use of external event planners, it requires agencies to minimize all conference-related costs and maximize use of Government-owned or -provided conference facilities. Without adequate documentation to support external conference planning costs, DHS cannot reasonably assure that such spending was allowable, reasonable, or appropriately minimized.



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**Recommendations**

We recommend that the Department of Homeland Security, Office of the Chief Financial Officer:

**Recommendation #4:**

Require the Risk Management and Assurance Division, as part of its Annual Quality Control Review, to determine whether components maintain adequate documentation to support all reported conference-related costs. This determination should be made in conjunction with testing to evaluate the accuracy of reported conference-related costs.

**Recommendation #5:**

Strengthen its *Financial Management Policy Manual* by:

- a) Establishing a maximum threshold allowable, with any limited exceptions approved only by DHS, for external event planning costs. This threshold should represent a maximum amount considered reasonable and necessary to identify potential conference locations and develop itemized cost estimates needed to submit a conference approval request.
- b) Requiring components to identify the amount of firm-fixed pricing and obtain approval for any external conference planning contracts that contain such pricing prior to contract award.
- c) Requiring components to demonstrate that external conference planners consider the use of Government-owned conference facilities before considering private facilities.

**Management Comments and OIG Analysis**

**Recommendation #4: Concur.** According to the Department, the Risk Management and Assurance Division incorporated testing of documentation adequacy for all conference-related costs into its semi-annual quality reviews in January 2014. Conference testing reports for FY 2013 third and fourth quarters will include full details on the adequacy of the documentation for each conference tested. The Department estimated it will complete this effort by April 30, 2014.



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OIG Analysis: This recommendation is resolved and will remain open until the Department provides documentation to support the nature and extent of its testing for adequacy of documentation. We will close this recommendation upon determining that the evidence provided meets the intent of this recommendation.

**Recommendation #5: Concur.** According to the Department, the Office of the Chief Financial Officer's Financial Management Division will revise the FMPM no later than April 30, 2014. The revision will specifically disallow external conference planning services except under exceptional circumstances. The use of any conference planner at any cost requires the specific approval of the Deputy Secretary. In such instances, the component will be required to document the business need, identify the amount of firm-fixed pricing, and obtain Deputy Secretary approval before any contract is awarded. In addition, a new policy memo will require components to consider the use of Government-owned conference facilities before considering private facilities. The Department expects to complete this policy memo by April 30, 2014.

OIG Analysis: The Department's response to this recommendation addresses the intent of the recommendation. This recommendation is resolved and will remain open until the Department provides a copy of the revised FMPM and new policy memo. Upon review of this documentation and determining that they meet the intent of our recommendation, we will close the recommendation.



## **Appendix A**

### **Objectives, Scope, and Methodology**

The Department of Homeland Security (DHS) Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

We performed this audit to determine whether DHS conference spending was appropriate, reasonable, and necessary. To achieve our audit objective, we identified and reviewed applicable Federal laws, regulations, Office of Management and Budget guidance, DHS policies and procedures, and other Federal agencies' best practices regarding conferences. For each of the conferences we selected for review, we analyzed conference estimates and reported costs, and reviewed documentation for conference approvals and determination of actual conference costs. We interviewed DHS officials within the Office of the Chief Financial Officer directly involved in the DHS conference approval, reporting, and oversight process. We also interviewed DHS employees from the United States Customs and Border Protection, Federal Emergency Management Agency, United States Immigration and Customs Enforcement, Office of Intelligence and Analysis, Science and Technology Directorate, Transportation Security Administration, and United States Citizenship and Immigration Services.

Our audit scope covered DHS-hosted or sponsored conferences exceeding \$100,000 in total reported conference costs during FY 2012 through the second quarter of FY 2013. We obtained and reviewed conference-spending data for our scope period from DHS, which totaled 85 conferences with a total cost of \$16.2 million. To determine the reliability of DHS-reported data, we compared it to component-reported data and looked for anomalies.

Although our analysis and detailed testing of DHS conference spending data disclosed instances of incomplete or inaccurate data, as discussed in the body of our report, we determined the conference spending data was sufficiently reliable for the purposes of meeting our audit objective and supporting our audit findings.

To determine whether conference spending was reasonable, appropriate, and necessary, we selected a judgmental sample of 16 conferences (19 percent) to review in detail. The cost of these conferences totaled \$3.4 million (21 percent). For those conferences sampled, we reviewed and analyzed conference cost estimates and approval packages submitted to DHS. We also reviewed contracts, invoices and procurement requisitions, travel expenditure reports, and other documentation such as



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agendas, registration or attendance listings, conference fee plans, and justifications related to DHS conferences.

We documented the estimated conference costs submitted to DHS for approval, the total actual costs reported by component, and the conference costs adequately supported by sufficient documentation. The results of our review were used to determine whether the conference spending was appropriate based on whether expenses were authorized and not prohibited by law, regulation, or policy; necessary based on whether the expenses contributed to the authorized function or mission; and reasonable based on our assessment as to whether the expenses were not excessive and would be incurred by a prudent person in the conduct of competitive business.

We conducted this performance audit between May 2013 and November 2013 pursuant to the *Inspector General Act of 1978*, as amended, and according to 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 upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



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**Appendix B**  
**Management Comments to the Draft Report**

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



**Homeland  
Security**

February 28, 2014

MEMORANDUM FOR: Carlton I. Mann  
Chief Operating Officer  
Office of Inspector General

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

SUBJECT: OIG Draft Report: "DHS Conference Spending"  
(Project No. 13-144-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 Office of Inspector General's (OIG's) work in planning and conducting its review and issuing this report.

DHS is pleased to note that OIG concluded that DHS "conference spending was appropriate, reasonable, and necessary in most instances" and that "DHS has established policies and procedures designed to ensure conference spending is appropriate and in the best interest of the Federal Government and taxpayers." DHS makes every effort to ensure that conference controls are effective and that conference spending is driven by critical mission requirements and is in the best interest of the Government and taxpayers.

DHS has proactively addressed the management of conference spending and focused on efficiencies. This resulted in a decrease in total conference spending by more than 50 percent from Fiscal Year (FY) 2012 to FY 2013. Some of the efficiencies the Department has put in place include:

- Maximizing the use of government office space and facilities for training events and meetings instead of renting more costly meeting space;
- Limiting the number of DHS attendees to a conference; and
- Holding conferences on a biennial rather than annual basis.

The draft report contained five recommendations with which the Department concurs. Specifically, OIG recommended the DHS Office of the Chief Financial Officer (OCFO):



## Appendix B Management Comments to the Draft Report

**Recommendation 1:** Revise the *Financial Management Policy Manual* to require Components to —

- a) Document assumptions and methodologies used to develop estimates on the Conference Activity Form.
- b) Update cost estimates and resubmit conference approval requests if there is a change in planning assumptions that will affect costs, such as location, fees, venue, attendance or conference dates.

**Response:** Concur. While OCFO's Financial Management (FM) division no longer uses the Conference Activity Form to track costs, Components will be required to submit any assumptions and methodologies used in calculating the cost of a conference as part of their submission via a new Web-based cost tracking tool.

The revised *Financial Management Policy Manual*, Section 7.10 requires Components to resubmit a conference for approval when changes in assumptions and methodologies increase the estimated cost of a conference or expand the dates when a conference is held. A new policy memo to implement this revision has been written and is in final clearance process. Estimated Completion Date (ECD): April 30, 2014.

**Recommendation 2:** Require the Risk Management and Assurance division to test the accuracy of conference costs reported to the Department in its future Annual Quality Reviews.

**Response:** Concur. OCFO's Risk Management and Assurance (RM&A) division incorporated the direct testing of reported conference costs into its semi-annual quality reviews beginning in January 2014. The testing of FY 2013 Third and Fourth Quarter conferences will include a report on the accuracy of conference costs for each conference tested. We request that OIG consider this recommendation resolved and closed.

**Recommendation 3:** Work with Component senior financial officials to define specific record-keeping requirements to ensure accurate and complete reporting of conference costs incurred. These requirements should ensure that adequate documentation, such as invoices, travel reports, contract files, and conference agendas, are maintained in a manner that facilitates timely audit or review.

**Response:** Concur. FM distributed a memo on February 25, 2014, to Component senior financial officials advising them of the Department's record-keeping guidelines, that conference documentation should be readily available, and that Components should not need longer than 14 calendar days to respond to a conference data call, audit, or internal control review. We request that OIG consider this recommendation resolved and closed.

**Recommendation 4:** Risk Management and Assurance division, as part of its Annual Quality Control Review, to determine whether adequate documentation is maintained by the components to support all reported conference-related costs. This determination should be



## Appendix B Management Comments to the Draft Report

made in conjunction with testing to evaluate the accuracy of reported conference-related costs.

**Response:** Concur. RM&A incorporated the testing for adequacy of documentation for all reported conference-related costs into its semi-annual quality reviews in January 2014. Third and Fourth Quarter conference testing reports will include full details on the adequacy of the documentation for each conference tested. The first opportunity to conduct this testing within the testing cycle will be March 31, 2014. ECD: April 30, 2014.

**Recommendation 5:** Strengthen its *Financial Management Policy Manual* by:

- a) Establishing a maximum threshold allowable, with any limited exceptions approved only by DHS, for external event planning costs. This threshold should represent a maximum amount considered reasonable and necessary to identify potential conference locations and develop itemized cost estimates needed to submit a conference approval request.
- b) Requiring Components to identify the amount of firm-fixed pricing and obtain approval for any external conference planning contracts that contain such pricing prior to contract award.
- c) Requiring Components to demonstrate that external conference planners consider the use of Government-owned conference facilities before considering private facilities.

**Response:** Concur. FM will revise the *Financial Management Policy Manual*, Section 7.10 no later than April 30, 2014 to specifically disallow external conference planning services. Under exceptional circumstances, a Component may request to use an external conference planner. The use of any conference planner at any cost requires the specific approval of the Deputy Secretary.

In the rare event that an external conference planner is required, Components will document the business need, identify the amount of firm-fixed pricing, and obtain Deputy Secretary approval before any contract is awarded.

When hosting or sponsoring a conference, Components are required to consider the use of Government-owned conference facilities before considering private facilities. A new policy memo to implement this revision has been written and is in final clearance process. ECD: April, 30, 2014.

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



## Appendix C

### Chart of Unsupported Costs

Unsupported Costs by Component Conference			
	Conference	Total Reported Costs	Total Unsupported Costs
<b>FEMA</b>	FY 2012 PPD8 Mitigation Stakeholder Event	\$111,515	\$9,438
<b>FEMA</b>	FY 2012 National Flood Conference	\$224,313	\$151,119
<b>FEMA</b>	FY 2012 Continuity of Operations Strategic Planning Conference for States, Territories, Tribes, and the District of Columbia	\$339,627	\$155,837
<b>NPPD</b>	FY 2012 Federal Cyber Security Conference and Workshop	\$174,706	\$13,044
	<b>Total</b>	<b>\$850,161</b>	<b>\$329,438</b>



**OFFICE OF INSPECTOR GENERAL**  
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## Appendix D

### Chart of Conferences Reviewed

Fiscal Year 2012										
#	Comp	Conference Name	Start Date	End Date	Location of Event	Estimated	Publicly Reported Cost*	Actual Supported by Documentation	Actual Minus Estimated	Percentage of Actual Over/Under Estimated
1	CBP	OBP Chief's Conference	6/26/2012	6/27/2012	Chicago, IL	\$ 76,639	\$ 100,020	\$ 100,020	\$ 23,381	31%
2	CBP	Operation Global Infrastructure	8/14/2012	8/16/2012	Burlingame, CA	\$ 125,190	<i>Not Reported - training</i>	\$ 113,695	\$ (11,495)	-9%
3	FEMA	Presidential Policy Directive 8 Mitigation Framework Stakeholder Engagement Event	1/24/2012	1/27/2012	Kansas City, MO	\$ 76,212	\$ 111,515	\$ 120,264	\$ 44,052	58%
4	FEMA	National Flood Conference	5/7/2012	5/9/2012	Austin, TX	\$ 348,418	\$ 224,313	\$ 247,067	\$ (101,351)	-29%
5	FEMA	Continuity of Operations Strategic Planning Conference	7/24/2012	7/26/2012	Rochester, NY	\$ 257,717	\$ 339,627	\$ 191,394	\$ (66,323)	-26%
6	FEMA	National Preparedness Symposium	8/7/2012	8/9/2012	Crystal City, VA	\$ 248,663	\$ 141,769	\$ 219,855	\$ (28,808)	-12%
7	ICE	ICE Intelligence Training	5/30/2012	5/31/2012	New Orleans, LA	\$ 47,266	<i>Not Reported - training</i>	\$ 100,344	\$ 53,078	112%
8	NPPD	Federal Cyber Security Conference and Workshop 2011	10/3/2011	10/6/2011	Baltimore, MD	<i>Not submitted for approval</i>	\$ 174,706	\$ 174,706	\$ 174,706	100%
9	USCG	USCG Innovation Expo	10/25/2011	10/27/2011	Tampa, FL	\$ 1,228,000	\$ 1,240,764	\$ 1,235,682	\$ 7,682	1%
10	USCIS	Field Operations Conference	3/6/2012	3/8/2012	Leesburg, VA	\$ 86,329	\$ 190,788	\$ 191,129	\$ 104,800	121%
11	I&A	National Fusion Center Analytic Workshop	11/1/2011	11/3/2011	Atlanta, GA	\$ 23,122	<i>Not Reported - DOJ was primary host and funded with grant</i>	\$ 25,583	\$ 2,461	11%
*Conferences publically reported in the <i>Department of Homeland Security Fiscal Year 2012 Annual Report on Conferences</i>					Total	\$ 2,517,556	\$ 2,523,502	\$ 2,719,739	Average Percentage of Actual Over/Under Estimated	33%
Fiscal Year 2013										
#	Comp	Conference Name	Start Date	End Date	Location of Event	Estimated	Reported to DHS in Quarterly Report**	Actual Supported by Documentation	Actual Minus Estimated	Percentage of Actual Over/Under Estimated
1	CBP	2012 East Coast Trade Symposium	11/27/2012	11/28/2012	Washington, DC	\$ 23,538	\$ 180,419	\$ 60,343	\$ 36,805	156%
2	S&T	First Responder Resource Group (FRRG) Fall 2012 Meeting	12/4/2012	12/6/2012	Arlington, VA	\$ 193,724	\$ 147,553	\$ 76,656	\$ (117,068)	-60%
3	I&A	State and Local Program Office Offsite	12/5/2012	12/7/2012	Washington, DC	\$ 134,250	\$ 109,500	\$ 111,940	\$ (22,310)	-17%
4	NPPD	SAFECOM EC/ERC MEETING	11/13/2012	11/16/2013	Philadelphia, PA	\$ 168,250	\$ 105,422	\$ 130,934	\$ (37,316)	-22%
5	TSA	International Pipeline Security Forum	10/24/2012	10/25/2012	San Diego, CA	\$ 59,424	\$ 103,566	\$ 105,564	\$ 46,140	78%
**Conference spending reported to DHS as part of quarterly reporting required by Components					Total	\$ 579,186	\$ 646,460	\$ 485,437	Average Percentage of Actual Over/Under Estimated	27%



## **Appendix E**

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## **Appendix F**

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