

DOE/IG-0429

AUDIT
REPORT

THE
U.S. DEPARTMENT OF ENERGY'S
X-CHANGE 1997: THE GLOBAL D&D
MARKETPLACE CONFERENCE



SEPTEMBER 1998

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES



DEPARTMENT OF ENERGY
Washington, DC 20585

October 16, 1998

MEMORANDUM FOR THE SECRETARY

FROM: Gregory H. Friedman
Acting Inspector General

SUBJECT: INFORMATION: Audit Report on "The U.S. Department of Energy's
X-Change 1997: The Global D&D Marketplace Conference"

BACKGROUND

The Department of Energy and Florida International University (FIU) cosponsored the "X-Change 1997: The Global D&D Marketplace" conference. The conference included speeches and workshops on decontamination and decommissioning topics, as well as exhibits of technologies presented by industry. It also included special events such as receptions and dinners that conference organizers intended to be paid for through corporate conference sponsors. The Department paid for the conference costs, but expected to recover the costs through registration and exhibit fees charged to conference attendees.

The audit was performed in response to a request from the Assistant Secretary for Environmental Management. Our audit objectives were to determine whether FIU had controls in place to ensure that public funds were used appropriately, and whether fiscal practices associated with the conference were consistent with Government requirements and Departmental policy.

RESULTS OF AUDIT

FIU implemented accounting and budget mechanisms to identify and control the sources and uses of funds. However, the absence of a Departmental policy on funding conferences resulted in questionable fiscal practices associated with the conference. The Department's plan to retain registration and exhibit fees was not consistent with Government budgetary and accounting requirements. The Department did not have specific statutory authority to retain these fees which constitute miscellaneous receipts that must be returned to the Department of Treasury. Additionally, there was questionable use of sponsorship funds and added conference costs to the Department.

We recommended that Department Headquarters officials develop a policy governing the sponsorship of conferences. In addition, we recommended that the Acting Manager (Manager) of the Chicago Operations Office recoup and return to the Department of the Treasury conference registration and exhibit fees, direct FIU to return to the Government the cost of benefits provided to sponsors, and disallow the cost of corporate sponsored activities.

MANAGEMENT REACTION

The Chief Financial Officer, in conjunction with the Office of General Counsel, the Office of Human Resources and Administration, and the Manager, indicated general concurrence with the recommendations made in this report. The Manager did not agree with the amount cited in the audit report that should be returned to the Department of the Treasury. The Manager also disagreed with the recommendation to direct FIU to return to the Government the cost of benefits provided to sponsors.

Management reaction and auditor comments are more fully discussed in the body of this report.

cc: Deputy Secretary
Under Secretary

The U.S. Department of Energy's X-Change 1997: The Global D&D Marketplace Conference

TABLE OF CONTENTS

Overview

The X-Change Conference 1

Funding the X-Change Conference

Details of Finding..... 3

Recommendations and Comments 7

Appendices

1. Scope and Methodology..... 10

2. Other Matters..... 11

Overview

INTRODUCTION AND OBJECTIVE

The Department of Energy and Florida International University (FIU), a state university, cosponsored the "X-Change 1997: The Global D&D Marketplace" conference (X-Change Conference) that was held December 1-5, 1997, in Miami, Florida. The purpose of the conference was to disseminate information on decontamination and decommissioning problems, solutions, and technologies to an international audience of government, industry, and academia. Through a contract with the Department, FIU was responsible for conference planning, organization, and logistical support. FIU awarded a subcontract to ICF, Inc. to work on the conference. ICF, Inc. is a major Department contractor with responsibilities for projects at Hanford, Argonne National Laboratory and Los Alamos National Laboratory.

Approximately 700 individuals paid to attend the conference. Of these, 280 were U.S. and foreign government representatives, about 340 were from industry and 80 were from academia. Attendees included representatives from European, North American, and South American countries. The conference included speeches and workshops on decontamination and decommissioning topics, as well as exhibits of technologies presented by industry. It also included special events, including receptions and dinners that conference organizers intended to be paid for through corporate conference sponsors.

The conference was estimated to cost about \$1.3 million, which organizers expected to recover through registration and exhibit fees charged attendees. As of April 30, 1998, the total conference costs were \$1.1 million, and revenue from registration and exhibit fees totaled about \$461,000. Conference organizers also collected approximately \$132,247 from corporate sponsors for the purpose of paying for receptions and dinners, which were not included in the overall conference costs.

CONCLUSIONS AND OBSERVATIONS

The audit was performed in response to a request from the then Assistant Secretary for Environmental Management. Our audit objectives were to determine whether FIU had controls in place to ensure that public funds were used appropriately and whether fiscal practices associated with the conference were consistent with Government requirements and Departmental policy.

FIU had implemented accounting and budget mechanisms to identify and control the sources and uses of funds. However, the lack of a

Funding the X-Change Conference

Government Requirements And X-Change Conference Activities

Conference organizers originally planned that the X-Change Conference would be self-financing and attempted to ensure that the cost of social events associated with the conference would not be paid for with Government funds. However, the Department and FIU were not successful in achieving these objectives. Specifically:

- The conference was not self-financing. Registration and exhibit fees collected for the conference were miscellaneous receipts that could not be used to reimburse the Department for the cost of the conference.
- There was questionable use of corporate sponsorship funds. Sponsors contributed funds that were used to pay for unallowable entertainment activities; however, the Department incurred the cost of benefits provided to sponsors. In at least one case, the sponsorship contribution was charged to another Department contract.
- There was an increased overall cost of the conference to the Government. The Department not only paid conference costs but also paid for its own employees and contractors to attend the conference.

The applicable requirements and the specifics of each of the above matters are discussed below.

Self-Financing Conference Activities

The Miscellaneous Receipts Statute requires that monies collected to reimburse the Government for expenditures previously made must be deposited as miscellaneous receipts with the Department of the Treasury. The Comptroller General of the United States has held that this provision applies in all cases unless there is a statutory authority to retain the monies collected (5 Comp. Gen. 289, 290).

The Department, through its Chicago Operations Office, cosponsored the "X-Change Conference" with FIU. Under the terms of a contract between the Department and FIU for research and the conference, the University would be reimbursed for conference costs incurred and all revenues from the conference would be returned to the Department. Accordingly, FIU collected and segregated approximately \$461,000 in registration and exhibit fees to be returned to the Department. Through

these fees, the Department planned to recoup conference costs so that the conference would be self-financing, and to use the recouped funds to fund the research originally planned in the FIU contract. This research had been halted prior to the conference.

Although the contract language and the program's stated intention was for all conference receipts to be recouped by the Department, the contract documents did not state any statutory authority to retain these funds. Furthermore, the Department's appropriations for FY 1997 and 1998 did not specifically authorize the retention of any funds resulting from sponsored conferences. We discussed this matter with the Office of the General Counsel who advised that absent specific statutory authority to retain funds, the conference receipts are likely to be considered miscellaneous receipts that should be returned to the Department of Treasury. Officials from the Office of Chief Financial Officer advised us that they were not aware of any specific authority granted by the Congress for the Department to retain conference receipts.

Use of Corporate Sponsorships

Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*, states that entertainment costs are unallowable and that any costs allocable to activities sponsored by industry or other sponsors may not be shifted to Federal agreements. Department of Energy acquisition regulations further provide that entertainment and advertising costs are unallowable for its management and operating contractors.

As part of the X-Change Conference, FIU solicited corporate contributions to fund social events that could not be paid for by the Department. These social events included dinners, receptions, a golf tournament, and a basketball game. Federal regulations prohibit the Government from paying for entertainment costs.

FIU had collected approximately \$132,247 in corporate sponsorship funds as of April 30, 1998. As part of the solicitation, corporations were offered a package of benefits, which varied depending upon their level of sponsorship. For example, a \$20,000 "platinum" sponsor received complimentary exhibit and demonstration spaces, two complimentary registrations, and various benefits including an advertisement as the exclusive sponsor of a conference breakfast. All of

the benefits provided to sponsors were paid for by the Department through its contract with FIU.

The Office of the General Counsel advised us that the Department should recover the cost of benefits provided to the sponsors. The portion of the sponsorship funds associated with registration and exhibit fees was approximately \$80,750. Sponsors also benefited from advertising on the Internet, brochures, conference programs, and mailings paid for by the Department as part of the overall conference promotion. We were not able to quantify the cost of these activities.

We noted that most of the corporate sponsors of the conference had either prime or management and operating contracts with the Department. Further, the sponsorship costs of at least one of the Department's managing and operating contractors will flow back to the Department. The contractor, a \$5,000 X-Change corporate sponsor, paid for the sponsorship package from a program development account, which is allocated to its clients. Contractor officials indicated that the Department would be allocated about 77 percent of the cost of the sponsorship contribution. Through this mechanism, sponsorship funds would be used to pay traditionally unallowable expenses and charged back to the Government through a corporate overhead account.

The cost of corporate sponsored activities also flowed back to the Department because FIU has billed the Department for breakfasts and coffee breaks that were sponsored by other entities as part of their contributions. FIU considered the costs of food service directly associated with the conference to be allowable costs charged to the conference. However, under the provisions of OMB-Circular A-21, the cost of industry sponsored activities could not be passed back to the Government. Sponsored breakfast and coffee break costs were \$24,714.

Cost of The Conference

The Department paid for the costs of the conference and also paid for registration and exhibit fees for its employees and employees of its contractors. About 700 attendees paid for the conference and approximately 40 percent¹ of these were either Department employees or employees of Departmental contractors. The Department paid for its

¹Eighty-nine Departmental employees and approximately 190 individuals who worked for Departmental contractors attended the conference.

employees to attend the conference. Furthermore, the cost of the conference also increased because contractor employees' attendance was an allowable charge to other Department contracts. As a result, the Department may have paid as much as \$184,000 in conference registrations and exhibit fees in addition to the overall cost of the conference.

Further, as previously noted, the Department will pay for part of at least one contractor's sponsorship contribution, which was used to pay for traditionally unallowable costs through that contractor's "program development account."

The Department Needs A Policy On Funding Conferences

The Department did not have a policy on funding conferences. The absence of policy allowed Department officials to draw differing interpretations concerning the X-Change Conference recoupment contract clause and its consistency with appropriation law.

Officials in the Offices of the General Counsel and Chief Financial Officer advised us that questions are received on a weekly basis regarding when registration and exhibit fees should be charged to the Department and its contractor employees. There were also questions about when fees can be retained or must be returned to the Treasury.

Similarly, there is no Departmental policy governing the solicitation of corporate sponsors to fund social events associated with sponsored conferences. As demonstrated above, the Department incurred costs in providing benefits to sponsors and was paying part of the costs of at least one sponsor's contribution. A policy is needed to ensure that the Department does not pay for otherwise unallowable costs through indirect methods such as corporate sponsors.

Management Of The Department's Costs For The X-Change Conference

Because the Department did not have a policy on conferences it sponsors, questionable fiscal practices occurred that increased the cost of the X-Change Conference to the Department. For example, registration and exhibit fees of \$461,000 should be returned to Treasury as miscellaneous receipts. The Department also incurred approximately \$80,750 in costs to benefit corporate sponsors. In turn, corporate sponsors contributed funds that were used to pay for unallowable entertainment costs. In addition to paying for all costs associated with sponsoring the conference, the Department also incurred registration and exhibit fee costs for its employees and contractors.

RECOMMENDATIONS

1. The Department's Chief Financial Officer, in cooperation with the Office of Human Resources and Administration and General Counsel, should develop a policy governing Department sponsorship of conferences to:
 - a. Clarify the treatment of conference funds, i.e., registration and exhibit fees. Specifically, the policy should describe conditions when such funds are miscellaneous receipts that must be returned to the Treasury and those conditions that would allow the Department to retain such funds.
 - b. Specify when and under what circumstances, if any, the Department and its contract employees should be charged registration fees to attend Department sponsored conferences.
 - c. Provide specific guidance on (i) the solicitation of private sponsorship funds to pay for costs of entertainment activities associated with Department conferences, (ii) incurring costs to solicit sponsors, and (iii) the allowability of reimbursing Departmental contractors for sponsorship costs.
2. The Manager, Chicago Operations Office, working in conjunction with the Office of Environmental Management, should:
 - a. Recoup from FIU and return to the Department of Treasury registration and exhibit fees unless the Department specifically identifies its authority to retain such funds.
 - b. Direct FIU to return to the Government from sponsorship funds the monetary value of free registrations and exhibit fees provided to corporate sponsors (approximately \$80,750).
 - c. Disallow \$24,714 in costs billed to the Department for corporate sponsored activities.

MANAGEMENT COMMENTS

The Chief Financial Officer, in conjunction with the Office of General Counsel, the Office of Human Resources and Administration, and the Acting Manager (Manager), Chicago Operations Office, commented on our report. They generally concurred with the points and recommendations made in the report. The Chief Financial Officer concurred with the recommendation to develop a policy governing the

Department's sponsorship of conferences, including policy on the treatment of conference funds, conditions when Department employees and contractors should be charged to attend such conferences, and on the solicitation of private sponsorship funds.

The Manager, Chicago Operations Office, generally concurred with the recommendation to recoup and return to the Treasury appropriate conference registration and exhibit fees. However, the Manager did not agree with the dollar amount cited in the audit report. He stated that the Department should not have paid for its employees and contractors to attend the conference. The Manager concluded that these fees should be deducted from miscellaneous receipts/collections to be returned to the Treasury. Accordingly, the Manager believed that \$184,400 of the \$461,000 should not be returned to the Treasury.

The Manager disagreed with the recommendation to direct Florida International University to return to the Government from sponsorship funds the monetary value of free registrations and exhibit spaces provided to corporate sponsors. The Manager stated that the Government was not harmed by the University's waiver of these fees because they would have been allowable costs that would have been reimbursed under the sponsor's contracts with the Department. Furthermore, the Manager stated that allowing the waiver was consistent with not charging Departmental employees and contractors for attendance at the conference.

Finally, the Manager requested additional documentation regarding the costs billed to the Department for corporate sponsored activities.

**AUDITOR
COMMENTS**

Management's comments are generally responsive to the recommendations. Regarding the Manager's disagreement with the dollar amount to be returned to the Treasury, the Chicago Operations Office should recoup the \$461,000 in registration and exhibit fees from FIU and return to the Treasury an amount consistent with the Departmental guidance to be developed on funding conferences. Regarding the Manager's disagreement with the recommendation to recover from sponsorship funds the value of free registrations and exhibit space, the Department should recover the Government's costs associated with generating sponsorship contributions. These contributions were used to pay for otherwise unallowable entertainment expenses. In at least one case, these contributions will be charged to

another Departmental contract, which means that the Department is indirectly paying for the conference's social activities. Non-Departmental contributors received benefits that should have generated revenue to offset the cost of the conference. Instead, they made contributions that were used to pay for the conference's social events.

We provided the Chicago Operations Office with additional documentation for the cost of sponsored activities that were billed to the Department.

Appendix 1

SCOPE

Our audit of the X-Change Conference was performed at the Chicago Operations Office; FIU in Miami, Florida; ICF Kaiser in Fairfax, Virginia; and the Department of Energy in Germantown, Maryland, from January to March 1998.

METHODOLOGY

To accomplish the audit objectives, we:

- reviewed Government and Departmental budgetary and accounting requirements;
- assessed the controls over the funds provided by the Department for the conference;
- reviewed the contract, subcontracts, and clauses relating to the conference;
- examined accounting records, receipts, and budgetary information including the Department's FY 1997 and 1998 appropriations; and
- reviewed additional conference and contract materials related to our objectives.

We also met with members of the Department's Office of the General Counsel and Office of Chief Financial Officer concerning recoupment and appropriations law and procurement laws and regulations. We held an exit conference with the Chief Financial Officer and the Assistant Group Manager for Environmental Programs of the Chicago Operations Office on March 18, 1998.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objectives. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. We did not conduct a reliability assessment of computer-processed data because such data was not relied upon during the audit.

Appendix 2

OTHER MATTERS

Based on limited testing, it was determined that Department employees were not reducing the per diem claimed on travel vouchers for meals provided at the X-Change Conference. At this conference, as part of the registration fee, breakfasts and lunches were provided. The Federal Travel Regulation, 301-7.12, and DOE Order 1500.2A provide guidance and tables on reductions to per diem for meals provided while on travel. This issue was not in the scope of our audit and is not addressed further in this report. However, the issue has been addressed in prior Office of Inspector General reports and is part of a review currently in process within the Office of Inspections. In separate correspondence to the Chief Financial Officer and the Acting Assistant Secretary for Human Resources and Administration, the Office of Inspector General discussed the need for corrective action.

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