
Office of Inspector General

Audit Report

DOT'S CONFERENCE SPENDING POLICIES REFLECT FEDERAL REQUIREMENTS, BUT INEFFECTIVE CONTROLS DO NOT ENSURE COMPLIANCE

Department of Transportation

Report Number: FI-2016-097

Date Issued: September 8, 2016





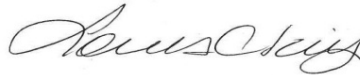
Memorandum

U.S. Department of
Transportation

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **INFORMATION**: DOT's Conference Spending
Policies Reflect Federal Requirements, but
Ineffective Controls Do Not Ensure Compliance
Department of Transportation
Report Number FI-2016-097

Date: September 8, 2016

From: Louis C. King 
Assistant Inspector General for Financial and
Information Technology Audits

Reply to: JA-20
Attn. of:

To: Assistant Secretary for Budget and Programs/
Chief Financial Officer

In 2011, the Administration launched the Campaign to Cut Waste to promote efficient spending across the Federal Government.¹ To curb travel, per diem, and other costs related to conferences, Congress passed legislation and the Office of Management and Budget (OMB) implemented new guidance meant to create transparency in the Federal Government's conference spending. OMB's guidance directs Federal agencies to conduct thorough reviews of their policies and controls for conference activities to ensure that they mitigate the risk of inappropriate conference spending practices.² OMB's guidance also requires Federal agencies and employees to ensure that conference expenses are appropriate, necessary, and managed in ways that minimize taxpayer expense.³

We conducted this audit to determine whether the Department of Transportation (DOT) has implemented effective internal controls over conference-related activities and expenses. Specifically, we (1) evaluated DOT policies and procedures to determine the extent to which they adequately reflect Federal laws, regulations, and OMB guidance and (2) determined whether DOT has

¹ Executive Order 13576 and Executive Order 13589.

² OMB Memorandum M-11-35, Eliminating Excess Conference Spending and Promoting Efficiency in Government.

³ OMB Memorandum M-12-12, Promoting Efficient Spending to Support Agency Operations.

implemented adequate procedures to ensure that Operating Administrations⁴ adhere to those policies.

We conducted our work in accordance with generally accepted Government auditing standards. To test for compliance with laws and regulations, we selected a statistical sample of 60 out of 374⁵ events DOT identified as conferences between March 2013 and September 2014. The sample represents one-third of DOT's reported conference costs for that period. The results of our statistical sample allowed us to project the conference cost amount for which proper procedures were not followed and for the amount spent without prior required approval.⁶ Exhibit A further details our scope and methodology, and exhibit B lists the entities we visited or contacted.

RESULTS IN BRIEF

DOT's policies on conference spending reflect Federal laws, regulations, and OMB guidance. However, the Department has not established clear guidance for identifying, tracking, and reporting conference activity and, for the period we reviewed, did not report all reportable conferences.⁷ As a result, DOT's total conference costs were understated. According to DOT, conference spending between March 2013 and September 2014 totaled almost \$19 million. However, we identified conferences that should have been reported but were not. For example, we identified 32 conferences sponsored by the Federal Aviation Administration (FAA) with expenses over \$20,000 that were not reported as required by Federal law and DOT policy. FAA provided information on these conferences during our review. Total expenses for these conferences exceeded \$1.4 million. In addition, DOT risks violating OMB spending guidelines because it does not compile or aggregate Department-wide conference data and related costs for cases in which multiple Operating Administrations participate in the same conferences.

DOT has not established adequate procedures to ensure compliance with conference spending requirements. DOT requires Operating Administrations to develop their own policies for conference-related costs. However, some of these differ from DOT's conference policies, or Operating Administrations simply did not follow their policies. We identified numerous non-compliances with conference requirements. Based on our sample of 60 conferences selected from the

⁴ DOT refers to its agencies as Operating Administrations. The Surface Transportation Board (STB) and Office of Inspector General (OIG) are not Operating Administrations because of their statutory independence. However, for purposes of this report, we are referring to them as Operating Administrations.

⁵ The universe of conferences that DOT and its Operating Administrations provided. However, DOT lacked the necessary data for us to validate the completeness of this information.

⁶ Our projection is limited to the universe of events identified by DOT as conferences.

⁷ Reportable conferences are Agency-sponsored conferences that exceed \$20,000. See table 1 for all reporting requirements.

list of conferences provided by DOT, Operating Administrations did not comply with at least 1 requirement for conference approval, reporting, and spending for 88 percent of the sampled conferences. For example, DOT policy requires the Chief Financial Officer (CFO) or budget officer to approve all conference packages over \$20,000, but FAA requires such approval only for conference packages over \$100,000. Insufficient procedures and inconsistent policies diminish the strength and authority of the Department's internal controls for ensuring Operating Administrations comply with requirements. Our sample also revealed \$536,886 in funds that were obligated without approval and \$140,104 in questioned costs, projecting, respectively, to \$856,009 (4.5 percent) and \$161,666 (0.9 percent) of the nearly \$19 million total cost that DOT attributed to conference-related expenses.⁸ The questioned costs that we found largely related to lack of support for the use of event planners by Operating Administrations when planning and conducting Operating Administration sponsored conferences.

We are making recommendations to assist DOT in eliminating unnecessary spending⁹ on conferences and strengthening internal controls associated with conference reporting requirements.

BACKGROUND

In September 2011, OMB issued "Eliminating Excess Conference Spending and Promoting Efficiency in Government," which directed all Executive agencies to conduct thorough reviews of their policies and controls associated with conference-related activities and expenses. In May 2012, following abusive conference spending at the General Services Administration, OMB issued guidance—"Promoting Efficient Spending to Support Agency Operations"—outlining specific conference spending controls. Federal statutes detail additional conference spending requirements. As listed in table 1, DOT guidance addresses conference spending, reporting, and approval requirements from OMB and Federal statutes. A major criterion for determining whether a conference is subject to approval and reporting requirements is conference sponsorship (agency-sponsored, co-sponsored, or non-agency sponsored)—whether a conference is hosted or held by the agency in whole or in part, or hosted or held by other Federal or non-Federal entities.

⁸ Our \$856,009 projection has a 90-percent upper confidence limit of \$1.5 million. Our \$161,666 projection has a 90-percent upper confidence limit of \$196,759.

⁹ We are recommending actions (1) to address questioned costs and (2) that funds be put to better use. The Inspector General Act defines the latter as a recommendation by the OIG that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation. Funds that could have been put to better use include obligations made prior to approval.

Table 1. Conference Requirements

Requirement	OMB M-12-12	Federal Statute ^a	DOT ^b
<i>All conferences</i>			
Require pre-approval			✓
Require pre-approval for conferences over \$100,000	✓		✓
Prohibit spending \$500,000 on a single conference without waiver	✓		✓
<i>Agency-sponsored only</i>			
Report publicly on conference costs exceeding \$100,000	✓		✓
Report to OIG annual conference costs that exceed \$100,000		✓	✓
Report to OIG in 15 days conference costs exceeding \$20,000		✓	✓

^a Public Law 113-6, effective March 26, 2013, and Public Law 113-76, effective January 17, 2014, are appropriations acts.

^b DOT's Memorandum on Internal Control Procedures and Guidance for Using DOT Funds for Conferences, Workshops and Related Gatherings, February 2012.

Sources: Public Law 113-6; Public Law 113-76; OMB Memorandum M-12-12, and DOT's Memorandum on Internal Control Procedures and Guidance for Using DOT Funds for Conferences, Workshops and Related Gatherings, February 2012; DOT Memorandum on New Statutory Reporting Requirements Regarding Conferences, May 2, 2013; DOT Interim Guidance on Conferences email, April 9, 2013; DOT Memorandum on Restatement of Policies on the Approval and Reporting of Conferences, May 7, 2014

DOT also requires each Operating Administration and each OST office to develop and enforce written internal control procedures for managing the process for review, approval, and funds availability certification consistent with the requirements of DOT's guidance.

DOT'S POLICIES REFLECT FEDERAL LAWS AND REGULATIONS, BUT A LACK OF CLARITY HAS RESULTED IN UNDERSTATED CONFERENCE SPENDING

DOT's policies on conference spending reflect Federal laws, regulations, and OMB guidance (as shown in table 1). However, DOT's guidance for tracking and reporting conference costs does not clearly define what constitutes a conference or conference-related activities, how to determine sponsorship, or how to ensure that event costs are accurately reported. As a result, the Department did not report all reportable conferences for the period we reviewed, and DOT's total conference costs were understated. Further, when multiple Operating Administrations participate in the same conference, DOT does not compile Department-wide conference data and related costs, increasing the risk of violations of spending laws and regulations.

DOT Has Not Established Clear Guidance for Tracking and Reporting All Conference Costs

DOT guidance for identifying, tracking, and reporting conference costs does not clearly define conference and conference-related activities. According to OMB, conferences include meetings, retreats, seminars, symposiums, workshops, or other events that involve attendee travel.¹⁰ While DOT policy also provides examples of activities that should and should not be considered conference or conference-related, confusion exists among Operating Administration officials on what should and should not be reported. For example, according to an official from one Operating Administration, DOT CFO officials¹¹ told the Operating Administrations to report all activities that might be categorized as conference or conference-related—even activities such as routine meetings, which DOT policy specifically states should not be reported. Other Operating Administration officials stated they include all activities to be sure they capture conference and conference-related expenditures.

The level of an Operating Administration’s sponsorship—a key criterion for determining what and how conference spending is reported—has also caused confusion among the Operating Administrations and increased the risk of inaccurate reporting. For example:

- FAA categorized its participation in the 2014 Experimental Aircraft Association (EAA) air show—which is held each year in Oshkosh, WI—as non-agency sponsored. However, FAA initially paid \$750,000—and was later reimbursed \$265,000—roughly one-third of the cost—under its reimbursable agreement with EAA.¹² FAA also handled the hotel for its employees, supplies, and set up for the conference. Based on our review of FAA’s various definitions of sponsorship and participation,¹³ the level of effort that FAA provided and the costs the Agency paid, we consider this event to be co-sponsored by FAA and EAA.
- DOT provided about \$28 million to the Transportation Research Board’s (TRB) fiscal year 2014 \$112.5 million budget—about one quarter of the

¹⁰ OMB’s definition of the term “conference” also applies to training activities that are considered to be conferences under 5 CFR 410.404.

¹¹ The Operating Administration specifically cited the Office of the Assistant Secretary for Budget and Programs/Chief Financial Officer.

¹² FAA does not know how much appropriated money was actually spent for the conference because it does not reconcile the amount actually spent (not reimbursed). FAA provided an estimate of \$230,294 as its portion of the conference (not to be reimbursed).

¹³ FAA defines conference sponsorship under two main categories: (1) Not Held by FAA—this means that FAA participated in, attended, provided speakers to, or supported the conference (e.g., support such as provided air traffic services to it). (2) Held by FAA—this means that FAA either sponsored the conference (i.e., determined the event needed to be held, organized the event, determined the agenda and topics to be discussed or presented) or co-sponsored the conference.

budget—but did not determine whether this constituted a level of sponsorship for TRB’s annual meeting. If DOT’s contributions supported the conference, they could, depending on the funding source, be considered conference expenditures and therefore subject to OMB, Federal statute, and DOT requirements.

Finally, while DOT guidance requires the Operating Administrations to provide costs incurred when publicly reporting conference expenditures in excess of \$100,000, as required by OMB¹⁴ annually, only one Operating Administration—Federal Railroad Administration (FRA)—provided actual costs. The other Operating Administrations only submitted estimated costs. For example, although officials at the Federal Highway Administration (FHWA) stated that they reconcile and report actual costs to the Department for public reporting, we identified costs for a conference that occurred 1 year earlier that had not been reconciled. Department officials confirmed that Operating Administrations do not follow up with actual costs. Inaccurate reporting and estimated costs undermine DOT’s ability to efficiently track and report actual spending on conference and conference-related activities.

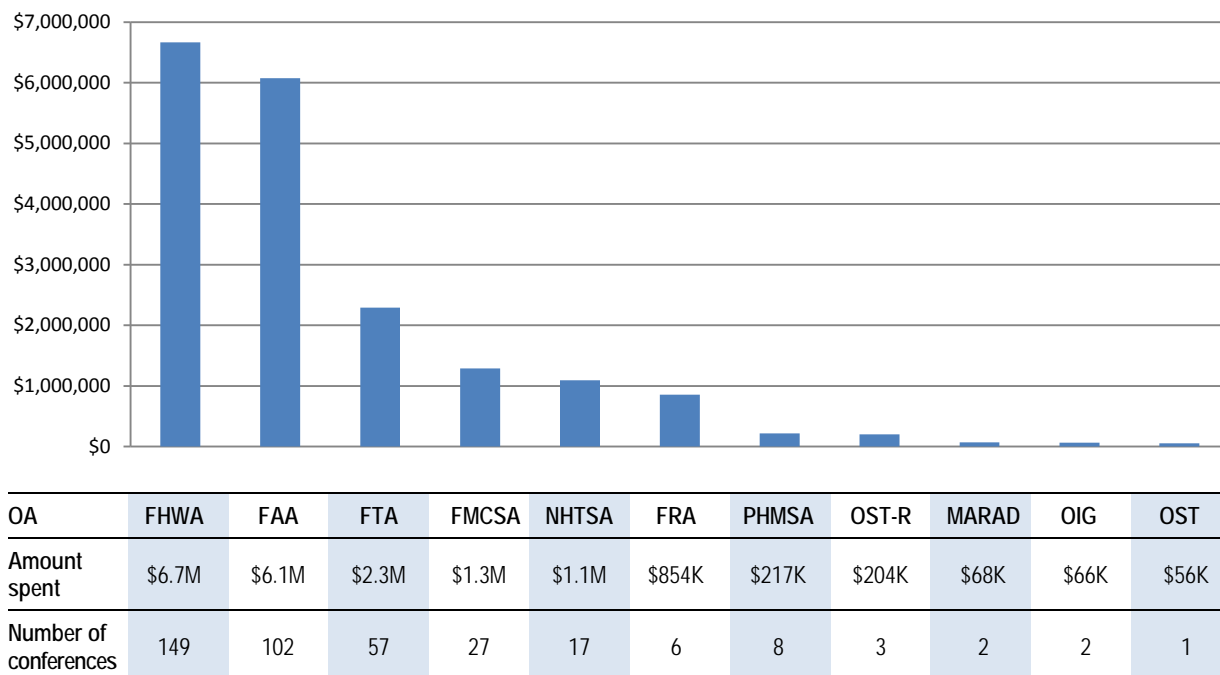
Not All Reportable Conference Spending Was Reported

Overall, DOT reported that 374 conferences totaling almost \$19 million were conducted between March 2013 and September 2014—most of which was incurred by FAA and FHWA (see figure 1).¹⁵

¹⁴ OMB requires Executive departments and agencies to publicly report incurred conference costs. See OMB Memorandum M-12-12.

¹⁵ These data include what DOT reported on the OIG biweekly reports, on its dedicated website, to OIG annually, and conference data specifically provided for this audit.

Figure 1. Operating Administrations' Conference Spending from March 2013 through September 2014



Note: We omitted the Surface Transportation Board (STB) and St. Lawrence Seaway Development Corporation (SLSDC) from the figure because they did not have any conferences or conference spending during this period.

Source: DOT and Operating Administration data

However, because of the absence of reliable data, we could not verify that the universe of conferences that DOT provided is accurate or complete. We found a number of discrepancies between the data DOT reported to us on its biweekly reports when compared to the data the Operating Administrations provided for this audit, which led us to identify conferences that should have been reported but were not. For example, we identified 32 FAA-sponsored conferences, each exceeding \$20,000, that were not reported until we conducted our audit. According to Federal law and DOT policy, these conferences should have been reported within 15 days. Expenses for these conferences totaled more than \$1.4 million. We found another six conferences that FHWA, the Pipeline and Hazardous Materials Safety Administration (PHMSA), and the Federal Motor Carrier Safety Administration (FMCSA) should have reported, but they did not do so until we conducted our audit. Expenses for these conferences totaled over \$250,000.

Furthermore, of the 374 conferences that DOT reported (including those not reported until we conducted this audit), 339 were reportable conferences and should have been reported within 15 days. Of those reportable conferences, only 43 were reported on time—the others were not. On average, conferences were

reported 150 days late; 94 were 30 days or more late, and some were as many as 600 days late.¹⁶

Finally, for fiscal year 2014, we identified five DOT-sponsored conferences, each exceeding \$100,000, that the Department did not publicly report as required by OMB. Expenses for these conferences totaled over \$785,000.

DOT Does Not Aggregate Operating Administrations' Conference Costs

OMB prohibits the Heads of Executive Departments and Agencies from spending more than \$500,000 on a single conference without a waiver. However, DOT risks violating this regulation because it does not aggregate conference costs from multiple Operating Administrations attending the same conference. For example, if two Operating Administrations sent participants to the same conference, each applied reporting and approval rules based only on its spending. DOT did not aggregate the Operating Administrations' data to determine if they exceed reporting or approval thresholds. For the 2014 TRB Annual Meeting, while most Operating Administrations' attendance costs fell well below required reporting thresholds, collectively, the costs approached the \$500,000 threshold (see table 2).

¹⁶ Some Operating Administrations—including FMCSA and the National Highway Traffic Safety Administration (NHTSA)—submitted data on time to DOT, but DOT either did not report them on time to us or did not report them at all. In several other cases, Operating Administrations did not report their data in time for DOT to make the reporting deadline.

Table 2. Operating Administration TRB 2014 Annual Meeting Expenditures, Identified by OIG

OA	OIG-Identified Expenditures
FHWA	\$207,921.80
FAA ^a	\$149,661.22
OST-R (Volpe)	\$41,464.94
NHTSA	\$22,000.00
FTA	\$2,245.71
STB	\$1,675.00
FRA	\$502.93
FMCSA	\$50.00
OST	\$48.21
MARAD	\$0.00
PHMSA	\$0.00
SLSDC	\$0.00
OA Total	\$425,569.81
OIG ^b	\$20,056.42
DOT Total	\$445,626.23

^a We obtained FAA's costs from the Department-wide travel system in place during our review.

^b To preserve independence, OIG is not subject to DOT policy but is required to follow Federal law and requirements, and its own policies.

Source: DOT, Operating Administrations, and travel system data

DOT DOES NOT HAVE ADEQUATE PROCEDURES TO ENSURE OPERATING ADMINISTRATIONS COMPLY WITH CONFERENCE REQUIREMENTS

DOT has not established adequate procedures to ensure compliance with conference approval, spending, and reporting requirements. Based on our sample of 60 conferences, the Operating Administrations did not comply with at least 1 requirement for conference approval, reporting, and spending for 88 percent of the conferences reviewed. Our sample also revealed questioned costs and funds that could have been put to better use. In addition, some Operating Administrations either have individual policies that do not align with Department-wide conference policy or do not follow their policies. These weaknesses diminish the strength and authority of the Department's internal controls for ensuring Operating Administrations comply with Federal laws, regulations, and OMB requirements.

Sampled Conferences Indicate Widespread Lack of Compliance With Requirements

The Operating Administrations did not fully comply with at least 1 of 7 categories of conference approval, spending, and reporting requirements for 53 of the 60 conferences we sampled from the list of conferences provided by DOT, or 88 percent. For example, 7 Operating Administrations did not obtain required advance approval for 30 conferences, and 9 Operating Administrations did not maintain sufficient records for 21 conferences. Table 3 summarizes Operating Administrations that did not comply with conference approval and spending requirements.

Table 3. Operating Administrations in OIG Sample That Did Not Comply With Conference Approval and Spending Requirements

Operating Administration	Total Conferences Reviewed	No Advanced Approvals ¹⁷	No Approvals at All	Insufficient Records
FAA	23	21	1	5
FHWA	10	0	0	2
FMCSA	5	0	2	2
FRA	4	3	0	4
FTA	4	1	1	3
MARAD	2	2	0	0
NHTSA	4	1	1	0
OIG ^a	2	0	0	1
OST	1	1	1	1
OST-R	3	1	0	1
PHMSA	2	0	0	2
Total	60	30	6	21

Note: SLSDC and STB were not in the sample because they did not provide conference or conference-related spending data.

^aTo preserve independence, OIG is not subject to DOT policy but is required to follow Federal law and requirements, as well as its own policy.

Source: OIG analysis

We also found instances where DOT or Operating Administrations did not comply with conference reporting requirements—for agency-sponsored conferences exceeding \$20,000. Out of our sample of 60 conferences, we identified 44 with expenses in excess of \$20,000 that were either not reported at all or were reported late. Specifically, some Operating Administrations—including FMCSA and the National Highway Traffic Safety Administration (NHTSA)—submitted data on

¹⁷ No advance approval or insufficient advance approval refers to conferences not approved in a timely manner as required. Some conferences were approved after the event took place, while other conferences were not submitted and approved 45 to 60 days prior to the event (as required by DOT policy).

time to DOT, but DOT either did not report them on time to us or did not report them at all. In several other cases, Operating Administrations did not report their data in time for DOT to make the reporting deadline. DOT also did not publicly report two Operating Administration conferences with expenses that exceeded \$100,000—a violation of OMB requirements (see table 4 below).

Table 4. Operating Administrations in OIG Sample That Did Not Comply With Conference Reporting Requirements

OA	Total Conferences Reviewed	Conferences in Excess of \$20,000 Not Reported to OIG	Conferences in Excess of \$100,000		
			Not Reported Publicly	Actual Costs Not Reported	Not Reported or Inaccurately Reported to OIG
FAA	23	17	3	1	4
FHWA	10	7	1	2	3
FMCSA	5	4	3	0	3
FRA	4	4	0	0	0
FTA	4	3	0	2	2
MARAD	2	1	0	0	0
NHTSA	4	3	1	0	1
OIG ^a	2	0	0	0	0
OST	1	1	0	0	0
OST-R	3	2	0	1	1
PHMSA	2	2	0	0	0
Total	60	44	8	6	14

Note: SLSDC and STB were not in the sample because they did not provide conference or conference-related spending data.

^aTo preserve independence, OIG is not subject to DOT policy but is required to follow Federal law and requirements, as well as its own policy.

Source: OIG analysis

Based on our sample results, we project that Operating Administrations did not fully comply with one or more of the requirements for conference approval, reporting, and spending for 79.2 percent¹⁸ of DOT's reported universe of almost \$19 million in conference costs reported for the period we reviewed.

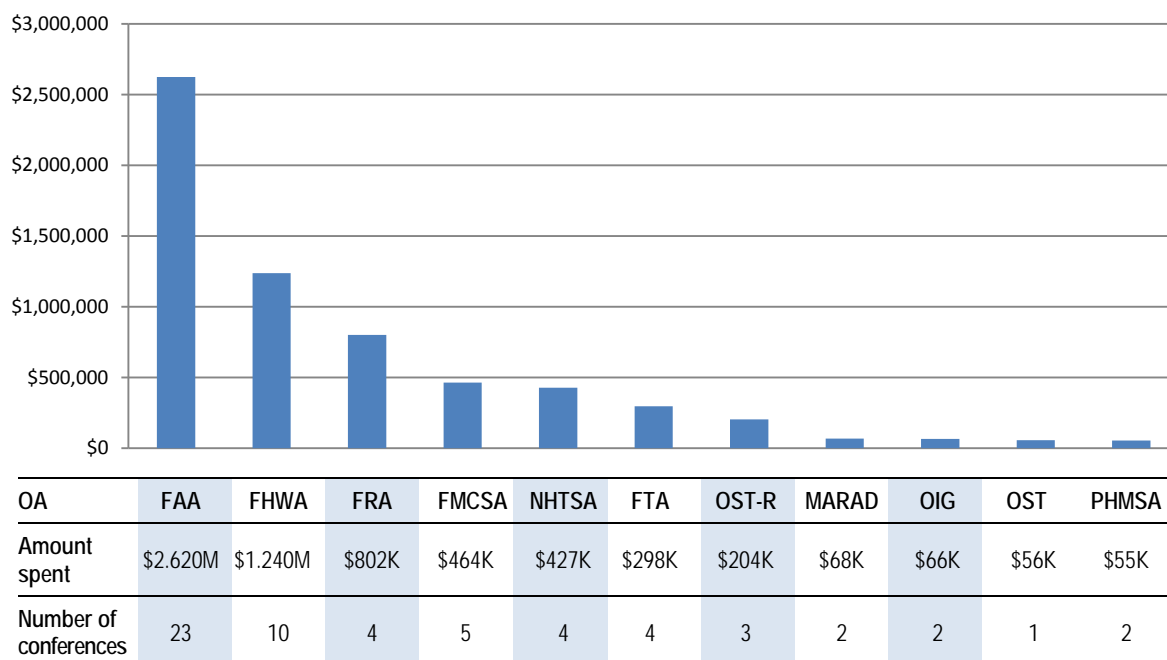
Lack of Compliance Increases the Risk of Inappropriate Use of Funds

Operating Administrations' lack of compliance with approval, spending, and reporting requirements increases the risk that funds used for conferences—which

¹⁸ Our 79.2-percent projection has a lower 90-percent confidence limit of 54.8 percent and an upper 100-percent confidence limit of 95.8 percent.

totalled \$6.3 million for the 60 conferences in our sample—will be used inappropriately. FAA accounted for 41 percent of this spending, while FHWA and FRA accounted for almost one-third (see figure 2).

Figure 2. Operating Administration Spending on Sampled Conferences Reviewed



Note: We omitted STB and SLSDC from the figure because they did not have any conferences or conference spending during this period.

Source: DOT and OA data (See exhibit C for the list of 60 DOT conferences selected for review.)

We identified funds, totaling \$536,886, spent on six conferences sponsored or co-sponsored by Operating Administrations that were obligated without approval. (The six conferences did not include the EAA.) These funds were therefore at risk of waste because non-refundable conference-related fees and deposits that were paid would have been lost had the conferences not occurred. In addition, because the obligations were made before approval, management was precluded from taking alternative actions that may have put funds to better use. Based on our sample, we estimate that \$856,009, or 4.5 percent, of our nearly \$19 million conference universe was spent on conferences without prior approval.¹⁹ Had proper controls been in place during this time, these funds could have been put to better use. Going forward, implementing these controls will help optimize the use of such funds.

Our sample also revealed questioned costs totaling \$140,104—which projects to \$161,666, or 0.9 percent, of the total cost that DOT attributed to conference-

¹⁹ Our \$856,009 estimate has a 90-percent upper confidence limit of \$1.5 million.

related expenses.²⁰ Approximately \$122,000 of this amount related to the lack of support for use of event planners. OMB’s guidance directs Federal agencies and employees to exercise discretion and judgment in ensuring that conference expenses are appropriate, necessary, and managed in a manner that minimizes expense to taxpayers. Furthermore, DOT requires Operating Administrations to justify certain costs, including those incurred by an event planner. Specifically, DOT requires that an external conference planner only be used to keep planning costs to a minimum, such as negotiating hotel food rates. However, FAA, FHWA, and NHTSA could not provide adequate documentation to justify obtaining an event planner. See table 5 for the questioned costs we identified.

Table 5. Questioned Conference Costs

Questioned cost	FAA	FHWA	FMCSA	NHTSA	Total
Event planner	\$44,067	\$53,016	\$0	\$25,000	\$122,083
Tax expenses	\$4,515	\$0	\$0	\$0	\$4,515
Unreduced per diem ^a	\$312	\$450	\$827	\$0	\$1,589
Food	\$5,972	\$0	\$0	\$0	\$5,972
Printed materials	\$5,945	\$0	\$0	\$0	\$5,945
Total	\$60,811	\$53,466	\$827	\$25,000	\$140,104

^a Federal Travel Regulations require employees to adjust per diem for meals furnished by the Government and reimburse lodging for actual expenses paid. We identified 30 instances in which employees did not reduce all or part of their per diem for food that was already paid by the agency through the registration fee. Further, we identified seven instances in which employees were reimbursed for more than the hotel billed.

Source: OIG analysis of Operating Administration data

The single conference from our sample of 60 with the largest amount of questioned costs is FAA’s Joint European Aviation Safety Agency (EASA) International Aviation Safety Conference. FAA spent \$92,642 on this conference, and over \$35,000—almost 40 percent—was potentially unnecessary or excessive (see table 6). With the exception of the unreduced per diem expenses of \$1,589, none of the other questioned costs can be recovered.

²⁰ Our \$161,666 projection has a 90-percent upper confidence limit of \$196,759.

Table 6. FAA’s EASA Conference Costs That OIG Identified as Questioned

Purchase	Cost	Violation(s)
Event planner	\$22,067	Did not provide adequate justification for use of an event planner. A primary function of an event planner should be to negotiate hotel food rates, but an FAA official told us that the planner could not negotiate the rates and accepted the prices the hotel presented.
Printing	\$5,945	The procurement request for printed materials appeared excessive and was completed and approved on June 30, 2014—10 days after the end of the conference. FAA officials said they thought the amount charged was within range of what FAA pays for conferences. (See exhibit D for a breakdown per unit of the printed items and associated fees.)
Unreduced per diem	\$312	Five employees did not reduce all or part of their per diem for food that FAA paid through their registration fees. Under Federal Travel Regulations (FTR), ²¹ Federal employees who attend conferences must deduct appropriate amounts from allowances for meals and incidental expenses for meals that the Government furnishes.
State taxes on purchase card transactions	\$1,599	DOT guidance, FAA procurement guidance, and the General Services Administration state that all purchases made with purchase cards are tax exempt.
Food	\$5,972	Food costs were 74.6 percent of the \$524.70 registration fee—averaging \$130.47 per day, almost double the Washington, DC, per diem rate. The hotel offered less expensive meal plans, and, per FTR, ²² agencies should work with conference hotels to plan menus within authorized per diem rates.
Total	\$35,895	

Source: OIG analysis of FAA data

Operating Administration Conference Policies That Do Not Align With DOT Policies or Were Not Followed Further Weaken Spending Controls

Some Operating Administrations have individual policies that do not align with DOT-wide conference policy, further diminishing the strength and authority of the Department’s controls over conference spending. For example:

- DOT policy requires that the CFO or a budget officer approve all conference packages, but FAA requires such approval only for conference packages over \$100,000. As a result, FAA’s CFO or budget officer never approved packages

²¹ Federal Travel Regulations, § 301-11.18.

²² Federal Travel Regulations, Chapter 301, Appendix E.

for 18 conferences in our sample, including the \$92,642 that FAA spent on the June 2014 EASA International Aviation Safety Conference.

- FHWA does not require conference requests to include information that DOT requires in its guidance, such as documented analyses related to conference site comparisons and selection.

In some cases, Operating Administrations simply did not follow their policies. For example, DOT policy and FAA procurement guidance both require that documentation on purchase card transactions be maintained for 6 years. However, FAA was unable to provide registration purchase card receipts for 41 of the 55 FAA employees who attended the June 2014 EASA conference. For 21 conferences in our sample, 9 out of 11 Operating Administrations had insufficient documentation to support conference spending.

CONCLUSION

Over the past several years, a lack of transparency in the Federal Government's spending on conferences and related activities has become evident. Since 2011, both the President and Congress have made concerted efforts to reduce this spending with new statutes and policies that require Federal agencies to ensure that oversight controls—including reporting to both their inspectors general and the public—are in place and being followed. DOT has established policies on conference spending that address these new requirements, but guidance and procedural weaknesses seriously inhibit its ability to accurately report its conference spending and ensure that the Operating Administrations comply with requirements. Until the Department takes action to improve its guidance and processes for controlling and overseeing conference spending, it will remain at risk of wasting taxpayer dollars.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Budget and Programs/CFO:

1. Revise Department-wide policies and procedures to clarify how to accurately identify and report conferences and conference-related activities and require Operating Administrations to review their policies and procedures and revise as needed to align with the Department.
2. Develop and implement procedures for tracking, compiling, and maintaining conference costs data.
3. Require Operating Administrations to reconcile their conferences expenditures and publicly report actual conference costs incurred as required by OMB.

4. Revise the Department's travel reimbursement policy to clarify conference travel expenditures that can be claimed and enforce the revised policy to prevent double reimbursements, unentitled per diem reimbursements, and other overpayments.
5. Collect \$1,589 of overpaid per diem reimbursements from conference travelers as identified in this report.
6. Develop and implement additional internal controls to help ensure Department-wide compliance with Federal laws, regulations, and OMB requirements on conference approval, reporting, and spending—including compliance with OMB Memorandum M-12-12, which prohibits incurring obligations prior to proper approval. Implementation of internal controls could have put \$856,009 in funds to better use.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

We provided DOT with our draft report on July 11, 2016, and received its response on August 10, 2016, which is included as an appendix to this report. The Department fully concurred with our six recommendations and provided appropriate planned actions and completion dates. Accordingly, we consider all recommendations as resolved but open pending completion of the planned actions.

Despite its full concurrence with all of our recommendations as written in its formal response, DOT separately stated that it does not agree that funds could have been put to better use. We identified \$536,886 spent on six conferences sponsored or co-sponsored by Operating Administrations that was obligated without approval. Therefore, we considered these funds at risk of waste because non-refundable, conference-related fees and deposits that were paid would have been lost had the conferences not occurred per the contract terms we reviewed. This is a clear example of non-compliance with OMB Memorandum M-12-12, which requires advance conference approval. Because the obligations were made before approval, management was precluded from taking alternative actions that may have put funds to better use. Consequently, no other option was available but to approve the conference to keep DOT from forfeiting the nonrefundable fees. Based on our sample, we estimate that \$856,009, or 4.5 percent, of our nearly \$19 million conference universe was spent on conferences without prior approval.²³

²³ Our \$856,009 estimate has a 90-percent upper confidence limit of \$1.5 million.

We appreciate the courtesies and cooperation of DOT representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-1407, or Kevin Dorsey, Program Director, at (202) 366-1518.

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cc: DOT Audit Liaison (M-1)

EXHIBIT A. SCOPE AND METHODOLOGY

We conducted our work from March 2015 through July 2016 in accordance with generally accepted Government auditing standards for performance audits. 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 objective.

Our objective was to determine whether DOT has implemented effective internal controls over conference-related activities and expenses. To meet our objective, we (1) evaluated DOT policies and procedures to determine the extent they adequately reflect Federal laws, regulations, and OMB guidance and (2) determined whether DOT has implemented adequate procedures to ensure that Operating Administrations are adhering to those policies.

To conduct our work, we contacted and/or interviewed representatives in FAA, FHWA, FMCSA, FRA, FTA, MARAD, NHTSA, OIG, OST, PHMSA, Research Innovative Technology Administration, the St. Lawrence Seaway Development Corporation, and STB. We also interviewed Department officials in DOT's Office of the CFO. We also reviewed contracts, invoices, and conference-related documentation for all Operating Administrations except STB and SLSDC (according to the Department, SLSDC and STB did not have conference or conference-related spending).

We requested from DOT and the Operating Administrations information on all conferences with costs more than \$20,000 for the period March 26, 2013, through September 30, 2014. DOT reported spending close to \$19 million in conference and conference related activities. DOT and its Operating Administrations provided the universe of conferences. Even though we were unable to validate the completeness of the universe due to the absence of reliable data at DOT, we deemed it sufficient enough for purposes of this audit because it was the only information available and we reported the limitation as a finding. We used data DOT reported on the OIG biweekly reports, on its dedicated website, to OIG annually, and conference data specifically provided for this audit.

We selected a statistical sample of 60 out of 374²⁴ with a cost of \$6.3 million (33.4 percent) out of a universe of events that DOT identified as conferences with expenses that totaled almost \$19 million for the period March 2013 through

²⁴ The universe of conferences that DOT and its Operating Administrations provided. However, we were unable to validate the completeness of the universe.

September 2014. Our sample design allowed us to estimate that Operating Administrations did not fully comply with one or more of the requirements for conference approval, reporting, and spending for 79.2 percent of DOT's reported universe of nearly \$19 million in conference costs reported for the period we reviewed with a 90-percent lower confidence limit of 54.8 percent and a 100-percent upper confidence limit of 95.8.

We reviewed the following:

- All DOT conferences with costs of \$90,000 or above.
- A stratified probability proportional to size with replacement sample of DOT conferences with costs ranging from \$20,000 to \$90,000.
- Supporting documentation that Operating Administrations provided for sample items. Finally, we requested data and performed analytical tests to determine if the list of conferences provided to us by DOT was complete.

EXHIBIT B. DOT COMPONENTS VISITED OR CONTACTED

Federal Aviation Administration (FAA)

Federal Highway Administration (FHWA)

Federal Motor Carrier Safety Administration (FMCSA)

Federal Railroad Administration (FRA)

Federal Transit Administration (FTA)

Maritime Administration (MARAD)

National Highway Traffic Safety Administration (NHTSA)

Office of Inspector General (OIG)

Office of the Secretary (OST)

Pipeline and Hazardous Materials Safety Administration (PHMSA)

Research and Innovative Technology Administration (RITA)²⁵

Saint Lawrence Seaway Development Corporation (SLSDC)

Surface Transportation Board (STB)²⁶

²⁵ On January 17, 2014, the Public Law 113-76, "Consolidated Appropriations Act, 2014," transferred the powers, duties, functions, authorities, and personnel of RITA to a newly created Office of the Assistant Secretary for Research and Innovative Technology in the Office of the Secretary.

²⁶ On December 18, 2015, the STB Reauthorization Act of 2015, Public Law 114-110, established STB as an independent agency. Previously, it had been housed within the Department of Transportation.

EXHIBIT C. DOT CONFERENCES SELECTED FOR REVIEW²⁷

No.	OA	Conference Title	Start Date	End Date	Location	Cost
1	FAA	Avionics and Flight Test Standardization Workshop	4/15/2014	4/17/2014	Kansas City, MO	\$255,027.30
2	FAA**	Experimental Aircraft Association (EAA) Fly - In Convention AirVenture	7/28/2014	8/03/2014	OshKosh, WI	\$230,294.28
3	FAA**	Experimental Aircraft Association (EAA) AirVenture Oshkosh	7/29/2013	8/04/2013	Oshkosh, WI	\$209,726.00
4	FAA**	85th Annual Scientific meeting of the Aerospace Medical Association (AsMA)	5/10/2014	5/16/2014	San Diego, CA	\$171,762.65
5	FAA	Safety Management System Focus Group	4/29/2014	5/01/2014	Dallas, TX	\$124,805.00
6	FAA	FAA En Route Automation Modernization (ERAM) Steering Committee and National User Team (NUT)Conference	11/04/2013	11/08/2013	San Antonio, TX	\$99,897.00
7	FAA	FAA Professional Aviation Safety Specialists (PASS) Collective Bargaining Agreement Briefing (CBA)	6/24/2014	6/26/2014	Atlanta, GA	\$98,177.00
8	FAA	FAA En Route Automation Modernization (ERAM) Steering Committee and National User Team (NUT) Conference	2/24/2014	2/27/2014	Fort Worth, TX	\$97,640.00
9	FAA	Western Hemisphere- Flight Standards Meeting	3/11/2014	3/13/2014	Arlington, VA	\$96,991.00
10	FAA	FAA En Route Automation Modernization (ERAM) Steering Committee & National User Team (NUT) Conference	8/05/2014	8/08/2014	Atlanta, GA	\$96,813.00
11	FAA	FAA En Route Automation Modernization Steering Committee and National User Team Conference	9/16/2014	9/19/2014	Atlanta, GA	\$96,813.00
12	FAA	En Route Automation Modernization (ERAM) Steering Committee & National User Team (NUT) Conference	1/14/2014	1/17/2014	Indianapolis, IN	\$95,716.00
13	FAA	Air Traffic SUPCOM Annual Training Conference	5/12/2014	5/16/2014	Oakbrook, IL	\$95,692.00

²⁷ These conferences and the cost data were provided by DOT.

No.	OA	Conference Title	Start Date	End Date	Location	Cost
14	FAA	En Route Automation Modernization (ERAM) and National User Team (NUT) Conference	8/05/2013	8/09/2013	Kansas City, MO	\$94,808.00
15	FAA	FAA En Route Automation Modernization (ERAM) Steering Committee & National User Team (NUT) Conference	9/16/2013	9/20/2013	Kansas City, MO	\$94,224.00
16	FAA	FAA Professional Aviation Safety Specialists (PASS) Collective Bargaining Agreement Briefing (CBA)	5/06/2014	5/08/2014	Irving, TX	\$93,981.00
17	FAA	AIT ALL MANAGERS CONFERENCE	9/21/2014	9/25/2014	Baltimore, MD	\$93,545.95
18	FAA*	Joint FAA-European Aviation Safety Agency (EASA) International Aviation Safety Conference	6/17/2014	6/19/2014	Bethesda, MD	\$92,642.00
19	FAA**	84th Annual Scientific Meeting of the Aerospace Medical Association (AsMA)	5/11/2013	5/16/2013	Chicago, IL	\$92,530.00
20	FAA	FAA En Route Automation Modernization (ERAM) Steering Committee & National User Team (NUT) Conference	3/31/2014	4/04/2014	Kansas City, MO	\$92,028.00
21	FAA	AVS InfoShare	3/04/2014	3/06/2014	Seattle, WA	\$90,327.00
22	FAA	Air Traffic Services Managers (ATM) and Terminal District Managers (TDM) Meeting	5/13/2014	5/15/2014	Oakbrook, IL	\$80,491.00
23	FAA	2014 Organization Designation Authorization (ODA) Seminar	6/10/2014	6/11/2014	Fort Worth, TX	\$30,149.00
24	FHWA	Federal Highway Administration Train-the-Trainer at the National Fire Academy (NFA)	6/27/2014	6/29/2014	Emmitsburg, MD	\$221,400.00
25	FHWA**	2014 Transportation Research Board (TRB) Annual Meeting	01/12/2014	01/16/14	Washington, DC	\$212,066.00
26	FHWA	FHWA Annual Fall Business Meeting	09/18/13	09/19/13	Silver Spring, MD	\$174,345.00
27	FHWA	2014 Fall Business Meeting	9/10/2014	9/12/2014	Crystal City, VA	\$141,358.00
28	FHWA*	Adapting Freight Models and Traditional Freight Data Programs for Performance Measurement	05/01/13	05/02/13	Washington, DC	\$98,498.00
29	FHWA*	FHWA/AASHTO Freight Partnership V	7/29/2013	8/02/2013	Washington, DC	\$95,885.00
30	FHWA*	Biennial Traffic Monitoring Conference and Exhibition	6/29/2014	7/02/2014	Chicago, IL	\$93,828.00

Exhibit C. DOT Conferences Selected for Review

No.	OA	Conference Title	Start Date	End Date	Location	Cost
31	FHWA	PDP Leadership Skills Academy	3/24/2014	3/28/2014	Washington, DC	\$93,315.00
32	FHWA**	AASHTO Subcommittee on Bridges and Structures Annual Meeting	6/23/2014	6/26/2014	Columbus, OH	\$44,327.00
33	FHWA	Generalist Discipline Meeting - West	09/09/13	09/12/13	Lakewood, CO	\$63,041.00
34	FMCSA	FMCSA National DA Meeting	5/21/13	5/23/13	Cleveland OH	\$109,000.00
35	FMCSA	EIT Training field staff	3/24/14	3/27/14	Reno, NV	\$101,000.00
36	FMCSA	EIT Training	1/27/14	1/30/14	Reno, Nevada	\$98,323.73
37	FMCSA	WSC In Service	7/25/14	8/12/14	WSC (various dates)	\$84,317.00
38	FMCSA	Eastern Service Center In-Service Training	7/15/13	7/18/13	Hampton, VA	\$71,500.00
39	FRA	Multiple Discipline Conference	9/16/13	9/20/13	Detroit, MI	\$355,852.45
40	FRA	Multiple Discipline Conference	9/9/2013	9/13/13	Detroit, MI	\$350,994.07
41	FRA	State Managers Meeting	8/27/13	8/30/13	San Antonio, TX	\$39,365.55
42	FRA	State Managers Meeting	9/9/14	9/12/14	Washington, DC	\$56,036.38
43	FTA	15th Biennial FTA State Programs Meeting*	8/7/2013	8/9/2013	Washington, DC	\$118,052.00
44	FTA	Annual Capital Project Management Annual Training	6/23/14	6/25/14	Washington, DC	\$100,233.00
45	FTA	State Management Review Workshop	6/5/13	6/6/13	San Francisco, CA	\$29,500.00
46	FTA	FY14 Triennial Review Workshop - Region 2 (Conference 2)	4/30/14	5/1/14	Brooklyn, NY	\$50,054.00
47	MARAD	Ship Manager Executive Working Group Meeting	7/31/13	8/1/13	Buzzards Bay, MA	\$38,930.00
48	MARAD	SMEWG Meeting	2/19/14	2/20/14	Charleston, SC	\$29,240.00
49	NHTSA*	23rd ESV 2013 International Technical Conference	5/27/13	5/30/13	Seoul, South Korea	\$197,250.00
50	NHTSA	Joint Law Enforcement Liaisons (LEL), Traffic Safety Resource Prosecutors (TSRP), and Judicial Outreach Liaisons (JOL) Training Workshop	9/17/13	9/18/13	St. Louis, MO	\$130,860.36
51	NHTSA	Lifesavers National Conference	4/14/13	4/16/13	Denver, CO	\$64,953.00
52	NHTSA	Annual Traffic Injury Control Managers Meeting	2/25/14	2/28/14	Washington, D.C.	\$34,391.00
53	OIG	Office of Surface Transportation Audits (JA-30) All	4/30/14	4/30/14	Shirlington, VA	\$34,660.00

Exhibit C. DOT Conferences Selected for Review

No.	OA	Conference Title	Start Date	End Date	Location	Cost
		Hands Meeting				
54	OIG	2013 OIG Audit Manager's Meeting	8/6/13	8/9/13	Washington, DC	\$31,022.71
55	OST	China Transport Forum	10/29/13	10/30/13	Chicago, IL	\$56,229.89
56	OST-R	Annual International Themed Research Symposium No. 1	5/30/13	5/31/13	Washington, DC	\$106,092.00
57	OST-R	U.S. Transportation Research Symposium No. 2	4/10/14	4/11/14	La Defense, France	\$66,520.00
58	OST-R	DOT Connected Vehicle Public Meeting	9/24/13	9/29/13	Arlington, VA	\$31,000.00
59	PHMSA	Gas and Liquid Advisory Committee	2/25/14	2/26/14	Arlington, VA	\$31,730.00
60	PHMSA	R&D Forum	8/6/14	8/7/14	Chicago, IL	\$23,612.00

* Co-Sponsored; ** Non-Agency Sponsored

Source: DOT and OA data

EXHIBIT D. QUESTIONED FEES FOR PRINTED MATERIALS

The information below is from the Joint FAA-European Aviation Safety Agency's (EASA) International Aviation Safety Conference, June 2014. The numbers in bold indicate the questioned costs that appear excessive or unreasonable, based on our examination of major cost variances and comparisons to Government prices schedules.

Name of item	Unit Price	Quantity	Totals	Questioned
Pocket Folders	\$4.089	450	\$1,840	\$1,840
Agendas	\$2.467	375	\$925	-
Attendee Lists	\$0.827	375	\$310	-
Announcements	\$0.200	375	\$75	-
Personal Info Sheets	\$0.213	375	\$80	-
Floor Plans	\$0.253	375	\$95	-
Speaker Bios (16 pgs.)	\$7.613	375	\$2,855	\$2,855
Expedited Freight	\$250.000	5	\$1,250	\$1,250
Totals			\$7,430	\$5,945

Source: OIG analysis of FAA data

EXHIBIT E. MAJOR CONTRIBUTORS TO THIS REPORT

<u>Name</u>	<u>Title</u>
Kevin Dorsey	Program Director
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APPENDIX. AGENCY COMMENTS



**U.S. Department of
Transportation**
Office of the Secretary of
Transportation

Assistant Secretary
for Budget and Programs
and Chief Financial Officer

1200 New Jersey Avenue, SE
Washington, DC 20590

Memorandum

Subject: **INFORMATION:** Management
Response to DOT Office of Inspector
General (OIG) Draft Report, *DOT's
Conference Spending Policies Reflect
Federal Requirements, but Ineffective
Controls do not Ensure Compliance*

August 10, 2016

From: Shoshana M. Lew
Chief Financial Officer and
Assistant Secretary for Budget and Programs

To: Louis C. King
Assistant Inspector General for
Financial and
Information Technology Audits

The Department of Transportation (DOT), as stewards of taxpayer dollars, exercises rigorous management and oversight over its conference activity and spending. Since assuming my current role in January of 2016, I have continued to prioritize this important issue. Through our oversight, the Department has and will continue to ensure that all DOT-funded conferences advance mission-critical objectives, including maintaining a highly trained DOT workforce, building collaborative relationships with DOT stakeholders, and conducting outreach to and educating DOT's employees and regulated communities. We maximize limited resources by ensuring that conference activities align with the agency's strategic plan.

It is important to note that the OIG did not find any instances of fraud, waste, abuse, or mismanagement in this audit. To the contrary, the

Appendix. Agency Comments

OIG found that DOT's policies on conference spending reflect Federal laws, regulations, and guidance from the Office of Management and Budget (OMB). The Department's senior leadership, including the Modal Administrators and the Deputy Secretary, are actively involved in conference oversight to ensure that proposed conferences receive the appropriate level of review. We have also issued two Departmental guidance documents pertaining to conference review and approval. Additionally, the Department requires each Operating Administration to develop and enforce its own set of internal control procedures.

To further augment our current practices given the import of this issue, DOT has already initiated the following actions to further improve Departmental procedures and better track actual conference expenditures:

- Initiated plans to develop an automated solution for Departmental conference tracking, monitoring, and reporting ;
- Conducted training for Departmental and Modal finance staff on travel and conference procedures ; and
- Identified best practices used by other Federal agencies, which are currently being evaluated to assess opportunities for further enhancing DOT practices.

We have reviewed the draft report and concur with all the OIG's recommendations, as written. The Department's target for implementing the OIG's recommendations is January 31, 2017.

We will continue to strengthen our oversight controls and policies for Federal funds spent on conference activity and appreciate the opportunity to comment on the OIG draft report. If you have any further questions or require additional information, please contact Madeline Chulumovich, Director, Office of Audit Relations and Program Improvement, at (202) 366-6512.