



Treasury Inspector General for Tax Administration

Press Release

TIGTA - 2013-21
June 4, 2013

Contact: David Barnes
david.barnes@tigta.treas.gov

TIGTA Identifies Excessive Spending at the IRS's Anaheim, CA Conference

WASHINGTON – A division of the Internal Revenue Service (IRS) spent \$4.1 million on a conference in Anaheim, California in 2010 that included questionable expenses for planning trips, outside speakers, video productions, and promotional items and gifts for IRS employees, according to a report released publicly today by the Treasury Inspector General for Tax Administration (TIGTA).

TIGTA conducted its audit to identify the IRS's spending on conferences during Fiscal Years 2010 through 2012. The audit's primary focus was on the August 2010 Small Business and Self-Employed (SB/SE) Division's All Managers Conference in Anaheim, California, which was selected because it was the most expensive conference during the three-year period and because TIGTA received an allegation of excessive spending at that event. The conference was attended by over 2,600 IRS employees and held at the Marriott, Hilton, and Sheraton hotels in Anaheim.

As part of its audit, TIGTA found that the IRS held 225 conferences during Fiscal Years 2010 through 2012 for a total estimated cost of approximately \$49 million. The IRS reduced its spending on conferences from approximately \$37.5 million in Fiscal Year 2010 to \$4.8 million in Fiscal Year 2012.

"Excessive spending by Federal agencies on management conferences has been highlighted by recent Inspectors General reports and in congressional hearings," said J. Russell George, the Treasury Inspector General for Tax Administration. "Effective cost management is especially important given the current economic environment and focus on Government efficiency," he added. "Certain of the IRS's expenses associated with the Anaheim conference do not appear to be a good use of taxpayer funds."

Examples of the management control weaknesses and questionable spending TIGTA identified at the Anaheim Conference include:

- While IRS management provided documentation showing the final total costs at \$4.1 million, TIGTA could not obtain reasonable assurance that this amount represents a full and accurate accounting of the conference costs. The IRS paid for the conference primarily through unused funding, which would have lapsed, originally intended for hiring enforcement employees.

- IRS management did not use available internal personnel to assist in searching for the most cost-effective location as required by IRS policy. Instead, they relied on outside event planners who were not under contract with the IRS to identify possible off-site locations. These planners 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 should have tried to negotiate a lower lodging rate to reduce conference expenses, but instead it accepted negotiated concessions provided by the hotel for free breakfasts, free drink coupons, and suite upgrades
- The IRS reported that it expended \$50,187 on videos for the conference, but was unable to provide any details supporting this cost.
- IRS management contracted with 15 outside speakers for presentations at a total cost of \$135,350. Costs for outside speakers included a \$17,000 fee for a keynote speaker whose presentation included creating six paintings of famous people to reinforce his message of finding creative solutions to challenges. Two of the paintings were given away at the conference, three were donated to charity, and one was lost, according to IRS management. Another keynote speaker was paid \$27,500 which included a \$2,500 fee authorized for first class airfare.
- IRS employees made three planning trips at a cost of approximately \$35,800 prior to the conference.
- The IRS also paid over \$30,000 for 45 IRS employees who reside in the local area to stay at the hotels and incur per diem expenses while at the conference.
- Numerous gifts/promotional items were provided to attendees at an estimated cost of more than \$64,000.

Beginning in February 2011, the IRS issued a number of policy guidance documents to minimize spending on travel and conferences. In May 2012, the Office of Management and Budget issued guidelines which stipulate that agencies may not incur net expenses greater than \$500,000 for a single conference, and agencies must publicly report on their official website all conference expenses in excess of \$100,000.

TIGTA made nine recommendations to the IRS to ensure transparency and accountability in all future conferences. The IRS agreed to all nine recommendations and stated they had already begun implementation of several corrective actions in advance of the TIGTA report.

[Read the report.](#)

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Note: The difference between the date TIGTA issues an audit report to the Internal Revenue Service and the date TIGTA publicly releases the report is due to TIGTA's internal review process to ensure that public release is in compliance with Federal confidentiality laws.