



National Science Foundation • Office of Inspector General
4201 Wilson Boulevard, Suite I-1135, Arlington, Virginia 22230

MEMORANDUM

DATE: March 23, 2012

TO: Dr. Cora B. Marrett
Deputy Director, National Science Foundation

FROM: Dr. Brett M. Baker /s/
Assistant Inspector General for Audit

SUBJECT: *Audit of NSF-Funded Conference Activities (Staff Retreats),*
Report No. 12-02-009

Attached please find the final report of our audit of NSF funded conference activities, specifically focused on staff retreats. The report contains one finding on the need for NSF to improve internal control governing staff retreats. We have included NSF's response as an appendix to the final report.

In accordance with Office of Management and Budget Circular A-50, *Audit Followup*, please provide a written corrective action plan within 60 days to address the report recommendation. This corrective action plan should detail specific actions and milestone dates.

We appreciate the courtesies and assistance provided by so many NSF staff during the audit. If you have any questions, please contact Marie Maguire, Senior Audit Manager, at (703) 292-5009.

Attachment

cc: Subra Suresh
Arthur K. Reilly
Michael Van Woert
Martha Rubenstein
Gene Hubbard
Joanna Rom

Clifford Gabriel
Allison Lerner
Marie Maguire
Kelly Stefanko
Emily Franko
Karen Scott

**Audit of NSF-Funded
Conference Activities
(Staff Retreats)**

**National Science Foundation
Office of Inspector General**

March 23, 2012

OIG 12-2-009



Introduction

Background

The National Science Foundation (NSF) funds a variety of conferences, such as:

- Conferences hosted by NSF awardees for purposes related to grant objectives,
- Formal conferences NSF hosts on various subject matters and attended by Federal employees and / or nongovernmental personnel,
- Panel meetings to review and evaluate proposals for grants, and
- Staff retreats held by individual NSF offices, directorates, or divisions.

The Office of Management and Budget (OMB), in Memorandum M-11-35, *Eliminating Excess Conference Spending and Promoting Efficiency in Government*, dated September 21, 2011, directed all Federal agencies and departments to conduct a thorough review of the policies and controls associated with conference-related activities and expenses. This memorandum cites a September 2011 Department of Justice (DOJ) Office of Inspector General (OIG) audit report, which identified insufficient internal controls to limit costs for planning and food and beverages for DOJ conferences. Pursuant to this OMB memorandum, NSF's Internal Control Quality Assurance Team, under the Division of Financial Management, initiated a comprehensive review of NSF's conference related activities. We also began this audit of the reasonableness and effectiveness of internal controls governing NSF conference-related spending. We coordinated our audit with NSF's internal review to minimize duplicative efforts.

We decided to focus our audit efforts specifically on staff retreats as a discretionary subset of conference activities funded by NSF. Based on information NSF offices and directorates reported, NSF held 95 staff retreats in Fiscal Years (FY) 2010 and 2011 combined. The OIG conservatively estimates the total cost of those retreats, based on the low end of the range of the costs reported, to be at least \$361,000 spent over these two years.

Audit Results – Internal Control Over NSF Staff Retreats Could Be Improved

Our review of nine NSF staff retreats¹ found several areas in which NSF could improve internal control to better ensure cost containment and compliance with applicable standards. First, we identified a lack of support to ensure that retreat sites selected were the most cost effective as required by the Federal Travel Regulation (FTR). As a result, NSF may have overspent on staff retreats. Second, because NSF had not set a

¹ Our sample of nine retreats were held in FY 2010 and FY 2011 and cost \$132,702.

standard for how much should be spent on refreshments at retreats, the amount that could be spent varied across the agency and was left to the discretion of individual retreat organizers. We also found that NSF did not have an internal policy to ensure compliance with the FTR and adequate management control over retreat costs. Finally, we were concerned about how often retreat organizers were unable to provide an invoice from the hotel where retreats were held. This was particularly troubling as hotel costs were generally the largest amount of retreat expenses.

It is important to note that we did not identify any instances of retreat participants inappropriately claiming reimbursement for meals that were provided. Further, it appeared that retreat planners generally attempted to be cost conscious.

Conference Planning Guidance

The Federal Travel Regulation (FTR), Part 301-74, "Conference Planning" specifies a number of agency responsibilities in planning conferences. For example, agencies must minimize all conference costs, including administrative costs and conference attendees' travel costs and time. In addition, agencies must maximize the use of Government-owned or Government-provided conference facilities to the extent possible. Also, the FTR requires agencies to establish their own internal policies to ensure FTR conference planning standards are met.

The FTR further states that agencies must provide assurance that there is appropriate management oversight of the planning process. Agencies must always perform cost comparisons of the size, scope, and location of the proposed conference. Moreover, for each conference an agency sponsors or funds in whole or in part for 30 or more attendees, the agency must consider at least three sites and maintain a record of the costs of each alternative site considered. A site refers to both the geographical location and the specific facility. The FTR specifies that records pertaining to alternate sites be made available for inspection to the agency's OIG or other interested parties.

Furthermore, on November 9, 2011, after our audit began, the White House issued Executive Order 13589, *Promoting Efficient Spending*, which directed agency heads to take aggressive steps to ensure that the Government is a good steward of taxpayer money. This executive order requires Federal agencies to establish a plan for reducing administrative costs, including travel, by not less than 20 percent below FY 2010 levels in FY 2013. Specifically, agencies were directed to "make all appropriate efforts to conduct business and host or sponsor conferences in space controlled by the Federal Government, wherever practicable and cost effective."

Better Documentation Needed to Ensure Retreat Decisions are Based on Consideration of Complete Cost

Retreat planners were not always able to document that they attempted to minimize costs to the government in planning their retreats. There was no evidence maintained that comprehensive cost calculations were done to ensure that the choice of a retreat

site was the most cost-effective option as required by FTR. Retreat planners that we interviewed were unaware of, and therefore did not consider, FTR conference planning standards when planning their respective retreats. Because records were not maintained to demonstrate that planners attempted to maximize the use of government owned facilities and minimize attendee travel and time costs, NSF may have overspent on staff retreats.

Reasonable Standard for Refreshment Costs Not Established

Through per diem rates established by the U.S. General Services Administration (GSA), there is a government-wide standard for the reasonable amount to pay for meals and lodging based on location. However, there is no similar basis to assess cost reasonableness for refreshments.

NSF does not have a standard for how much can be spent on refreshments at staff retreats. NSF internal guidance addresses certain situations when appropriated funds can be used to pay for food and drink, such as in conjunction with official travel and for government employee training. Further, NSF internal guidance defines the types of food and beverage appropriate to serve as “light refreshments” for staff retreats held outside the Washington metropolitan area. However, it does not establish a standard defining the reasonable amount to spend on these items.

In April 2011, NSF established internal guidance instituting a maximum limit of \$25 per day that can be spent per panelist or committee member on light refreshments served at panel, advisory committee, and committee of visitors meetings that are held on-site at NSF. However, NSF has not established a similar limit for the cost of light refreshments served at conferences, such as staff retreats, that are held off-site.

Because NSF does not have a standard for cost reasonableness for staff retreat refreshments, management control over spending is decreased, as the amount of such costs is left to the discretion of individuals throughout the agency planning retreats.

NSF Policy Needed to Ensure Federal Standards for Conference Planning are Met

NSF did not have any internal policies that incorporate federal standards on planning conferences as required by FTR. For example, the FTR provides a basis for location and facility selection which we did not find in any NSF guidance. Such guidance should also provide for appropriate management oversight and establishing reasonableness with respect to costs. The NSF retreat planners we met with were not aware of FTR Part 301-74 and its requirements to minimize costs.

Among the nine staff retreats we reviewed, we saw a variety of practices and expectations. It is difficult to hold staff accountable and ensure consistency for practices that are not governed by a policy. The retreat planners we interviewed spoke of the need for clear and comprehensive conference planning guidance, particularly in

planning staff retreats. For example, one indicated that a checklist of potentially applicable Federal rules and NSF policy to consider when planning a retreat would be helpful.

Detailed Invoices are Not Being Obtained and Reviewed

During our audit, we were concerned with the frequency in which we found that retreat planners did not have an invoice from the host hotel, which generally represented the largest amount of retreat expenses. Without the invoice, it is unclear how retreat planners were able to properly approve the applicable payment.

The payment approver is notified when payment information has been entered into the NSF financial system. The payment approver is expected to note any inaccuracies with the payment amount, such as costs included in the total that are erroneous or overpriced. However, some retreat planners stated that they only checked to ensure that the total payment amount did not exceed the appropriated or contracted amount. Billing mistakes or overcharges, such as those we found during our audit, may remain undetected if the detailed charges are not reviewed.

Retreat planners for six of eight staff retreats that obtained the host hotel through a contract did not have a detailed invoice upon our audit request. Based on the billing issues we identified, NSF should review its procedure for invoice payment to ensure detailed invoices are being properly obtained and reviewed.

Stronger Internal Control Needed to Prevent Mistakes

Overall our audit found that absent sufficient controls such as guidance and monitoring, there is a risk that NSF could overpay for staff retreats. Because staff retreats are funded by NSF's Agency Operations and Award Management appropriation, excess retreat costs reduce the amount of funds NSF has available to monitor grant recipients to ensure proper stewardship of Federal funds.

Further, because they did not have sufficient guidance and oversight, NSF retreat planners did not always comply with rules and regulations governing the spending incurred. Specifically we found these lapses in internal controls that went undetected until our audit:

- Records of consideration of at least 3 sites, which are required to be maintained for conference for 30 or more attendees, were not available for the 4 retreats in our sample that met that criterion.
- NSF paid for lodging for two retreats outside of the Washington metropolitan area at rates that exceeded the GSA lodging per diem rate. For one retreat, held during the summer in Virginia Beach, NSF paid \$299 per person per night when the FTR lodging rate was \$144 (exceeded the maximum rate by 108 percent). For another retreat, held during the summer in Ocean City, Maryland, NSF spent

\$274 per lodging room per night when the maximum per diem rate for lodging was \$192 (exceeded the rate by 43 percent). The FTR provides for a senior agency official to allow for up to 25% above the applicable locality lodging per diem rate. No such approval existed for these retreats. Retreat lodging was procured and paid centrally through a contract as opposed to being paid for individually by participants. This allowed per diem lodging limits, normally imposed by the travel reimbursement system, to be avoided without the need for special approval.

- Auditors were unable to reconcile the costs on the hotel invoice with the agreed upon line item expenses per the contract for two retreats. Neither retreat planner recalled obtaining the hotel invoice. For one retreat, the per-person cost on the hotel invoice was greater than the cost per the contract and the invoice included luggage fees that were not included in the contract. The total costs invoiced were below the contracted costs, despite these extra charges, because the contract amount was based on having two more attendees than actually attended.
- On a third retreat in which the retreat planner did not obtain an invoice, NSF was erroneously billed for and paid an extra night's lodging for one participant. Because the retreat planner never received or reviewed the hotel invoice, this overpayment was not detected until the planner obtained the invoice at the request of our audit. The hotel subsequently reimbursed NSF for the overcharge.
- Travel authorizations were not completed in advance for 33 participants who traveled by bus to attend a retreat in Williamsburg, VA or for 4 participants who carpoled to attend a retreat in Ocean City, MD. NSF Bulletin 09-03 *Travel-Definition of Official Travel* requires an appropriate approving official to formally authorize official travel before it commences.
- One hotel charged a "\$142/person/night conference fee," combining meal and refreshment charges with audio visual (AV) equipment use, room rental, and service fees which made it difficult to determine if meal charges were within per diem. Assuming meals and refreshments were provided within per diem, costs charged for two days use of the conference room and standard AV equipment, and service fees for 41 people was \$7,462.
- NSF paid taxes to the host hotel for one retreat held in 2010. During our audit, NSF requested and ultimately obtained reimbursement for the taxes paid.
- NSF overpaid three local mileage reimbursement claims for one retreat because the employees did not reduce the amount of their claims by their normal commuting costs.

Recommendations

1. We recommend that NSF's Deputy Director develop policy incorporating the conference planning requirements of FTR Section 301-74. Such policy should provide a basis for clear expectations of justification of cost, reasonableness of

spending, and sufficiency of management oversight.

2. In light of current budget constraints and Executive Order 13589, we recommend that NSF's Deputy Director reevaluate the practice of traveling outside of the Washington metropolitan area for staff retreats.

Summary of Agency Response and OIG Comments

In its response, NSF concurred with the OIG's recommendations. NSF agreed that more conference planning guidance is needed and that travel for staff retreats outside of the Washington metropolitan area merits reevaluation. NSF stated that it is currently in the process of reviewing the results of the internal control study of NSF conference activity in FY 2010 and FY 2011 and anticipates including the Federal Travel Regulation conference planning guidance (41 CFR 301-74) as part of the materials.

We consider management's comments and planned actions to be responsive to our recommendations. We look forward to receiving the Corrective Action Plan and working with NSF officials to confirm implementation.

We have included NSF's response to this report in its entirety as Appendix A.

OIG Contact and Staff Acknowledgements

Marie Maguire – Director of Performance Audits
(703) 292-5009 or mmaguire@nsf.gov

In addition to Ms. Maguire, Susan Carnohan, Kelly Stefanko, Emily Franko, and Mary Lam made key contributions to this report.

Appendix A: Agency's Response

NATIONAL SCIENCE FOUNDATION
4201 WILSON BOULEVARD
ARLINGTON, VIRGINIA 22230

March 19, 2012



OFFICE OF THE
DEPUTY DIRECTOR

MEMORANDUM

TO: Ms. Allison C. Lerner
Inspector General

FROM: Dr. Cora B. Marrett *Cora B. Marrett*
Deputy Director

SUBJECT: NSF Response to the OIG Draft for Formal Comment on the Audit of NSF-Funded
Conference Activities (Staff Retreats)

Below is the Foundation's response to the OIG Draft for Formal Comment on the Audit of NSF-Funded Conference Activities (Staff Retreats). This response was developed in close consultation with BFA. Please let me know if you have any questions.

NSF Response:

NSF appreciates this thoughtful audit. NSF agrees that more conference planning guidance is needed. NSF is currently in the process of reviewing the results of the internal control study on conference activity at the NSF in FY 2010 and FY2011 and anticipates including the Federal Travel Regulations conference planning guidance (41 CFR 301-74) as part of the materials. In addition, NSF agrees that travel for staff retreats outside of the Washington metropolitan area merits reevaluation.

cc: Subra Suresh
Marty Rubenstein
Gene Hubbard
Joanna Rom
Clifford Gabriel
Brett Baker
Marie Maguire
Kelly Stefanko
Emily Franko
Karen Scott

Appendix B: Objective, Scope and Methodology

The objective of this audit was to evaluate: (1) internal controls governing NSF funded conference-related spending and (2) the reasonableness of conference expenses. The scope of our work focused exclusively on staff retreats held in FYs 2010 and 2011.

We were not able to obtain the universe of NSF's staff retreat spending from a query of NSF's Financial Accounting System because the system did not have any consistent or unique codes for staff retreat costs. Rather, we coordinated with NSF's Internal Control Quality Assurance Team to develop an NSF-wide data call to division level administrative officers to obtain the universe of conference activity. We relied on information from this data call to determine the universe of staff retreats.

We selected nine staff retreats, representing a mix of directorates and locations both inside and outside of the Washington metropolitan area, for audit. We judgmentally selected our sample using a risk-based approach. We considered retreats with the highest cost, locally held retreats with the highest cost, and retreats held the farthest distance from NSF to be the highest risk. We selected three retreats held in the Washington metropolitan area with the highest reported costs estimates. Finally, we judgmentally selected six retreats that were the farthest mileage distance from NSF's offices in Arlington, VA (Virginia Beach, VA; Ocean City, MD; and Williamsburg, VA), attempting to get representation from a wide range of NSF Directorates and Offices. We conducted the audit between October 2011 and February 2012 at NSF's headquarters in Arlington, VA.

To establish a framework for evaluating the reasonableness of costs and internal control governing conference spending, we searched prior reports and the internet, and inquired with NSF retreat planners and the NSF internal control team for federal and NSF criteria related to conference spending. We reviewed NSF's compliance with applicable provisions of pertinent guidance identified, including:

- NSF Bulletin 00-04 - Conference Planning and Refreshments,
- NSF Bulletin 11-08, Local Travel Expenses
- NSF Bulletin 09-03, Travel - Definition of Official Travel
- NSF Financial Management Policy Manual
- Visa Purchase Card Program Handbook and Training Manual, and
- Federal Travel Regulation Part 301.74 - Conference Planning.

Instances of noncompliance with the portion of this guidance pertinent to our audit objectives are noted in our audit finding.

In answering our objective, we requested that retreat planners provide documentation supporting retreat costs including approval from management, price quotations obtained in researching venues, contracts, and detailed invoices from vendors. We developed a process map and testing sheets to consistently document retreat costs and evaluate

compliance with applicable guidance. We independently searched NSF records of procurement card charges and travel reimbursement for unreported retreat costs. As needed, we followed up with and interviewed retreat planners to inquire about missing documentation or to confirm our understanding of exceptions noted. We also interviewed staff in the Office of Information and Resource Management, the Division of Financial Management, and the Division of Acquisition and Contract Support to clarify applicable guidance and to gain an understanding of their procedures and roles with respect to retreat related activities, such as the solicitation and competitive bid, travel authorization, and payment processes.

Through interviewing NSF staff and reviewing documentation, we also obtained an understanding of management controls over staff retreat spending. We identified internal control deficiencies, which we discuss in this report. However, we did not identify any instances of fraud, illegal acts, violations, or abuse.

During the course of this audit, we relied on information and data received from NSF in electronic format that had been entered into a computer system or that resulted from computer processing. We tested the reliability of NSF's computer-processed data by corroborating the results with NSF officials independent of the computer system. Based on our assessment, we concluded the computer-processed data was sufficiently reliable to use in meeting the audit's objective.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

We held an exit conference with NSF management on February 14, 2012.