

NATIONAL CREDIT UNION ADMINISTRATION
OFFICE OF INSPECTOR GENERAL

**NCUA'S CONFERENCE
RELATED ACTIVITIES AND
EXPENSES**

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ACRONYMS AND ABBREVIATIONS

CFR	Code of Federal Regulations
FAR	Federal Acquisition Regulation
FTR	Federal Travel Regulation
GSA	General Services Administration
GWACS	Government-Wide Acquisition Contracts
NCUA	National Credit Union Administration
OHR	Office of Human Resources
OIG	Office of Inspector General
OMB	Office of Management and Budget
RFP	Request for Proposal
SSP	Senior Staff Position

EXECUTIVE SUMMARY

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted a self-initiated audit of NCUA's conference related activities and expenses. On November 9, 2011, the President of the United States issued Executive Order 13589 (the Order), *Promoting Efficient Spending*, and tasked the Office of Management and Budget (OMB) with agency oversight. As an independent agency, NCUA is not required to follow the Order; however, NCUA indicated it would strive to comply with the intent of the Order. Accordingly, our objective for this review was to determine whether NCUA's conference related activities and expenses complied with the spirit of the OMB guidance. To accomplish this objective, we obtained and reviewed NCUA guidance, policies, procedures, and other available information regarding conference activities and expenses for comparison with OMB instructions and other Federal Government guidance. In addition, we interviewed NCUA Office of Human Resources (OHR) management and staff. We also reviewed and analyzed procedures, expenses and other related information and activities for judgmentally selected NCUA conferences held from January 2010 through January 2013.

We determined that NCUA conference policy and procedures generally conform with the intent of the Executive Order and the spirit of OMB guidance. For example, OMB Memorandum M-11-35, *Eliminating Excess Conference Spending and Promoting Efficiency in Government*, instructed all agencies to conduct a thorough review of the policies and controls associated with conference related activities and expenses. Consequently, a NCUA Executive Director Memo addressed office and regional meeting costs and provided ways to promote greater efficiency and help control costs. Additionally, to help comply with the spirit of the Order, NCUA implemented Instruction 1501, *Conference Planning Policies, Procedures, and Approval Requirements*. This instruction defines small and large conferences and assigns responsibility accordingly. For instance, the agency event planner assumes responsibility of large conferences, sends out and reviews bid proposals, and contracts with the approved conference site.

We also determined NCUA's conference policy and guidelines generally meet and in some instances exceed federal policies and guidelines in regards to conference spending and cost controls. Specifically, OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, requires a senior level review of conferences costing over \$100,000; whereas, NCUA Instruction 1501 requires concurrence from the Executive Director for all conferences over \$50,000. Finally, we determined that NCUA conducted the conferences we reviewed in accordance with its policy and the NCUA conferences we reviewed held from May 2012 through January 2013, also complied with the spirit of the Order and OMB guidance.

However, we determined that an inconsistency exists between NCUA's Procurement Manual and Instruction 1501 regarding the maximum allowed lodging rate. The Procurement Manual allows a lodging rate of up to a maximum of 150 percent over the General Services Administration (GSA) rate; whereas Instruction 1501 requires the event planner to obtain only the GSA rate. In addition, we also determined that

although NCUA immediately publicly disclosed the costs of its 2012 National Training Conference on its website, NCUA did not disclose six off-site training sessions that occurred later in 2012, where the related expenses each exceeded \$100,000. We determined these six training sessions met both the Federal Travel Regulation's definition of a conference and OMB's Memorandum M-12-12 public disclosure requirement of posting to the agency's official website details of any conference where costs exceed \$100,000. Finally, we determined NCUA did not always track all conference expenditures such as including employee travel costs and daily meals and incidental expense allowances as part of its total conference expenses.

Accordingly, this report makes four recommendations and one suggestion, which the OIG believes can help NCUA fully comply with the intent of the Order and the spirit of OMB guidance. NCUA management agreed with our findings and recommendations, and plans to take corrective action. We have included management's comments in their entirety in Appendix A.

We appreciate the courtesies and cooperation NCUA management and staff provided to us during this review.

BACKGROUND

NCUA is an independent federal agency that regulates, charters, and supervises federal credit unions. NCUA, which receives no appropriations for its operations, is funded by credit union fees. A presidentially appointed Board governs NCUA, with its Office of the Executive Director overseeing day-to-day operations. NCUA's Office of Human Resources (OHR) coordinates employee training through its Division of Training and Development.

Seventy-five percent of NCUA field staff is geographically dispersed, making it important to bring staff together for training. Consequently, NCUA sponsors national and regional conferences for employees to provide information about emerging issues, divisional priorities and initiatives, group training, and networking opportunities. NCUA pre-plans and accounts for conferences and employee training costs in its annual budget, which include:

- The National Training Conference¹ – Held biennially during even numbered years, this conference brings all NCUA staff together to receive continuing job-related training and updates on critical changes within the industry and changes to agency policies. Because field staff works independently, this conference provides the opportunity for both field and regional staff to collaborate and work on strategic planning. This conference replaces one of two weeks of mandatory annual training for most examiners.
- The Senior Staff Position (SSP) Conference – Held annually, this conference brings senior executive staff together for strategic planning, training, and to help set the vision and direction for the upcoming year.
- The Leadership Conference – Held biennially during odd numbered years, this conference allows NCUA managers and supervisors to collaborate and focus on critical issues and strategic planning for the agency. Attendees also receive training on the agency's latest policies.
- Off-Site Conferences – Held on a regularly scheduled basis for either business or training purposes, these conferences provide staff with information or training that relates directly to NCUA's mission. Many off-site conferences involve core and/or required training and include topics such as residential mortgage lending, consumer protection, problem resolution, exam issues forum, capital markets, and more. Additionally, regional offices hold regular staff meetings that result in employee travel.²

In recent years, other OIGs have found instances of excessive and wasteful conference spending. For example, during the last quarter of 2011 the Department of Justice OIG

¹ The National Training Conference was formerly known as the Regional Conference.

² For the purpose of this review, off-site conferences are training classes and staff meetings requiring employee travel.

reported excessive conference expenses at multiple federal agencies.³ Subsequently, OMB issued instructions that addressed policies and controls associated with conference-related activities and expenses. Specifically, OMB Memorandum M-11-35, *Eliminating Excess Conference Spending and Promoting Efficiency in Government*,⁴ instructed all agencies and departments to conduct a thorough review of the policies and controls associated with conference-related activities and expenses. Moreover, the President of the United States issued Executive Order 13589, *Promoting Efficient Spending*, which required executive departments and agencies to establish a plan for reducing the combined costs associated with travel, employee information technology devices, printing, executive fleet efficiencies, and extraneous promotional items. The President tasked OMB with monitoring the implementation of these plans.

During April 2012, the GSA OIG reported⁵ that for the GSA Public Building Services' 2010 Western Regions Conference, many expenses were excessive and wasteful; and that in many instances GSA did not follow federal procurement laws or GSA policy for conference spending. Following the GSA OIG report, OMB issued Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*,⁶ requiring a senior-level review of all planned and future conferences exceeding \$100,000; a waiver for any conference exceeding \$500,000 in expenses; agencies to publicly report on all conference expenses in excess of \$100,000; and the posting of the agency head's waiver that identified the exceptional circumstances that necessitated exceeding \$500,000.

As previously mentioned, as an independent agency, NCUA is not required to comply with Executive Order 13589 or the ensuing OMB guidance. However, on January 23, 2013, NCUA issued NCUA Instruction 1501, *Conference Planning Policies, Procedures, and Approval Requirements*, which consolidated conference policy guidance into a single authoritative source with the intent to follow the spirit of Executive Order 13589 and OMB guidance issued through memorandums M-11-35 and M-12-12.

The Federal Travel Regulation (FTR) defines a conference as a meeting, retreat, seminar, symposium, or event that involves attendee travel.⁷ In addition, the Code of Federal Regulations (5 CFR 410.404) states that agencies may sponsor an employee's attendance at a conference as a developmental assignment under section 4110 of title 5, United States Code, when—

- a) The announced purpose of the conference is educational or instructional,
- b) The organized exchange of information between presenters and audience is more than half of the time scheduled and meets the definition of training in section 4101 of title 5, United States Code,

³ United States Department of Justice OIG, *Audit of Department of Justice Conference Planning and Food and Beverage Costs*, audit report number 11-43, originally issued September 2011 and revised October 2011.

⁴ OMB issued M-11-35 on September 21, 2011.

⁵ GSA OIG, *2010 Western Regions Conference*, Management Deficiency Report, dated April 2, 2012.

⁶ OMB issued M-12-12 on May 11, 2012.

⁷ Federal Travel Regulation, Chapter 301, "Temporary Duty (TDY) Travel Allowances," Appendix E to Chapter 301, "Suggested Guidance for Conference Planning."

- c) The content of the conference is germane to improving individual and/or organizational performance, and
- d) The employee will derive developmental benefits through attendance.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this audit was to determine whether NCUA's conference related activities and expenses complied with the spirit of the OMB instructions. To accomplish our objective, we interviewed NCUA OHR management and staff. We obtained and reviewed NCUA guidance, policies, procedures, and other available information regarding conference activities and expenses for comparison with OMB instructions and other Federal Government guidance. We also reviewed and analyzed procedures, expenses, and other related information and activities for judgmentally selected NCUA sponsored employee conferences occurring from January 2010 through January 2013.

We conducted this performance audit from January 2013 through May 2013 in accordance with generally accepted government auditing standards and included such tests of internal controls as we considered necessary under the circumstances. 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. Furthermore, we provided NCUA management officials a discussion draft of this report and included their comments where appropriate.

PRIOR AUDIT COVERAGE

NCUA OIG has not conducted any prior audits of NCUA's conference related activities and expenses.

RESULTS IN DETAIL

As an independent agency, NCUA is not required to comply with Executive Order 13589 or ensuing OMB guidance. However, the results of our review concluded: (1) NCUA has generally implemented conference policy and procedures that conform with the intent of Executive Order 13589 and the spirit of OMB guidance; (2) NCUA's conference policy and guidelines generally meet and in some instances exceed federal policies and guidelines in regards to conference spending and cost controls; and (3) NCUA could improve agency transparency by publically reporting costs for all conferences exceeding \$100,000.

A. Conference Policy and Guidelines

**NCUA Conference Policy
Generally Conforms
With Federal Guidelines**

We determined NCUA's conference policy generally conforms with the intent of Executive Order 13589 and the spirit of OMB guidance. Specifically, we determined NCUA addressed both the intent and the spirit of Executive Order 13589 and OMB

Memorandums M-11-35 and M-12-12 with NCUA Instruction 1501, *Conference Planning Policies, Procedures, and Approval Requirements*, which consolidated conference policy guidance into a single authoritative source. As a result, we believe NCUA is adequately following the intent and spirit of Federal conference guidelines, despite no official requirement to comply.

Table 1 (below) summarizes how NCUA's conference policy and other memorandums comply with the intent and spirit of Executive Order 13589, OMB Memorandums M-11-35 and M-12-12, as well as other Federal Government guidelines.

Table 1

Conference Policies and Guidelines	
Federal Directives	NCUA Instruction 1501 and Guidelines
Devise strategic alternatives to Government travel, including local or technological alternatives. (Executive Order)	Consider using technology such as video conferencing and teleconferencing to reduce travel and lodging costs. Holding conferences in close proximity of the largest concentration of attendees to minimize costs.
Seize every opportunity to improve Government performance and management to save money and deliver a higher quality of service to the American people. (M-11-35)	Executive Director Memorandum addressed office and regional meetings costs and provided ways to promote greater efficiency and help control costs. Management meetings that included all staff members require concurrence from the Deputy Executive Director.
Implement a senior level review of all planned conferences that exceed \$100,000. (M-12-12)	Executive Director must approve any conference with total projected costs exceeding \$50,000.
Ensure conference expenses and activities comply with the FTR, executive branch policies on conferences and the FAR. (M-12-12)	Procurement activities comply with the FAR. Hosting offices must use the agency event planner for off-site meetings with over 25 participants and costs exceeding \$50,000.
Allows a conference lodging rate of 125 percent of the GSA per diem rate. (FTR)	Event planner must obtain the GSA lodging rate.
Obtain a waiver from the agency head for a single conference costing over \$500,000 (M-12-12)	NCUA National Conference was preplanned and included in the annual agency budget, which was approved by the NCUA Board.

**NCUA Conference
Spending Guidance
Generally Meets Federal
Guidelines**

We determined NCUA's conference policy and guidelines generally meet, and in some instances, exceed federal policies and guidelines in regards to conference spending and cost controls. However, we identified one inconsistency between NCUA's Procurement Manual and Instruction 1501 regarding

the maximum allowable rate for sleeping accommodations. We also found that NCUA did not publically disclose all conferences occurring in 2012 where the conference expenses exceeded \$100,000.

Reducing Conference Spending

Based on our review of NCUA conference guidance, we determined the policy and strategies NCUA implemented should help reduce conference spending. OMB Memorandum M-11-35 reminded the heads of Executive Departments and Agencies that they must seize every opportunity to improve Government performance and management to save money and deliver a higher quality of service to the American people. The memorandum instructed all agencies to conduct a thorough review of the policies and controls associated with conference-related activities and expenses. In addition, until such time as the Deputy Secretary (or equivalent) could certify that the appropriate policies and controls were in place to mitigate the risk of inappropriate spending practices with regard to conferences, approval of conference-related activities and expenses were to be cleared through the Deputy Secretary (or equivalent).

Consequently, NCUA's Executive Director issued a memorandum to all directors in December 2011, which addressed office and regional meeting costs and provided ways to promote greater efficiency to help control costs. For example, the memorandum stated that management meetings that included all staff members required concurrence from the Deputy Executive Director. To minimize travel time and costs, the memorandum required NCUA directors' to consider the following when planning a meeting:

- Choose locations close to major airport hubs to reduce the cost of airfare, the need for connecting flights, and to minimize travel time.
- Take advantage of lodging and per diem rates towards the lower end when compared to alternative locations.
- Centralize the conference location to reduce employee travel time.
- Obtain lodging within walking distance of restaurants to minimize taxi and rental car expenses.

In addition, NCUA Instruction 1501 established the policies, procedures, and approval requirements for planning and conducting conferences and meetings, or similar. It combined and revised policy guidance on the use of NCUA funds to purchase food and

beverages; consolidated the applicable policy guidance into a single authoritative source; and formalized the processes and methods to both minimize total cost and optimize the business benefits to participants. Instruction 1501 also includes conference cost controls that apply to all conferences regardless of the size. For example, conference organizers should:

- Consider using technology, i.e. video conferencing and teleconferencing, to reduce travel and lodging costs.
- Limit meals, receptions, outside speakers and promotional items to only those with a specific business need.
- Maximize the use of direct billing to NCUA, thereby taking advantage of tax exemption.
- Hold conferences in locations that minimize total costs and travel time.

Accordingly, it required that conferences be for business or training purposes and have a direct relation to NCUA's mission.

Conference Spending and Cost Control Guidelines

NCUA's conference policy and guidelines generally meet, and in some instances, exceed federal policies and guidelines in regards to conference spending and cost controls. However, NCUA needs to ensure consistency exists among its policies related to procuring sleeping accommodations.

OMB Memorandum M-12-12, section 2, entitled "Conferences," outlines a series of new policies and practices for conference sponsorship, hosting, and attendance, to ensure federal agencies use their funds appropriately on these activities, and that they continue to reduce spending on conferences where practicable. This memorandum requires agencies to conduct a senior level review of all planned conferences that exceed \$100,000. Additionally, agencies must ensure conference expenses and activities comply with the FTR, executive branch policies on conferences, and the Federal Acquisition Regulation (FAR). Further, agencies can not incur any new conference obligations until the reviews are completed.

In comparison, NCUA's procurement activities comply with the FAR and NCUA uses the GSA schedule and GSA's Government-wide Acquisition Contracts (GWACs)⁸ as its preferred methods for fulfilling procurements. NCUA's hotel procurement process⁹ varies based on the cost and number of sleeping rooms needed. For example, NCUA does not have to use competitive bidding for lodging and meeting space of 200 or fewer sleeping rooms per night costing \$150,000 or less, in the aggregate, for the entire stay. However,

⁸ NCUA Procurement Manual, Chapter I, page 1.

⁹ NCUA Procurement Manual, Chapter II, page 4.

the cost of lodging per night cannot exceed 150 percent of that permitted by the NCUA Travel Manual¹⁰ for the city where the hotel is located. In addition, when lodging and meeting space exceeds 200 sleeping rooms per night, but costs less than \$150,000, NCUA may obtain a reasonable number of bids¹¹ and select the lowest bid or follow the formal purchase method.¹² Finally, for lodging and meeting space exceeding 200 sleeping rooms per night and costing over \$150,000, NCUA must follow the formal purchase method when making the final site selection. Under this method, NCUA may take into consideration other factors such as location, quality of facilities, meeting space, city services, transportation, and safety.

In May 2012, the NCUA Executive Director issued a memorandum requiring the use of the agency event planner for central and regional office off-site meetings with over 25 participants as a means to leverage the event planner's expertise, which should result in the agency obtaining the most cost effective arrangements. According to the memorandum, the event planner duties included sending out the Request for Proposal (RFP), reviewing the proposals, and providing the top two RFPs to the hosting office for final selection. After the hosting office selects the location, the event planner handles the negotiation and contracting duties for the hotel accommodations and meeting space.

NCUA Instruction 1501 requires concurrence by the Executive Director for all conferences where the total projected cost will exceed \$50,000 and/or when lodging costs will exceed the GSA allowance.¹³ In addition, this instruction defines a large conference as one having over 25 people and a total projected cost over \$50,000, including all related travel and per diem. Once the hosting office obtains concurrence from the Executive Director for hosting a large conference, the event planner then assumes responsibility for the RFP process. For small conferences, the hosting office assumes responsibility for all facets of the event. Although the FTR allows a conference lodging rate of 25 percent over the established lodging per diem rate, we believe NCUA Instruction 1501, which requires the event planner to obtain the GSA lodging rate, helps control costs.

During our review, we identified an inconsistency between NCUA guidelines when procuring sleeping accommodations. Specifically, NCUA Instruction 1501 requires the event planner to obtain the GSA rate when securing sleeping rooms; however, we found that NCUA's Procurement Manual had a maximum allowance of 150 percent of the GSA lodging rate when less than 200 rooms were required and the event costs less than \$150,000. In addition, although NCUA Instruction 1501 requires concurrence of the Executive Director for lodging costs exceeding the GSA allowance, NCUA's Procurement Manual does not. Because both documents cover similar types of events,

¹⁰ NCUA's Travel Manual lodging rate was the same as the GSA lodging rate.

¹¹ NCUA must obtain no less than three bids.

¹² The formal purchase method includes procurement planning; solicitation preparation and distribution (such as a request for proposal), proposal evaluation; contract award; OIG access to contract information; and notification to unsuccessful offerors [sic] and debriefings.

¹³ Total projected costs include all projected travel, per diem, lodging, and conference expenses.

we believe the language in both documents should be consistent. Therefore, we are making the following recommendation to management:

Recommendation

We recommend NCUA management:

1. Revise the language regarding the maximum allowable lodging rate in NCUA's Procurement Manual and Instruction 1501 to ensure both documents are consistent.

Management Response

Management agreed and NCUA's Office of the Chief Financial Officer plans to revise the overall Procurement Manual in late 2013.

OIG Response

We concur with management's planned actions.

Conference Expense Waiver

We determined that NCUA's Board appropriately approved the 2012 National Conference. We also determined that this approval was consistent with the spirit of OMB Memorandum M-12-12, which became effective after NCUA held the 2012 National Training Conference.

Although OMB Memorandum M-12-12 prohibits spending over \$500,000 on a single conference, an agency head may grant a waiver under exceptional circumstances such as the conference being the most cost-effective option to achieve a compelling purpose. The agency head must document, in writing, the reason for any such waiver and include it on the agency's website when posting the conference's costs and the related activities.

Although the 2012 National Training Conference occurred prior to OMB issuing the guidance, we learned NCUA management had preplanned this conference, which was included in NCUA's 2012 Board approved budget. Therefore, this conference had the concurrence of the agency head. For transparency reasons, we believe that if a similar situation were to occur in the future, NCUA management may want to consider posting the approved waiver on its official website; therefore, we are making the following suggestion:

Suggestion

We suggest NCUA management:

1. Consider implementing a written waiver requirement process for any single conference exceeding \$500,000 where the granted waiver is documented, in writing, and posted on the agency's official website at the same time the agency posts the conference details and costs.

Management Response

Management agreed to consider implementing a written waiver requirement process for any single conference exceeding \$500,000.

OIG Response

We concur with management's response.

Public Disclosure

We determined that NCUA could improve transparency by publically disclosing individual conferences with expenses exceeding \$100,000, which would comply with the public disclosure intent of OMB Memorandum M-12-12. Although we determined NCUA immediately posted the costs of its 2012 National Training Conference to its official website, NCUA did not post six additional conferences occurring in 2012 where expenses for each exceeded \$100,000. As a result, NCUA did not meet the intent or spirit of the OMB guidance for public disclosure of an individual conference with expenses over \$100,000.

Beginning January 31, 2013, OMB Memorandum M-12-12 required agencies to report any agency-sponsored conference from the previous fiscal year¹⁴ that exceeded \$100,000 in net expenses on their official agency website by January 31 of each year. The memorandum stated that an agency's website posting should include:

- The total conference expenses incurred by the agency for the conference;
- The location of the conference;
- The date of the conference;
- A brief explanation regarding how the conference advanced the mission of the agency; and

¹⁴ The Federal Government fiscal year begins on October 1 and ends on September 30 of the following year. However, NCUA operates on a calendar year basis, from January 1 through December 31.

- The total number of individuals for which the agency paid travel or other conference expenses.

We determined NCUA exceeded this requirement by issuing and posting to its official website a media release¹⁵ regarding the 2012 National Training Conference expenses on May 10, 2012, in advance of OMB Memorandum M-12-12 and well before the required due date. This media release stated that NCUA held the 2012 Regional Conference from April 16-27, 2012, at the Buena Vista Palace in Orlando, Florida.¹⁶ Additionally, the media release highlighted the focus of the conference, which was on implementing greater exam consistency and included mandatory employee training.

The conference costs totaled \$2.4 million, or an average cost of \$2,037 per person for NCUA's staff of 1,190. The costs included vendor fees, lodging, food and beverage, audio visual, supplies, and miscellaneous costs, in addition to employee travel and per diem expenses.

Although OMB Memorandum M-12-12 requires agencies to publically report all conference costs greater than \$100,000 on its website, our review disclosed NCUA did not publically report by January 31, 2013, six subsequent 2012 off-site training sessions, each exceeding the \$100,000 threshold. Consequently, for these six conferences, NCUA did not follow the intent or the spirit of OMB guidelines.

The FTR defines a conference as a meeting, retreat, seminar, symposium, or event that involves attendee travel. NCUA sponsored six off-site training sessions from May through December 2012, which met the FTR's definition of a conference.¹⁷ Table 2 (below) shows the location, dates, number of attendees, and costs for these six off-site training conferences.

¹⁵ NCUA, *NCUA Implements New Supervision Manual and Consistent Exam Standards: National Training Conference Invests in Workforce, Comes in Below Budget*, May 10, 2012, <http://www.ncua.gov/News/Press/NW20120510NatlConference.pdf>.

¹⁶ NCUA divided the conference into two separate one-week sessions to accommodate NCUA's staff of 1,190.

¹⁷ The conference costs included expenses for lodging, consulting, refreshments, audio, video and printing/copies.

Table 2

NCUA 2012 Off-Site Training Conferences					
Location		Date	Cost ¹⁸	Number of Attendees	Average Cost Per Person
1	Gaylord Hotel Nashville, TN	May 15-17, 2012	\$135,730	192	\$707
2	Adolphus Hotel Dallas, TX	June 19-21, 2012	\$126,734	225	\$563
3	St Louis at the Ballpark Hotel St Louis, MO	July 16-20, 2012	\$129,538	228	\$568
4	Intercontinental Dallas Hotel Dallas TX	September 11-13, 2012	\$172,975	283	\$611
5	Intercontinental Dallas Hotel Dallas TX	October 16-18, 2012	\$160,630	264	\$609
6	The Seelbach Hilton Hotel Louisville, KY	December 4-6, 2012	\$114,718	266	\$431

We determined the above listed conferences, which NCUA held in various locations, involved employee travel, averaged over 200 individuals per event, and included multiple training classes covering various topics such as residential mortgage lending, member business lending, fraud detection, consumer protection, capital markets and problem resolution. Consequently, we believe these conferences related directly to NCUA's mission and therefore were a necessary and prudent expense. In keeping with the spirit of OMB guidance, we believe NCUA should have posted the details and costs of each of these conferences on its official website.

Although OMB guidance indicates that the use of the term conference hinges on whether there is attendee travel, NCUA management believes that travel should not be a determining factor as to whether an NCUA sponsored event is a conference.

We learned during our review that NCUA management interprets the term 'conference' to be an event where the purpose is for agency planning or a formal meeting, or there is a strategic direction element, but not when the sole purpose and actual activities are strictly limited to training. In addition, NCUA management indicated that the very nature of its business model, where field staff work independently based out of their homes, makes travel unavoidable for events such as training classes, conferences, or even regular work assignments. Although we agree that NCUA's business model makes

¹⁸ These costs did not include employee travel expenses or daily meals and incidental expense allowances.

travel unavoidable, Instruction 1501 makes no mention of its business model as it relates to travel for training.

We determined NCUA's current conference policy states conferences must be for a business or training purpose, but does not exclude events that are either part of NCUA's regular training program or events that are limited solely to training; therefore, we are making the following recommendations to management:

Recommendations

We recommend NCUA management:

2. Revise NCUA Instruction 1501 to include a definition of a conference which takes into account NCUA's rationale for not including any event requiring employee travel which is designated solely as training, as a conference.
3. Ensure that by January 31 of each year, all conferences held during the preceding fiscal year where costs, including travel and per diem expenses, exceed \$100,000 are posted on NCUA's official website.

Management Response

Management agreed with the recommendations and plans to include a definition of a conference in NCUA Instruction 1501 which will exclude events that are part of NCUA's regular training program. In addition, management will not consider travel as a defining factor for a conference since NCUA's business model makes travel unavoidable for most events. Furthermore, NCUA management will report any conferences that meet the \$100,000 threshold on the external website by January 31 of each year.

OIG Response

We concur with management's planned actions.

B. NCUA Conference Review

NCUA Conferences Complied With Federal Government Policy

We determined NCUA conducted conferences in accordance with its conference policy or federal conference guidelines. Specifically, we judgmentally selected and reviewed five national and management conferences sponsored by NCUA from January 2010 through January 2013 and we performed a limited review of off-site conferences conducted from 2010 through 2012. We determined that NCUA conducted these conferences in accordance with established policy on spending and cost controls. However, our review also disclosed NCUA did not always include all conference expenditures such as employee transportation costs and daily meals and incidental expense allowances (per diem) when disclosing the total cost of each conference. As a result, neither NCUA management nor the public, through its official website, has an accurate accounting of the costs of the conferences sponsored by NCUA.

2010 Regional Conference

NCUA held the 2010 Regional Conference from April 12-23, 2010, at the Buena Vista Palace in Orlando, Florida. NCUA divided the conference into two one-week segments with approximately half the agency's employees attending the first week and the other half attending the second week. The conference cost NCUA \$1.1 million, which included the hotel and meeting facility, facilitators, supplies, and miscellaneous items. However, this amount did not include employee travel cost such as airfare, ground transportation, or per diem. We determined the purpose of this conference was mandatory employee training, and given NCUA's organizational structure, was the most prudent and cost effective method to ensure all employees received consistent training related directly to NCUA's mission.

The 2010 Regional Conference required over 200 sleeping rooms per week, and in accordance with NCUA's Procurement Manual, the agency event planner sent an RFP to sales representatives for all national hotel chains, convention visitor bureaus, and third party hotel representatives of properties in the 48 contiguous states. The RFP outlined the conference facility needs, which included sleeping rooms, meeting space, and food and beverage requirements; as well as the contract award process, and NCUA's cancellation policy. We determined the event planner conducted the required evaluation after receiving the proposals and recommended the top two bids. NCUA selected the conference site based on the lodging and per diem rates, location, date of availability, convenience of restaurants, transportation accessibility, per person break package,¹⁹ complimentary meeting space, Internet access and hardwire Internet equipment, and discounted audio visual equipment, all of which, according to OHR personnel, represented the overall best value to NCUA.

¹⁹ The daily break package included continental breakfast, and morning and afternoon refreshments.

2012 National Training Conference

NCUA held the 2012 National Training Conference, formerly known as the Regional Conference, from April 16-27, 2012, at the Buena Vista Palace in Orlando, Florida. Again, NCUA divided the conference into two one-week segments with approximately half of the agency's employees attending the first week and the other half attending the second week. The conference cost NCUA \$2.4 million. This amount included vendor fees, lodging, food and beverage, audio visual, supplies, and miscellaneous costs, in addition to employee travel and per diem expenses. Again, we determined the purpose of this conference was mandatory employee training, and given NCUA's organizational structure, was the most prudent and cost effective method to ensure all employees received consistent training related directly to NCUA's mission.

The 2012 National Training Conference required over 200 sleeping rooms per week, and in accordance with NCUA's Procurement Manual, the agency event planner sent an RFP to national hotel chains and third party representatives in Orlando and Tampa, Florida; San Diego, California, and Denver, Colorado. The RFP outlined the conference facility needs, which included lodging needs; meeting space, and food and beverage requirements, as well as the contract award process, and NCUA's cancellation policy. We determined the event planner conducted a proposal evaluation after receiving the proposals and NCUA selected the eventual conference site based on the date of availability, lodging rate, location, transportation accessibility, convenience of restaurants, and discounted miscellaneous costs, which according to OHR staff, represented the overall best value to NCUA.

2011 SSP Conference

NCUA held the 2011 SSP Conference from January 31 to February 3, 2011, at the Hotel Monaco Baltimore²⁰ in Baltimore, Maryland. The conference cost the NCUA \$53,549, which included various expenses such as lodging, refreshments, audio visual rental, conference facilitator, and supplies. Conference costs did not include employee travel cost such as airfare, ground transportation, or per diem. We determined the 2011 SSP Conference met a business and training need because it brought senior staff together for strategic planning discussion, training, and helped set the vision and direction for the agency going forward.

Due to the conference size, NCUA's Procurement Manual did not require a full competitive bidding process. Nonetheless, the agency event planner sent an RFP to major hotel chains and third party vendors in Baltimore, Maryland and Philadelphia, Pennsylvania. The RFP outlined conference facility needs, which included the anticipated event dates; sleeping rooms, meeting space, and food and beverage requirements, as well as the contract award process, and NCUA's cancellation policy. NCUA received fourteen proposals from various hotels and the agency event planner recommended the two best proposals to the NCUA Board for selection. The NCUA

²⁰ NCUA held the SSP Conferences from 2011 through 2013 at the Hotel Monaco in Baltimore, Maryland.

Board Chairman approved the use of Hotel Monaco Baltimore for the 2011 SSP Conference because Hotel Monaco was located in Baltimore, which meant any conference attendee could easily travel to NCUA Headquarters in Alexandria, Virginia should a situation arise in need of attention.

2013 SSP Conference

NCUA again selected the Hotel Monaco Baltimore for the 2013 SSP Conference, held from January 28-31, 2013, not only because of its proximity to NCUA Headquarters, but also because of the hotel's familiarity with NCUA's needs. In addition, the hotel agreed to the same terms and pricing from the 2012 SSP Conference contract for lodging, food and beverages, audio visual needs, and the complimentary meeting space. Because NCUA required fewer than 200 sleeping rooms for this conference, agency policy did not require a full competitive bidding process. However, NCUA did initially select the hotel for the 2011 SSP Conference through a bid proposal process. The conference cost the NCUA \$62,399, excluding employee transportation and per diem expenses. As with the 2011 SSP Conference, we determined this conference also met a business and training need and had a direct relation to NCUA's mission.

2011 Leadership Conference

NCUA held its 2011 Leadership Conference at the Westin Hotel in San Diego, California from April 4-7, 2011. For this conference, NCUA needed less than 150 sleeping rooms; therefore, a full competitive bidding process was not required. However, the agency event planner sent an RFP to national hotel chains and third party vendors in Charleston, South Carolina; Savannah, Georgia; Tampa, Florida, and San Diego, California. The RFP outlined conference facility needs, which included the anticipated event dates; sleeping rooms, meeting space, and food and beverage requirements; the contract award process, and NCUA's cancellation policy. OHR staff concluded the Westin Hotel provided the best overall value to NCUA based on several factors such as the facility availability, complimentary meeting space, direct flight accessibility, proximity of restaurants, and discounted rates for Internet access, audio visual equipment, and food and beverages. In addition, this conference brought all NCUA managers and supervisors together to collaborate and focus on critical issues and strategic planning for the agency, and to receive training on the agency's latest policies; thereby providing agency leadership with the skills necessary to perform their jobs. Consequently, we determined the 2011 Leadership Conference met a business and training need by having a direct relation to NCUA's mission. The conference costs totaled \$297,854, which did not include employee travel and per diem expenses.

2010-2012 Off-Site Conferences

According to the FTR, a conference is a meeting, retreat, seminar, symposium, or event that involves attendee travel. In addition, staff training is an essential element of NCUA's supervisory program and with 75 percent of NCUA staff geographically dispersed, most of NCUA training classes and staff meetings necessitate employee

travel. Therefore, we performed a limited review of the training classes conducted from 2010 through 2012. We determined that off-site conferences were for business or training purposes and had a direct relation to NCUA's mission. According to NCUA staff, all off-site conference attendance and expenses were limited to only the staffing level required to carry out the mission of the conference. We found that to minimize costs, NCUA held off-site conferences in close proximity of the largest concentration of attendees.

From 2010 through 2012, NCUA held off-site training conferences in Anaheim and Long Beach, California; Denver, Colorado; Jacksonville, Florida; Louisville, Kentucky; Chicago, Illinois; Indianapolis, Indiana; Kansas City and St Louis, Missouri; Nashville, Tennessee; Charlotte, North Carolina; and Dallas and San Antonio, Texas. These sessions included regularly scheduled continuing professional training for NCUA examiners and included such subjects as residential mortgage lending, consumer compliance, fraud detection, problem resolution, consumer lending, as well as other topics. NCUA offered these subjects at various locations throughout the country and on a recurring basis.

We performed a limited review of NCUA off-site conferences held during 2010. We determined that because each of these off-site conferences required fewer than 200 sleeping rooms, NCUA could have selected a hotel without using the competitive bidding process. However, to minimize costs and attendee travel time, NCUA staff sent RFPs to sales representatives for national hotel chains and third party hotel representatives in Denver, Colorado; Jacksonville, Florida; Chicago, Illinois and Kansas City and St. Louis, Missouri. We determined that these off-site conferences related directly to NCUA's mission.

Finally, because NCUA policy was consistent with federal policies for conference spending and cost controls, we determined that the conferences held from 2012 through January 2013 also complied with the spirit of Executive Order 13589 and OMB Memorandum M-11-35. However, NCUA only included employee travel and per diem expenses for the 2012 National Training Conference. In keeping with the spirit of OMB Memorandum M-12-12, NCUA should capture all conference expenses such as employee travel and per diem costs and include those costs as part of its total conference expenses. Accordingly, we are making the following recommendation:

Recommendation

We recommend that NCUA management:

4. Identify all expenditures associated with any conference, including employee travel and daily per diem expenses, for inclusion in the total conference cost, and ensure those conferences exceeding \$100,000 are posted on NCUA's official website as noted in Recommendation 3.

Management Response

Management agreed to collect and report conference costs annually and to report conferences exceeding \$100,000 on the external website by January 31 of each year.

OIG Response

We concur with management's planned actions.

Appendix A: NCUA Management Response



National Credit Union Administration

OHR/DTD/LMS/PSJ:JEK
SSIC 1300

SENT BY E-MAIL

TO: Inspector General William DeSarno
FROM: Executive Director Mark Treichel
SUBJ: Comments on the NCUA's Conference Related Activities
And Expenses Audit Report
DATE: May 23, 2013

This memorandum responds to your request for comments on the report, NCUA's Conference Related Activities and Expenses. We appreciate the opportunity to comment on the report and offer the following comments regarding the specific recommendations.

OIG Report Recommendation #1

Revise the language regarding the maximum allowable lodging rate in NCUA's Procurement Manual and Instruction 1501 to ensure both documents are consistent.

Office of the Executive Director's Response:

We agree to revise the language regarding the maximum allowable lodging rate in NCUA's Procurement Manual and Instruction 1501 to ensure both documents are consistent. The Office of the Chief Financial Officer (OCFO) is planning to revise the overall Procurement Manual in late 2013.

OIG Report Recommendation #2

Revise NCUA Instruction 1501 to include a definition of a conference which takes into account NCUA's rationale for not including any event requiring employee travel which is designated solely as training, as a conference.

Office of the Executive Director's Response:

We agree to provide a definition of a conference in NCUA Instruction 1501. It will exclude events that are part of NCUA's regular training program and we will not consider travel to be a defining factor since travel to nearly all events is unavoidable in NCUA's business model.

OIG Report Recommendation #3

Ensure that by January 31 of each year, all conferences held during the preceding fiscal year where costs, including travel and per diem expenses, exceed \$100,000 are posted on NCUA's official website.

1775 Duke Street – Alexandria, VA 22314-3428

Office of the Executive Director's Response:

We agree that NCUA will report any conferences that meet this threshold on the external website by January 31 of each year.

OIG Report Recommendation #4

Identify all expenditures associated with any conference, including employee travel and daily per diem expenses, for inclusion in the total conference cost, and ensure those conferences exceeding \$100,000 are posted on NCUA's official website as noted in Recommendation 3.

Office of the Executive Director's Response:

We agree that NCUA will collect and report conference costs annually and report conferences over \$100,000 on the external website by January 31 of each year.

OIG Report Suggestion #1

Consider implementing a written waiver requirement process for any single conference exceeding \$500,000 where the granted waiver is documented, in writing, and posted on the agency's official website at the same time the agency posts the conference details and costs.

Office of the Executive Director's Response:

We will consider implementing a written waiver requirement process that addresses your suggestions for any single conference exceeding \$500,000.

Again, thank you for the opportunity to comment on this report. If you have any questions, please do not hesitate to contact my office.

cc: Office of Human Resources
Office of the Chief Financial Officer