



Office of the Inspector General
United States Department of Justice

Statement of Michael E. Horowitz
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before the

Senate Committee on Homeland Security and Governmental Affairs

concerning

Examining Conference and Travel Spending
Across the Federal Government

January 14, 2014

Chairman Carper, Senator Coburn, and Members of the Committee:

Thank you for inviting me to testify at today's hearing. Identifying waste and abuse in the Department of Justice (Department or DOJ) is a crucial responsibility of the Office of the Inspector General (OIG) and one which we have pursued through our many audits, investigations, evaluations, and inspections. The OIG strongly supports strict accountability of the use of taxpayer funds and is committed to vigorous oversight of conference expenditures by the Department. Effective oversight involves not only identifying wasteful spending, but also ensuring that effective internal controls are in place and providing recommendations to mitigate any future abuses. I am pleased to outline for the Committee the OIG's previous and upcoming efforts to review spending by the Department on conferences and evaluate the Department's efforts to strengthen its internal controls in this area.

Starting in FY 2008, and in each year since, the appropriations law for DOJ has included a requirement that the Attorney General report to the OIG the cost of any conferences that exceeded a certain threshold (for FY 2008 to 2012, the threshold was \$20,000; for FY 2013, the threshold was \$100,000). The DOJ reported to the OIG in FY 2008 that it spent nearly \$48 million on conferences that exceeded the \$20,000 threshold figure; in FY 2010 that amount was over \$91 million. The FY 2012 cost reports show that DOJ reported spending almost \$58 million on conferences that cost more than \$20,000 each in FY 2012.

Since 2007, the OIG has conducted two audits of spending by the Department on conferences. In those reports, we identified significant concerns regarding both conference expenditures and inadequate reporting of conference costs by DOJ components to Department leadership. Following our audits, the Department took steps to address the concerns we identified. Let me briefly summarize for the Committee the findings that we made in those audits and the corrective actions that the Department said it would implement.

In September 2007, the OIG issued an audit report examining the 9 most expensive domestic conferences sponsored by DOJ components between October 2004 and September 2006, as well as the most expensive international conference during that same time period. This audit was conducted following a request by the U.S. Senate Appropriations Subcommittee on Commerce, Justice, Science, and Related Agencies. In total, these 10 conferences reviewed in the audit cost approximately \$6.2 million, with three conferences each exceeding \$1 million including travel costs.

We found that three categories of costs – external event planning, food and beverages, and audio-visual – represented 71 percent of the \$6.2 million spent to plan and host the 10 conferences. Conference event planners, as the name suggests, provide logistical service support for conferences, such as by

selecting venues, negotiating lodging rates, and working with hotels on menus. Our audit found that while some DOJ components internally planned their conferences, such as the Federal Bureau of Investigation (FBI), other DOJ components, such as the Office of Justice Programs (OJP), procured external conference event planners by awarding contracts or through cooperative agreements. We also found that the costs for external event planning expenses varied considerably. For example, the conference event planners for two conferences applied approved overhead rates of about 82 and 131 percent, respectively, on all direct labor charges. These conference event planners also applied a general and administrative charge on all direct conference costs. In contrast, the conference event planner for another conference charged a flat hourly labor rate that included all direct and indirect costs. This conference event planner then charged a 3 percent handling fee to all non-labor conference planning costs. We found in our report that Department sponsors of the conferences we reviewed did not ensure that conference event planners offered the best value for the fees charged.

In addition, we found that expenditures for some food items – particularly those associated with meals and receptions – appeared to be excessive. While serving food and beverages at events might be allowable, we raised concerns about significant service charges applied to food and beverages. Similar to rules governing food and beverage costs, federal agencies have considerable discretion in how much they choose to spend on audio and visual equipment and services at government-sponsored conferences. In our 2007 audit, we found that components and event planners spent over \$760,000 on audio-visual equipment and services for the 10 conferences we examined, making audio-visuals the third largest category of conference expenditures.

Further, we identified inconsistent reporting of conference expenditures by DOJ components to Department leadership. Our audit found that some components reported conference costs as budgeted, awarded, and estimated instead of actual expenses, while others did not uniformly include travel or personnel costs. In addition, the Department did not maintain a single financial reporting system capable of providing the costs of DOJ conferences.

As a result of our review, we provided 14 recommendations to the Department and its components. For example, the OIG recommended that DOJ implement specific guidance regarding what cost comparisons are required in order to consider lower cost conference locations and venues; develop conference food and beverage policies; and evaluate methods to solicit, hire, and assess external conference event planners to ensure that conference planning costs comply with appropriate conference planning.

In response to our recommendations, the Justice Management Division (JMD) issued Financial Management Policies and Procedures Bulletin Number

08-08 in April 2008, which established guidelines on conference planning and expenditure reporting. After reviewing the policies, the OIG closed its recommendations knowing we would evaluate the effectiveness of these policies in a subsequent audit.

In September 2011, the OIG issued a second audit that reviewed a judgmental sample of 10 DOJ conferences that occurred between October 2007 and September 2009, and which cost over \$4.4 million, to determine whether DOJ components properly accounted for and minimized costs of conference planning, meals, and refreshments.

Our 2011 report found that DOJ components spent \$600,000 (14 percent of costs) to hire “training and technical assistance providers” as conference event planners for 5 conferences without demonstrating that these firms offered the most cost effective logistical event planning services. Additionally, we found that, of this \$600,000, over \$242,000 was the result of indirect costs billed by the conference event planners. We found that some of the conference event planners applied indirect rates only to their staff salary and benefit expenses, while others applied indirect rates to the cost of every service or item procured for a conference, such as employee travel, food and beverages, and audio-visual rentals. We concluded that applying indirect rates to all costs, although allowable under some cooperative agreement terms, increased the final price of already-expensive conference services and items. In addition, DOJ spent about \$490,000 (11 percent of costs) on food and beverages at the 10 conferences. Our assessment of these food and beverage charges revealed that some DOJ components did not minimize conference costs as required by federal and DOJ guidelines.

In this 2011 report, we made 10 recommendations to help Department components properly account for and minimize conference costs. For example, we recommended that DOJ use training and technical assistance providers in planning conferences only when it can be demonstrated that it is the most cost-effective method of providing logistical services. We further recommended that components and their event planners be required to conduct a cost-benefit analysis when considering whether to order food and beverages in order to obtain free meeting space for their conferences. Additionally, we recommended that Department components establish and implement guidelines on conference food and beverage limits for conferences supported with cooperative agreement funds congruent with DOJ-wide rules.

Shortly after we released our audit, the Office of Management Budget (OMB) issued memoranda in September 2011 to the heads of executive branch departments and agencies on eliminating excessive conference costs and providing efficient conference spending to support agency operations. Among other things, OMB instructed all agencies to conduct a thorough review of its policies and controls associated with conference-related activities and

expenses. To expand upon these efforts, OMB subsequently issued, in May 2012, new policies and practices for conference sponsorship, hosting, and attendance to ensure that federal funds were being used appropriately, and that agencies continued to reduce spending on conferences where practicable. The guidance required senior level review and approval of all planned conferences expected to exceed \$100,000, prohibited expenses exceeding \$500,000 on a single conference unless an agency head both determined that exceptional circumstances existed and provided a written waiver, and required agencies to report on conference expenses on their public websites.

To address our recommendations in the 2011 report and the OMB guidance, on June 8, 2012, the Department issued DOJ Policy Statement 1400.1, *Planning, Approving, Attending and Reporting Conferences*, which updated JMD's conference planning policies. The revised DOJ statement included policies intended to improve the accuracy and consistency of how JMD received conference cost data from individual components. In addition, the Department's Policy Statement required component head written approval of any conference costing more than \$100,000 and Attorney General written approval for any costing more than \$500,000. Additionally, the policies require Assistant Attorney General for Administration approval of any event scheduled for a non-federal facility or when costs are anticipated to exceed those permitted under the policy. As a result of this updated policy statement from the Department, the OIG decided to close the recommendations in our 2011 report.

Under OMB Memorandum 12-12, DOJ must publicly report, by January 31, all conferences held during the prior fiscal year with net costs that exceeded \$100,000. Once the list of conferences for FY 2013 is made available by DOJ later this month, the OIG intends to initiate, shortly thereafter, an audit of certain of those FY 2013 conferences. This review will enable the OIG to not only evaluate whether the Department expended funds in an appropriate manner, but also to evaluate conferences that were planned and conducted following the issuance of the Department's June 2012 conference cost guidelines in order to assess how the new controls have impacted Department conference expenditures and whether they have improved the accuracy and consistency of cost reports by DOJ components and resulted in more prudent spending.

The OIG plays a critical role in ensuring that each dollar of taxpayer money is spent effectively and efficiently. We will continue to do all we can to oversee conference expenditures by the Department to ensure that extravagant and unnecessary conference costs are prevented and, if they do occur, are exposed and immediately remediated. This concludes my prepared statement, and I would be pleased to answer any questions that the Committee may have.