



OFFICE OF INSPECTOR GENERAL

Evaluation Report

2014-FMIC-B-009

# The Board Should Enhance Its Policies and Procedures Related to Conference Activities

June 30, 2014

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
CONSUMER FINANCIAL PROTECTION BUREAU

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## Abbreviations

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Board	Board of Governors of the Federal Reserve System
GSA	U.S. General Services Administration
NARA	National Archives and Records Administration
OIG	Office of Inspector General

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# Executive Summary:

## The Board Should Enhance Its Policies and Procedures Related to Conference Activities

2014 FMIC B 009

June 30, 2014

### Purpose

The Office of Inspector General (OIG) conducted an evaluation of the Board of Governors of the Federal Reserve System's (Board) conference activities. Our objectives were to review the Board's policies and procedures to determine the requirements for Board-sponsored conference activities and to assess the Board's compliance with the relevant requirements.

We initiated this evaluation, in part, to determine whether the Board has challenges similar to the issues outlined in the U.S. General Services Administration (GSA) OIG's 2012 *Western Region's Conference* management deficiency report, issued on April 2, 2012. The GSA's 2010 conference near Las Vegas resulted in significant congressional and public scrutiny.

### Background

The Board uses a decentralized process that affords each Board division autonomy for initiating and procuring conference services. According to Board divisions, the Board hosted 673 conferences costing approximately \$1,429,505 at its facilities during the period covered by our evaluation, January 1, 2010, to June 30, 2012. Board divisions also reported that the Board hosted 33 conferences costing \$361,544 at non-Board facilities during our evaluation period.

### Findings

Our findings are focused on document retention and adherence to policies and procedures. For the conferences we reviewed, we did not identify any issues at the Board similar to those described in the 2012 GSA OIG's management deficiency report on the GSA's 2010 conference held near Las Vegas. The Board's preference for using its own facilities for conferences minimizes the cost and mitigates the potential reputational risk associated with conference-related activities. Although the Board has not established an agency-wide process for planning conference-related activities, the Board does have acquisition, food and beverage expense, and records retention policies that contain requirements applicable to conference-related activities. The Board should ensure that its divisions comply with these requirements and that the scope of its policies and procedures are updated to address various aspects of conference-related activities.

The Board's *Acquisition Policy* requires a written solicitation of bids for single purchases of \$25,000 to \$49,999. We found that although the Board's Procurement section contacted three vendors, Procurement did not complete a written solicitation of bids for one of the two conferences in our sample within that cost range.

As outlined in the Board's *Records Policy and Procedures Manual*, the Board follows the National Archives and Records Administration's General Records Schedule for the retention of official procurement records. In addition, the visitor services records are to be retained for three years in accordance with the *Board Records Retention and Disposition Schedule*. We found that divisions did not consistently comply with these policies and, as a result, provided us with inaccurate and incomplete documentation to support many of the conference-related expenses reported to the OIG.

The *Official Meals Expenses Policy* has various requirements related to requesting food and beverage services and the duration of alcohol service at Board events, including conferences. During our review, we found that divisions did not consistently maintain sufficient documentation to demonstrate compliance with the requirements in the *Official Meals Expenses Policy*.

### Recommendations

Our report contains five recommendations designed to strengthen and ensure compliance with the policies and procedures that guide Board divisions engaged in planning conference activities. In its response to a draft of our report, the Board generally concurred with our recommendations and noted that it has made or will make changes to the relevant policies and procedures.

Access the full report: [http://oig.federalreserve.gov/reports/board\\_policies\\_procedures\\_conference\\_activities\\_Jun2014.htm](http://oig.federalreserve.gov/reports/board_policies_procedures_conference_activities_Jun2014.htm)

For more information, contact the OIG at 202 973 5000 or visit <http://oig.federalreserve.gov>.

## Summary of Recommendations, OIG Report No. 2014-FMIC-B-009

Rec. no.	Report page no.	Recommendation	Responsible office
1	5	Ensure that a written solicitation of bids is obtained for conference-related single purchases of \$25,000 to \$49,999.	Division of Financial Management
2	8	Provide additional clarity on divisions' responsibilities for maintaining records and supporting documentation related to Board-sponsored conference activities.	Office of the Secretary
3	11	Coordinate with Visitor Services to clarify in the <i>Official Meals Expenses Policy</i> the process divisions should follow to request approval to use non-Board facilities. The updated guidance should identify: <ul style="list-style-type: none"> <li>a. information to be included in the request.</li> <li>b. responsibility for retaining the supporting documentation.</li> </ul>	Management Division
4	11	Amend the food and beverage request form to include fields for the following information: <ul style="list-style-type: none"> <li>a. the date the form was submitted.</li> <li>b. a list of invitees.</li> </ul>	Management Division
5	11	Update the <i>Official Meals Expenses Policy</i> to include the following requirements: <ul style="list-style-type: none"> <li>a. if circumstances necessitate the extension of alcohol service beyond the 90-minute limit, Food Services or the division hosting the event should document the reason for the extension and document that proper approval was obtained.</li> <li>b. specify who has the authority to approve the extension of alcohol service beyond the 90-minute limit.</li> </ul>	Management Division

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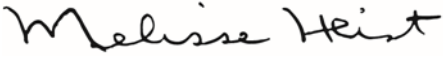


OFFICE OF INSPECTOR GENERAL  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
CONSUMER FINANCIAL PROTECTION BUREAU

June 30, 2014

**MEMORANDUM**

**TO:** Distribution List

**FROM:** Melissa Heist   
Associate Inspector General for Audits and Evaluations

**SUBJECT:** OIG Report No. 2014-FMIC-B-009: *The Board Should Enhance Its Policies and Procedures Related to Conference Activities*

The Office of Inspector General has completed its final report on the subject evaluation. We conducted this evaluation to review the Board of Governors of the Federal Reserve System's (Board) policies and procedures to determine the requirements for Board-sponsored conference activities and to assess the Board's compliance with the relevant requirements.

Our report contains five recommendations to enhance compliance with existing Board policies and procedures related to Board-sponsored conference activities. In your response, you stated that you generally concurred with our recommendations and that you have made or will make changes to the relevant policies and procedures. We have included your response as appendix C in our report.

We appreciate the cooperation that we received from the Board's Division of Financial Management, Management Division, and Office of the Secretary. Please contact me if you would like to discuss this report or any related issues.

cc: Donald Hammond, Chief Operating Officer  
Michael Kelly, Manager, Procurement  
Michael Lewandowski, Associate Secretary of the Board  
Marie Savoy, Senior Associate Director, Facility Services, Management Division

*Distribution:*

William Mitchell, Chief Financial Officer and Director, Division of Financial Management  
Michell Clark, Director, Management Division  
Robert deV. Frierson, Secretary of the Board

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# Introduction

## Objectives

The Office of Inspector General (OIG) conducted an evaluation of the Board of Governors of the Federal Reserve System's (Board) conference activities.<sup>1</sup> Our objectives were to review the Board's policies and procedures to determine the requirements for Board-sponsored conference activities and to assess the Board's compliance with the relevant requirements.

We initiated this evaluation, in part, to determine whether the Board experienced challenges similar to the issues outlined in the U.S. General Services Administration (GSA) OIG's 2012 *Western Region's Conference* management deficiency report.<sup>2</sup> The GSA's 2012 report, which resulted in significant congressional and public scrutiny of GSA's conference spending, found that the agency's spending on conference planning was "excessive, wasteful, and in some cases impermissible."

Because the Board does not have agency-wide policies and procedures specific to conference planning, our evaluation focused on policies and procedures that guide Board divisions engaged in such activities. To accomplish our objectives, we reviewed the Board's *Official Meals Expenses Policy, Acquisition Policy, Records Policy and Procedures Manual* and the Procurement section's *Procurement Procedures* to identify risks and corresponding controls. To gain detailed knowledge of the Board's conference-related activities, we interviewed staff involved in coordinating conferences for the various Board divisions that held conferences. We performed detailed transaction testing to assess the effectiveness of controls, the accuracy of costs reported, and compliance with conference-related policies. The scope of our evaluation covered the period from January 1, 2010, to June 30, 2012, and included 728 conferences totaling \$1,922,427. For additional information regarding our scope and methodology, see appendixes A and B.

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1. Although the *Federal Travel Regulation* does not apply to the Board, to establish consistency in identifying conference activities for our evaluation, we referenced the definition of conferences therein. The *Federal Travel Regulation* defines a conference as "a meeting, retreat, seminar, symposium, or event that involved attendee travel. The term 'conference' also applies to training activities that are considered to be conferences under 5 C.F.R 410.414."
  2. This report was issued on April 2, 2012, and can be found at <http://www.gsaig.gov/index.cfm/oig-reports/miscellaneous-reports/>.

## Background

The Board follows a decentralized process for initiating and procuring conference-related services. Board divisions can (1) procure conference-related services directly or (2) request assistance from Visitor Services, a section within the Office of the Secretary. Visitor Services can assist divisions by providing a variety of professional management services for conferences and special events sponsored by the Board, such as preparing budgets, selecting and reserving Board and non-Board facilities, planning menus, and making food service arrangements. Visitor Services also advises conference organizers within Board divisions on the customs and conventions for Board-sponsored events.

The Board encourages divisions to use Board facilities for conference activities. According to data obtained from Board Division Administrators, the Board hosted at its facilities 673 conferences costing approximately \$1,429,505 during the period covered by our evaluation. Board divisions also reported hosting at non-Board facilities 33 conferences costing approximately \$361,544 during the same time frame.<sup>3</sup>

### ***The Board's Conference-Related Policies and Procedures***

Although the Board has not established an agency-wide policy or process for conference-related activities, specific Board policies and procedures contain requirements applicable to various aspects of conference activities. We identified four such documents.<sup>4</sup>

- The *Official Meals Expenses Policy* outlines the expectations for providing meals to visitors, guests, and employees in conjunction with official business, such as conferences. The policy requires that food and beverage request forms be submitted to Food Services online 10 working days prior to holding an event at a Board facility. For conferences held at non-Board facilities, a food and beverage request, a request for site recommendation and approval, and a list of participants must be submitted to Visitor Services at least 25 working days in advance of the event. The policy states that alcohol cannot be served at events where only Board employees are present. Further, for events where alcohol is served, service is limited to a 90-minute period and cannot begin before 5:30 p.m. These requirements apply to events held at Board and non-Board facilities.
- The *Acquisition Policy* outlines expectations for acquiring supplies, services, construction, and real property. For single purchases of \$5,000 or less, Board employees may use their purchase card. For single purchases exceeding \$5,000, the policy requires a contracting officer to solicit bids to identify and review quotes from at least three vendors and select the one that best meets the Board's needs. Further, oral solicitation of bids is acceptable for the acquisition of supplies or services costing

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3. Based on the report provided by Board Division Administrators, we could not determine the location of 22 conferences with a total cost of approximately \$131,378. These conferences are excluded from the figures above.

4. Our office performed a separate review of the Board's purchase card program that included a review of the Board's compliance with requirements in the *Purchase Card Procedures*. As a result, we did not assess the Board's compliance with these requirements. The report was issued on March 29, 2013 and can be found at <http://oig.federalreserve.gov/reports/board-executive-summary-20130329a.htm>.



less than \$25,000; however, a written solicitation of bids is required for purchases of \$25,000 to \$49,999. Additional procedures apply for purchases of \$50,000 or more.<sup>5</sup>

- The *Procurement Procedure* details how to process purchase requisitions and the resulting contract in accordance with the Board's *Acquisition Policy* and *Small and Disadvantaged Business Policy*. Submission of a purchase requisition notifies Procurement that a purchasing requirement exists and that budget money has been approved for that requirement. The purchase requisition contains a description of the good or service to be procured, a recommended vendor, and the price/cost estimate. The procedure also describes how to initiate a purchase order, which is a contract between the Board and a vendor.
- The Board's *Records Policy and Procedures Manual* requires the agency to follow the National Archives and Records Administration's (NARA) general schedule for retaining procurement documents.<sup>6</sup> The NARA General Records Schedule details specific retention periods for procurement-related records, including solicited and unsolicited bids and proposal files.
- The Board's Executive Function *Records Retention and Disposition Schedule* requires visitor services' event planning files to be maintained for at least three years. According to the policy, event planning files can include scheduling memorandums, hotel accommodation documents, lists of attendees, correspondence, and final program schedules.

We referenced an additional guideline related to records retention to help inform our evaluation. The *Federal Reserve Administration Manual* is a Board policy that requires each Federal Reserve Bank to maintain records on discretionary expenditures and to control expenditures through policies that have been approved by the Reserve Bank's board of directors. The policy states that Reserve Banks should maintain records on discretionary expenditures, including events that provide meals, in a manner suitable for review and for responding to congressional inquiries.

### ***The Board's Process for Planning Conferences***

According to the *Official Meals Expenses Policy*, the Board may provide meals to visitors and guests for events held at both Board and non-Board facilities. When planning for an event, divisions must submit a food and beverage request and, to the extent practicable, use Board facilities.

We identified that there are various ways in which divisions can procure services for conferences held at non-Board facilities. Depending on the amount of the transaction, divisions can use purchase cards or coordinate with the Procurement section to acquire conference-related services. Divisions can use a Board purchase card for procuring

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5. During the period of our review, the Board did not hold any conferences with a single transaction cost above \$50,000.
  6. NARA is the nation's recordkeeper for all documents and materials created in the course of business conducted by the U.S. government.

conference-related services for a single purchase of \$5,000 or less.<sup>7</sup> When a single purchase exceeds \$5,000, divisions can initiate a request—which includes food and beverage requirements, event date and time, meeting space requirements, and number of attendees—for conference services through Procurement. Divisions can also request an increase in their single-purchase card transaction limit to initiate a transaction that exceeds the \$5,000 limit. In addition, divisions may procure conference-related services with the assistance of Visitor Services.

### ***Oversight of Board Events Where Alcohol Is Served***

For events where alcohol is served, alcohol service may not begin before 5:30 p.m. and is limited to 90 minutes. These requirements apply to events held at Board and non-Board facilities. For events held at Board facilities, Food Services staff is responsible for ensuring compliance with these requirements, and according to Visitor Services staff, this responsibility lies with the host division for events held at non-Board facilities. Further, Visitor Services staff indicated that the start time and length of the alcohol service is specified in the contract with the vendor.

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7. In general, the Board issued-purchase card limit is \$5,000.

# Finding 1: Procurement Section Should Ensure That Requirements Are Met for Conference-Related Purchases of \$25,000 to \$49,999

We found that the Board's Procurement staff did not complete a written solicitation of bids for one of the two conferences in our sample with a single purchase within the \$25,000 to \$49,999 range. The Board's *Acquisition Policy* requires a written solicitation of bids for single purchases within that cost range. According to Procurement staff, a change in the event's location prevented Procurement from obtaining written bids. Failure to obtain written solicitation of bids hinders the Board's ability to demonstrate that it appropriately selected vendors by taking into consideration price and other relevant factors.

## **Procurement Could Not Provide a Written Solicitation of Bids for a Conference-Related Service Within the \$25,000 to \$49,999 Range**

We requested from Procurement the written solicitation of bids for two conferences that had single purchases within the \$25,000 to \$49,999 range, and we found that Procurement staff did not obtain a written solicitation of bids for a single purchase of \$36,676. For single purchases of \$25,000 to \$49,999, the *Acquisition Policy* and *Procurement Procedure* require that the contracting officer solicit bids from at least three vendors and review written quotes and maintain records to establish the propriety of any award for services. According to Procurement staff, during the course of planning the conference, the anticipated location where it was to be held changed, which resulted in a limited time frame to plan the conference. Due to the compressed time frame, Procurement staff contacted three hotel vendors, but did not obtain a written solicitation of bids. Thus, Procurement did not comply with the written solicitation of bids requirement in the *Acquisition Policy* for single purchases of \$25,000 to \$49,999.

## **Recommendation**

We recommend that the Director of the Division of Financial Management

1. Ensure that a written solicitation of bids is obtained for conference-related single purchases of \$25,000 to \$49,999.

## **Management's Response**

The Director of the Division of Financial Management generally concurs with this recommendation. In his response, the Director noted that conferences and related expenses present a unique challenge to the standard process of obtaining three written quotes due to the dynamic nature of conference scheduling.

The Director of the Division of Financial Management stated that procurement staff are currently reviewing the *Acquisition Policy* and related procedures and will work with the Office of the Secretary and other stakeholders to develop additional guidelines specific to

conference planning. The Director of the Division of Financial Management emphasized that while this review is likely to result in a simplified approach that may adjust the current requirement for obtaining a written solicitation of bids, it will not eliminate the Division of Financial Management's commitment to maintaining accountability and control of procurement actions and decisions.

## **OIG Comment**

We believe that the actions described by the Division of Financial Management are responsive to our recommendation. The OIG intends to follow up on the Division of Financial Management's actions to ensure that this recommendation is fully addressed.

## Finding 2: The Board Should Clarify Guidance on Recordkeeping for Conference-Related Expenses

We found that divisions were unable to provide accurate and complete documentation to support the conference-related expenses reported to the OIG. Additionally, we found that staff involved in planning conferences were unsure as to which division is responsible for retaining the supporting documentation. The Board's *Records Policy and Procedures Manual* requires that the Board follow the NARA General Records Schedule regarding the retention of official procurement-related records. Additionally, the *Board Records Retention and Disposition Schedule* requires visitor services records to be retained for at least three years. The *Federal Reserve Administration Manual*, which is issued by the Board, directs Reserve Banks to maintain records on discretionary expenditures, including those for meetings and functions, in a manner suitable for review and for responding to inquiries from Congress. The Board does not provide the same level of detail, however, in its own record retention policy and schedule. The divisions' inability to provide accurate and complete documentation to support conference-related expenses could impair the Board's ability to accurately track and appropriately manage conference costs and could hinder its ability to accurately respond to oversight-related requests.

### **Divisions Were Unable to Provide Accurate and Complete Documentation to Support Conference-Related Expenses**

Divisions were unable to provide the OIG with all requested procurement and visitor services' documentation for conferences with final payments made within three years of our request. Moreover, we found that divisions did not accurately report costs to the OIG for 24 of the 30 conferences. Specifically, in the information provided to the OIG, divisions underreported by \$67,606 costs for 12 conferences and overreported by \$65,140 costs for 12 conferences. For example, one division omitted \$11,900 in mobile streaming expenses from conference costs. In another instance, one division reported \$12,000 in honorarium expenses that were paid for by an external organization.

The Board follows the NARA General Records Schedule for retaining official procurement-related records. In accordance with the policy, records related to procurement for transactions at or below the simplified acquisition threshold of \$50,000 should be retained for three years after final payment. Further, the Board's *Records Retention and Disposition Schedule* requires visitor services records to be retained for at least three years. The Board's schedule identifies documents that are considered visitor services records, which include scheduling memorandums, hotel accommodation documents, and lists of attendees. However, the Board's *Records Retention and Disposition Schedule* does not specifically identify each division's responsibility for retaining visitor services records. As a result, we found that divisions were uncertain which Board entities were responsible for retaining official documentation. Board divisions referred to various sections of the Board as the responsible entity: (1) the division initiating and hosting the event; (2) the Procurement section, which is responsible for the procurement of goods and services exceeding \$5,000; or (3) Visitor Services, which may provide support to divisions hosting conferences. The divisions stated that they were unable to

provide complete documentation for a variety of reasons, such as records not having been maintained following an employee's separation from the Board, and food and beverage forms not having been submitted.

The Board has underscored to the Reserve Banks the importance of recordkeeping and the responsibility for retaining documentation by establishing guidelines in the *Federal Reserve Administration Manual*. The manual requires Reserve Banks to maintain records for meetings and functions in a manner suitable for review and for responding to inquiries from Congress. In addition, the manual specifies that if a Reserve Bank hosts an event in the facility of another Reserve Bank, the governing administrative policies will be those of the Bank at which the event is held. Further, the Board requires the sponsoring Reserve Bank to retain all appropriate expense documentation. However, the Board does not provide the same level of detail in its own record retention policy and schedule.

## **Recommendation**

We recommend that the Secretary of the Board

2. Provide additional clarity on divisions' responsibilities for maintaining records and supporting documentation related to Board-sponsored conference activities.

## **Management's Response**

The Secretary of the Board concurs with this recommendation. In his response, the Secretary of the Board stated that the Office of the Secretary has prepared additional guidance for divisions on managing event-planning records and intends to use feedback from the divisions to take additional steps to implement the recommendation.

## **OIG Comment**

We believe that the actions described by the Office of the Secretary are responsive to our recommendation. The OIG intends to follow up on the Office of the Secretary's actions to ensure that this recommendation is fully addressed.

## Finding 3: The Board Should Update the Food and Beverage Request Form and Clarify the *Official Meals Expenses Policy*

We found that Board divisions are not maintaining sufficient documentation to demonstrate compliance with certain requirements in the *Official Meals Expenses Policy*. Specifically, we could not confirm that the divisions were submitting food and beverage requests in accordance with applicable requirements. Further, we found that divisions were not requesting approval for events held at non-Board facilities within the required time frame. We also were not able to confirm that (1) individuals other than Board employees attended events where alcohol was served and (2) the duration of alcohol service was limited to 90 minutes. Although the Board provides a standard form for requesting food and beverage services for events held at Board facilities that addresses some of the requirements in the *Official Meals Expenses Policy*, the form does not reflect all of the requirements. In addition, Food Services staff monitor events held at Board facilities where alcohol is served and obtain approval if alcohol service extends beyond the 90-minute limit; however, the approval for the extension of alcohol service is not documented. Further, the Board provides limited guidance on what information should be included in the request for events held at non-Board facilities. Instances of noncompliance with the requirement to submit requests in a timely manner and retain documentation evidencing compliance with other key components of the *Official Meals Expenses Policy* could impact the overall quality and efficiency of the conference planning process. Additionally, insufficient documentation for events where alcohol is served could pose a reputational risk for the Board.

### **Divisions Did Not Comply With Various Aspects of the *Official Meals Expenses Policy***

We found that Board divisions did not consistently comply with requirements in the *Official Meal Expenses Policy*. We noted instances of noncompliance related to the submission of food and beverage requests, the documentation to evidence compliance with requirements associated with the serving of alcohol at Board events, and approval requests submitted to Visitor Services for events held at non-Board facilities.

For events held at Board facilities, the *Official Meals Expenses Policy* requires that food and beverage requests be submitted 10 working days before the event. For events held at non-Board facilities, the request must be sent 25 working days before the event. The Board may serve alcohol at events if (1) individuals other than Board employees are present, (2) alcohol service is limited to 90 minutes, and (3) alcohol service does not begin before 5:30 p.m. In addition, divisions must request approval from Visitor Services to hold events at non-Board facilities. Such requests must be submitted 25 working days in advance and include a list of participants.

We found that divisions did not submit a food and beverage request for 4 of the 30 conferences in our sample. According to program officials, these requests were not submitted because the relevant division (1) had an abbreviated time frame to plan the

conference, (2) was not the primary host, or (3) submitted a purchase requisition and purchase order instead of the food and beverage request form.

Further, for the 26 conferences for which a food and beverage request was submitted, we could not verify the timeliness of the requests. Divisions also could not consistently provide the documentation necessary to evidence that individuals not employed by the Board attended events where alcohol was served and that the alcohol service was limited to 90 minutes. The food and beverage request form collects some of the information associated with *Official Meals Expenses Policy* requirements, such as the start time of alcohol service; however, the form does not record other key pieces of information, such as the date submitted, the list of participants, and the intended duration of the alcohol service.

For 10 out of 11 conferences in our sample that were held at non-Board facilities, the host divisions did not request approval from Visitor Services 25 working days in advance. The *Official Meals Expenses Policy* does not specify how divisions should request approval of the use of non-Board facilities and has not established a formal mechanism by which Visitor Services would approve the request. In addition, the *Official Meals Expense Policy* requires that a list of participants accompany the request for approval for the use of non-Board facilities. However, we could not confirm for all of the conferences held at non-Board facilities that divisions submitted a list of participants to Visitor Services. According to Board officials, the list of participants provided to Visitor Services is considered a planning document and attendees often change as the event approaches. As a result, Board officials indicated that the document submitted to Visitor Services should, more appropriately, be a list of invitees.

We found that Food Services staff attends events held at Board facilities where alcohol is served to ensure compliance with the timing requirements associated with alcohol service. According to Food Services staff, alcohol service, while limited to 90 minutes, is not always continuous. For example, events may have a 30-minute reception at which alcohol is served, followed by a dinner that includes wine service. In addition, Food Services staff indicated that on rare occasions, alcohol service may exceed 90 minutes due to delayed arrival of guests or other circumstances. In these instances, Food Services staff obtains management approval to extend the service. However, Food Services staff does not document exceptions that deviate from the policy's requirements.

For events held at non-Board facilities where alcohol is served, the alcohol service is limited to 90 minutes through the vendors. Visitor Services staff indicated that the start time and length of the alcohol service is specified in the contract with the vendor. Further, according to Board officials, staff cannot use purchase cards to extend the alcohol service.



## Recommendations

We recommend that the Director of the Management Division

3. Coordinate with Visitor Services to clarify in the *Official Meals Expenses Policy* the process divisions should follow to request approval to use non-Board facilities. The updated guidance should identify:
  - a. information to be included in the request.
  - b. responsibility for retaining the supporting documentation.
4. Amend the food and beverage request form to include fields for the following information:
  - a. the date the form was submitted.
  - b. a list of invitees.
5. Update the *Official Meals Expenses Policy* to include the following requirements:
  - a. if circumstances necessitate the extension of alcohol service beyond the 90-minute limit, Food Services or the division hosting the event should document the reason for the extension and document that proper approval was obtained.
  - b. specify who has the authority to approve the extension of alcohol service beyond the 90-minute limit.

## Management's Response

The Director of the Management Division concurs with the intent of recommendations three and five. The Director of the Management Division responded that Food Services is currently revising the *Official Meals Expenses Policy* in collaboration with the Office of the Secretary, the Division of Financial Management, and the Legal Division. The Director of the Management Division stated that these recommendations will be incorporated into the final policy and the related food and beverage request form.

For recommendation four, the Director of the Management Division stated that the food and beverage request form is automated and consequently documents the submission date. The Management Division plans to modify the food and beverage request form to include fields for indicating the presence of external attendees and attaching a related listing.

## OIG Comment

We believe that the actions described by the Management Division are responsive to our recommendations. The OIG intends to follow up on the Management Division's actions to ensure that the recommendations are fully addressed.

## Other Matters for Management's Consideration

During our review, we observed that various policies contain relevant requirements for planning conferences. Due to the decentralized nature of the Board's organizational structure, the owners of policies and procedures may experience challenges in ensuring that divisions comply with applicable requirements. Board management should consider reinforcing to all Board divisions their responsibility and accountability for complying with existing policies and procedures, such as the *Acquisition Policy*, the *Official Meals Expenses Policy*, and the *Records Policy and Procedures Manual*.

We also identified that the Board does not have a central tracking mechanism for costs related to Board-sponsored conferences. Consequently, we could not conduct completeness testing to confirm the number of conferences and the corresponding costs reported by the divisions. Board management should consider developing a central tracking mechanism for conference-related activities to ensure that the Board is maintaining records in a manner suitable for review and for responding to oversight-related requests.

# Appendix A

## Scope and Methodology

To accomplish our objectives, we reviewed the Board’s *Official Meals Expenses Policy* and *Acquisition Policy*, the *Records Policy and Procedures Manual*, and the Procurement section’s *Procurement Procedures* to identify risks and corresponding controls. To gain detailed knowledge of the Board’s process for conducting conference-related activities, we interviewed staff from 11 of the 13 Board divisions:<sup>8</sup>

- Division of International Finance
- Division of Research and Statistics
- Office of Financial Stability
- Management Division
- Office of the Chief Operating Officer
- Division of Consumer and Community Affairs
- Division of Monetary Affairs
- Division of Banking Supervision and Regulation
- Division of Reserve Bank Operations and Payment Systems
- Legal Division
- Office of Board Members

We also interviewed specialists in Procurement and Visitor Services who are involved in coordinating conferences held at non-Board facilities. We performed detailed transaction testing to assess the effectiveness of controls, the accuracy of costs reported, and compliance with conference-related policies.

The scope of our evaluation included conference-related activities from January 1, 2010, to June 30, 2012, as provided to the OIG by the point of contact for each division. Although the Board does not follow the *Federal Travel Regulation*, to establish consistency in identifying conference activities for our evaluation, we referenced the regulation’s definition of conferences. The *Federal Travel Regulation* defines a conference as “a meeting, retreat, seminar, symposium, or event that involved attendee travel. The term ‘conference’ also applies to training activities that are considered to be conferences under 5 C.F.R 410.404.”<sup>9</sup>

We judgmentally selected our sample of conferences based on conference cost and location. During the scope of our evaluation, the Board held 728 conferences with expenses totaling \$1,922,427. Of these conferences, we selected 30 conferences with expenses totaling \$779,689 for review. Because the Board does not have a central tracking mechanism for

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8. The Division of Information Technology reported that it did not conduct any conference-related activities during the scope of our evaluation. As a result, we did not interview staff from the division. In addition, we did not include the OIG in the scope of this evaluation because we are not independent with regard to the OIG’s internal control activities.
  9. Agencies may sponsor an employee’s attendance at a conference as a developmental assignment under section 4110 of title 5 of the *United States Code* when (1) the announced purpose of the conference is educational or instructional; (2) more than half the time is scheduled for a planned, organized exchange of information between presenters and audience, which meets the definition of training in section 4101 of title 5, *United States Code*; (3) the content of the conference is germane to improving individual and/or organizational performance; and (4) developmental benefits will be derived through the employee’s attendance.

conference-related costs, we were unable to conduct completeness testing to confirm the number of conferences and the corresponding costs reported by the divisions. Following our sample selection, we obtained supporting documentation for conferences, including hotel invoices, purchase orders, purchase requisitions, and food and beverage requests, from the divisions that held conferences during the scope of our evaluation. We tested for cost accuracy and compliance with Board policies and procedures related to conference activities.

We conducted our fieldwork from June 26, 2012, to November 21, 2013. We conducted our evaluation in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of Inspector General on Integrity and Efficiency.

# Appendix B

## Summary of Board-Sponsored Conferences Identified and Reviewed

**Table B-1: Board Conference Population and Sample Size, by Number and Cost,<sup>a</sup> January 1, 2010, through June 30, 2012**

Sponsoring Board division <sup>b</sup>	Conference population		Conference sample	
	Number identified	Cost	Number reviewed	Cost
Consumer & Community Affairs	66	\$347,836	10	\$237,551
Banking, Supervision & Regulation	414	\$500,277	7	\$107,154
Research & Statistics	26	\$356,525	3	\$160,636
Financial Stability Policy & Research	3	\$1,708	0	\$0
International Finance	11	\$81,559	1	\$54,981
Management	51	\$321,619	5	\$138,271
Reserve Bank Operations & Payment Systems	94	\$122,103	1	\$14,742
Office of Board Members	59	\$131,599	2	\$45,614
Office of the Secretary	4	\$59,201	1	\$20,740
<b>Total</b>	<b>728</b>	<b>\$1,922,427</b>	<b>30</b>	<b>\$779,689</b>

Source: OIG analysis of information reported by Board divisions.

Note: We could not conduct completeness testing to confirm of the number of conferences and the corresponding costs reported by divisions because the Board does not have a central tracking mechanism for these data.

<sup>a</sup>Dollar amounts are rounded.

<sup>b</sup>The Division of Information Technology, the Legal Division, and the Division of Monetary Affairs reported that they did not conduct any conference-related activities during the scope of our audit. We also did not review our office.

# Appendix C Management's Response



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

DATE: June 23, 2014

TO: Melissa Heist, Associate Inspector General for Audits and Evaluations

FROM: Michell Clark, Director, Management Division *MCC*  
William Mitchell, Director and CFO, Division of Financial Management *WMM*  
Robert Frierson, Secretary of the Board, Office of the Secretary *RF*

SUBJECT: Combined Divisions' Response to OIG Audit of Board-Sponsored  
Conference Activities

We have reviewed your report entitled "*The Board Should Enhance Its Policies and Procedures Related to Conference Activities*" and appreciate the opportunity to provide comments on the report's findings and recommendations.

**Finding 1: Procurement section should ensure that requirements are met for conference-related purchases of \$25,000 to \$49,999**

**Recommendation**

We recommend that the Director of the Division of Financial Management

1. Ensure that a written solicitation of bids is obtained for conference-related single purchases of \$25,000 to \$49,999.

**Division of Financial Management's (DFM) Response**

The division generally concurs with this recommendation. Conferences and related expenses present a unique challenge to the standard process of obtaining three written quotes due to the dynamic nature of conference scheduling. Issuing a written SOA is not always optimal; time constraints may necessitate an alternative approach, such as obtaining oral quotes, and the availability of a specific date may eliminate all but one bidder.

Procurement staff are currently reviewing the *Acquisition Policy* and procedures to identify opportunities to streamline the process; clarify areas that have not been well-defined; ensure adherence to policy and procedures; and improve customer service. As part of this review, Procurement will work closely with the Office of the Secretary and

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other stakeholders to develop additional guidelines specific to conference planning. This is likely to result in a more simplified approach with appropriate controls that may adjust the current requirement of written solicitation of bids. It will not, however, eliminate our commitment to maintaining accountability and control of procurement actions and decisions.

**Finding 2: The Board should clarify guidance on recordkeeping for conference-related expenses**

**Recommendation**

We recommend that the Secretary of the Board

2. Provide additional clarity on divisions' responsibilities for maintaining records and supporting documentation related to Board-sponsored conference activities.

**Office of the Secretary's (OSEC) Response**

OSEC concurs with this recommendation. The division has prepared additional guidance for divisions on managing event-planning records, including receipts and financial documents related to an event, on its internal web site. Based on feedback from the divisions, OSEC will take any additional steps to implement the recommendation.

**Finding 3: The Board should update the Food and Beverage Request Form and clarify the *Official Meals Expenses Policy***

**Recommendations**

We recommend that the Director of the Management Division

3. Coordinate with Visitor Services to clarify in the *Official Meals Expenses Policy* the process divisions should follow to request approval to use non-Board facilities. The updated guidance should identify:
  - a. information to be included in the request.
  - b. responsibility for retaining the supporting documentation.
4. Amend the food and beverage request form to include fields for the following information:
  - a. the date the form was submitted.
  - b. a list of invitees.
5. Update the *Official Meals Expenses Policy* to include the following requirements:
  - a. if circumstances necessitate the extension of alcohol service beyond the 90-minute limit, Food Services or the division hosting the event should document the reason for the extension and document that proper approval was obtained.

- b. specify who has the authority to approve the extension of alcohol service beyond the 90-minute limit.

**Management Division's Response**

The Management Division concurs with the intent of recommendations three and five. Currently, Food Services in collaboration with OSEC, DFM and the Legal is reviewing and revising the *Official Meals Expenses Policy*. These recommendations will be incorporated into the finalized policy and the related food and beverage request form.

Concerning recommendation four, the present food and beverage request form is automated and consequently documents the submission date. In the future, the form will be modified to include fields for indicating the presence of external attendees and attaching a related listing. There will not be a requirement to submit lists of internal attendees.





## OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
CONSUMER FINANCIAL PROTECTION BUREAU

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