



Treasury Inspector General for Tax Administration Office of Audit

REVIEW OF THE AUGUST 2010 SMALL BUSINESS/SELF-EMPLOYED DIVISION'S CONFERENCE IN ANAHEIM, CALIFORNIA

Issued on May 31, 2013

Highlights

Highlights of Report Number: 2013-10-037 to the Internal Revenue Service Chief Financial Officer.

IMPACT ON TAXPAYERS

Excessive spending by Federal agencies on management conferences has been highlighted by recent Inspectors General reports and the subject of congressional hearings. Effective cost management is especially important given the current economic environment and focus on efficient spending. TIGTA identified several ways the IRS could enhance controls over conference spending.

WHY TIGTA DID THE AUDIT

This audit was initiated to identify the IRS's spending on conferences during Fiscal Years 2010 through 2012. Our primary focus was on the August 2010 Small Business/Self-Employed (SB/SE) Division's All Managers Conference in Anaheim, California. This conference was selected because TIGTA received an allegation of excessive spending and it was the most expensive conference during this period.

WHAT TIGTA FOUND

The SB/SE Division conducted a conference for an estimated 2,609 SB/SE Division executives and managers at a reported cost of \$4.1 million at the Marriott, Hilton, and Sheraton hotels located in Anaheim, California. Procedures at the time of the conference did not require IRS management to track and report actual conference costs. As a result, TIGTA could not validate the conference cost reported by the IRS.

TIGTA determined that the IRS did not use available internal personnel to assist in searching for the most cost-effective location as required. Instead, SB/SE Division management approached two non-governmental event planners to identify a suitable off-site location for the conference. These two planners were not under contract with the IRS; hence they had no incentive to negotiate a favorable room rate for the IRS.

Instead, the three hotels paid the event planners an estimated \$133,000 commission based on the cost of rooms paid for by the IRS.

The IRS may have been able to negotiate a lower lodging rate to reduce conference expenses if it had not used non-governmental event planners and eliminated some of the negotiated concessions provided by the hotels (e.g., daily continental breakfast, a welcome reception with two drink coupons for all attendees, a significant number of suite upgrades). TIGTA also identified other questionable expenses related to the conference including planning trips, outside speakers, video productions, an information corridor, and promotional items and gifts for IRS employees.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS verify that costs are being tracked for recent conferences; track conference attendance; ensure that applicable IRS personnel are used to plan future conferences; develop procedures outlining the appropriate use of non-governmental event planners for IRS conferences; establish procedures related to planning trips, information corridors, videos, and other technology for future conferences; evaluate whether hotel upgrades should be used for future conferences; and ensure that taxable travel is identified and Forms W-2, *Wage and Tax Statement*, are issued to applicable employees.

In their response to the report, IRS officials agreed with all nine of TIGTA's recommendations. The IRS plans to issue additional guidance related to conference spending and attendance, tracking Continuing Professional Education credits, the use of event planners, soliciting upgrades, video productions, planning trips, and the conference approval process. The IRS also stated that it plans to issue Forms W-2 to all applicable employees.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2013reports/201310037fr.pdf>