

Office of Inspector General



Office of Audits and Evaluations
Report No. EVAL-12-005

FDIC Conference-Related Expenses and Activities

March 2012



Why We Did The Evaluation

The FDIC sponsors divisional and office-wide conferences for FDIC employees, and periodically other agency participants, to provide information about emerging issues, divisional priorities and initiatives, group training, and networking opportunities. In September 2011, the Office of Management and Budget (OMB) instructed agencies and departments to review policies and controls associated with conference-related activities and expenses (OMB memorandum M-11-35). While the FDIC is not required to follow the OMB guidance, the Acting Chairman requested that we review the FDIC's policies and controls associated with conference-related activities and expenses to assist the Corporation in complying with the spirit of the instructions.

The objective of our evaluation was to assess the FDIC's policies and controls associated with conference-related activities and expenses. We generally focused our assignment on conferences that were conducted from October 1, 2010 through September 30, 2011. To meet our objective, we selected for review a sample of eight conferences, which accounted for substantially all of the conference-related costs the Corporation incurred during that period. We interviewed conference planners and assessed conference costs and supporting documentation against the FDIC's conference policy. We also reviewed conference-related regulations applicable to other government agencies, and obtained conference policies and interviewed representatives from several other agencies to identify other agency practices.

Background

The FDIC periodically sponsors conferences, meetings, and symposiums, collectively referred to as "conferences." The FDIC uses conferences to deliver a common message or strategy to all attendees, provide updates on policies and procedures or changes in operations, and to show appreciation for staffs' hard work. Conferences provide the FDIC's distributed work force networking opportunities, time to catch up with fellow employees, and help to foster camaraderie and improve morale.

Notwithstanding these benefits, conference fees can be significant and should be monitored to ensure that related activities and expenses are appropriate and allowable. At our request, the FDIC provided us with documentation indicating that, from October 2010 through September 2011, the Corporation incurred about \$3.9 million in conference-related costs for 6,005 attendees.

Most government agencies are required to follow the Federal Travel Regulation (FTR) promulgated by the General Services Administration (GSA) and other regulations. The FTR details agency responsibilities for conference planning, allowable per diem rates, and expectations for minimizing conference costs. As an independent agency, the FDIC is not required to follow conference spending criteria applicable to most other government agencies. Instead, as have other independent agencies we contacted during our review, the FDIC established its own internal policies for planning and conducting conferences.

FDIC division and office directors may approve proposals for smaller, inexpensive, on-site conferences; however, the Chief Financial Officer (CFO) must generally approve conferences with more than 100 attendees or conferences held at off-site locations. The FDIC has professional conference planning services available within the Division of Administration's Special Services Unit, and a contracted travel agency that divisions and offices may elect to use to plan conferences.

Evaluation Results

The FDIC generally complied with its conference policies. Based on our review of eight conferences, FDIC conference planning officials prepared required budgeting and approval documents, ensured that conferences were approved at the appropriate management level, and obtained multiple bids from hotels/conference centers and considered travel costs and other factors required by policy when making best value determinations for conference sites.

We did identify two compliance exceptions:

- Meals expenses for a dinner and a reception exceeded FDIC policy limits—200 percent of GSA per diem rates—and were not justified or approved as required. The total amount of cost above the FDIC policy limit was \$5,801.
- The FDIC held a dinner/reception for 800 FDIC employees and spouses for which a substantial amount of the expenses related to food and beverages was allowable under FDIC policy, while the remainder—estimated by management to be about \$5,200—constituted entertainment expense and was not allowable.

We also concluded that opportunities exist to strengthen conference-related policy and controls and to reduce conference expenses. Doing so would be consistent with the spirit of the aforementioned OMB memorandum, FTR provisions and other regulations, and a recent Executive Order aimed at reducing conference and other agency expenses. These areas include:

- Strengthening the conference approval process;
- Centralizing conference planning and requiring the involvement of the Special Services Unit for conferences exceeding a certain dollar threshold;
- Exploring ways to make greater use of FDIC facilities to host conferences when the use of such facilities is cost effective;
- Strengthening controls over meals expenses;
- Reiterating and clarifying corporate policy related to entertainment expenses;
- Reviewing corporate policy related to external speakers; and
- Ensuring that all conference-related expenses are captured in the conference closeout and evaluation process.

At the time of our review, the FDIC was reassessing its conference policy and had informally established interim measures aimed at ensuring conferences are cost effective.

Management Comments

After we issued our draft report, FDIC management provided additional information and informal comments for our consideration, and we revised our report to reflect this feedback, as appropriate. The FDIC also revised and reissued FDIC Circular 1010.2, *Conference, Meeting, and Symposium Planning Policies, Procedures, and Approval Requirements for Using FDIC Funds for These Activities*, effective March 22, 2012. We reviewed the revised policy and concluded that the policy adequately addressed

each of the opportunities for improvement raised in this report. The Deputy to the Chairman and CFO provided a written response to our draft report, dated March 28, 2012. The response indicated that in addition to addressing our opportunities for improvement, the Corporation made other revisions to the conference policy based on its own evaluation of other agencies' best practices and benchmarks. As with the revised policy, the Corporation's written response adequately addressed the issues raised in our report.

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ACRONYMS

CFO	Chief Financial Officer
DCP	Division of Depositor and Consumer Protection
DOA	Division of Administration
DOJ	Department of Justice
FAR	Federal Acquisition Regulation
FDIC	Federal Deposit Insurance Corporation
FTR	Federal Travel Regulation
GAO	Government Accountability Office
GSA	General Services Administration
NFE	New Financial Environment
OIG	Office of Inspector General
OMB	Office of Management and Budget
RMS	Division of Risk Management Supervision
SSU	Special Services Unit



DATE: March 30, 2012

MEMORANDUM TO: Martin J. Gruenberg
Acting Chairman

FROM: */Signed/*
Jon T. Rymer
Inspector General

SUBJECT: *FDIC Conference-Related Activities and Expenses*
(Report No. EVAL-12-005)

The Federal Deposit Insurance Corporation (FDIC) sponsors divisional and office-wide conferences for FDIC employees, and periodically other agency and financial industry participants, to provide information about emerging issues, divisional priorities and initiatives, group training, and networking opportunities. In September 2011, the Office of Management and Budget (OMB) instructed agencies and departments to review policies and controls associated with conference-related activities and expenses (OMB Memorandum M-11-35).¹ While the FDIC is not required to follow the OMB guidance, you requested that we review the FDIC's policies and controls associated with conference-related activities and expenses to assist the Corporation in complying with the spirit of the instructions. In doing so, we also considered the President's November 2011 Executive Order promoting efficient spending and requiring agencies to make all appropriate efforts to host conferences in space controlled by the federal government when practicable and cost effective.

OBJECTIVE AND SCOPE

The objective of our evaluation was to assess the FDIC's policies and controls associated with conference-related activities and expenses. We addressed this objective in two ways: we assessed the FDIC's compliance with its conference policies and procedures as they existed during the period relevant to our review, and we separately considered other government regulations and practices to identify, for management's consideration, opportunities to strengthen FDIC policies. We generally focused our review of the FDIC's compliance with its existing policies on conferences that were conducted from October 1, 2010 through September 30, 2011. In doing so, we selected a sample of conferences, interviewed conference planners, and assessed conference costs and supporting documentation against the FDIC's conference policy and its policy for the purchase and consumption of food and beverage using corporate funds.

¹ OMB Memorandum M-11-35, *Eliminating Excess Conference Spending and Promoting Efficiency in Government*, dated September 21, 2011.

With respect to the second component of our assessment, during the course of our review, we provided management with conference-related regulations applicable to other government agencies and other agency practices that we had identified. In addition, we reference certain of those regulations and practices later in the report in the context of possible opportunities for reducing future conference expenses.

We performed our evaluation from October through December 2011 in accordance with the Council of Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Appendix I includes additional detail on our objective, scope, and methodology.

BACKGROUND

The FDIC periodically sponsors conferences, meetings, and symposiums, collectively referred to as "conferences," that range from local gatherings involving less than 100 participants to large off-site conferences involving 700 employees and requiring long-distance travel. The FDIC uses conferences to deliver a common message or strategy to all attendees, provide updates on policies and procedures or changes in operations, and show appreciation for staffs' hard work. In addition to delivering a single message and providing learning opportunities, conferences provide the FDIC's distributed work force networking opportunities, time to catch up with fellow employees, and help to foster camaraderie and improve morale.

Notwithstanding these benefits, conference fees can be significant and should be monitored to ensure that related activities and expenses are appropriate and allowable. Conference expenses and activities can also present reputational risk for the Corporation if the public perceives that expenses are unwise or excessive. At our request, the FDIC provided us with documentation indicating that, from October 2010 through September 2011, the Corporation incurred \$3,877,845 in conference-related costs for 6,005 attendees.² For purposes of our evaluation, we selected a sample of eight conferences representing 96 percent of those costs. Each of these conferences was approved during 2010. Table 1 below presents information about the conferences that we reviewed.

² As noted in Table 1, and discussed later in the report, FDIC policy does not require and FDIC divisions and offices did not consistently capture all actual costs associated with the conferences. As a result, certain costs incurred were estimated or not readily determinable.

Table 1: FDIC Conferences Reviewed – October 1, 2010 through September 30, 2011

Description of Conference	Location	Duration	Attendees	Cost
New York Regional Training Conference	Boston, MA	5 days	598	\$1,255,999 ^a
Chicago Regional Training Conference	Nashville, TN	5 days	642	\$1,260,089 ^a
FDIC/Department of Justice (DOJ) Financial Crimes Conference	San Diego, CA	5 days	348	\$644,053 ^a
Interagency Accounting Conference	Anaheim, CA	3 days	174	\$273,871 ^a
Minority Depository Institutions Conference	New York, NY	3 days	275	\$200,097 ^a
Division of Resolutions and Receiverships All Managers Meeting	The FDIC's Seidman Center Arlington, VA ^b	2 days	266	\$41,438 ^c
Mortgage Symposium	The FDIC's Seidman Center Arlington, VA	2 days	305	\$37,035 ^c
2011 Litigation and Resolutions Conference	The FDIC's Seidman Center Arlington, VA	3 days	250	\$27,198 ^c
Total			2,858	\$3,739,780

Source: OIG analysis of conference-related documentation and reports.

^a Reflects all costs reported on conference closeout forms.

^b The L. William Seidman Center at Virginia Square has an office building with office space, training, and conference facilities for FDIC employees, and a residence building for students and instructors attending classes or conferences at the Center.

^c Reflects the cost of meals only, according to invoices from the FDIC's food services contractor. Airfare and per diem expenses are not included.

The largest conferences at the FDIC are the Division of Risk Management Supervision (RMS)/Division of Depositor and Consumer Protection (DCP) regional training conferences. The FDIC has 90 field and territory offices that house FDIC bank examiners and associated support staff. The field offices are organized into six regional offices. Each regional office periodically holds a regional training conference where all of the field examiners in a region meet in a single location for 5 days to discuss divisional priorities, emerging issues, and risks facing the banking industry. Historically, regional training conferences were held every 3 years. However, during the recent financial crisis, these conferences were suspended due to agency workload. In 2010, the FDIC Chairman approved resuming regional conferences at a rate of 2 to 3 conferences per year and frequency of 3 years between each regional conference. The most recent regional conference held prior to 2011 took place in June 2008, in Kansas City. Three others were held in 2007. The New York and Chicago regional conferences were last held in August 2005 and May 2006, respectively.

As an independent agency, the FDIC is not required to follow conference spending criteria applicable to most other government agencies. Instead, as have other independent agencies we contacted during our review, the FDIC established its own internal policies for planning and conducting conferences. The FDIC issued Circular 1010.2, *Conference, Meeting and Symposium Planning Policy and Procedures*, dated October 31, 2007, to establish policy, procedures, and guidelines for planning and conducting conferences, meetings, or symposiums and to establish methods to measure their benefit to participants. The FDIC also issued Circular 2410.9, *Policies Governing the Purchase of Food and Alcoholic Beverages Using*

Corporate Funds; and the Consumption of Alcoholic Beverages in FDIC Buildings, dated December 22, 2003.

FDIC division and office directors may approve proposals for smaller, inexpensive, on-site conferences; however, the Chief Financial Officer (CFO) must generally approve conferences with more than 100 attendees or conferences held at off-site locations. The FDIC has professional conference planning services available within the Division of Administration (DOA) and a contracted travel agency that divisions and offices may elect to use to plan conferences.

With respect to the second component of our review, most other government agencies are required to comply with the following criteria when planning and conducting conferences:

- 41 CFR Parts 301-11 and 301-74, *Federal Travel Regulation, Conference Planning*, promulgated by the General Services Administration (GSA). The Federal Travel Regulation (FTR) details agency responsibilities for conference planning, allowable per diem rates, and expectations for minimizing conference costs.
- The Government Accountability Office's (GAO), *Principles of Federal Appropriations Law*, which presents basic reference work covering those areas of law in which the Comptroller General has rendered a decision, including the availability of appropriations for specific purposes.
- The Federal Acquisition Regulation (FAR), which provides guidance on selected costs that are not allowable under FAR-based federal contracts.

As mentioned previously, the FDIC is not required to follow these regulations or guidance. However, these regulations provided a point of reference for conference spending expectations in most other government agencies, and we present references to the FTR, FAR, and other guidance in the context of possible opportunities for reducing future conference expenses.

EVALUATION RESULTS

Except as described below, FDIC officials generally complied with the Corporation's conference policy. Based on our review of eight conferences, FDIC conference planning officials prepared required budgeting and approval documents, ensured that conferences were approved at the appropriate management level, obtained multiple bids from hotels/conference centers, and considered travel costs and other factors required by policy when making best-value determinations for conference sites.

We did, however, identify two compliance exceptions:

- The cost of a meal and a reception associated with the Chicago Regional Training Conference exceeded the FDIC's policy limit of 200 percent of per diem, were not included on the Conference Request form, and were not justified or approved as required. The total amount of cost above the FDIC policy limit was \$5,801.
- At the Chicago Regional Training Conference in Nashville, Tennessee, the FDIC paid \$106,400 to rent out a dining and entertainment establishment and provide dinner, beverages, and entertainment for 650 FDIC employees and 150 spouses/significant others. While a substantial amount of the expenses for this event was allowable under FDIC policy, the remainder—estimated by management to be about \$5,200—constituted entertainment expense and was not allowable.

Based on our review of both the FDIC's policy and other agencies' guidance, we determined that opportunities exist to strengthen conference-related policy and controls, and, in turn, reduce conference expenses. Doing so would be consistent with the spirit of 2011 OMB guidance, other federal regulations and guidance, and a recent Executive Order aimed at reducing conference and other agency expenses. These opportunities are outlined below. During our review, the FDIC was reassessing its conference policy and had informally established interim measures aimed at ensuring conferences are cost effective.

Opportunities for Strengthening Existing Controls and Reducing Conference Expenses

While most conference expenses complied with corporate policies, we identified opportunities where the FDIC could improve controls or could revisit existing policy relative to federal regulations and guidelines to reduce conference expenses. These opportunities include the following:

Opportunity 1

Strengthening the Conference Approval Process

- ***Observation***

FDIC policy (Circular 1010.2, *Conference, Meeting and Symposium Planning Policy and Procedures*) requires conference organizers to submit form FDIC 2600/22, Conference Request, to provide estimated conference costs to approving officials for all conferences. The form requires inclusion of projected expenses for meeting and hotel rooms, meals, conference speakers, travel costs, and miscellaneous expenses.

We found that conference organizers generally prepared the Conference Request form and obtained approval for each conference at the appropriate management level. Conference planners for one conference, the 2011 Litigation and Resolutions Conference, were not aware

that the Conference Request form was required for on-site conferences and did not prepare the form for the division director's review.

The Conference Request form requires cost information for several categories of meals (breakfast, lunch, dinner, breaks) and receptions (with and without alcohol). For each meal category, the form requires a per person cost, the number of people participating, and the number of times that the meal will be provided during the conference.

- ***Suggested Action***

The Conference Request form could be expanded to include more detailed information about conferences to provide approving officials with greater assurance that there will be no policy exceptions. The Conference Request form is completed early in the conference planning process, thus, some of this information may not be available at that time. However, conference organizers could submit additional conference details to the approving officials (division directors or the CFO) as those details become available and prior to entering into binding contracts. Such details could include conference agendas, including events and activities; information about speakers or reception locations; and additional or updated cost estimates. Several FDIC planners for conferences that we reviewed also indicated that the Conference Request and Conference Closeout forms could be improved.

Opportunity 2

Centralizing Conference Planning and Involving the Special Services Unit for Conferences Exceeding a Certain Dollar Threshold

- ***Observation***

Circular 1010.2 briefly discusses conference planning services and notes that divisions and offices planning an FDIC-sponsored conference may elect to use professional conference planning services provided by the FDIC contracted travel agency (SATO) or conference and meeting planners within DOA's Special Services Unit (SSU).

Divisions and offices used the SSU to some extent for seven of the eight conferences that we reviewed. RMS did not use the SSU for the New York Regional Training Conference but did use SATO. In instances where the SSU was used, the unit largely served as a facilitator, meaning that SSU basically did what was requested by the conference planners. We also noted that program officials involved in conference planning do so infrequently.

- ***Suggested Action***

For conferences exceeding a certain dollar threshold, the FDIC could change and increase SSU's role to more of an advisor or coach to assist divisions and offices through the entire conference planning, delivery, and closeout process. Doing so may reduce the level of effort required of divisional conference planners and approving executives and would create greater consistency between divisional conference efforts, highlight proposed expenses or activities

requiring greater attention from management, and ensure that all conference-related expenses are captured.

In addition, it may be useful for the SSU to develop a “how-to-guide” to walk conference organizers through the planning process, policy limits and requirements, sources for speakers or other activities, and any other considerations or pitfalls of which conference planners should be aware.

Opportunity 3

Exploring Ways to Make Greater Use of FDIC Facilities When Cost Effective

- ***Observation***

Circular 1010.2 states that FDIC facilities should always be given first consideration when planning conferences. The Circular notes that Virginia Square can house up to 500 conference attendees. If it is determined that Virginia Square does not represent a feasible option, a written explanation must be completed, alternative dates should be examined, and cost comparisons should be completed on form FDIC 2600/22, Conference Request.

Five of the eight conferences that we reviewed were held at off-site locations. Each of those conferences included a written justification for not holding the conference at Virginia Square. The justifications noted that Virginia Square could only seat up to 220 persons, classroom style, and that Virginia Square breakout rooms were too small to accommodate breakout sessions. While it was difficult to make direct cost comparisons between on- and off-site conferences, it would seem that conferences held at Virginia Square would be significantly less costly than those held at off-site locations due to lower expenses for meals, meeting rooms, audio visual equipment and set-up, and lodging.

DOA noted that the Virginia Square auditorium is frequently reserved by internal groups such as Corporate University or external groups such as the Federal Financial Institutions Examination Council or other government agencies and that it is sometimes difficult to find availability for internal conferences. Moreover, in some cases, a limiting factor is the availability of lodging at the adjacent Seidman Center. Even if the Virginia Square auditorium is available, the cost of reserving additional rooms at nearby hotels may eliminate the cost benefit of using Virginia Square as a conference site.

Further, RMS officials noted that it would be impractical to break up the regional conferences into multiple sessions and indicated that doing so would be cost-prohibitive. RMS also stressed the benefit and importance of delivering a single message to its distributed workforce through the regional conferences, particularly when the conferences are only held once every 3 years. Nevertheless, these officials indicated that the FDIC was looking at other options in light of the cost, scrutiny, and reputational risk associated with such large conferences.

- *Suggested Action*

The FDIC should: (1) explore ways to make greater use of FDIC facilities for conferences by reconfiguring conference seating arrangements (to achieve more than a 220-person capacity limit), reevaluating the number of required attendees, or breaking up conferences into multiple sessions (e.g., two sessions of 220 participants); (2) revisit its practices for reserving the Virginia Square auditorium to ensure internal conference needs have been adequately considered before making the auditorium available to external groups; and (3) consider making greater use of technology, such as video teleconferencing, in determining how to deliver conference messages to participants.

Opportunity 4

Strengthening Controls Over Meals Expenses

- *Observation*

Circular 2410.9 allows the use of corporate funds for the purchase of food and beverages. The Circular states, among other things, that: (1) FDIC officials should be careful not to select types and amounts of foods and beverages that could reasonably be perceived as extravagant. (2) Total per-person cost for corporate-funded meals (including alcoholic beverages, excluding tax and tip) should generally not exceed two times the allowable per diem for that meal at that location. (3) Written justification to the approving official is required for any overages.

Based on our testing of eight FDIC conferences, we determined that most of the meals provided at the New York Regional Training Conference, Chicago Regional Training Conference, and FDIC/DOJ Financial Crimes Conference exceeded per diem by more than 200 percent. An FDIC official indicated that form FDIC 2600/22, Conference Request, had been submitted and approved and served as the written justification for exceeding 200 percent of per diem for these meals. However, we noted that the forms did not include a justification, per se, instead they only showed a per person and aggregate cost estimate for each meal. RMS officials indicated that, in the case of the New York and Chicago Regional Training Conferences, the conference meals expense was offset to some extent by the hotels providing discounted prices on rooms or other services such as audio visual equipment set-up.

As noted earlier, we did identify two examples of meal costs exceeding per diem limits—by a total of \$5,801—that were not included on the Conference Request Form and for which there was no other type of written justification and approval. Regional conferences generally include an executive dinner for FDIC executives and special guests (conference speakers or guests from other agencies). These meals provide an opportunity for FDIC officials to interact with state supervisors or officials from other regulatory agencies. The Chicago Regional Training Conference in Nashville included an executive dinner that averaged \$243 per person for 37 attendees (\$195 not including tax and gratuity). The limit for per diem dinner costs in Nashville, per Circular 2410.9, was \$68 (\$34 x 200 percent); thus, the meal costs exceeded the FDIC policy limit by \$4,699.

Second, in the case of the Chicago Regional Training Conference, the conference planning committee held a planning reception in Nashville about 8 months before the conference began. This reception cost \$168 per person for 19 attendees (\$126 not including tax and gratuity). As noted above, the FDIC policy limit was \$68. As a result, the cost of the meals exceeded the FDIC policy limit by \$1,102.

We did not see any instances where conference attendees inappropriately claimed per diem in addition to conference-provided meals. As a result, in cases where the meal expense exceeded 200 percent of the per diem rate, the net additional cost to the Corporation was the difference between the actual cost of the meal and 200 percent of per diem. As an example, if the breakfast per diem rate in a city was \$10.00, and the actual cost of the breakfast was \$30.00, the net additional cost to the Corporation above the 200-percent policy limit amount would be \$10.00 (\$30.00 - \$20.00) per person times the number of attendees. We estimate that meals expenses above the 200-percent per diem limit at the New York and Chicago Regional Training Conferences and the FDIC/DOJ Financial Crimes Conference increased the overall cost of those conferences by about 8.2 percent.

- ***Suggested Action***

The FDIC should revisit Circulars 1010.2 and 2410.9 and other controls related to meals expenses to ensure they are reasonably consistent with other federal agency guidance and practices, they clearly establish limits appropriate for the Corporation, and that the Conference Request form or some other form of documentation adequately provides analysis and justification for meals exceeding the per diem limit. As noted previously, the GSA FTR is applicable to most government agencies but not the FDIC. However, as a point of reference, the FTR limits conference per diem rates to 100 percent of the meals portion and 125 percent of the lodging portion, respectively, of the GSA per diem rate applicable to the conference location. In addition, most of the agencies that we contacted have some limit on lodging and meals expenses.

Opportunity 5

Reiterating and Clarifying Corporate Policy Related to Entertainment Expenses

- ***Observation***

Circular 1010.2 states that expenses for entertainment are not allowable. At the discretion of the division or office director, contributions from participants may be used for entertainment, provided the contributions are made voluntarily and the entertainment selected is appropriate for a diverse, professional audience. Outside speakers and guest lecturers are not considered entertainment and are therefore not included in this category.

At the Chicago Regional Training Conference in Nashville, the FDIC paid \$106,400 to rent out a dining and entertainment establishment and provide dinner, beverages, and entertainment for 650 FDIC employees and 150 spouses/significant others. The \$133 per person charge also included transportation from the hotel and security at the establishment.

While a substantial amount of the costs for this event was for food, beverages, security, and transportation and were allowable under FDIC policy, the remainder constituted entertainment expense and was not allowable. In that regard, during our evaluation, FDIC management estimated the cost of the entertainment at about \$5,200. Further, FDIC officials indicated that the billing for the event consisted of a per-person, all-inclusive charge, and the establishment was not able to itemize the cost related to entertainment expense. RMS officials told us that, given the number of conference attendees, this establishment presented the best value for the Corporation among the limited number of suitable venues that were available in the area.

RMS also hired live entertainment at two other regional training conference receptions. In both cases, RMS employees paid for the entertainment, as allowed by FDIC policy, and did not use corporate funds.

- ***Suggested Action***

The FDIC should reiterate Circular 1010.2 provisions related to paying for entertainment expenses and further define examples of what constitutes entertainment expenses. With respect to other agency policy and practices, the FAR does not allow payment of government funds under a contract for entertainment expenses. GAO's *Principles of Federal Appropriations Law* also does not generally allow the use of appropriated funds to pay for entertainment expenses. Several non-appropriated agencies told us that their agency will pay for entertainment expenses on rare occasions. Such entertainment has to be directly relevant to the purpose of the conference or meeting—an example given was for a song or dance performance associated with a diversity event.

Opportunity 6

Reviewing Corporate Policy Related to External Speakers

- ***Observation***

Most conferences had in-house speakers or cost-free speakers from other agencies. The Chicago and New York Regional Training Conferences also had external speakers. External speaker fees were \$33,500 at the Chicago Regional Training Conference and \$36,500 at the New York Regional Training Conference. Individual speaker fees at these two conferences ranged from \$1,500 to \$15,000.

In the case of both conferences, aggregate estimated speaker fees were included on the Conference Request forms and, therefore, had been approved. RMS conference planners indicated that speaker topics were related to the banking industry, the FDIC's mission, or worklife issues. We observed internal speaker topics were generally related to banking topics or RMS/DCP initiatives. External speaker topics included themes related to work stress, tools for success, and nutrition.³

³ We determined speaker topics by reviewing conference agendas. In some cases, conference agendas did not specify speaker topics.

- ***Suggested Action***

Circular 1010.2 is largely silent regarding the use and payment of external speakers. The FDIC should clarify provisions in the Circular to ensure that conference speakers and topics are aligned with FDIC goals and values and that external speaker fees are reasonable. As it relates to other agency policy and practices, we did not identify specific provisions in the FAR or FTR governing external speakers, and other agency officials we interviewed indicated they generally ensured that speakers were “appropriate.”

Opportunity 7

Capturing All Conference-Related Expenses in the Conference Closeout and Evaluation Process

- ***Observation***

Circular 1010.2 requires conference planners to develop a comparison of actual to estimated costs within 60 calendar days of conference completion. Conference attendees are supposed to code their travel costs to a specific conference code, and conference planners use the New Financial Environment (NFE) to identify travel-related conference costs. We found that conference attendees did not always properly code their travel vouchers, and we identified discrepancies between the number of actual conference attendees and travel costs captured within NFE. As a result, conference closeout forms underestimated actual conference costs. Table 2 presents information about the proper coding for three conferences.

Table 2: Analysis of Travel Voucher Coding

Conference	FDIC Attendees	Vouchers Properly Coded	Estimate of Vouchers Not Properly Coded
FDIC/DOJ Financial Crimes Conference (San Diego)*	288	125	163 (56%)
Chicago Regional Training Conference (Nashville)	642	542	100 (16%)
New York Regional Training Conference (Boston)	598	484	114 (19%)

Source: OIG analysis of data from the FDIC’s Electronic Travel Voucher System.

* The Legal Division adjusted the conference closeout form to account for the travel cost related to travel vouchers that were not properly coded.

It may be unreasonable to expect all conference attendees to properly code their travel vouchers. Because this is a cost allocation issue that does not affect overall corporate spending, a simple proration of conference costs over the percentage of total vouchers that were not properly coded should suffice for calculating actual travel costs.

We also noted that Circular 1010.2 does not specify what conference expenses management wishes to capture on the closeout form. In addition, a closeout form is not required for

conferences approved at the divisional level. Accordingly, a few conferences in our sample did not have closeout forms even though these conferences had several hundred attendees.

- ***Suggested Action***

The FDIC should consider (1) additional means to ensure that conference attendees properly charge travel costs associated with conferences and (2) clarifying instructions for closeout forms to ensure they include the following expenses:

- Portions of expenses (e.g., speaker fees) paid by FDIC divisions other than the sponsoring division.
- Executive dinners.
- Conference planning expenses.
- Non-FDIC participants (spouses/significant others).

CORPORATION COMMENTS AND OIG EVALUATION

After we issued our draft report, FDIC management provided additional information and informal comments for our consideration, and we revised our report to reflect this feedback, as appropriate. The FDIC also revised and reissued FDIC Circular 1010.2, *Conference, Meeting, and Symposium Planning Policies, Procedures, and Approval Requirements for Using FDIC Funds for These Activities*, effective March 22, 2012. We reviewed the revised policy and concluded that the policy adequately addressed each of the opportunities for improvement raised in this report. The Deputy to the Chairman and CFO provided a written response to our draft report, dated March 28, 2012. The response is presented in its entirety in Appendix II. The written response indicated that in addition to addressing our opportunities for improvement, the Corporation made other revisions to the conference policy based on the FDIC's own evaluation of other agencies' best practices and benchmarks. The response also encouraged the OIG to review compliance with the revised policy at an appropriate time in the future. As with the revised policy, the Corporation's written response adequately addressed the issues raised in our report.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our evaluation was to assess the FDIC's policies and controls associated with conference-related activities and expenses. We addressed this objective in two ways: we assessed the FDIC's compliance with its conference policies and procedures as they existed during the period relevant to our review, and we separately considered other government regulations and practices to identify, for management's consideration, opportunities to strengthen FDIC policies. We generally focused our assignment on conferences that were conducted from October 1, 2010 through September 30, 2011.

We performed our evaluation from October through December 2011 in accordance with the Council of Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Scope and Methodology

To accomplish our objective, we:

- Obtained cost and attendee information about FDIC conferences held from October 2010 through September 2011.
- Reviewed FDIC conference planning policy and policy pertaining to meals and alcoholic beverages at corporate-sponsored events.
- Gained an understanding of the FDIC offices and officials involved in planning and approving conferences and the internal controls over the conference planning and approval process.
- Reviewed conference planning and expense documentation for conferences selected for detailed review.
- Interviewed corporate officials responsible for reviewing and approving conference requests and conference-related contracts and expenses.
- Interviewed conference planners associated with conferences that we selected for detailed review.
- Assessed compliance of conference expenses against policy requirements.
- Reviewed conference-related regulations applicable to other government agencies. Where possible, we obtained and reviewed conference policies from other agencies and interviewed representatives from other agencies to identify other agency practices that may be of interest and assistance to the FDIC as it seeks to enhance its current policy.

We reviewed a judgmental sample of eight conferences. These conferences represented 96 percent of FDIC conference expenses (based on information provided to us by the FDIC as discussed earlier in the report) from October 1, 2010 through September 30, 2011.⁴

⁴ Because this is a judgmental sample, the results of our testing cannot be projected to the universe of conferences held at the FDIC.

CORPORATION COMMENTS



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Deputy to the Chairman and CFO

March 28, 2012

MEMORANDUM TO: Jon T. Rymer
Inspector General

FROM: Steven O. App /Signed/
Deputy to the Chairman
and Chief Financial Officer

SUBJECT: Management Response to the Draft Report Entitled,
**Evaluation of FDIC Conference-Related Activities
and Expenses (Assignment No 2011-099)**

This memorandum is in response to the subject draft evaluation report dated February 2, 2012. We appreciate this comprehensive and timely report addressing the Acting Chairman's request that the Office of Inspector General (OIG) review the Federal Deposit Insurance Corporation's (FDIC's) policies and controls associated with conference-related activities and expenses. While the FDIC as an independent agency is not required to follow the recent, referenced OMB and Executive Order guidance on conferences; the information contained in the draft evaluation report will facilitate the FDIC's ongoing cost reduction efforts in compliance with the spirit of these instructions.

We acknowledge the positive, overall evaluation results; namely, that the FDIC generally complied with its operating policies for over 99 percent of the total \$3.9 million in conference expenditures over the evaluation period. Nevertheless, we are concerned over the two noted compliance exceptions related to meal expenses and entertainment, which occurred in conjunction with the Chicago Regional Training Conference. Improved control procedures have been implemented to effectively eliminate such departures from FDIC policies going forward.

With most conference expenses being in compliance with existing policies, the FDIC's focus has been primarily prospective in nature. To this end, as noted in the OIG draft evaluation report, the FDIC began the process of reassessing its conference policy in the Fall of 2011, established interim measures to ensure all future conferences are more economical, and issued the revised conference policy in March 2012.

The OIG offered seven opportunities to further strengthen existing controls and reduce conference expenses. The FDIC agrees with all of these items and incorporated the suggested actions into its revised Conference Operating Circular (1010.2). In addition to addressing the Inspector General's suggestions, we made other revisions to the conference policy based on our own evaluation of other agencies best practices and benchmarks. Overall, the collective adoption of these actions positions the FDIC to both strengthen its internal approval processes to avoid policy compliance exceptions going forward and, significantly, continue to lower its overall conference expenses.

CORPORATION COMMENTS

The specific actions taken to address each of these opportunities are briefly described below and we would encourage the OIG to review compliance with our revised Conference Operating Circular at an appropriate point in the future.

Opportunity 1 – Strengthening the Conference Approval Process

The FDIC has revised Form FDIC 2600/22 to better reflect the requirements of the updated conference circular. The FDIC has expanded the form to ensure clear and complete reporting of all conference expenses. The form will be mandatory for all conferences exceeding a selected cost threshold. Additionally, between the time a conference has been approved and the actual time of the conference, Division/Office directors must submit an interim form updating/validating the estimates.

Opportunity 2 – Centralizing Conference Planning and Involving the Special Services Unit for Conferences Exceeding a Certain Dollar Threshold

For all conferences exceeding a defined cost threshold, the conference planners must contact and involve the Division of Administration's (DOA) Special Services Unit (SSU) for assistance in conference planning. SSU has also developed a "How to Guide" for planning conferences.

Opportunity 3 – Exploring Ways to make Greater Use of FDIC Facilities When Cost Effective

FDIC conferences will utilize FDIC facilities, Federal facilities, Government public buildings, or universities whenever possible and more economical. For all conferences that do not take place at an FDIC facility, conference organizers must work with the Acquisition Services Branch of DOA to obtain and present the three best alternative proposals. Additionally, the use of technology (video conferencing, teleconferencing, web conferencing, etc.) is encouraged whenever possible.

Opportunity 4 – Strengthening Controls Over Meals Expenses

The FDIC's new policy states that meal expenses shall adhere to 125 percent (or less) of the GSA per diem rates and that any exceptions must be approved by the Chairman or his designee.

Opportunity 5 – Reiterating and Clarifying FDIC Policy Related to Entertainment Expenses

The conference policy states that all entertainment expenses as defined in the circular (e.g., musicians, other performers, performance instructors, etc.) are prohibited.

Opportunity 6 – Reviewing FDIC Policy Related to External Speakers

All conference planners must ensure that outside speakers address relevant topics and that their costs are reasonable.

CORPORATION COMMENTS

Opportunity 7 – Capturing All Conference-Related Expenses in the Conference Closeout and Evaluation Process

Post-conference closeouts and evaluations are required for conferences exceeding a defined cost threshold. The closeout form, FDIC 2600/23, must be completed within 60 calendar days of the conference completion and must include all conference-related expenses. Reviews of conference closeout reports will be performed to ensure compliance with the conference policies. The circular includes provisions addressing the consequences of non-compliance.