

**Statement of James M. Martin  
Acting Deputy Chief Financial Officer  
U.S. Department of Housing and Urban Development**



**Before the  
Subcommittee on Federal Financial Management,  
Government Information and International Security  
Committee on Homeland Security and Government Affairs**

**United States Senate**

**February 7, 2006**

Chairman Coburn and other distinguished Members of the Senate Subcommittee on Federal Financial Management, Government Information, and International Security, thank you for the opportunity to testify before you today on the topic of “Federal Agencies and Conference Spending.” My testimony will focus on the nature, extent and benefits of conference spending at the U.S. Department of Housing and Urban Development (HUD). With ever increasing funding needs and competition for federal resources, it is important that every federal dollar be properly spent with a clear mission related purpose and benefit.

### **Nature and Extent of HUD’s Conference Spending**

HUD sponsors, co-sponsors, or approves staff to participate in conferences for various mission-related purposes, including:

- Program development, planning and information gathering;
- Program outreach and information dissemination; and
- Staff development and training.

HUD’s significant and diverse program activities serve millions of American households and most communities, and are delivered through thousands of third party program administrators, including: units of state and local government; public housing agencies; private mortgage lenders; non-profit and for-profit housing sponsors, developers and managers; and various faith-based and other community-based service organizations. HUD’s role in its program delivery is primarily focused on providing program support, monitoring and enforcement to better assure program funds are used for their intended purpose and benefit. Effective communication of program goals and requirements to program beneficiaries and third party program administrators is a critical component of HUD’s program control environment.

The Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government*, (GAO/AIMD-00-21.3.1, November 1999) provide the overall framework for establishing and maintaining adequate systems of internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement. GAO’s standards stipulate that:

*“For an entity to run and control its operations, it must have relevant, reliable, and timely communications relating to internal as well as external events. ...In addition to internal communications, management should ensure there are adequate means of communicating with, and obtaining information from, external stakeholders that may have a significant impact on the agency achieving its goals.”*

Most of HUD’s third party program administrators and program beneficiaries are represented by national and/or local associations or interest groups. HUD’s participation in conferences sponsored by or for these associations or interest groups is a cost-efficient way for the Department to communicate with its many program stakeholders. HUD’s participation in these types of conferences could range from a keynote speech from the Secretary or Program Assistant Secretary to a separate presentation or workshop on a new

or substantially revised program, requirement, or system. HUD also directly sponsors or co-sponsors conferences to focus on HUD-specific program issues.

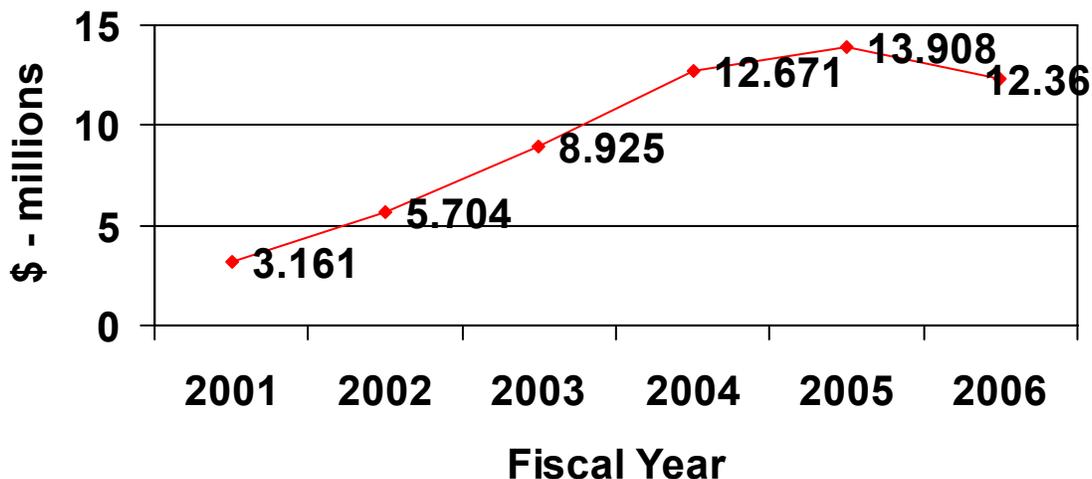
Another factor in an effective system of internal control is management's commitment to competence. According to GAO's standards:

*“All personnel need to possess and maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal control. Management needs to identify appropriate knowledge and skills needed for various jobs and provide needed training...”*

Some conference participation is to enhance the knowledge, skills and abilities of HUD staff to improve their job performance and support of HUD programs. For some staff positions -- such as accountants, actuaries, engineers or lawyers -- professional certifications with continuing professional education requirements are required or encouraged. Continuing professional education opportunities are often provided through conferences sponsored by professional associations.

In response to Chairman Coburn's request, HUD compiled information on the total amount spent on conference activities in fiscal years 2001 through 2005, and provided an estimate of the amount expected to be spent in fiscal year 2006. The following graph summarizes the annual conference cost information for fiscal years 2001 through 2006, and a more detailed cost breakout is provided in the enclosed chart.

## HUD Conference Costs FYs 2001-2006



Chairman Coburn also requested a full listing of conferences that received support from HUD in the most recent fiscal year, 2005. HUD's queries indicate it spent \$13.908 million to sponsor, co-sponsor or participate in 989 conferences in fiscal year 2005.

### **Internal Controls over Conference Spending**

As a general condition of HUD's conference participation, the subject matter or purpose of the conference must pertain to HUD's program mission and related strategic and annual plan goals, or to the requirements of a HUD employee's position description. HUD's mission is to *"increase homeownership, support community development, and increase access to affordable housing free from discrimination"* and its six strategic goals are to:

- Increase homeownership opportunities;
- Promote decent affordable housing;
- Strengthen communities;
- Ensure equal opportunity in housing;
- Embrace high standards of ethics, management and accountability; and
- Promote participation of faith-based and community organizations.

The list of 989 conferences supported by HUD in fiscal year 2005 readily tracks to HUD's mission and goals.

Although there is no specified limit on how much HUD can spend on conference support or participation, spending is limited by HUD's normal budget constraints. With the exception of certain program technical assistance funding sources, HUD's participation in conferences must be funded from its Salaries and Expense (S&E) Fund. While HUD was appropriated \$1.1 billion in S&E funds in fiscal year 2005, 92 percent of that funding is for fixed-type expenses, including staff salaries, benefits, facilities and telecommunications expense, leaving only 8 percent or around \$83 million for discretionary-type expenses such as contracted advisory and assistance services, travel, training, and conference participation. Since most of HUD's contracted services support mandatory requirements and significant travel is required to support an adequate level of program monitoring, little funding is actually available for training and conference participation. As shown in the above chart, estimated conference spending over the past five years ranged from a low of \$3.2 million in fiscal year 2001 to a high of \$13.9 million in fiscal year 2005. The \$13.9 million spent on conferences in fiscal year 2005 represented a small fraction of one percent of HUD's total enacted budget of \$33.7 billion that year.

Nearly \$4.4 million or 31 percent of HUD's total fiscal year 2005 conference spending was from public housing technical assistance program funds that were appropriated for such purposes. HUD must submit an annual technical assistance spending plan for Congressional approval before technical assistance funds can be used. The use of public housing program technical assistance funds for conference type activities has risen in recent years given the need to communicate significant changes in the programs that public housing agencies administer for HUD. The remaining \$9.5 million of fiscal year 2005 conference spending was funded out of HUD's S&E Fund.

Supervisory approval of conference participation is required, and is contingent on the availability of funding. This approval is normally requested and provided on Standard Form No. 182, “*Request, Authorization, Agreement and Certification of Training.*” Any required travel expense associated with conference participation is also separately requested and approved in the HUD Travel Management System. Any other expenses associated with HUD’s sponsorship, co-sponsorship or participation in a conference – such as conference facilities or equipment rental, materials development and printing costs, etc. – are processed through HUD’s normal acquisition approval processes. In some cases, logistical arrangements for HUD sponsored conferences are made by contracted service providers, rather than HUD staff, and costs are covered as part of the cost of the contract.

HUD has a special policy on the approval of any co-sponsored conferences with non-Federal entities to better assure the relationship is appropriate. Proposed co-sponsorships require the review and concurrence of the HUD Office of General Counsel before they can proceed.

HUD does not currently maintain an activity-based cost accounting system and cannot readily separate and report on the full cost of conference type activities without the use of ad hoc systems queries and manual analysis. Most conference type expenses are charged to one or more relevant budget object class codes, such as: 2100 for Travel; 2300 for Rent Communication & Utilities; 2400 for Printing & Reproduction; or 2500 for Other Services, which include service contracting and training activity. In responding to Chairman Coburn’s request for conference spending information for fiscal years 2001 through 2005, HUD queried its financial system to separate activity in these object classes and manually analyzed the information to separate the conference-related expense activity requested and provided in the enclosed chart.

### **Demonstrated Benefits of Conference Activities**

The relatively modest increases in HUD’s conference spending over the past five years have been largely due to a greater focus on promoting the Department’s strategic goals, such as increasing homeownership, promoting program participation by faith-based and community organizations, and reducing improper rental housing assistance payments through improved program guidance and tools for correctly determining subsidy levels. In each of these examples, it is believed that HUD’s program outreach through conference participation is a contributing factor to the increasing performance results, as follows:

#### Homeownership Rates

HUD’s core housing programs continue to contribute to increases in the overall national homeownership rate. Despite achieving the highest overall homeownership rates in history, minorities remain less likely than non-Hispanic whites to own their homes. To confront this gap, President Bush challenged the nation to create 5.5 million minority homeowners by the end of this decade. Since the President issued his challenge, nearly 2.5 million minority families have joined the ranks of homeowners and the Nation is on pace to meet the President's goal. HUD Programs such as FHA Mortgage Insurance,

Housing Counseling, HOME and the American Dream Downpayment Initiative help make the dream of homeownership a reality for many Americans.

Homeownership Rate Trend

Fiscal Year	2002	2003	2004	2005
Overall Rate	68.0	68.4	69.0	68.8
Minority Rate	48.9	49.3	50.9	51.2

Reduction of Improper Rental Housing Assistance Payments

HUD reduced its gross annual improper rental housing assistance payments by 50 percent since 2000. In 2003, improper payments were reduced to \$1.6 billion from the 2000 level of \$3.2 billion. In 2004, improper payments were further reduced to \$1.2 billion, a 61 percent reduction from 2000. HUD’s roll-out of improved computer matching techniques for program administrators to verify tenants’ income is an important contributing factor to reducing improper payments. HUD was the first Federal agency to achieve a green score on the President’s Management Agenda initiative on Eliminating Improper Payments.

Improper Rental Housing Assistance Payment Trend

Fiscal Year	2000 (Base)	2003	2004
Gross Amount	\$3.2B	\$1.6B	\$1.2B

Participation by Faith-based and Community Organizations

HUD continues its successful efforts to eliminate unnecessary barriers and increase participation by faith-based and community organizations. Due to a variety of efforts, more organizations are impacting the lives of society’s most vulnerable citizens. From FY 2002 to FY 2004, the number of HUD grants to faith-based organizations increased by 28 percent.

**Conclusion:**

Mr. Chairman, I hope that I have been able to shed some light on the controlled nature of HUD’s participation in conference activities and the benefits derived from those activities. That concludes my testimony and I stand ready to answer any questions the Committee may have on this topic.

## HUD SPONSORED & PAID CONFERENCES

Dollars in Millions

CATEGORIES	Estimate		ACTUAL			
	2006	2005	2004	2003	2002	2001
<b>Salaries &amp; Overtime (1100)</b>	\$6,360,929	\$6,855,877	\$6,329,342	\$5,517,003	\$1,892,353	\$837,878
<b>Travel (2100)</b>	1,465,925	829,800	1,082,860	849,493	707,924	371,972
<b>Rent &amp; Communication (2300)</b>	23,930	12,819	27,007	4,340	107	4,073
<b>Printing (2400)</b>	177,250	58,577	164,466	36,320	45,040	13,464
<b>Contractual Services (2500)</b>	2,092,211	1,786,362	2,361,454	2,223,791	1,852,935	198,213
<b>Office Supplies (2600)</b>	34,479	3,430	65,712	1,528	3,818	826
<b>Equipment (3100)</b>	5,000	3,750	3,300	0	0	4,045
<b>S &amp; E Totals</b>	\$10,159,724	\$9,550,615	\$10,034,141	\$8,632,475	\$4,502,177	\$1,430,471
<b>Program Funds</b>	2,200,286	4,357,678	2,636,826	292,077	1,201,532	1,730,274
<b>Total</b>	<b>\$12,360,010</b>	<b>\$13,908,293</b>	<b>\$12,670,967</b>	<b>\$8,924,552</b>	<b>\$5,703,709</b>	<b>\$3,160,745</b>