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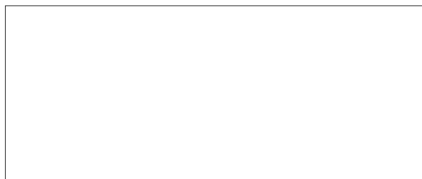
CENTRAL INTELLIGENCE AGENCY

Office of Inspector General

(U) REPORT OF AUDIT

(U) CIA-Sponsored Conferences and Related Activities

Report No. 2013-0013-AS



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24 February 2014

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(U) Report of Audit

(U) CIA-Sponsored Conferences and Related Activities

(U) EXECUTIVE SUMMARY

(U) The objective of this audit was to determine whether expenditures for CIA-sponsored conferences and related activities were approved in accordance with applicable federal laws and regulations and CIA policies and procedures. The audit was initiated in response to heightened interest within the Executive and Legislative branches of the Federal Government in eliminating excessive conference spending and promoting efficiency in government.

(U//~~FOUO~~) Some conference-related expenses are not readily identifiable in the [redacted] the CIA's core accounting system. We requested that CIA components provide financial and contract documentation to support expenditures associated with a sample of [redacted] conferences held between 1 May 2012 and 31 March 2013. During that period, CIA components spent an estimated [redacted] million on [redacted] reported conferences. CIA components were not able to provide accurate and complete information to support the final costs for [redacted] of the conferences (31 percent). In some instances, final conference costs differed significantly from the estimated costs entered in the [redacted], which is used by the Chief Financial Officer to review and approve all conference requests and estimated conference costs. For those CIA components that were able to provide us information to support the final costs of their conferences, cost information had to be constructed from a variety of sources. This report recommends that guidance or procedures be promulgated to help ensure that conference-related expenses are identified as such in [redacted]

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~~(S)~~ CIA components awarded noncompetitive contracts for four of six conferences we reviewed that involved contracts for conference support. Three of the four contracts did not have adequate justifications to award the contracts noncompetitively because there was no evidence that market research had been conducted to determine whether other qualified and responsible sources for conference support existed. This report

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~~SECRET//NOFORN~~**(U) BACKGROUND**

(U) The CIA defines a conference as:

A meeting, retreat, seminar, training activity, offsite, or event that is funded in whole or in part with CIA appropriated funds. This definition does not include regularly scheduled courses of instruction conducted at a government or commercial training facility.¹

(U) Conference costs include travel, lodging, food and beverages, per diem allowance, and costs associated with obtaining the conference venue, speakers, supplies, and services. Conference costs do not include the salaries of CIA employees or contractors attending conferences.

(U) Federal Guidelines for Conferences

(U) The Federal Travel Regulation (FTR) includes guidance for planning conferences.² The FTR states that agencies must use a government facility, if available; consider alternatives to a conference, such as teleconferencing; and perform and maintain records of cost comparisons of at least three sites.

(U) In May 2012, the Office of Management and Budget (OMB) issued memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, which requires agencies to initiate senior-level approval for all conference expenses in excess of \$100,000 and prohibits expenses in excess of \$500,000 on a single conference without a waiver from the agency head.

(U) ODNI Conference Guidance

(U) At OMB's request, the Office of the Director of National Intelligence (ODNI) issued Intelligence Community (IC)-wide guidance in November 2011 for conference-related activities and expenses financed with National Intelligence Program (NIP) funds.³ The guidance states that agencies should exercise discretion and strict fiscal responsibility in determining whether NIP-funded conferences are necessary and proper. The ODNI provided the following guidelines for conference planning:

- (U) Use IC-element facilities or no-cost government facilities unless none are available or suitable for the conference.

² (U) According to the CIA is to follow the FTR to the maximum extent practicable.

³ (U) ODNI Memorandum: *Eliminating Excess Conference Spending and Promoting Efficiency in Government* (E/S 00649, 15 November 2011; and attachment: *Guidelines for National Intelligence Program (NIP) Funded Conference Activities and Expenditures*).

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- (U) Obtain approval from the IC element's deputy director or designee when planning to conduct a conference in any commercial facility, where the facility is charging the government a fee.
- (U) Maintain formal records for audit purposes reflecting final cost.

(U) In October 2012, the ODNI Chief Financial Officer (CFO) issued supplemental guidance regarding NIP-funded conferences that requires the ODNI CFO to be notified of any planned conferences (hosted or attended) where the aggregate NIP costs are projected to exceed \$100,000 and requires IC agencies to maintain records of expenses of all conferences costing over \$100,000 for audit or review.

(U) Consolidated and Further Continuing Appropriations Act, 2013

(U) In March 2013, Congress enacted the *Consolidated and Further Continuing Appropriations Act, 2013* (P.L. 113-6) that requires the head of any Executive branch agency to submit an annual report to the Inspector General regarding the costs and contracting procedures for each conference held during FY 2013 costing more than \$100,000. In addition, the Act requires agencies to notify the Inspector General within 15 days of the date of a conference for any conference costing more than \$20,000 during FY 2013.

(U) CIA Conferencing Guidance

(U//~~FOUO~~) To comply with OMB and ODNI requirements concerning conferences, the CIA's CFO issued a series of policies related to conference spending. The April 2012 policy states that all CIA-sponsored conferences scheduled to begin on or after 1 May 2012 must be held at a United States Government (USG) facility.⁴ Agency components may request a waiver of the requirement to use a USG facility from the CIA CFO through the [redacted]. When requesting a waiver, a component is required to provide a description of the conference, the number of attendees, the estimated cost of the conference, and a description of the process used to select the non-USG facility. Waiver requests are adjudicated by the Deputy CFO.

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(U//~~FOUO~~) In March 2013, the CFO revised the April 2012 conference policy to state that CIA components are to hold only mission-critical conferences and obtain approval from the Executive Director in advance of holding a conference at a USG facility when conference costs are expected to exceed \$100,000.⁵ In April 2013, the CIA policy was revised again to address the requirements of the *Consolidated and Further*

⁴ (U) [redacted]

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⁵ (U) [redacted]

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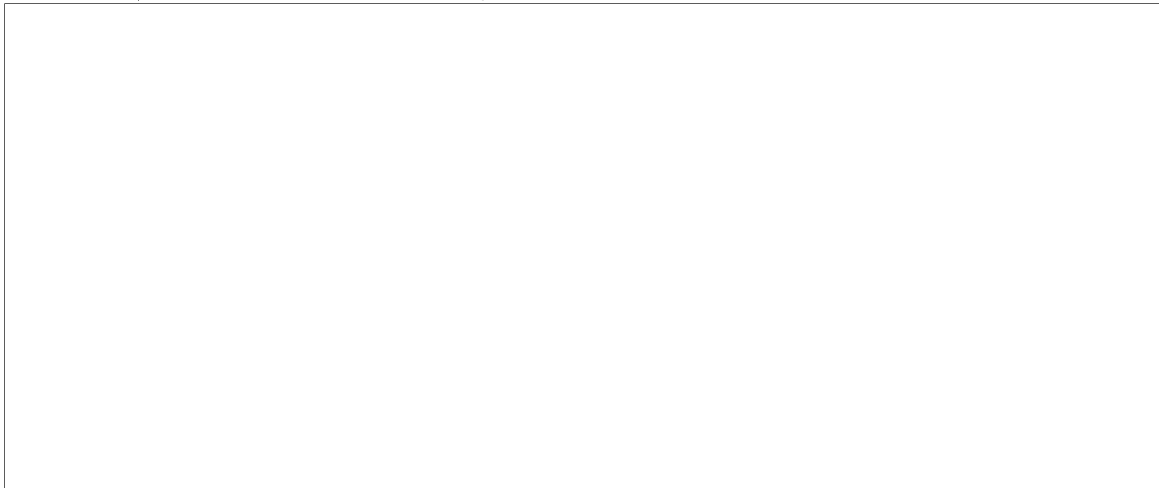
Continuing Appropriations Act, 2013.⁶ The April 2013 guidance requires CIA components to obtain approval via [] to host a conference at a USG facility when conference costs are expected to exceed \$20,000.

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(U) CIA-Sponsored Conferences

~~(S)~~ The CIA sponsored [] conferences held between 1 May 2012 and 31 March 2013 at a reported cost of []⁷

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(U) Source: Response to Office of Inspector General datacall, April 2013.

(U) AUDIT RESULTS AND RECOMMENDATIONS

(U//FOUO) Some Conference-Related Expenses Are Not Readily Identifiable

(U//FOUO) Some conference-related expenses are not readily identifiable in the [] the CIA's core accounting system. We requested that CIA components provide financial and contract documentation to support expenditures associated with a sample of [] conferences held between 1 May 2012 and 31 March 2013. (See Exhibit B for a list of the [] conferences.) CIA components were not able to provide accurate and complete information to support the final costs for [] of the conferences (31 percent). For example:

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- (S) A Directorate of Science and Technology (DS&T) component reported a conference as having no cost. However, the cost of travel associated with the conference and conference food totaled [] for [] attendees.

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⁶ (U) []

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⁷ (U) Information on conferences was obtained from the sponsoring CIA components.

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- ~~(S)~~ A Directorate of Support component reported that a conference cost [redacted] for [redacted] attendees. However, a review of documentation concerning conference expenses revealed that at least [redacted] in related travel costs had not been included. (b)(1)
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- ~~(S)~~ A National Clandestine Service component was unable to provide complete expense documentation for a conference reported to cost [redacted] for [redacted] attendees because component officials could not identify travel costs. (b)(1)
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(U//~~FOUO~~) For those CIA components that were able to provide us information to support the final costs of their conferences, cost information was not readily available to the components, and total conference costs had to be constructed from a variety of sources. Costs associated with individual conferences were charged to a variety of budget line items (BLIs) using several budget object codes (BOCs). Travel expenses incurred by conference attendees often could not be identified in [redacted] and analysis of information in the Travel, Reengineering, Integration, Automation and Development (TRIAD) database was required to identify relevant costs. (b)(3)

(U//~~FOUO~~) Following issuance of a draft of this report, we met with CFO officials to discuss CIA components' difficulty in identifying final costs incurred for conferences. CFO officials noted that, although final conference costs were not readily obtainable from CIA components or through [redacted], records of conference costs are contained in the Agency's financial and budget systems, and Agency regulations do not require that conference costs be maintained in a separate record system. The CFO believes that current conference approval procedures, which require CFO review of all conference requests and estimated conference costs through [redacted], mitigate the risk of improper spending on conferences. (b)(3)

(U//~~FOUO~~) We agree that the CFO's use of the [redacted] database to approve conferences in advance substantially satisfies OMB and DNI direction concerning senior-level approval of conferences. However, the audit found that CIA components could not always identify final conference costs, and, in some instances, final conference costs differed significantly from the estimated costs entered in [redacted]. This leaves the CFO with less assurance that current procedures are effective in controlling conference costs. (b)(3)

[redacted] The CFO

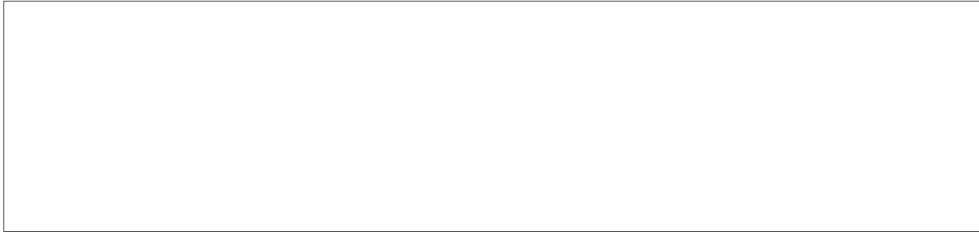
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advised us that the CIA's current budget restructuring effort will improve CIA's ability to capture actual conference costs. However, the CFO cautioned that, even after budget restructuring, certain conference-related expenses, for example the prorated cost of a contractor involved in supporting a conference, may not be captured as conference costs in [redacted] and would have to be separately identified to determine the final cost of a conference. (b)(3)

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(U//~~FOUO~~) Following our discussions with CFO officials, we made certain revisions to the draft report and provided the revised report to the CFO for review and comment. The CFO expressed concurrence with the revised report.



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(U) Noncompetitive Procurements of Conferencing Services Were Not Adequately Justified

~~(S)~~ CIA components awarded noncompetitive contracts for four of the six conferences in our sample that involved contracts for conference support. Three of the four contracts did not have adequate justifications to award the contracts noncompetitively because there was no evidence that market research had been conducted to determine whether other qualified and responsible sources for conference support existed. For example, the justification for a noncompetitive contract valued at [redacted] to organize a one-day conference in [redacted] with [redacted] stated that the vendor has unique expertise and that the contracting officer's technical representative "does not believe" that other contractors could gain the required skill set within a short timeframe.⁸ The justification for another contract, valued at [redacted] to arrange and host a conference in [redacted] stated that no formal market research was conducted because "we judge that [vendor name] is the best organized and most competent possible contractor." A third justification was written for the noncompetitive procurement of advisory services in biometric technologies. The justification made no mention that the services would include the provision of a conference, which was subcontracted to another vendor for [redacted] under the noncompetitively awarded contract.

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(U) The Competition in Contracting Act of 1984, as amended, and as implemented by the Federal Acquisition Regulation, requires that all federal acquisitions in excess of \$3,000 be made on a competitive basis absent a justification for other than full and open competition.⁹ The CIA Contract Manual (CCM) states that the CIA will conduct market research to identify qualified sources and solicit offers from as many responsible sources

⁸ (U) According to the CIA Contract Manual (CCM), Subpart 142, *Contract Administration and Audit Services*, the COTR assists the contracting officer in administering the technical aspects or other terms of the contract.

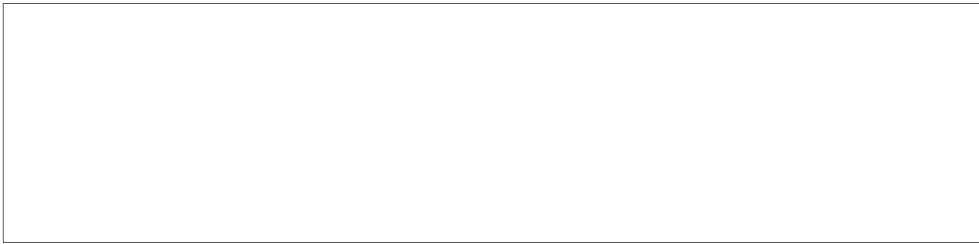
⁹ (U) 41 U.S.C. 3301.

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as practicable.¹⁰ The CCM also requires that all noncompetitive actions be justified in writing; clearly stating the rationale with sufficient supporting data.¹¹ Documented market research is important to establish that the product or services are not available from an alternate source.

(U) Contracts that are not competitively awarded are considered high-risk contracts by OMB because the contracts do not provide for the potential cost savings that can be achieved when open competition occurs. P.L. 113-6 reflects the heightened Congressional interest in the contracting procedures used in procuring conference support services, such as whether contracts are awarded on a competitive basis and whether cost comparisons are made in evaluating contractors. Contracting officers should be directed to ensure that market research is conducted to identify qualified sources and solicit offers from as many responsible sources as practicable when obtaining conferencing support and document market research to support noncompetitive contract awards.



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(U//~~FOUO~~) In comments on a draft of this report, the Office of the Procurement Executive expressed concurrence with Recommendation 2.

¹⁰ (U) CCM, Subpart 110, *Market Research*, defines market research as the collection and analysis of information about capabilities within the market to satisfy customer needs and is an important indicator of whether opportunities for competition exist. CCM, Subpart 106.101-70, *Agency policy on limited full and open competition*, states under the authority of Section 8 of the CIA Act of 1949 and other applicable laws and regulations, the CIA limits the number of sources from which it solicits bids or proposals to as many potential sources as practicable under the circumstances.

¹¹ (U) CCM, Subpart 106.303-2, *Content*, and 106.304-71, *Approval of justifications under \$150,000*.

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~~SECRET//NOFORN~~**Exhibit A****(U) Objective, Scope, and Methodology**

(U) The objective of this audit was to determine whether expenditures for conferences and related activities were approved in accordance with applicable federal laws and regulations and CIA policies and procedures. The audit topic was selected during the Office of Inspector General's annual planning process in response to heightened interest within the Executive and Legislative branches of the Federal Government in eliminating excessive conference spending and promoting efficiency in government.

(U) To accomplish the audit objective, the audit team performed a review of CIA policies, identified conference expenditures, and reviewed CIA-implemented controls over conference spending. Specifically, we:

- (U) Obtained an understanding of the CIA's policies and procedures for monitoring and sponsoring conferences. We met or spoke with officials from the Office of the Chief Financial Officer, Office of the Procurement Executive, Directorate of Intelligence, and Directorate of Support.
- (U//~~FOUO~~) Conducted a datacall via Lotus Notes to obtain a list of conferences held between 1 May 2012 and 31 March 2013. Based on the datacall, CIA components identified a population of [] conferences. We used a risk-based sampling approach to determine the sample size and judgmentally selected a sample of [] conferences. For each conference, we requested that the component provide documentation to support the actual cost of the conference. We recalculated the actual costs for each conference, verified approvals and notifications within the [], and reviewed documents such as agendas, attendee lists, and contracts for conference support. (b)(3)
- (U//~~FOUO~~) Obtained a list of conferences held between 1 May 2012 and 31 March 2013 from []. We compared the list of conferences from [] to the list of conferences from the datacall, and identified [] conferences in [] that were not reported in the datacall. We used risk-based sampling and judgmentally selected a sample of two conferences. We recalculated the actual costs for each conference, verified approvals and notifications within [], and reviewed documents such as agendas, attendee lists, and contracts related to the conferences. (b)(3)

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- (U) Identified and reviewed applicable federal, ODNI, and CIA-issued guidance.

(U) We conducted this performance audit from 18 March 2013 to 17 July 2013 and 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.

(U) We discussed the draft audit report with the CFO and Deputy CFO, and their comments have been incorporated in the final report. Comments on the draft report were received from the Office of the Procurement Executive and were considered in preparation of the final report.

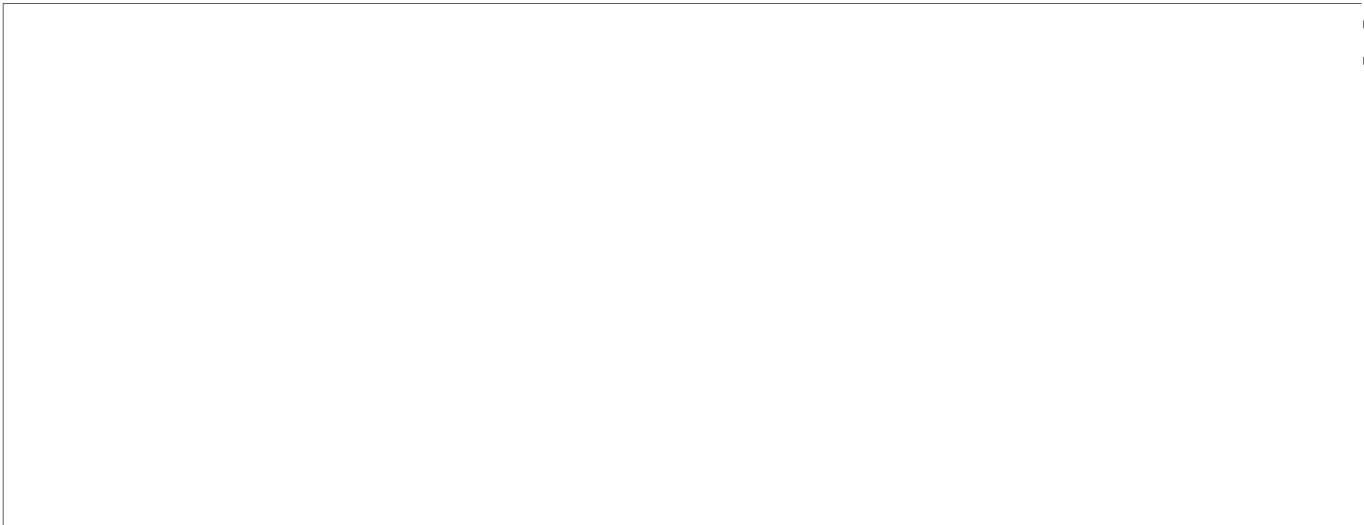
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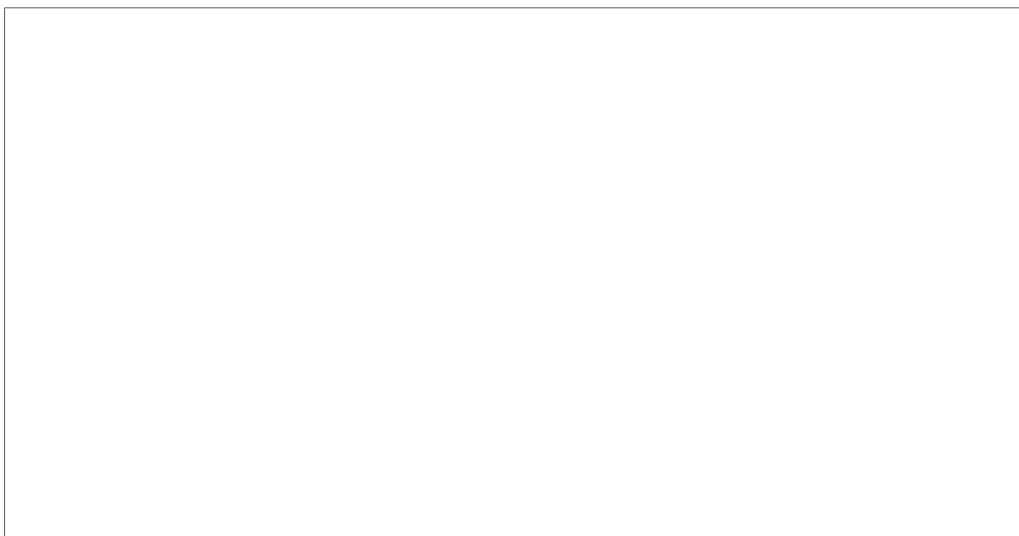
(U) Source: Response to Office of Inspector General datacall, April 2013.

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Exhibit C



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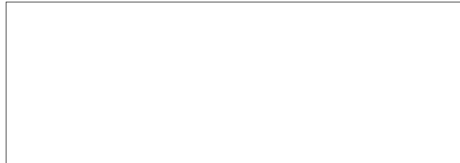
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Exhibit D

(U) Audit Team

(U//~~FOUO~~) This audit report was prepared by the Financial Management Division, Audit Staff, Office of Inspector General.



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