



*Status of the Implementation of
Recommendations Related
to Conference Spending*

March 10, 2016

Reference Number: 2016-10-020

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HIGHLIGHTS

STATUS OF THE IMPLEMENTATION OF RECOMMENDATIONS RELATED TO CONFERENCE SPENDING

Highlights

**Final Report issued on
March 10, 2016**

Highlights of Reference Number: 2016-10-020 to the Internal Revenue Service Deputy Commissioner for Operations Support and Chief Financial Officer.

IMPACT ON TAXPAYERS

Excessive conference and event spending by Federal agencies has been highlighted by recent Inspector General reports and the subject of congressional hearings. Given its limited budgetary resources, the IRS must effectively manage conference and event spending to ensure that taxpayer funds are used efficiently.

WHY TIGTA DID THE AUDIT

This review is a follow-up to TIGTA's May 2013 report, *Review of the August 2010 Small Business/Self-Employed Division's Conference in Anaheim, California*. The overall objectives of this review were to determine whether the IRS implemented corrective actions in response to TIGTA's previous recommendations and to evaluate the IRS's approval and reporting process for conference and event spending exceeding established thresholds.

WHAT TIGTA FOUND

The IRS updated its policies and procedures as recommended in the prior audit report on conference spending. Specifically, the IRS addressed all nine recommendations made by TIGTA in its May 2013 report. The IRS has designed controls to ensure that policies and procedures are being followed for event planning, approvals, and cost tracking. For example, the IRS updated its policy for granting Continuing Professional Education credits for conference and training events. The IRS also instituted a Service-wide Video Editorial Board to review and approve any IRS internally

produced or commissioned videos in advance of production. In addition, the IRS has continually updated its guidance to reflect the approval thresholds mandated by the U.S. Department of the Treasury.

During Fiscal Years 2013 and 2014, the IRS approved and reported (as required) almost 99 percent of the training and conference events reviewed by TIGTA. Based on the estimated cost of an event, the IRS Commissioner or Treasury Department officials must approve the event in advance, and all events over \$20,000 must be reported to the Treasury Department. TIGTA determined that the IRS did not appropriately report (as required) eight events to the Treasury Department and did not report three events to the public. TIGTA also found that 55 events did not receive the correct level of approval. Lastly, TIGTA found several improvements needed in the management of training and conference reporting.

WHAT TIGTA RECOMMENDED

TIGTA made several recommendations on improving the management of event approval and reporting, including issuing a single list of all events over \$100,000 to the Treasury Department to ensure public reporting and the centralized retention of event approval and reporting documentation.

In its response, the IRS agreed with our recommendations, stating that it has developed and implemented corrective actions to address TIGTA's recommendations. The actions include plans to provide the Treasury Department, in January of each year, detailed information on events in excess of \$100,000 for the preceding year, and beginning in October of 2015, maintaining event approval and reporting information in one centralized location.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

March 10, 2016

MEMORANDUM FOR DEPUTY COMMISSIONER FOR OPERATIONS SUPPORT
ACTING CHIEF FINANCIAL OFFICER

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Status of the Implementation of
Recommendations Related to Conference Spending
(Audit # 201510002)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) implemented corrective actions in response to our previous recommendations regarding conference spending and to evaluate the IRS's approval and reporting process for conference and event spending exceeding established thresholds. This is a follow-up to our May 2013 report, *Review of the August 2010 Small Business/Self-Employed Division's Conference in Anaheim, California*.¹ This review is included in our Fiscal Year 2016 Annual Audit Plan and addresses the major management challenge of Achieving Program Efficiencies and Cost Savings.

Management's complete response to the draft report is included as Appendix IV.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. If you have any questions, please contact me or Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations).

¹ Reference No. 2013-10-037.



*Status of the Implementation of
Recommendations Related to Conference Spending*

Table of Contents

BackgroundPage 1

Results of ReviewPage 5

The Internal Revenue Service Developed Policies to
Address Recommendations From the Treasury Inspector
General for Tax Administration’s 2013 ReportPage 5

The Internal Revenue Service Reported and Approved
Most Events As RequiredPage 7

Recommendations 1 through 3:.....Page 12

Appendices

Appendix I – Detailed Objectives, Scope, and Methodology.....Page 13

Appendix II – Major Contributors to This ReportPage 15

Appendix III – Report Distribution ListPage 16

Appendix IV – Management’s Response to the Draft ReportPage 17



*Status of the Implementation of
Recommendations Related to Conference Spending*

Abbreviations

ASM	Assistant Secretary for Management
CFO	Chief Financial Officer
CPE	Continuing Professional Education
FY	Fiscal Year
HCO	Human Capital Officer
IRS	Internal Revenue Service
OMB	Office of Management and Budget
TIGTA	Treasury Inspector General for Tax Administration



*Status of the Implementation of
Recommendations Related to Conference Spending*

Background

Excessive spending by Federal agencies on management conferences has been highlighted by recent Inspector General reports and has been the subject of congressional hearings. In a May 2013 report,¹ the Treasury Inspector General for Tax Administration (TIGTA) identified several ways the Internal Revenue Service (IRS) could enhance controls over conference and event² spending. The audit was performed based on a referral from an informant which alleged that excessive spending by the IRS had occurred at a conference held in Anaheim, California, in August 2010. The conference was held by the Small Business/Self-Employed Division for its entire management staff of approximately 2,600 employees, at an estimated cost of over \$4 million. Procedures at the time of the conference did not require IRS management to track and report actual conference costs. As a result, TIGTA could not validate the conference costs reported by the IRS. We identified questionable expenses related to the conference, including the use of outside event planners, costly event planning trips, the use of outside speakers costing the IRS over \$100,000, parody video productions costing at least \$50,000, an information corridor designed to educate IRS managers with information corridor staff travel costs totaling more than \$44,000, and promotional items and gifts for IRS employees. In part as a result of the audit, the Consolidated and Further Continuing Appropriations Act of 2015³ placed limitations on how the IRS could use funds, stating that no funds shall be obligated or expended on conferences that do not adhere to the policies and procedures, verification processes, and documentation requirements issued as a result of the recommendations in the report.

Previously, in June 2011, the President launched a Governmentwide “Campaign to Cut Waste” and signed Executive Order 13589, *Promoting Efficient Spending*,⁴ in November 2011 in an effort to eliminate excess spending and promote Federal Government efficiency. The Executive Order specifically addressed conference spending by asking agencies to conduct business and host or sponsor conferences in space controlled by the Federal Government, wherever practicable and cost effective, and to reduce the combined costs of travel, information technology devices, printing, fleet vehicle expenses, and promotional items by 20 percent of Fiscal Year (FY) 2010 levels beginning in FY 2013.

¹ TIGTA, Ref. No. 2013-10-037, *Review of the August 2010 Small Business/Self-Employed Division’s Conference in Anaheim, California* (May 2013).

² Event is an all-inclusive term to include a conference, meeting, training occurrence, award ceremony, or other similar gathering that involves expenses of the attendees, such as for travel, meals, or refreshments.

³ Pub. Law. No. 113-235 §109 (December 2014).

⁴ The White House, Executive Order 13589, *Promoting Efficient Spending* (November 9, 2011).



Status of the Implementation of Recommendations Related to Conference Spending

After the President's Campaign to Cut Waste initiative, the Office of Management and Budget (OMB) issued guidelines⁵ in May 2012 which stipulate that agencies may not incur net expenses greater than \$500,000 for a single conference, all conference expenses greater than \$100,000 require senior-level review by the agency Deputy Secretary, and agencies must publicly report on an official website all event expenses greater than \$100,000.

Furthermore, the Consolidated Appropriations Acts of 2013, 2014, and 2015⁶ require agencies to submit annual reports to the appropriate Inspector General regarding the costs related to conferences held during the fiscal year that cost more than \$100,000 and notify the Inspector General, within 15 days, of the date, location, and number of employees who attended the conference for any conferences that cost more than \$20,000. In order to comply with this Federal requirement, the Department of the Treasury issued a February 2014 Treasury Directive⁷ requiring all Treasury Department bureaus, including the IRS, to track and report hosted conferences as well as participation and attendance at conferences or events exceeding the established thresholds. Bureaus are to report event spending and attendance to the Treasury Department's Office of the Assistant Secretary for Management (ASM). The Treasury Department set up an online event tracking database on its internal SharePoint site set up for this purpose. The Treasury Department administers this site and has given TIGTA access to view the online event tracking database to meet this Inspector General reporting requirement.⁸

The Treasury Department and the IRS have issued a number of policy updates to adhere to the Federal requirements on event spending. Figure 1 shows the revisions made to the Treasury Department guidance on required approvals, within the IRS and the Treasury Department, at the different event cost thresholds.

⁵ OMB, Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations* (May 2012).

⁶ Pub. L. No. 113-6, 127 Stat. 435; Pub. L. No. 113-76, 128 Stat. 242; Pub. L. No. 113-235.

⁷ Treasury Directive 12-70, *Policy and Guidance for Conference Approval, Planning, and Reporting* (Feb. 2014). The guidance was originally issued on November 28, 2012, and subsequently updated on May 6, 2013, and February 24, 2014.

⁸ TIGTA did not evaluate the 15-day reporting requirement because this is an agency requirement that falls under the purview of the Treasury Department.



*Status of the Implementation of
Recommendations Related to Conference Spending*

Figure 1: Event Approval Thresholds and Authority Levels

Treasury Directive 12-70 Approval Requirements			
November 28, 2012	May 6, 2013	February 24, 2014	Approver
Under \$3,000	Under \$3,000	Up to \$19,999	Delegation by Bureau Head (<i>i.e.</i> , IRS First-Level Executive)
\$3,000 – \$24,999	\$3,000 – \$24,999	\$20,000 – \$49,999	Bureau Head (<i>i.e.</i> , IRS Commissioner)
\$25,000 – \$49,999	\$25,000 – \$99,999	\$50,000 – \$99,999	Treasury ASM
\$50,000 – \$249,999	\$100,000 – \$249,999	\$100,000 – \$249,999	Treasury Deputy Secretary
\$250,000 and Above	\$250,000 and Above	\$250,000 and Above	Treasury Secretary

Source: Treasury Directive 12 -70, issued November 28, 2012, updated May 6, 2013, and February 24, 2014.

Based on the information provided to TIGTA for this audit, the IRS spent \$177.5 million on conferences, training, and meetings in FY 2010.⁹ In FY 2013, the IRS spent \$21.5 million, and in FY 2014, the IRS spent \$22.2 million. The IRS held eight conferences in FY 2013 and FY 2014 that had total costs greater than \$100,000. The largest of those conferences was the Candidate Development Program, in the amount of \$191,120—an internal training event held for the Career Executive Corps. The Candidate Development Program is a minimum of one year and a maximum of two years in length and consists of formal training and developmental assignments. There were no conferences costing more than \$250,000 (conferences above this amount require the approval of the Secretary of the Treasury).

This review was performed as a follow-up to the May 2013 TIGTA audit on the Small Business/Self-Employed Division’s Conference in Anaheim, California, held in August 2010. This review was performed with information obtained from the offices of the IRS Human Capital Officer (HCO) and the Chief Financial Officer (CFO) located in Washington, D.C., and Beckley, West Virginia, during the audit period of February 2015 through February 2016. We

⁹ In the May 2013 TIGTA report, the IRS provided estimated conference costs of \$37 million. At the time, the IRS was not tracking conference costs and only had an estimate of costs for conferences. For that audit, the \$37 million reflected conferences TIGTA reviewed that involved travel for 50 or more attendees.



*Status of the Implementation of
Recommendations Related to Conference Spending*

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. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



*Status of the Implementation of
Recommendations Related to Conference Spending*

Results of Review

***The Internal Revenue Service Developed Policies to Address
Recommendations From the Treasury Inspector General for Tax
Administration's 2013 Report***

In response to TIGTA's May 2013 report on conference spending, the IRS updated its policies and procedures as recommended. In the report, TIGTA identified seven major findings that resulted in nine recommendations. The IRS agreed to all nine recommendations in its response and outlined planned corrective actions. To assess the effectiveness of prior recommendations, we reviewed the IRS's corrective actions for each recommendation in the Joint Audit Management Enterprise System¹⁰ and compared the actions to the updates made to the Internal Revenue Manual sections pertaining to event planning.

Through this review of Internal Revenue Manual sections and interviews with IRS personnel, we found that the IRS has issued comprehensive guidance for event planning, approvals, and cost tracking that addresses each recommendation TIGTA made. According to IRS personnel from the CFO and HCO offices, the policies currently in place require documentation to support that events conducted by the IRS are approved by the appropriate IRS or Treasury Department signature authority before the event is held as well as require that the events are reported to the Treasury Department and the Inspector General as required by law.

For eight of the nine recommendations made in the prior TIGTA report, the IRS has updated its policies and procedures and developed supporting practices designed to address each recommendation. For the last recommendation in our prior report, which pertained to employees who should have been issued Forms W-2, *Wage and Tax Statement*, for their local taxable travel, the IRS issued Forms W-2 to the identified employees. Figure 2 summarizes our prior recommendations and corrective actions taken by the IRS.

¹⁰ The Joint Audit Management Enterprise System is used to ensure that IRS management takes actions on audit recommendations.



*Status of the Implementation of
Recommendations Related to Conference Spending*

Figure 2: TIGTA Recommendations and IRS Implemented Corrective Actions

TIGTA Recommendations	IRS Implemented Actions
Verify that information is being tracked and maintained to account for conference costs and attendance.	Issued guidance for tracking event-related spending, including requiring business units to maintain documentation of spending and attendance.
Implement a policy to determine whether specific sessions at conferences qualify for Continuing Professional Education (CPE) credits.	Extensively updated guidance and requirements for granting CPEs at events.
Reemphasize the requirement to use IRS event planning resources for future conferences and document reasons for the use of nongovernment facilities.	Issued guidance reemphasizing the requirement to use internal event planners and to document reasons for using nongovernment facilities for events.
Develop and implement procedures outlining the appropriate use of nongovernmental event planners.	Issued guidance that generally prevents the use of nongovernment event planners except in critical-need situations.
Establish procedures outlining when planning trips should be performed for conferences and the approval process.	Issued guidance requiring that justifications for planning trips be included as a part of event approval packages that are reviewed and approved.
Establish procedures to outline the need for and value provided by any conference videos.	Established the Service-wide Video Editorial Board, which provides oversight and evaluation of video projects.
Evaluate whether the solicitation of hotel room suite upgrades should be allowed in agreements with hotels.	Issued guidance prohibiting employees from soliciting upgraded rooms as a part of the site selection process.
Establish procedures to clearly outline the need for and value of information corridors for future conferences.	Issued guidance requiring that a justification for any additional expenses related to information corridors be included in event approval packages.
Identify local employees who claimed per diem travel related to the August 2010 conference travel and issue Forms W-2 to employees for taxable travel.	Issued Forms W-2 for taxable travel to a total of 11 employees; four identified by the IRS, and seven identified by TIGTA auditors.

Source: May 2013 TIGTA report and TIGTA analysis of IRS corrective actions.



*Status of the Implementation of
Recommendations Related to Conference Spending*

By implementing these policy updates, the IRS has improved tracking and reporting and reduced miscellaneous costs associated with event spending.

The Internal Revenue Service Reported and Approved Most Events As Required

The IRS reported almost all events as required

TIGTA found that the IRS reported almost 99 percent of events as required in FYs 2013 and 2014. TIGTA reviewed event documentation for 650 events the IRS was required to report and found that while almost all events were reported as required, eight of the 650 events were not reported to the Treasury Department¹¹ appropriately, and three of the 650 events were not reported publicly¹² as required.

Federal law and OMB and Treasury Department guidance require agencies to submit annual reports to the appropriate Inspector General regarding conferences costing more than \$100,000; notify the Inspector General within 15 days of the date, location, and number of employees who attended for any conferences that cost more than \$20,000; report agency-sponsored conference expenses greater than \$100,000 on its official website by January 31 of each year; and track and report participation and attendance at conferences or events in an online event tracking database administered by the Treasury Department. The Treasury Directive also requires additional details of the event, such as actual costs, to be reported within 45 days of the event being held. After each event concludes and costs are finalized, the IRS business units must maintain and self-report actual costs for events costing more than \$20,000 to the Treasury Department's Office of the ASM.

Through the implementation of IRS policies and the adherence to new controls by IRS HCO and CFO personnel, the IRS was able to report to the Treasury Department and the public almost all of the events that took place in FYs 2013 and 2014. As a result, both the Treasury Department and the public were appropriately made aware of IRS event spending.

A small number of events were not reported to the Treasury Department and public as required

Our analysis of travel data and IRS event approval documentation identified eight events that were not reported to the Treasury Department as required by Federal law and Treasury Department criteria, including seven events that were not reported and one event that occurred but was reported as cancelled with no costs. In addition, we found three events with costs

¹¹ The total expenses, date, location, and number of employees who attended the event for any events that cost more than \$20,000 must be reported within 45 days to the Treasury Department.

¹² The total expenses, date, location, a brief description, and number of employees who attended the event for any events that cost more than \$100,000 must be publicly reported by January 31 each year for the previous fiscal year on its official website.



*Status of the Implementation of
Recommendations Related to Conference Spending*

exceeding \$100,000 that were not reported to the public as required.¹³ As stated above, Federal law and Treasury Department and IRS guidance all require the reporting of event spending by the IRS to the Treasury Department and the public within certain time frames. Figure 3 lists the 11 events that were not reported to the Treasury Department or the public appropriately.

**Figure 3: Events Not Reported to the
Treasury Department or the Public As Required**

Event	Start	End	Identified Costs (i)
Tax Compliance Officer Training 3; Franklin, TN	3/11/2013	3/22/2013	\$87,000
Blaze Advisor Rule Maintenance Application for Rule Authors Online (ii)	7/1/2013	9/30/2013	\$25,000
Safeguard Review; Bismarck, ND	7/22/2013	7/26/2013	\$22,000
Candidate Development Program; Multiple Locations (iii)	8/12/2013	10/18/2013	\$191,000
CPE Legislative Changes Video Training Filming; New Carrollton, MD (iii)	8/18/2013	8/24/2013	\$108,000
ITAS Core Filing Season Apprentice; Cincinnati, OH (iii)	11/27/2013	12/17/2013	\$116,000
Printer Fleet Initiative Training; Memphis, TN	2/9/2014	2/28/2014	\$43,000
Leading Teams; Atlanta, GA	6/10/2014	6/12/2014	\$21,000
Senior Leadership Training Program (SLTP) – SLTP 401; Glynco, GA	8/4/2014	8/15/2014	\$30,000
Java Bean Open Source Software Application Administration II	8/25/2014	8/29/2014	\$40,000
Refund Crimes Advanced Investigative Analyst (RCAIA) Training – RCAIA 402; Glynco, GA	9/9/2014	9/17/2014	\$24,000

Source: The Federal Government travel system (GovTrip¹⁴) vouchers, IRS-provided approval documentation, and Treasury Department online event tracking database. Note: ITAS = Individual Taxpayer Advisory Specialist.

(i) Costs include travel amounts retrieved from the GovTrip travel system for IRS employees traveling to the same location on the same dates, estimated costs listed in IRS-provided approval documentation (ii), or final costs reported to the Treasury Department but not reported publicly (iii).

(ii) These courses were held online and had no travel costs. Costs listed include the estimated cost of the training from the IRS-provided approval document estimates.

(iii) These three events were reported to the Treasury Department, but the events were not reported on the public website as required. The total expenses, date, location, a brief description, and number of employees who attended the event for any events that cost more than \$100,000 must be publicly reported by January 31 each year for the previous fiscal year on its official website.

¹³ These classes were reported to the Treasury Department but the events were not reported on the public website as required.

¹⁴ GovTrip is the Federal Government travel system, which is used to process travel authorizations, reservations, and voucher claims.



Status of the Implementation of Recommendations Related to Conference Spending

According to the IRS, for the unreported events costing less than \$100,000, there were a number of reasons that the events were not reported to the Treasury Department or the public. One reason was that the information was not reported by the business units to the CFO or HCO offices for final reporting. In addition, the IRS stated that during the first months of FY 2013, it was still developing effective mechanisms to comply with the new approval and reporting requirements. IRS personnel stated that they have continuously improved their reporting practices since the policy became effective in FY 2013. For the larger events with costs exceeding \$100,000 that were not reported to the public as required, the IRS stated that due to delays in reporting the event to the Treasury Department, which ranged between 140 and 365 days, the Treasury Department was not able to publicly report the conferences as required. Without an effective mechanism for reporting events costing more than \$100,000 in a timely manner, the IRS risks noncompliance with Federal requirements for reporting of conference spending.

The IRS appropriately approved most events

We found that of the 650 events TIGTA reviewed for FYs 2013 and 2014 that required approval, more than 90 percent of the events received appropriate and timely approval. TIGTA found that 55 of the events reviewed did not receive the correct level of approval, including 45 events that did not receive the IRS Commissioner's approval and 10 events that did not receive the required approval from the Treasury Department. Some of the events that did not receive proper approval included events that were submitted as two separate events for approval but were in fact one event that required a different approving official signature due to the combined event costs. Moreover, we identified other administrative issues associated with the management of event approvals that could be improved.

Depending on the estimated cost of an event, the IRS Commissioner or a Treasury Department official must approve an event in advance unless the event is exempt from the approval process.¹⁵ The OMB memorandum issued in December 2012 specifically requires all agency Deputy Secretaries (or their equivalents) to approve event spending for all conferences for which expenses will exceed \$100,000. Directives issued by the Treasury Department further require that events with lower estimated costs receive approval from the Treasury Department Office of the ASM or the IRS Commissioner. IRS controls in place during FYs 2013 and 2014 allowed the IRS to successfully comply with OMB, Treasury Department, and IRS event approval guidance for more than 90 percent of all events reviewed. As a result, event spending was generally approved in an appropriate manner, ensuring proper oversight of funds expended on meeting, training, and conference events by the IRS.

¹⁵ Events prior to March 1, 2013, were excluded from that approval process because the Treasury Department office of the ASM granted the IRS a reprieve from implementing the approval process for training events until March 1, 2013. Additional exemptions as defined by the Treasury Department are mission-critical case travel, certain types of international travel, operational reviews, mandatory law enforcement training, and certain types of online training services.



*Status of the Implementation of
Recommendations Related to Conference Spending*

Fifty-five events did not receive the correct level of approval

While most events were approved appropriately, we identified 55 events that did not receive the correct level of approval. Of the 650 events reviewed, 350 events required the IRS Commissioner’s approval. Forty-five of those 350 events, with costs totaling \$891,810, were approved by an IRS Deputy Commissioner rather than the IRS Commissioner as required. In addition, of the 650 events reviewed, 307 required approval from the Treasury Department. Ten of the 307 events did not receive the correct Treasury Department approval.

There were several different causes for the lack of appropriate approval. In certain instances, when there was an Acting IRS Commissioner, an IRS Deputy Commissioner approved numerous events instead of the Acting Commissioner as required. In addition, one event was not appropriately approved because the IRS did not include travel costs for the event in the estimated costs, which resulted in approval by the wrong official based on the incorrect lower cost estimate. Finally, in one instance, an event was approved as two separate events and thus approved by the wrong officials based on separated expenses. In these cases, events were held at the same location, during the same dates, and with the same content but were approved separately. Because of the separate cost estimates and separate approval documents, the total cost of the events was not captured and thus not reviewed and approved by the appropriate officials. According to IRS CFO personnel, the Treasury Department has instructed that in the future the IRS must submit these types of related events as one event for approval and reporting purposes. Figure 4 below shows examples of three sets of training events that were approved separately yet exceed \$100,000 when each set is combined.

***Figure 4: Examples of Events That Were Approved Separately
but Should Have Been Approved As a Single Event***

Event	Start	End	Total	Combined Costs
Revenue Agents Basic Corporation Class; Oakland, CA	9/10/2013	9/26/2013	\$83,000	\$155,000
Revenue Agents Basic Corporation Class; Oakland, CA	9/10/2013	9/26/2013	\$72,000	
Revenue Agent Flow-Through Entity; Oakland, CA	6/2/2014	6/20/2014	\$79,000	\$148,000
Revenue Agent Flow-Through Entity; Oakland, CA	6/2/2014	6/20/2014	\$70,000	
Revenue Agent Flow-Through Entity; Jacksonville, FL	6/2/2014	6/20/2014	\$76,000	\$148,000
Revenue Agent Flow-Through Entity; Jacksonville, FL	6/2/2014	6/20/2014	\$72,000	

Source: Treasury Department online event tracking database.



Status of the Implementation of Recommendations Related to Conference Spending

Events Exceeded Approved Costs

During our review of events, we found 26 events exceeded approved costs by more than 15 percent, or exceeded specifically stated thresholds listed in the approval documents, without required reapproval. IRS guidance states that events must be reapproved if they are scheduled to be held in a Federal facility and estimated costs increase by 15 percent. For the 26 events, the actual costs exceeded the stated capped amount in the approval document. Of these, 23 events exceeded the estimated costs by more than 15 percent of the originally approved amount, and the IRS did not notify the IRS Commissioner or the Treasury Department of the updated costs for reapproval. However, we were unable to determine whether these cost overruns were known prior to the event taking place. The remaining three events had specific cost limits included in approval documents that were less than the standard 15 percent limit. For these three events, actual costs exceeded the capped amount specifically stated in the approval document. Because the IRS did not follow the requirements of the guidance for reapproval for the 26 events, an additional \$245,820 was incurred without the appropriate approval.

The IRS does not retain approval and reporting documentation in a centralized location

During the course of the audit, the IRS had difficulty in providing complete approval documentation and in some cases provided the incorrect documentation for a requested event. The process was also impeded because employees in the business unit who were knowledgeable about the documentation were either on leave or were no longer employed by the IRS. For example, we requested the supporting documentation for all final costs reported for a CPE Legislative Changes Video Training Filming event. The IRS was unable to validate the total expenditures for this training and provided incorrect invoices with limited breakdown of the costs. To date, we have not received the invoices and other supporting documentation to validate that the costs reported were incurred for the services provided.

In addition, the staff time and coordination effort it took to track down these documents between CFO personnel, HCO personnel, and business unit personnel was extensive. The IRS also had to update course information and change some amounts in the Treasury Department's online event tracking database based on researching the information for our audit inquiries. Some events were reported twice or reported under the incorrect event name or description. Interim guidance memoranda and the updated Internal Revenue Manual state that business units are responsible for establishing a methodology to document, track, and review events with costs. This includes maintaining documentation related to event approvals and actual costs incurred in a manner that allows for audit review and management inquiry.

Because of the requirement for tracking these events, the IRS would benefit from a centralized event approval and reporting process that ensures a limited number of offices are responsible for the final tracking and reporting of event information as well as maintaining all event documentation. This centralization would ensure more accurate reporting and provide continuity and consistency of the approval and reporting information during the event approval and reporting process.



*Status of the Implementation of
Recommendations Related to Conference Spending*

Recommendations

The CFO should:

Recommendation 1: Issue guidance requiring the IRS to submit to the Treasury Department an annual final accounting for all events with expenses exceeding \$100,000 in each fiscal year to ensure that all events are reported on the public website as required.

Management's Response: The IRS agreed with this recommendation. According to the IRS, the CFO Financial Management organization worked closely with the Treasury Department and, in January 2016, provided a detailed report on all IRS FY 2015 events in excess of \$100,000. Going forward, in January of each year, the CFO will provide the Treasury Department with detailed information on events in excess of \$100,000 for the preceding year. This process will be included in the next revision of Internal Revenue Manual 1.32.10, Approval Process for Event-Related Spending.

Recommendation 2: Require that training events with the same course material provided at the same location and for the same dates are approved and reported as one event in accordance with Treasury Department policy.

Management's Response: The IRS agreed with this recommendation. According to the IRS, HCO manages the approval process for training events. Beginning in FY 2015, the Treasury Department implemented a requirement that training events with the same course material provided at the same location and for the same dates be approved and reported as one event. The IRS is submitting and reporting these training events in accordance with the Treasury Department requirements.

Recommendation 3: Centralize the retention of the final cost, approval, and reporting information for events with expenses exceeding \$20,000 to ensure that information is accurate and available to meet Treasury Department and IRS requirements.

Management's Response: The IRS agreed with this recommendation. According to the IRS, beginning in October of 2015, the CFO maintains final cost, approval, and reporting information for events of more than \$20,000. This centralization ensures that documentation for these events is maintained and kept with the approval and reporting information in one location. The IRS business units will continue to maintain detailed cost information within their organizations.



*Status of the Implementation of
Recommendations Related to Conference Spending*

Appendix I

Detailed Objectives, Scope, and Methodology

Our overall objectives were to determine whether the IRS implemented corrective actions in response to our previous recommendations regarding conference spending and to evaluate the IRS's approval and reporting process for conference and event spending exceeding established thresholds. To accomplish our objectives, we:

- I. Determined whether the IRS implemented corrective actions in response to recommendations from our prior audit report¹ on conference spending.
 - A. From the prior report, we identified the conditions, our corresponding recommendations, and IRS management's response.
 - B. Used the Joint Audit Management Enterprise System to determine what corrective actions the IRS implemented to address each recommendation.
 - C. Interviewed IRS management and reviewed IRS memoranda and Internal Revenue Manual sections that were updated as part of the corrective actions to determine whether the IRS's corrective actions adequately addressed our recommendations.
- II. Identified whether the IRS is approving, tracking, and reporting event spending and attendance as required.
 - A. Identified Federal laws, regulations, OMB guidance, and Treasury Directives regarding approval and reporting of event spending and attendance.
 - B. Identified IRS policies and procedures and interviewed IRS management regarding practices for approval and reporting of event spending and attendance.
 - C. Used GovTrip travel voucher data and IRS data on event spending and attendance to determine whether the IRS requested proper approval for all events as required by IRS policy, Treasury Directive, OMB guidance, and Federal law in FYs 2013 and 2014. We assessed the reliability of GovTrip data by conducting reasonableness checks to determine the completeness and accuracy of the data, including ensuring that the data provided covered the time period of our audit testing. In addition, another TIGTA report² used GovTrip data and noted that the information is periodically reviewed by the Beckley Finance Center.

¹ TIGTA, Ref. No. 2013-10-037, *Review of the August 2010 Small Business and Self-Employed Division's Conference in Anaheim, California* (May 2013).

² TIGTA, Ref. No. 2014-IE-R005, *Internal Revenue Service's Executive Long-Term Taxable Travel* (Dec. 2013).



*Status of the Implementation of
Recommendations Related to Conference Spending*

- D. Reviewed 650 events obtained from TreasuryGreen data, GovTrip data, and IRS data on event spending and attendance to determine whether the IRS accurately reported all events (as required by IRS policy, Treasury Directive, OMB guidance, and Federal law) in FYs 2013 and 2014 to the Treasury Department, TIGTA, and the public. The 650 events were identified based on events requiring reporting for the period beginning March 1, 2013, in which the Treasury Department Assistant Secretary for Management gave the IRS a waiver for approvals on training events, and September 30, 2014, which is the end of FY 2014, as well as events not exempt from reporting requirements. In addition to the GovTrip reliability assessment conducted in Step II.C, we assessed the reliability of TreasuryGreen data and IRS data by conducting reasonableness checks to determine the completeness and accuracy of the data, including ensuring that the data provided covered the time period of our audit testing.
- E. Reviewed documentation of requests for approval and reporting of actual conference expenditures and attendance for any conferences with expenses exceeding \$100,000 to identify risks for noncompliance or inappropriate use of resources.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the IRS's approval and reporting processes for events. We evaluated these controls by interviewing IRS management, reviewing a sample of travel vouchers, and reviewing approval and reporting documentation.



*Status of the Implementation of
Recommendations Related to Conference Spending*

Appendix II

Major Contributors to This Report

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*Status of the Implementation of
Recommendations Related to Conference Spending*

Appendix III

Report Distribution List

Commissioner
Office of the Commissioner – Attn: Chief of Staff
Deputy Commissioner for Services and Enforcement
Deputy Chief Financial Officer
Director, Office of Audit Coordination



*Status of the Implementation of
Recommendations Related to Conference Spending*

Appendix IV

Management's Response to the Draft Report



CHIEF FINANCIAL OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

February 12, 2016

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Jeffrey S. Wallbaum
Acting Chief Financial Officer

SUBJECT: Draft Report – Status of the Implementation of
Recommendations Related to Conference Spending
(# 201510002)

Thank you for the opportunity to respond to the subject report from your review of the IRS's conference spending. We agree with the recommendations listed in the draft report and have already developed and implemented corrective actions to address them, as detailed in the attachment.

If you have any questions, please contact William H. Maglin II, Associate Chief Financial Officer for Financial Management, at (202) 803-9730.

Attachment

cc: Legislative Affairs



*Status of the Implementation of
Recommendations Related to Conference Spending*

Attachment

RECOMMENDATION 1

The Chief Financial Officer should issue guidance requiring the IRS to submit to the Treasury Department an annual final accounting for all events with expenses exceeding \$100,000 in each fiscal year to ensure that all events are reported on the public website as required.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The Chief Financial Officer (CFO) Financial Management organization worked closely with Treasury and in January 2016, provided a detailed report on all IRS FY 2015 events in excess of \$100,000. Going forward, in January of each year, the CFO will provide Treasury with detailed information on events in excess of \$100,000 for the preceding year. This process will be included in the next revision of IRM 1.32.10, *Approval Process for Event-Related Spending*.

IMPLEMENTATION DATE

January 19, 2016 (Completed)

RESPONSIBLE OFFICIAL

Chief Financial Officer

CORRECTIVE ACTION MONITORING PLAN

N/A

RECOMMENDATION 2

The Chief Financial Officer should require that training events with the same course material provided at the same location and for the same dates are approved and reported as one event in accordance with Treasury Department policy.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The IRS Human Capital Office (HCO) manages the approval process for training events. Beginning in FY 2015, Treasury implemented a requirement that training events with the same course material provided at the same location and for the same dates be approved and reported as one event. The IRS is submitting and reporting these training events in accordance with the Treasury requirements.

IMPLEMENTATION DATE

October 1, 2015 (Completed)



*Status of the Implementation of
Recommendations Related to Conference Spending*

RESPONSIBLE OFFICIAL

HCO is responsible for the approval of training events and the CFO is responsible for reporting the training events to Treasury.

CORRECTIVE ACTION MONITORING PLAN

N/A

RECOMMENDATION 3

The Deputy Commissioner for Operations Support should centralize the retention of the final cost, approval, and reporting information for events with expenses exceeding \$20,000 to ensure that information is accurate and available to meet Treasury Department and IRS requirements.

CORRECTIVE ACTION

The IRS agrees with this recommendation. The CFO maintains final cost, approval and reporting information for events over \$20,000. This centralization ensures that documentation for these events is maintained and kept with the approval and reporting information in one location. The IRS business units will continue to maintain detailed cost information within their organizations.

IMPLEMENTATION DATE

October 1, 2015 (Completed)

RESPONSIBLE OFFICIAL

Chief Financial Officer

CORRECTIVE ACTION MONITORING PLAN

N/A