

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**HHS AGENCIES DID NOT  
ACCURATELY REPORT SOME  
CONFERENCE COSTS FOR FISCAL  
YEAR 2012**

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# *Office of Inspector General*

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The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

*During the first year of mandatory reporting of conference costs, U.S. Department of Health and Human Services' agencies did not accurately report some costs for four conferences held during fiscal year 2012.*

## **EXECUTIVE SUMMARY**

### **WHY WE DID THIS REVIEW**

The U.S. Department of Health and Human Services (the Department) is responsible for ensuring that its operating and staff divisions (HHS agencies) use Federal funds for purposes that are appropriate, cost effective, and important to its core mission. In May 2012, partly in response to recent instances of excessive conference spending by some Federal agencies, the Office of Management and Budget (OMB) issued new requirements for approving, spending, and reporting for agency conferences. These new requirements added greater scrutiny of federally sponsored and attended conferences by, among other things, requiring each Federal agency to report the costs incurred for conferences on its Web site. As part of our oversight responsibilities, we reviewed the reporting of costs for four of the Department's conferences that were held in fiscal year 2012.

The objectives of this report were to determine whether the HHS agencies accurately reported conference costs and whether those costs were allowable under Federal requirements.

### **BACKGROUND**

#### **Requirements for Reporting Conference Costs**

On May 11, 2012, OMB issued Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, which outlines a series of new policies and internal control practices to reduce spending on and add greater scrutiny of federally sponsored conferences. The memorandum requires Federal agencies to publicly report all conferences that cost more than \$100,000.

The Department's June 7, 2012, guidance implemented enhanced controls as required by OMB M-12-12. Beginning with fiscal year 2012, the guidance requires that each HHS agency report the total costs incurred for each conference for which the Department's costs exceed \$100,000. HHS agencies must report conference costs for the year in which they are held, and the Department must post the reported costs on its Web site, as required by OMB M-12-12.

#### **Department Conferences**

The Department reported on its Web site that, for fiscal year 2012, HHS agencies sponsored 140 conferences for which HHS agencies had provided funding that exceeded \$100,000. The report showed conference costs of \$56,130,874 and attendance by 92,547 Federal and non-Federal attendees. The conferences included, among others, an international AIDS conference, a preparedness and response training conference, a joint preparedness conference, and a National Health Service Corps awardees conference. Three of the four conferences were held before the requirement to report conference costs. Planning and funding for them began as early as 2010.

## **WHAT WE FOUND**

HHS agencies did not accurately report on the Department's Web site conference costs for the four conferences covered by our audit. For these four conferences, HHS agencies reported total conference costs of \$15.8 million, of which we reviewed \$15.4 million. For the costs reviewed, we determined that the reportable costs for these conferences were \$16.8 million, a net underreported difference of \$1.4 million.

HHS agencies reported inaccurate conference costs because they did not have an effective process in place to capture and separately identify all conference costs during our audit period and the Department relied on the HHS agencies to report costs for conferences planned or held during the fiscal year. In addition, before June 2012, there was no requirement for HHS agencies to report and for the Department to publicly post conference costs. HHS agencies had completed the planning for all four conferences, and three of the conferences had taken place, before the requirement was issued. Because the reporting requirements were so new, some agency officials said that they were uncertain about the costs that should be reported. Also, HHS agencies had awarded some contracts to fund one or more conferences each year of the contract that did not separately identify the funding for each conference. In addition, some contracts included funding for nonconference services.

Although most of the costs that the HHS agencies incurred for the four conferences we audited were allowable, some were not. Specifically, HHS agencies reported \$32,251 of unallowable costs for meals and other unallowable costs and may have reported unallowable contract costs.

## **WHAT WE RECOMMEND**

We recommend that the Department:

- provide additional guidance to its agencies on awarding contracts, grants, and cosponsorship agreements that appropriately identify the costs paid by the Government for each conference;
- direct HHS agencies to provide greater oversight to ensure that they report more accurate estimated conference costs; and
- direct HHS agencies to provide greater oversight to ensure that officials who approve travel do not authorize unallowable costs for meals that are provided as part of the conference.

## **DEPARTMENT COMMENTS AND OUR RESPONSE**

In written comments on our draft report, the Department concurred with our first and third recommendations and described corrective actions it had taken or planned to take to address them. The Department did not concur with our second recommendation. The Department stated that reported costs are influenced by the availability of data and the ability to aggregate the data at the time the report is validated. The Department then stated that striving for perfection would put the Department at risk of not fulfilling the statutory requirement for a timely report. We

reviewed the Department's comments and revised the second recommendation to require the reporting of more accurate estimated conference costs.

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## INTRODUCTION

### WHY WE DID THIS REVIEW

The U.S. Department of Health and Human Services (the Department) is responsible for ensuring that its operating and staff divisions (HHS agencies) use Federal funds for purposes that are appropriate, cost effective, and important to its core mission. In May 2012, partly in response to recent instances of excessive conference spending by some Federal agencies,<sup>1</sup> the Office of Management and Budget (OMB) issued new requirements for approving, spending, and reporting for agency conferences.<sup>2</sup> These new requirements added greater scrutiny of federally sponsored and attended conferences by, among other things, requiring each Federal agency to report the costs incurred for conferences on its Web site. As part of our oversight responsibilities, we reviewed the reporting of costs for four of the Department's conferences that were held in fiscal year 2012.

### OBJECTIVES

Our objectives were to determine whether the HHS agencies accurately reported conference costs and whether those costs were allowable under Federal requirements.

### BACKGROUND

HHS agencies sponsor, and HHS employees attend, a wide variety of conferences that deliver a common message or strategy to all attendees; distribute updates on policies and procedures or changes in operations; or facilitate collaboration with health care and human services providers, scientific researchers, and other key partners nationwide and internationally. HHS agencies must comply with the FTR (41 CFR §§ 300–304) and the HHS travel manual in effect at the time.

When planning and holding conferences, HHS agencies employ a variety of tools, including contracts, grants, and cooperative agreements, which they use to acquire conference services such as site selection, speaker engagement, and participant registration. Often, these tools provide services for more than one conference over the life of the contract or other agreement. For example, HHS agencies used contracts awarded in 2007 to acquire services for three of the four fiscal year 2012 conferences in our review. These contracts were written to fund one or more conferences a year. Each year, contract funds were used to close out completed conferences, implement current-year conferences, and plan for future conferences. These contracts did not clearly identify total costs by conference. In addition, some contracts included costs for nonconference services.

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<sup>1</sup> U.S. Department of the Treasury, Inspector General for Tax Administration, *Review of the August 2010 Small Business/Self-Employed Division's Conference in Anaheim, California*, May 2013; U.S. General Services Administration, Office of Inspector General, Office of Investigations, *Management Deficiency Report: Public Buildings Service, 2010 Western Regions Conference*, April 2012; and U.S. Department of Justice, Office of the Inspector General, Audit Division, *Audit of Department of Justice Conference Planning and Food and Beverage Costs*, September 2011.

<sup>2</sup> A "conference" is defined in the Federal Travel Regulation (FTR) as "[a] meeting, retreat, seminar, symposium or event that involves attendee travel. The term 'conference' also applies to training activities that are considered to be conferences under 5 CFR 410.404" (41 CFR § 300-3.1).



## **Requirements for Reporting Conference Costs**

On May 11, 2012, OMB issued Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations* (OMB M-12-12), which outlined a series of new policies and internal control practices to reduce spending on and add greater scrutiny of conferences. For all conferences with costs estimated to exceed \$100,000, these policies require Federal agencies to seek the review by and approval of the Deputy Secretary. Also, Federal agencies must publicly report the total costs for those conferences on their official Web sites.

On June 7, 2012, to implement enhanced controls as required by OMB M-12-12, the Department issued its *Policy on Promoting Efficient Spending: Use of Appropriated Funds for Conferences and Meetings, Food, Promotional Items, and Printing and Publications*. Beginning with fiscal year 2012, the guidance required that each HHS agency report the total costs incurred for each conference for which the Department's costs exceed \$100,000. HHS agencies must report conference costs for the year in which the conferences are held, and the Department must post the reported costs on its Web site as required by OMB M-12-12. This policy superseded the Department's interim policy of the same name, issued January 3, 2012.<sup>3</sup>

## **Conference Spending Reported for Fiscal Year 2012**

Effective January 3, 2012, the Department's interim policy required that HHS agencies submit requests for approval of planned conferences and report the cost estimates for planned conferences held during the fiscal year. The interim policy included a form on which HHS agencies were to report the estimated costs of each conference.<sup>4</sup> This internal reporting policy was replaced in accordance with OMB M-12-12. The Department used the information collected under its interim policy to identify conferences for which the HHS agencies' estimated costs exceeded \$100,000. From the interim reports, the Department compiled a report of these costs and submitted the information to the HHS agencies. The HHS agencies were required to review and update the information for conferences held during fiscal year 2012 and to include costs for conferences that may not have been reported under the interim policy. The Department compiled the HHS agencies' updated costs and posted them on its Web site.

The Department's compiled report showed that, for fiscal year 2012, HHS agencies sponsored 140 conferences for which HHS agencies had provided funding that exceeded \$100,000. The report showed conference costs of \$56,130,874 and attendance by 92,547 Federal and non-Federal attendees.

## **HOW WE CONDUCTED THIS REVIEW**

Using risk analysis of total estimated costs, average cost per attendee, average costs per traveler, and geographic location, we selected for review four conferences with total reported costs of

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<sup>3</sup> The Department further updated and replaced its guidance on May 15, 2013, June 24, 2013, and December 16, 2013. These updates occurred after our audit period.

<sup>4</sup> HHS agencies used the "Semi-Annual Report on Conference Sponsorship/Funding" form, included in Attachment 1A of the interim policy, to report their costs to the Department's Office of the Assistant Secretary for Financial Resources, which is responsible for collecting and posting the conference costs on the Department Web site.

\$15,782,535.<sup>5</sup> For each of the four conferences, we identified the HHS agencies that contributed the most funding and reviewed the \$15,403,146 of costs reported by these agencies. We reviewed:

- \$8,932,000<sup>6</sup> for the XIX International AIDS Conference,<sup>7</sup> held in the District of Columbia in July 2012, which was funded, in part, by the National Institutes of Health (NIH) and the Centers for Disease Control and Prevention (CDC);
- \$2,822,228 for the Integrated Medical, Public Health, Preparedness and Response Training Summit (Integrated Training Summit), held in Nashville, Tennessee, in May 2012, which was sponsored, in part, by the Office of the Assistant Secretary for Preparedness and Response (ASPR);
- \$2,070,054 for the Joint Preparedness Conference, held in Atlanta, Georgia, in March 2012, which was jointly sponsored by CDC and ASPR; and
- \$1,578,864 for the National Health Service Corps Awardee Conference, held in Los Angeles, California, in December 2011, which was sponsored by the Health Resources and Services Administration (HRSA).

In addition to costs reported by NIH and CDC, five additional HHS agencies reported a total of \$379,389 in funding for the XIX International AIDS Conference. However, we did not review these reported costs.

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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

See Appendix A for the details of our scope and methodology. Appendix B contains Federal and Department requirements related to sponsoring and attending conferences and the reporting of conference costs.

## FINDINGS

HHS agencies did not accurately report on the Department's Web site conference costs for the four conferences covered by our audit. For these four conferences, HHS agencies reported total conference costs of \$15.8 million, of which we reviewed \$15.4 million. For the costs reviewed,

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<sup>5</sup> The "Department of Health and Human Services FY2012 Report on Conferences" (undated), accessed on November 3, 2014, at <http://www.hhs.gov/asfr/ogapa/acquisition/policies/files/fy2012-hhs-conference-spending-full.pdf>, itemizes each conference by cost and by reporting HHS agency.

<sup>6</sup> NIH funding included a \$7 million grant awarded to the International AIDS Society.

<sup>7</sup> The XIX International Conference was organized and sponsored by the International AIDS Society (a non-governmental agency based in Switzerland) in partnership with a number of international and local partners.

we determined that the reportable costs for these conferences were \$16.8 million, a net underreported difference of \$1.4 million.

HHS agencies reported inaccurate conference costs because they did not have an effective process in place to capture and separately identify all conference costs during our audit period and the Department relied on the HHS agencies to report costs for conferences planned or held during the fiscal year. In addition, before June 2012, there was no requirement for HHS agencies to report and for the Department to publicly post conference costs. HHS agencies had completed the planning for all four conferences, and three of the conferences had taken place, before the requirement was issued. Because the reporting requirement was so new, some agency officials said that they were uncertain about the costs that should be reported. Also, HHS agencies had awarded some contracts to fund one or more conferences each year of the contract that did not separately identify the funding for each conference. In addition, some contracts included funding for nonconference services.

Although most of the costs that the HHS agencies incurred for the four conferences we audited were allowable, some were not. Specifically, HHS agencies reported \$32,251 of unallowable costs for meals and other unallowable costs and may have reported unallowable contract costs.

For the total differences we identified for each conference and the detailed results of our review by conference, see Appendix C.

## **HHS AGENCIES DID NOT REPORT ALL CONFERENCE COSTS**

HHS agencies did not report \$1,396,846 of costs on the Department's Web site related to the four conferences we reviewed.

### **Federal Requirements**

OMB M-12-12 requires that all Federal agencies report the cost for each conference for which total costs exceeds \$100,000. On June 7, 2012, the Department issued a memorandum directing HHS agencies to comply with the OMB reporting requirement for all conferences held in fiscal year 2012.

### **Contract Costs Were Not Reported as Conference Costs**

#### *Contract Costs Not Reported for the XIX International AIDS Conference*

NIH did not report to the Department contract costs of \$512,329 in direct and indirect costs for the XIX International AIDS Conference.

On September 28, 2007, NIH awarded a 5-year contract to Social & Scientific Systems, Incorporated, to provide support for multiple AIDS-related conferences, including the 2012 conference, and other nonconference related support. The contract identified the kinds of services that the contractor would supply to support multiple conferences (completed, ongoing, and planned at the time of our review) but did not quantify the cost for each conference. NIH identified and reported \$956,790 of nonlabor direct contract costs but did not identify and report \$512,329 of direct-labor costs and related indirect contract costs for fringe benefits and

overhead, general and administrative costs, and award fee costs in the conference costs it reported. NIH agreed that it made an error when it did not include the direct labor and related costs in its conference reporting and determined that those costs totaled \$512,329.

#### *Contract Costs Not Reported for the Joint Preparedness Conference*

CDC and ASPR did not report to the Department contract costs of \$191,801 in labor and other direct costs for its Joint Preparedness Conference.

On September 29, 2010, CDC awarded a 1-year contract for \$2,070,054 to John Snow, Inc., for "... design, development, and implementation support to train internal and external stakeholders in emergency preparedness programs." The contract called for the presentation of training at one or more emergency preparedness conferences, including the development of training literature and a Web-based training program. The original contract and training program only covered CDC's Public Health Emergency Preparedness (PHEP) program. Subsequently, CDC modified the scope of the contract and training program to cover its newly aligned preparedness program, which combined the Hospital Preparedness Program (HPP) with the PHEP program. CDC also added a day of training for the Burn-Bed program, which was sponsored and funded by ASPR. These modifications increased funding to \$2,261,855, which included the design and development of training materials, other logistical costs of the conference, and the presentation of these training materials at the Joint Preparedness Conference.<sup>8</sup> However, CDC did not revise the amount it reported to include the additional costs of \$191,801.

#### **Other Costs Were Not Reported as Conference Costs**

CDC and HRSA did not report to the Department \$29,844 of costs for the Joint Preparedness Conference and the National Health Service Corps Awardee Conference as follows:

- CDC did not report \$19,402 for incidental food and beverage costs provided during its Joint Preparedness Conference. CDC correctly funded these costs with CDC gift funds<sup>9</sup> but, contrary to the Department reporting policy, did not include them as part of its conference costs. CDC agreed that these costs should have been reported.
- HRSA did not report \$8,300 for the demonstration of new information technology services at its National Health Service Corps Awardee Conference. HRSA correctly funded these costs on a separate contract but did not include them as part of its conference costs. HRSA identified these costs during our review.

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<sup>8</sup> In its *Fiscal Year 2013 Report on Conferences Sponsored by HHS*, posted on January 31, 2014, the Department revised the number and cost of the fiscal year 2012 conferences that it had posted on its Web site on January 31, 2013. The cost for the 2012 Joint Preparedness Conference was revised and reported as only \$328,823. We audited the original conference costs that CDC reported and believe that the Joint Preparedness Conference cost should include the total contract cost of \$2,261,855.

<sup>9</sup> Some HHS agencies, including CDC, are authorized to accept, retain, and use gifts. Those agencies may use all or part of gift funds to pay for food that meets appropriate requirements (*HHS Policy on Promoting Efficient Spending*, Attachment 2, January 3, 2012).

- HRSA provided supporting documentation for \$2,142 more than the amount of National Health Service Corps Awardee Conference costs it reported to the Department. HRSA did not identify the reason for the difference.

### **Conference Costs Were Underreported**

ASPR underreported salary and benefit costs by \$767,803 for its Integrated Training Summit. ASPR reported to the Department costs that it miscalculated for salaries and benefits of 631 “special Government employees”<sup>10</sup> who attended the conference. ASPR calculated these salaries as \$257,841; however, we estimated that these salaries were \$1,025,644, a difference of \$767,803. ASPR agreed that it made an error in its calculation of salary and fringe benefit costs for these special Government employees.

### **HHS Agencies Did Not Report Their Best Estimates of Conference Costs**

For fiscal year 2012, the Department allowed HHS agencies to report their best estimates of their conference costs.<sup>11</sup> However, some of these conference costs were not always accurate. We reviewed the documentation that the agencies provided to support the costs reported and determined that some conference costs were underreported and some were overreported.

#### *Estimates That Resulted in Underreported Costs*

Estimates reported by NIH and ASPR resulted in underreported costs of \$126,531 for the XIX International AIDS Conference and the Integrated Training Summit.

NIH underreported costs for the XIX International AIDS Conference by \$113,170:

- \$74,182 for nonlabor direct contract costs,
- \$31,915 for conference attendee registration fees, and
- \$7,073 for employee travel costs.

ASPR underreported the cost for the Integrated Training Summit by \$13,361 for attendee registration fees.

#### *Estimates That Resulted in Overreported Costs*

Estimates reported by ASPR and CDC resulted in overreported costs of \$231,462 in conference costs:

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<sup>10</sup> A special Government employee is “...retained, designated, appointed, or employed to perform, with or without compensation, for not to exceed one hundred and thirty days during any period of three hundred and sixty-five consecutive days, temporary duties either on a full-time or intermittent basis ...” (18 U.S.C. § 202(a)).

<sup>11</sup> *Fiscal Year 2012 Report on Conferences Held by HHS*, January 31, 2013, states that “Due to the disparate nature of the systems used to record conference related expenses, the total costs and attendance levels are best estimates. Estimated costs are based on readily identifiable and known costs for contractor support, venue and audio-visual related expenses, registration fees, travel, and other miscellaneous costs.”

- ASPR’s estimates exceeded the documented costs for travel by \$152,396 for the Integrated Training Summit.
- CDC’s estimates exceeded the documented costs for travel and registration fees and other conference costs by \$66,303 for the XIX International AIDS Conference.
- ASPR’s estimates exceeded the documented costs for “other expenses” by \$12,763 for the Integrated Training Summit. ASPR did not identify the types of costs associated with the difference.

### **HHS Agencies Did Not Accurately Report Costs Because They Did Not Track Them by Conference**

HHS agencies funded the four conferences using a combination of contracts and grants, shared costs under cosponsorship agreements, and incurred direct and indirect costs for attendee registration and travel that were tracked in separate accounting systems. Each conference took several years to plan, implement, and close out.

For three of the four conferences in our review, costs were charged to contracts initially awarded in 2007. The contracts were written to fund one or more conferences each year of the contract. Each year, contract funds were used to close out completed conferences, implement current year conferences, and plan for future conferences. These contracts did not require that HHS agencies clearly identify total costs by conference. For the same reason, contractor invoices did not always identify costs specific to each conference.

Before fiscal year 2012, neither OMB nor the Department required agencies to report their total cost for each conference. HHS agencies could account for funds that were obligated and expended for each grant, contract, and other direct and indirect costs by fiscal year. However, HHS agencies could not always identify those funds by conference. Also, because some conferences were funded by multiple HHS agencies, the total conference cost had to be accumulated from multiple accounting systems. Department officials said that its interim guidance required only estimated costs for internal reporting because HHS agencies might have found it difficult to identify costs by conference. However, the estimates included numerous errors and sometimes fell short of total costs for the conferences.

### **HHS AGENCIES INCURRED SOME UNALLOWABLE CONFERENCE COSTS**

HRSA and CDC paid \$32,251 for meals and other unallowable costs for the National Health Service Corps Awardee Conference and the Joint Preparedness Conference. In addition, some contractor costs reported for the Integrated Training Summit may not have been allowable.

#### **Federal Requirements**

The FTR requires that “[w]hen meals ... are furnished by the Government or are included in the registration fee [of a conference] ... the appropriate deduction from the M&IE [meals and incidental expense] rate must be made ...” (41 CFR § 301-74.21(a)). This deduction is required when the allowance is paid to either HHS employees or to travelers who are reimbursed through the terms of an agency contract.

Appendix A of OMB's *Federal Cost Principles for Nonprofit Organizations* requires that costs be reasonable, allowable, and allocable.<sup>12</sup>

### **Unallowable Contractor Costs for the National Health Service Corps Awardee Conference**

HRSA overpaid the conference contractor \$31,099 for unallowable meal reimbursements and other costs for the National Health Service Corps Awardee Conference. The overpayments included \$25,170 for meals included in the cost of the conference for 421 non-Federal awardees and speakers, duplicate payments of \$1,261 for travel costs the contractor paid for 3 non-Federal participants, and \$4,668 for contract-related administrative costs. HRSA personnel stated that they would attempt to recover these unallowable costs from the contractor during the contract close-out process.<sup>13</sup>

### **Unallowable Federal Employee Costs for the Joint Preparedness Conference**

HHS agencies overpaid a total of \$1,152 for unallowable meal reimbursements for 25 Federal employees who attended the Joint Preparedness Conference.<sup>14</sup> These 25 employees submitted travel vouchers for their attendance at the conference but did not claim a reduced per diem as required to account for meals that were provided there. Officials who approved the travel did not ensure that the employees deducted the cost for those meals from the travel vouchers submitted for approval and payment.

### **Some Contractor Costs for the Integrated Training Summit May Not Have Been Allowable**

We could not determine whether all conference costs for the Integrated Training Summit were allowable.

On September 30, 2007, ASPR awarded a 5-year contract for \$4.8 million to Chesapeake Health Education Program (CHEP) to provide support and logistical services for a number of training and conference events, including the 2012 Integrated Training Summit. In 2009, ASPR and the Office of the Surgeon General signed a cosponsorship agreement with CHEP for services related to the Integrated Training Summit conferences.<sup>15</sup> The agreement defined some services as the

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<sup>12</sup> The *Federal Cost Principles* were relocated to 2 CFR § 230. After our audit period, OMB consolidated and streamlined its guidance, which is now located at 2 CFR part 200. The new guidance will be effective when the Department issues implementing regulations, which will be on or about December 26, 2014.

<sup>13</sup> HSRA stated that the contract close-out audit for the conference is being performed by an independent auditor and is scheduled for completion by December 15, 2014, and that the contractor will be required to return any unallowable costs identified in the close-out report.

<sup>14</sup> Two of these Federal employees worked for CDC and 23 worked for ASPR.

<sup>15</sup> In 2002, the Department's Office of General Counsel (OGC) issued cosponsorship guidance that advised that any proposed cosponsorship with an entity like CHEP, which regularly applies for contracts, grants, and other financial relationships with the HHS agencies sponsoring these events, should be reviewed with particular care. Also, HHS may not cosponsor an event with that entity unless the benefits to the Department clearly outweigh any potential appearance of undue influence or preferential treatment providing services for the conference they are cosponsoring. There is no statute or regulation prohibiting an HHS agency from signing a cosponsorship agreement with an entity like CHEP. However, the OGC guidance does not address situations where the proposed cosponsor of the conference is also the agency's contractor for certain support and logistical services for the conference.

responsibility of the cosponsor and some services for which responsibility was shared between the cosponsor and the participating HHS agencies. However, the cosponsorship agreement did not mention that CHEP already had a contract with ASPR to provide support and logistical services for the Integrated Training Summit conference and neither the contract nor the cosponsorship agreement clearly defined a methodology for allocating the costs of the shared conference responsibilities.

Federal Cost Principles require that, to be allowable, costs must be allocable. That is, costs that benefit both the contract award and other work must be distributed in reasonable proportion to the benefits received. However, ASPR officials said that they generally charged conference costs to the contract as long as there were funds available and charged the cosponsorship agreement only when other funds were exhausted.

Because the cosponsor provided non-Federal funding, ASPR was not required to report costs allocable to the cosponsorship agreement. However, because there was no clear methodology for allocating the cost of the shared conference responsibilities between the contract and cosponsorship agreement, we were unable to determine the amount of reported conference costs that were allowable.

### **RECOMMENDATIONS**

We recommend that the Department:

- provide additional guidance to its agencies on awarding contracts, grants, and cosponsorship agreements that appropriately identify the costs paid by the Government for each conference;
- direct HHS agencies to provide greater oversight to ensure that HHS agencies report more accurate estimated conference costs; and
- direct HHS agencies to provide greater oversight to ensure that officials who approve travel costs do not authorize unallowable costs for meals that are provided as part of the conference.

### **DEPARTMENT COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, the Department concurred with our first and third recommendations and described corrective actions it had taken or planned to take to address them. The Department did not concur with the second recommendation. The Department stated that reported costs are influenced by the availability of data and the ability to aggregate the data at the time the report is validated. The Department then stated that striving for perfection would put the Department at risk of not fulfilling the statutory requirement for a timely report. We reviewed the Department's comments and revised the second recommendation to require more accurate reporting of estimated conference costs.

The Department included technical suggestions in its comments, which we have addressed as appropriate. The Department's comments, excluding the technical suggestions, are included as Appendix D.



## **APPENDIX A: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

For fiscal year 2012, HHS agencies reported the cost of their conferences to the Department, and the Department compiled those costs and posted them on its Web site. The Department's compiled report showed that, for fiscal year 2012, HHS agencies sponsored 140 conferences for which HHS agencies had provided funding that exceeded \$100,000. The report showed conference costs of \$56,130,874 and attendance by 92,547 Federal and non-Federal attendees.

Using risk analysis of total estimated costs, average cost per attendee, average cost per traveler, and geographic location, we selected four conferences with costs of \$15,782,535 reported on the Department Web site. Department funding for the four conferences was primarily provided and reported by NIH, CDC, ASPR, and HRSA. We reviewed \$15,403,146 reported by these four HHS agencies for the conferences we selected. Our audit objective did not require an understanding or assessment of the complete internal control structure of the Department. We limited our internal control review to obtaining an understanding of the Department's policies and procedures for reporting conference costs.

We conducted our audit from August 2013 through March 2014 and performed fieldwork at various HHS agencies and Department offices in the District of Columbia and Rockville, Maryland.

### **METHODOLOGY**

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance pertaining to conference planning, spending, and reporting;
- interviewed Department officials about the Federal requirements and guidance governing conference planning, spending, and reporting;
- selected for review four conferences reported by HHS agencies;
- reviewed supplemental policies and procedures for the planning of, spending during, and reporting on conferences issued by the reporting agencies;
- interviewed agency personnel involved in the conferences to gain an understanding of the conference approval and reporting processes;
- reviewed HHS agency documentation that supported the costs reported for the four conferences we selected for review;
- reviewed documentation provided by HHS contractors to support selected conference costs;

- reviewed selected travel costs and registration fees paid for attendees of the sampled conferences; and
- discussed the results of our review with Department officials.

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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **APPENDIX B: FEDERAL REQUIREMENTS RELATED TO AGENCY CONFERENCE SPENDING**

### **CONTRACTS, GRANTS, AND COSPONSORSHIP AGREEMENTS**

Agencies use guidance provided in the Federal Acquisition Regulation (FAR) and the HHS Acquisition Regulation (HHSAR)<sup>16</sup> when they award contracts, including contracts that provide support for conferences. OMB's *Federal Cost Principles* and HHS's *Uniform Administrative Requirements for Awards and Subawards to Institutions of Higher Education, Hospitals, Other Nonprofit Organizations, and Commercial Organizations* (45 CFR § 74) provide guidance for the award and administration of grants and other agreements.

Department Memorandums *Agency Gift Acceptance Authorities and the Co-Sponsorship of Events with Outside Non-Federal Entities* and *Co-Sponsorship Guidance*, both dated August 8, 2002, provide additional guidance for cosponsorship agreements with non-Federal partners. *Co-Sponsorship Guidance* defines a cosponsorship as “the joint development of a conference, seminar, symposium, educational program, public information campaign, or similar event related to the mission of the Department, by HHS and one or more non-Federal entities that share a mutual interest in the subject matter.”

### **TRAVEL POLICIES AND PROCEDURES FOR CONFERENCES**

The FTR defines a conference as “A meeting, retreat, seminar, symposium or event that involves attendee travel. The term ‘conference’ also applies to training activities that are considered to be conferences under 5 CFR 410.404” (41 CFR § 300-3.1). The FTR further states that “[w]hen planning a conference, you should consider all direct and indirect conference costs paid by the Government, whether paid directly by agencies or reimbursed by agencies to travelers or others associated with the conference.” Conference costs include authorized travel and per diem expenses, hire of rooms for official business, audiovisual and other equipment usage, light refreshments, registration fees, ground transportation, and employee time at the conference and en route (41 CFR § 301-74.2).

Footnote 5 of OMB M-12-12 defines conference costs in accordance with the FTR as described above and further clarifies: “... [D]o not include funds paid under Federal grants to grantees.... All outlays for conference preparation and planning should be included, but the Federal employee time for conference preparation should not be included.... Conference expenses [costs] should be net of any fees or revenue received by the agency through the conference....”

#### **Federal Travel Regulation**

The FTR (41 CFR §§ 300–304), effective July 2011, includes, but is not limited to, the following guidance:

- When planning a conference, an agency shall minimize all conference costs, including administrative costs, conference attendees’ travel costs, and conference attendees’ time costs (41 CFR § 301-74.1(a)).

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<sup>16</sup> The FAR is codified at 48 CFR chapter 1, and the HHSAR is codified at 48 CFR chapter 3.

- An agency shall develop and establish internal policies to ensure the standards of the FTR are met (41 CFR § 301-74.1(e)).
- If a meal is furnished at a conference, an adjustment shall be made to the expense reports of the employees (41 CFR § 301-74.21(a)).

## **HHS Travel Manual**

Section 1.3.2 of the *HHS Travel Manual*, effective May 2008,<sup>17</sup> requires that:

... HHS agencies that are responsible for planning and arranging conferences involving temporary duty travel for Federal employees will follow FTR requirements to ensure that costs are minimized and the use of Government-owned or Government-provided conference facilities is maximized. They will identify opportunities to reduce costs in selecting the conference location and facility, and they will consider a minimum of three sites.

## **GUIDANCE ON CONFERENCE SPENDING AND REPORTING**

### **OMB Memorandums**

On September 21, 2011, OMB M-11-35 directed all departments and agencies in the Federal Government to conduct a thorough review of the policies and controls associated with conference-related activities and costs. Until appropriate policies and procedures were in place to prevent inappropriate spending for conferences, the Deputy Secretary (or equivalent) was required to review and approve all requests for sponsoring or attending conferences.

On May 11, 2012, OMB M-12-12 required that all Government agencies publicly report annually on conferences with costs in excess of \$100,000. Each agency was directed to include total costs incurred for these conferences. The first report, for fiscal year 2012, was required by January 31, 2013. OMB M-12-12 also required agencies to obtain Deputy Secretary (or equivalent) approval for all proposed new conferences to be sponsored or hosted by the agency with costs in excess of \$100,000 and to obtain approval by the head of the agency if a conference was expected to incur costs in excess of \$500,000.

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<sup>17</sup> The *HHS Travel Manual—May 2008*, was replaced by the *2012 HHS Travel Manual* on January 20, 2012. The revised manual supports Executive Order 13589, *Promoting Efficient Spending*, November 9, 2011, and contains substantially the same guidance.

## HHS Guidance

*Eliminating Excess Conference Spending and Promoting Efficiency in Government* (HHS Memorandum, October 27, 2011) required that all HHS components request and obtain approval of the Deputy Secretary before awarding any new contract, grant, or cooperative agreement, reserving a conference facility, or incurring a new obligation for an HHS-sponsored conference. It further required that these requests contain sufficient detail to understand the nature and scope of the conference.

That memorandum was replaced by *HHS Policy on Promoting Efficient Spending: Use of Appropriated Funds for Conferences and Meetings, Food, Promotional Items, and Printing and Publications* (January 3, 2012), which provides new policies on the use of appropriated funds for conferences. Attachment 1 of the policy, “HHS Policy on Use of Appropriated Funds for Conferences and Meeting Space,” requires the following:

Prior to the obligation of appropriated funds (whether from an annual appropriation, multi-year appropriation, appropriated user fee, mandatory appropriation, gift funds, or reimbursements from such appropriations, etc.) by any means ... to support a conference or to acquire meeting or conference space—whether for internal or external purposes (or a combination thereof)—the sponsoring office must obtain the approval of the appropriate OPDIV [Operating Division] or STAFFDIV [Staff Division] official, based on the thresholds below:

- Under \$100,000: the OPDIV or STAFFDIV Executive Officer, delegable to their direct reports without further redelegation.
- \$100,000 or over: the OPDIV or STAFFDIV Head, delegable to their direct reports without further redelegation. (Attachment 1, § 1.3)

*HHS Policy on Promoting Efficient Spending: Use of Appropriated Funds for Conferences and Meetings, Food, Promotional Items, and Printing and Publication* (June 7, 2012) updated Attachment 1, *HHS Policy on Use of Appropriated Funds for Conferences and Meeting Space*, to implement enhanced controls as required by OMB M-12-12. The policy updated the definition of a conference, established approval levels on the basis of the estimated cost of a conference, and revised the reporting requirement for conference costs. This policy was further updated after our audit period.

## APPENDIX C: REPORTED AND AUDITED CONFERENCE COSTS

The total differences we identified for each conference are shown in Table 1. The detailed results of our review by each conference are shown in Tables 2 through 5.

Table 1. Difference in Conference Costs: Reported Cost Reviewed Minus Our Estimate				
Conference	Agency	HHS Reported Cost Reviewed	Our Estimate of Costs	Under (Over) Reported Costs
XIX International AIDS Conference 2012	NIH CDC	\$8,266,000 <sup>18</sup> 666,000	\$8,891,499 599,697	\$625,499 (66,303)
Integrated Training Summit	ASPR	2,822,228	\$3,438,233	\$616,005
Joint Preparedness Conference	CDC ASPR	2,070,054 -	2,218,902 61,203	148,848 61,203
NHSC Awardee Conference	HRSA	1,578,864	1,558,207	(20,657)
<b>Total</b>		<b>\$15,403,146</b>	<b>\$16,767,741</b>	<b>\$1,364,595</b>

In addition to costs reported by NIH and CDC, five additional HHS agencies reported a total of \$379,389 in funding for the XIX International AIDS Conference. However, we did not review these reported costs.

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<sup>18</sup> This amount included a \$7 million NIH grant awarded to the International AIDS Society for support of the conference.

**Table 2. XIX International AIDS Conference, 2012  
Washington, DC, July 22–27, 2012**

<b>Background:</b>		
<p>The XIX International AIDS Conference 2012, was attended by more than 24,000 participants, including researchers, clinicians, service providers, policy makers, and journalists from over 100 countries from around the world. The conference was organized and sponsored by the International AIDS Society (a non-governmental agency based in Switzerland) in partnership with a number of international and local partners.</p>		
<b>Departmental Funding Sources:</b>		
<ul style="list-style-type: none"> <li>• NIH Grant<sup>19</sup> and Contract</li> <li>• CDC Grant and Contract</li> <li>• HHS Agencies (attendee travel costs, registration fees, and other conference support costs)</li> </ul>		
<b>Conference Cost Reported by the Department:</b>		<b>\$9,311,389</b>
<ul style="list-style-type: none"> <li>• NIH</li> <li>• CDC</li> <li>• Other HHS Agencies (Not Reviewed)</li> </ul>	<p>\$8,266,000</p> <p>666,000</p> <p>379,389</p>	
<b>Contract Costs Not Included as Conference Costs:</b>		<b>512,329</b>
<ul style="list-style-type: none"> <li>• NIH direct labor and related contract costs</li> </ul>	512,329	
<b>Estimated Costs Underreported:</b>		<b>113,170</b>
<ul style="list-style-type: none"> <li>• NIH non-labor direct contract costs</li> <li>• NIH attendee registration fees</li> <li>• NIH employee travel costs</li> </ul>	<p>74,182</p> <p>31,915</p> <p>7,073</p>	
<b>Estimated Costs Overreported:</b>		<b>(66,303)</b>
<ul style="list-style-type: none"> <li>• CDC travel costs, attendee registration fees, and other conference costs</li> </ul>	(66,303)	
<b>Conference Costs Determined by Our Audit:</b>		<b>\$9,870,585</b>
<ul style="list-style-type: none"> <li>• NIH</li> <li>• CDC</li> <li>• Other HHS Agencies (Not Reviewed)</li> </ul>	<p>8,891,499</p> <p>599,697</p> <p>379,389</p>	

<sup>19</sup> This amount included a \$7 million NIH grant awarded to the International AIDS Society for support of the conference.

**Table 3. 2012 Integrated Medical, Public Health, Preparedness  
and Response Training Summit  
Nashville, Tennessee, May 21–25, 2012**

<b>Background:</b>		
<p>ASPR’s 2012 Integrated Medical, Public Health, Preparedness and Response Training Summit was cosponsored by CHEP. CHEP provided non-Federal funding through a cosponsorship agreement. This training summit brought together HHS agencies, including the National Disaster Medical System, the Medical Reserve Corps, the Emergency System for Advance Registration of Volunteer Health Professionals, and the United States Public Health Service. According to its mission statement, the training summit “... will enhance the knowledge, skills and abilities of participants, which in turn will improve their capability to deliver public health and medical care services during disasters of any origin.”</p>		
<b>Departmental Funding Sources:</b>		
<ul style="list-style-type: none"> <li>• ASPR Contract</li> <li>• HHS agencies (attendee travel costs and registration fees)</li> </ul>		
<b>Conference Costs Reported by the Department:</b>		<b>\$2,822,228</b>
<ul style="list-style-type: none"> <li>• ASPR and multiple HHS agencies, including the Office of Surgeon General, reported by ASPR</li> </ul>	\$2,822,228	
<b>Miscalculated or Estimated Underreported Costs:</b>		<b>781,164</b>
<ul style="list-style-type: none"> <li>• Miscalculated Special Government Employee salaries</li> </ul>	767,803	
<ul style="list-style-type: none"> <li>• Estimated attendee registration fees</li> </ul>	13,361	
<b>In Error or Estimated Overreported Costs:</b>		<b>(165,159)</b>
<ul style="list-style-type: none"> <li>• Travel costs</li> </ul>	(152,396)	
<ul style="list-style-type: none"> <li>• Unidentified difference in amount reported</li> </ul>	(12,763)	
<b>Conference Costs Determined by Audit:</b>		<b>\$3,438,233</b>
<ul style="list-style-type: none"> <li>• ASPR and multiple HHS agencies, including the Office of Surgeon General, reported by ASPR</li> </ul>	\$3,438,233	



**Table 4. 2012 Joint Preparedness Conference  
Atlanta, Georgia, March 20–23, 2012**

<b>Background:</b>		
<p>This conference provided HPP Coordinators and PHEP Directors with training on the newly aligned 2102 HPP–PHEP cooperative agreement. Training included plenary sessions on the HPP–PHEP capabilities, evaluation and performance measures, systems training, grants management training, and application training and instruction on the new program framework. The conference also included a 1-day training session on the Burn-Bed program sponsored and funded by ASPR.</p>		
<b>Departmental Funding Sources:</b>		
<ul style="list-style-type: none"> <li>• CDC</li> <li>• HHS agencies (attendee travel costs)</li> </ul>		
<b>Conference Costs Reported by the Department:</b>		<b>\$2,070,054</b>
<ul style="list-style-type: none"> <li>• CDC</li> </ul>	\$2,070,054	
<b>Contract Costs Not Included as Conference Costs:</b>		<b>191,801</b>
<ul style="list-style-type: none"> <li>• ASPR increase in contract cost - Burn-Bed program</li> <li>• CDC increase in other contract costs</li> </ul>	61,203	
	130,598	
<b>Not Included Underreported Costs:</b>		<b>19,402</b>
<ul style="list-style-type: none"> <li>• Food/beverages funded by the CDC Gift Fund</li> </ul>	19,402	
<b>Unallowable Costs:</b>		<b>(1,152)</b>
<ul style="list-style-type: none"> <li>• Meals provided as part of the conference— included in travel and transportation reimbursement</li> </ul>	1,152	
<b>Conference Costs Determined by Our Audit:</b>		<b>\$2,280,105</b>
<ul style="list-style-type: none"> <li>• CDC</li> </ul>	\$2,280,105	

**Table 5. National Health Service Corps Awardee Conference  
Los Angeles, California, December 8–10, 2011**

<b>Background:</b> This conference provided programmatic guidelines, education, and training for National Health Service Corps awardees. Also, the conferences facilitated collaboration with National Health Service Corps staff and awardees and provided additional informational resources.		
<b>Departmental Funding Sources:</b>		
<ul style="list-style-type: none"> <li>• HRSA Contracts</li> <li>• HHS agencies (attendee travel costs)</li> </ul>		
<b>Conference Costs Reported by the Department:</b>		<b>\$1,578,864</b>
<ul style="list-style-type: none"> <li>• HRSA</li> </ul>	1,578,864	
<b>Not Included Underreported Costs:</b>		<b>10,442</b>
<ul style="list-style-type: none"> <li>• Contractor information technology demonstration</li> <li>• Unidentified difference in amount reported</li> </ul>	8,300 2,142	
<b>Unallowable Costs:</b>		<b>(31,099)</b>
<ul style="list-style-type: none"> <li>• Contractor reimbursement for meals provided as part of the conference and duplicate travel costs</li> </ul>	(31,099)	
<b>Conference Costs Determined by Our Audit:</b>		<b>\$1,558,207</b>
<ul style="list-style-type: none"> <li>• HRSA</li> </ul>	1,558,207	

## APPENDIX D: DEPARTMENT COMMENTS

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington DC 20201

OCT 23 2014

**TO:** Gloria L. Jarmon  
Deputy Inspector General for Audit Services

**FROM:** Ellen G. Murray  
Assistant Secretary for Financial resources and Chief Financial Officer

**SUBJECT:** HHS Comments on OIG Draft Report: *HHS Agencies Did Not Accurately Report All Conference Costs for Fiscal Year 2012, A-03-13-03003*

The Department of Health and Human Services (HHS) appreciates the opportunity to review and comment on the Office of Inspector General's draft report *HHS Agencies Did Not Accurately Report All Conference Costs for Fiscal Year 2012, A-03-13-03003*.

HHS's success in meeting our mission of protecting the health of all Americans and providing essential human services depends on our ability to engage with health-care and human-service providers, scientific researchers, clinicians, advocates and other key non-governmental partners across the country and internationally. Our attendance and support at scientific conferences, stakeholder outreach events, and other meetings are vital to fulfilling our mission.

HHS is committed to ensuring that the use of appropriated funds for conferences and meeting space is consistent with Executive Orders 13589 and 13576, Office of Management and Budget (OMB) Memorandum M-11-35 and M-12-12, and the FY 2013 and FY 2014 Appropriations Acts. We remain committed to driving efficiencies around conferences that we sponsor and those we attend that are held by other organizations. In support of these objectives, HHS issued policy and guidance to ensure that the conferences and meetings we fund are consistent with legal requirements and HHS's missions and objectives, represent an efficient and effective use of taxpayer funds, and are able to withstand public scrutiny.

In response to the observations and recommendations contained in this draft report, HHS would point out – as the OIG also did – that the findings are associated with conference activities that occurred prior to government-wide requirements for reporting conference related activities. We strongly believe that the timing of OMB Memorandum M-12-12 and the HHS implementing policy along with the timing of the conferences contributed to the challenges with producing a report with validated actual costs. Indeed, the Department's FY 2012 report on conferences noted that due to the disparate nature of the systems used to record conference related expenses, the total costs and attendance levels were best estimates, and that the estimated costs were based on readily identifiable and known costs for contractor support, venue and audio-visual related expenses, registration fees, travel, and other miscellaneous costs. We nonetheless take the findings of the OIG seriously, and welcome the opportunity to review our business management practices to ensure the conferences are for purposes that are appropriate, cost effective, and important to our core mission.

**1. Provide additional guidance to its agencies on awarding contracts, grants, and co-sponsorship agreements that appropriately identify the costs paid by the Government for each conference**

HHS concurs with this recommendation. HHS continues to strengthen its policies and practices for conducting and reporting conferences and associated costs. Beginning in January 2012, HHS issued a policy on the use of appropriate funds for conferences and meetings to support Executive Orders 13589 and 13576, and OMB Memorandum M-11-35. This policy directs that conferences and meetings HHS funds are consistent with the legal requirements and HHS's missions and objectives; represent an efficient and effective use of taxpayer funds; and are able to withstand public scrutiny. The policy has been updated over time to implement the requirements of OMB Memorandum M-12-12 and subsequently to address the requirements of the FY2013 and FY2014 Appropriations Acts. This most recent policy, as of December 2013, is located online at: [http://www.hhs.gov/asfr/ogapa/acquisition/policies/ap\\_impltn\\_guidance.html#Conferences and Meetings](http://www.hhs.gov/asfr/ogapa/acquisition/policies/ap_impltn_guidance.html#Conferences and Meetings)

In December 2012, the Deputy Secretary put in place a 60 day moratorium on the award of new contracts for conference and conference-related activities, which enabled the Department to establish cross-agency groups to evaluate and address conference planning, hosting, and contracting practices. These efforts led to the development and sharing of a best practices Conference Toolkit. HHS's Operating and Staff Divisions (OpDivs/StaffDivs) also adopted internal guidance to operationalize the Department's policy and guidance. For example, in its efforts to exercise due diligence and to mitigate potential risk, the CDC developed a SharePoint system to create, approve, and track CDC supported events. The Conference Approval System was created and used for the first half of FY 2013. The system was updated accordingly as policy was revised and the definition of a conference was expanded. Over 600 users were trained on the system and the current conference policy. At the end of FY 2013, CDC began to develop a new business tool combining the CDC supported conference approval process and the non-CDC conference attendance process to greatly improve efficiency, increase accuracy, and reduce risks. The new Integrated Conference Approval Portal (ICAP), launched March 31, 2014, ensures that the CDC accurately captures conference attendance and costs across the various program offices within the agency and that all conferences received the proper approvals. The conference review process has enabled CDC to ensure that all conference activities are both appropriate and cost effective. Additionally, an online training, agency policy, and conference tool kit are also being finalized to further educate the conference community. CDC will continue to assess the review process for best practices and to ensure the proper internal controls are in place to mitigate risk in this area.

Today, the Department continues to closely review, approve, and report on OpDiv/StaffDiv requests to host an HHS conference, attend a non-HHS conference, or support a conference via Grant or Cooperative Agreement. The request templates and Conference Tracking and

Approval system that HHS developed provide fields for the necessary types of cost information to be included in each request when applicable, such as costs for contractor support, audio/visual, venue, and travel.

With regard to identifying costs in contracts associated with conferences, HHS supports a rule change in the Federal Acquisition Regulation to establish a uniform line item identification structure for the federal procurement system. This feature will move accountability from a contract basis to a line-item basis. It is further expected to improve the accuracy, traceability, and usability of procurement data and, in addition to enabling traceability of costs such as a conference task in a scope of work, will also allow agencies to benefit from initiatives, such as strategic sourcing, on a federal-wide basis.

Given the activities across HHS, we believe we are in compliance with this recommendation and consider it closed. However, as previously stated, we will continue to refine our policies and guidance to ensure that the conferences and meetings we fund are consistent with legal requirements and HHS's missions and objectives, represent an efficient and effective use of taxpayer funds, and are able to withstand public scrutiny.

**2. Direct HHS agencies to provide greater oversight to ensure**

**a. That agencies accurately report conference costs that reflect actual rather than estimated costs**

HHS non-concurs with this recommendation. OMB M-12-12 requires an annual report on conferences held by each agency in which costs were in excess of \$100,000. The FY2013 and FY2014 appropriations Acts contained requirements for a similar, but more detailed, annual report to the OIG. In complying with these reporting requirements, the Department develops the draft reports based on estimated cost information available from the review and approval of conferences over \$75,000. As part of the conference approval process, each request undergoes a thorough review of costs, and other details, at the OpDiv/StaffDiv-level and by the Department. Once the draft report is developed, the Department requires the OpDivs/StaffDivs to review, update where actual costs and attendance information are available, and self-certify conference costs before returning the report to the Department for it to be finalized and delivered. While we strive for complete accuracy, the reporting of actuals is influenced by the availability of the data and the ability to aggregate the data at the time the report is validated. The costs of ensuring 100% accuracy in the report would far outweigh the benefit to the public, and striving for perfection would put the Department at risk of not fulfilling the statutory requirement for a timely report.

**b. That officials who approve travel do not authorize unallowable costs for meals that are provided as part of the concurrence.**

HHS concurs with this recommendation. The January 2012 HHS Policy on the Use of Appropriated Funds for Food, which is available on line at: [http://www.hhs.gov/asfr/ogapa/acquisition!appfundspol\\_att2.html](http://www.hhs.gov/asfr/ogapa/acquisition!appfundspol_att2.html) and was issued in support of Executive Order 13589 and to address an opinion from the Department of Justice, Office of Legal Counsel, prohibits the use of appropriated funds to purchase food (whether for conferences or meetings; for meals, light refreshments, or beverages; or for Federal or non-Federal participants) unless the OpDiv/StaffDiv documents that the provision of food is a necessary expense and one of the established exceptions applies. On August 12, 2012, the OMB issued a Controller Alert reminding agencies of their responsibilities for ensuring conferences are necessary and cost-effective and abiding by the restrictions on certain conference expenses, including food.

As part of the HHS conference request and approval process, a review of allowable expenses is carried out at both OpDiv/StaffDiv and Department levels. The request form reminds agencies about the general prohibition on providing food, and requests that they explain any circumstances where food will be provided at HHS's expense. Accordingly, HHS's solicitations, funding opportunity announcements, contracts, grants, and agreements for conferences and meeting space should prohibit the inclusion of food and meals; unless otherwise determined to be a necessary expense. HHS believes that this policy has significantly reduced the possibility that HHS staff attending an HHS-hosted conference will need to reduce their per diem allowance for meals.

The HHS Travel Office developed specific guidelines and training for employee travel, and meal deductions is covered in the training module for travelers and in a separate module for travel approving officials. Overall, HHS believes it has established and maintains sound management practices for travel officials and employees to ensure the accurate review of travel related expenses before authorizing reimbursement.