



Suzanne Flynn
Metro Auditor

600 NE Grand Ave
Portland, OR 97232-2736
TEL 503 797 1892, FAX 503 797 1831
suzanne.flynn@oregonmetro.gov

Date: July 11, 2012

To: Tom Hughes, Council President
Shirley Craddick, Councilor, District 1
Carlotta Collette, Councilor, District 2
Carl Hosticka, Councilor, District 3
Kathryn Harrington, Councilor, District 4
Rex Burkholder, Councilor, District 5
Barbara Roberts, Councilor, District 6

FROM: Suzanne Flynn, Metro Auditor

A handwritten signature in black ink, appearing to be "SF", located to the right of the "FROM:" line.

RE: Ethics Line Case #66

An anonymous report was received on Metro's Ethic Line in early May 2012. The employee reported that mileage reimbursement rules were applied inconsistently. Specifically, the employee was using a personal car for Metro work purposes and was not being reimbursed while other employees were reimbursed. The employee used the Ethics Line to anonymously report this concern and did not disclose which department was involved. As a result, I decided to conduct a limited scope audit to determine if this policy was applied consistently. The attached report is a summary of the work that was completed.

I have discussed the findings and recommendations with Martha Bennett, COO; Scott Robinson, Deputy COO; Teri Dresler, General Manager, Visitor Venues; Alison Kean Campbell, Metro Attorney, and Margo Norton, Director, Finance and Regulatory Services. I would like to acknowledge and thank the management and staff in the Departments who assisted me in completing this audit. A response by management is attached at the end of the report.

Ethics Line Case No. 66: Consistent application of mileage reimbursement policies

Background:

On May 10, 2012, Metro received a report on the Metro Ethics Line (Case #66) that mileage reimbursement policies were applied inconsistently. The person reported having to travel to different worksites. The reporter had previously thought that mileage was not reimbursed but had found out that some employees were reimbursed. Reluctant to speak to the department head, the reporter made an anonymous report and asked for assistance.

Scope and Methodology:

The purpose of this audit was to determine if mileage reimbursement policies were being applied consistently across Metro departments. I interviewed department directors about the application of Executive Order 63 on Travel Expenditures specific to mileage reimbursement. I analyzed mileage reimbursements and motor pool usage by department and employees for all Metro departments. Time period for the analysis was FY 2009-10, FY 2010-11 and a portion of FY2011-12. The Oregon Convention Center, the Expo Center and the Portland Center for the Performing Arts were excluded from the analysis because the complaint was interpreted to come from an employee who had access to the Metro fleet. Also excluded was travel related to training or education.

I performed this audit in accordance with generally accepted government auditing standards. Those standards require that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. I believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results:

Evidence suggests that the mileage reimbursement policy may be applied inconsistently. While my interviews were primarily with department directors, the following could lead to inconstant applications:

1. Most directors delegate this responsibility to middle managers and do not monitor usage or application.
2. There was variation in how directors interpreted the standard on which mileage reimbursement is based, specifically whether mileage can be reimbursed when the employee makes a choice to use their personal vehicle.

Further, once actual reimbursement and motor pool mileage were examined, there appeared to be some variation among and within departments. Additional scrutiny might find that the variation was completely reasonable, but some of the patterns raised questions. For example, for the time period examined:

1. Average mileage reimbursement per person who received it ranged from \$54 to \$1,112.

Department	Total Reimbursement* (July 1, 2009 to April 15, 2012)	Per Recipient
Research Center	\$54	\$54
Communications	\$502	\$167
Sustainability	\$3,194	\$200
Planning	\$1,161	\$232
Parks & Environmental Services	\$2,739	\$274
Zoo	\$5,011	\$418
Metro Attorney	\$3,413	\$427
Metro Council Office	\$7,243	\$1,035
Metro Councilors	\$6,674	\$1,112

* Excludes petty cash and travel for training events.

2. When recipient employees were placed on departmental organizational charts, there was not an immediate or apparent reason why some employees received reimbursement and others did not. (See attached organizational charts. Employees who received mileage reimbursement are circled.)

Recommendation:

1. Metro should reinforce how Executive Order 63 is to be applied with department directors and management who have signing authority over reimbursement requests.
2. The Chief Operating Officer should clarify how the standard of “employee choice to drive personal vehicle” should be applied and all employees should be notified of how the policy is applied.
3. Metro directors should review with their management team the mileage reimbursement patterns, as shown on the attached organizational charts, within the program units to determine if the policy has been applied consistently.

Attachments: Executive Order 63
Department organizational charts



Metro | Memo

Date: Monday, July 9, 2012
To: Suzanne Flynn, Metro Auditor
From: Martha Bennett, Chief Operating Officer *MJB*
Scott Robinson, Deputy Chief Operating Officer *SR*
CC: Senior Leadership Team

Subject: Management response to the Auditor investigation of Ethics Line Case #66: Consistent application of mileage reimbursement policies

This memorandum is management's response to the final report investigating Ethics Line Case 66 regarding inconsistent application of mileage reimbursement policies transmitted by your office. We appreciate your follow-up and due diligence in this investigation.

Under Metro's existing executive order 63 each Department Director is charged with the responsibility of determining the reasonableness of, necessity for, and method of, travel for their department's employees, provided that funds are available within the appropriate budget. In addition, the executive order provides clear guidance regarding approval and reimbursement consistent with IRS policies. As your investigation has noted, Metro's application of the existing policy would benefit from both an enhanced focus on standard application of the existing policy as well as additional communication of policy guidance.

Management agrees with the auditor recommendations and plans to undertake the following efforts:

Ensure directors are informed of their responsibilities under executive order 63.

Provide clarification to employees regarding the interpretation of the standard for "employee choice to drive personal vehicles." Employees will receive an all employee communication to clarify the policy.

Ensure department directors review mileage reimbursement policies and practices with their management teams to achieve consistency in application of the policy.

In addition, management would like to note that this executive order as well as others are currently undergoing rewrite into a new policy manual. As new policies are officially approved, all employees are required to read and acknowledge them through the online Metro Learning Center. Again, we appreciate the time and attention that you have placed on this matter.

Executive Order Number 63 (Revised)

Effective Date: September 9, 2002

Subject: Travel Expenditures

This Executive Order defines the procedures for requesting authorization and reimbursement for travel expenditures. The procedures outlined apply to all departments requesting travel authorization, expenditures and reimbursement for employees. This Order supersedes all previously issued Orders on this subject.

I. TRAVEL EXPENSES - GENERAL

Each Department Director is charged with the responsibility of determining the reasonableness of, necessity for, and method of, travel for their department's employees, provided that funds are available within the appropriate budget. Once such necessity has been determined, disbursement of funds for travel expenses shall be governed by these rules.

Employees shall exercise good judgment in carrying out activities related to travel on Metro business, and shall strive to limit travel costs by such measures as carpooling, staying at lower cost hotels, and sharing accommodations when applicable and appropriate. Any individual traveling for the benefit of Metro has the responsibility to keep accurate and complete cost documentation and to submit requests for prepayment and reimbursement in accordance with this Executive Order. It is not permissible for one employee to receive funds for an advance or reimbursement of expenses incurred or to be incurred by another Metro employee.

The Executive Order on travel has been developed with the Internal Revenue Service Regulations as its primary framework. The travel payment methodology used in this policy is defined as an Accountable Plan (IRS publication 535). If travel related expenses are reimbursed under a Nonaccountable plan, the reimbursements would be reported by Metro on the employee's IRS Form W-2, Wages and Tax Statement. By definition, an Accountable Plan assumes the following IRS criteria have been met:

- All expenses were incurred while on official Metro business
- The expenses were adequately accounted for within a reasonable amount of time
- Any excess reimbursements or advances were returned within a reasonable period of time

No expenditure of Metro funds will be allowed for transportation costs that are solely vacation related, nor shall expenditure of Metro funds be allowed for lodging, per diem, or other expenses for any additional travel time charged to vacation. There will also be no reimbursement to employees for commuting costs.

A. Local Travel

Local travel is defined as travel within a fifty-five (55) mile radius of Metro Regional Center. Under these guidelines, travel to Salem from Portland is considered local travel. Local travel will use the same accounting guidelines as established for out-of-town travel except that meals, per diem and lodging costs are not paid, unless included in the cost of conference (seminar) registration.

B. Out-of -Town Travel

Out-of-town travel is defined as any trip with a destination outside of a fifty-five (55) mile radius of Metro Regional Center. Employees who are authorized to take out-of-town travel are allowed per diem and lodging expense reimbursement as described in Section III.

II. APPROVAL AUTHORITY

An employee must receive authorization to incur travel-related expenditures, from the authority as outlined below, in advance of travel arrangements being made. This authorization will be evidenced, in writing, by the appropriate approval signature(s) appearing on travel expenditure or employee reimbursement requests submitted to the Accounting Division. The appropriate approval signatures are as follows:

- A. Department Director (or designee) approval shall be required for each employee travel expenditure or expenditure reimbursement request.
- B. Executive Officer approval shall be required for each Department Director travel expenditure or expenditure reimbursement request.

Significant changes in originally approved travel plans or costs require approval by the appropriate authority as outlined above.

Failure to comply with any of these provisions may result in Metro not paying for the travel expenditures incurred.

III. ADVANCE PAYMENT REQUEST PROCEDURES

Advance payment for travel expenses is normally to be limited to estimated costs for Per Diem and miscellaneous expenses. Transportation by common carrier is to be arranged through Metro's designated travel agent, as described in Section IV. Lodging arrangements may be made by Metro's designated travel agent. To pay for lodging expenses, travelers are encouraged to use either their Metro purchasing card or the departmental travel coordinator's purchasing card. Otherwise, Metro may pay for the costs directly through the issuance of a check in the amount of the quoted cost payable to the lodging establishment or employees may pay for lodging costs themselves and request reimbursement.

A. Procedure

If an employee requests a travel expense advance, the "Travel Authorization and Payment" form is to be completed, including all applicable approvals, and submitted to the Accounting Division. In order for the employee to be paid within the normal cash disbursement processing cycle, the form should be submitted to the Accounting Division in a timely manner.

Accounting will process the form and return a check to the traveler in the amount of the advance. The amount so drawn will be considered a debt owed to Metro by the payee from the date the check is made available to the employee.

To minimize processing costs, if the amount of expected travel expenses does not exceed \$50, the traveler is requested to pay the expenses and, upon return, request reimbursement.

B. Accounting for Advance Payments

To comply with IRS regulations, employees shall submit to the Accounting Division appropriate documentation for travel expense advances no later than sixty (60) days after the date of the advance. This requires that all expense documentation be attached to a copy of the originally completed and signed "Travel Authorization and Payment" form kept by the employee at the time of the advance.

"All expense documentation" is defined as all receipts for which expenses are being claimed and a written and legible summary that totals the receipts by expenditure category shown on the "Travel Authorization and Payment" form.

C. Sixty Day Limit

If no documentation for travel advances has been received by the Accounting Division within sixty (60) days after the date of the advance, the employee will be notified in writing of his or her delinquency. The

Accounting Division must receive complete documentation from the employee within five (5) working days of the date of the notice of delinquency.

Should the employee fail to provide the necessary documentation to the Accounting Division by the date specified on the notice of delinquency, the amount of the undocumented advance will be treated as taxable wages and subject to federal withholding taxes.

D. Actual Expenses Over/Under Estimate

If actual documented travel expenses are less than the amount of the advance; the employee shall owe Metro the difference and shall make payment to Metro when submitting the travel expense documentation to the Accounting Division. The payment to Metro must be received within thirty (30) days of the submittal of the travel expenses.

If actual documented travel expenses exceed the amount of the advance, reimbursement will be made to the employee within fourteen (14) days of the employee's submittal of all expense documentation (as defined above).

If reimbursement is requested for local travel (as defined in Part I) a "Payment Authorization" form shall be submitted attaching all necessary expenditure documentation.

If there are significant changes in the original travel cost estimates (i.e., increases in the number of days to be reimbursed for lodging or per diem), the changes must be approved in accordance with the "Approval Authority" procedures outlined in Section II above.

IV. USE OF DESIGNATED TRAVEL AGENT

- A. A travel agent shall be designated by the Executive Officer following a competitive selection process. The name of Metro's designated travel agent, and all other pertinent information regarding such agent shall be distributed in writing to all departments upon appointment of such agent. Further information is available from the Administrative Services Department.
- B. Because of contractual and payment arrangements, airline reservations must be made through Metro's designated travel agent unless a waiver is obtained from the designated travel agent before the travel is arranged. A separate waiver is required for each traveler for each event. If travel is booked without using the designated travel agent, and a waiver is not obtained, the travel may not be reimbursable.

- C. Special discounted airfare or hotel rates negotiated by a conference or professional association may be available. Metro's travel agent must be contacted to compare special airfare rates to other discounted airfare rates meeting the traveler's needs. If the travel is not arranged through the designated travel agent, a waiver must be obtained from the designated travel agent before the travel is booked.

V. TRAVEL EXPENSE ALLOWANCES

Reasonable travel expenses are generally allowable if they have been budgeted and are considered necessary to carry out the lawful business of Metro. Commercial transportation shall not be paid for with advance money. The travel agency or transportation company shall bill Metro directly. Specific travel allowances are provided below.

A. Transportation

Transportation may be authorized as follows:

1. Public Carrier or Metro Vehicle. Use of a public carrier or Metro vehicle is encouraged for local travel. Receipts will be required for all reimbursements (except in cases where receipts are not commonly provided, such as bus fare).

Use of a Metro vehicle for travel outside the State of Oregon or within Clark County, Washington is not allowed without the prior approval of the Department Director (or designee) .

2. Private Car. For local travel, use of public carrier or Metro car is encouraged, but reimbursement for use of a private vehicle may be allowed if authorized by the employee's Department Director (or designee). Mileage reimbursements will be based on travel to and from Metro, not to the employee's home.

If it is practical for the employee to use a public carrier or Metro vehicle for local travel, but the employee chooses to use a private vehicle, Metro shall not reimburse for use of the private car. The employee should be able to provide proof that a Metro car was not available before requesting reimbursement for a private car, unless they work at sites where there are no Metro cars or have a need to carry special gear or tools as part of their job duties.

For approved out-of-town travel, the Department Director (or designee) may authorize the use of the employee's private car. The following items will be considered when allowing

an employee to use a private vehicle for out of town travel; the cost of coach airfare, the cost of the mileage reimbursement, the cost of lodging and meals for car-travel days, the cost of normal wages and benefits for car travel days (unless accumulated leave is used), and other specific costs directly related to travel by automobile.

Reimbursement for use of a private car will be made at the rate published by the IRS. Employees are responsible for providing their own personal auto insurance coverage.

If Metro travel is combined with a vacation trip and a private vehicle is used for transportation, reimbursement will be at the lower rate of commercial (common carrier) transportation or mileage. For airfare, the lower of the following two items will apply: the coach rate with a fourteen (14) day advance payment and Saturday layover or the lowest government airfare rate available through the designated travel agent. In making this determination, the airfare must be based on the travel that would have taken place solely for the business portion of the trip, generally a return trip from Portland directly to the business destination. The employee is responsible for adequately documenting the quoted airline rate.

3. Ride Sharing. In a situation where several employees are to attend the same function and the transportation is to be by automobile, the ride shall be shared if practical. If use of a private car is authorized, mileage reimbursement shall be requested for only one vehicle. If mileage reimbursement is requested for more than one vehicle, the requests must be approved separately by the Department Director (or designee) or Executive Officer.
4. Rail. Metro will approve rail accommodations for out-of-town travel based upon Amtrak's coach fare rate and minimum distance requirement. Rail fare shall be ordered and paid for directly by Metro.

The following items should be considered when allowing an employee to use rail travel; the cost of coach airfare, the cost of rail travel, the cost of lodging and meals during the train travel, and the cost of normal wages and benefits for rail travel days. The cost of the rail fare and lodging on the train should not exceed the cost of the lowest airfare (given the guidelines stated below) plus the hotel Per Diem amount. If the costs of the rail fare and the lodging on the train exceed this amount, the traveler will be responsible for the difference.

5. Air. To take advantage of significant savings in airfare, Metro employees will be expected to arrange their travel itinerary to take advantage of the lowest available fare that corresponds to the departure times and direct routing which are required to conduct Metro business. This may involve a Saturday night layover if the total cost to Metro, including per diem and hotel accommodations, is less than cost of the ticket without the layover. Exceptions to this requirement must be approved by the Department Director (or designee) or Executive Officer, as appropriate.

Reasonable judgement should be used by the traveler and the administrative staff in determining whether the additional cost associated with a nonstop flight (or another flight that would result in a significant savings of travel time) is acceptable. The Department Director (or designee) will determine any questions relating to the reasonableness of the airfare and the time saving.

The use of Metro's designated travel agent is required to arrange airline travel due to contractual and payment arrangements. Please refer to Section IV regarding the use of Metro's designated travel agent for specifics.

Employees including additional destination(s) in their travel for non-Metro business shall pay for the difference between the travel that would have been taken for the business portion of the trip, given the guidelines stated above, and the cost of the airfare containing their personal travel portion. Employees must use their own personal charge card for the non-Metro-business portion of the travel expense, not a Metro purchasing card.

Employees combining business and personal travel should be cautioned that substituting non-refundable airline tickets for fully refundable airline tickets might result in a liability to the employee should the reason for the business travel be cancelled. Employees leaving on vacation prior to the business event will become responsible for all costs should the business event be cancelled at a point that all reservations could have been cancelled resulting in little or no cost to Metro.

6. Ground Transportation at Destination. Receipts must be submitted for reimbursement for taxi fares, rental cars and other costs of transportation to and from terminals and necessary to conduct the matters relating to approved out-of-town travel. Rental car expenses will be allowed only if

specifically authorized by the Department Director or Executive Officer, as appropriate. Reimbursement will be made on actual cost only, as supported by receipts.

7. Local Ground Travel. Airport parking and transportation between the traveler's office and Portland International Airport will be reimbursed only for reasonable charges.

B. Per Diem

When an employee is required to travel outside the Metro area to conduct official Metro business (including attendance at conferences and seminars), the employee is entitled to a meal Per Diem. The amount of Per Diem requested shall be indicated on the "Travel Authorization and Payment" form and approved per procedures outlined in Section II above.

The Per Diem allowance is made for the purpose of reimbursement for meals. No accounting or receipts are required for this portion of the reimbursement. If meal costs exceed the established per diem, full reimbursement will be provided on submittal of meal receipts for the entire trip. Travelers may chose to receive either per diem or reimbursement for each trip. No meal of a lavish or extravagant nature will be reimbursed. The purchase of alcoholic beverages with Metro funds is prohibited.

The daily Per Diem allowance shall be the allowance, by city, as published by the IRS. The most current Per Diem amounts can be obtained on the Internet at www.policyworks.gov/perdiem. When obtaining the Per Diem amounts from the Internet, it is required that documentation of the rate be attached to the Travel Authorization. Copies of the IRS Per Diem allowances are also available from the Accounting Division.

For the purpose of calculating the meal Per Diem rate, the following percentages will be used:

Breakfast	25% of the meal Per Diem
Lunch	25% of the meal Per Diem
Dinner	50% of the meal Per Diem

For overnight travel, on the initial day of travel, if the employee finds it necessary to leave:

<u>At or Before:</u>	<u>Per Diem Allowance Would Include:</u>
7:00 a.m.	Breakfast
12:00 noon	Lunch
6:00 p.m.	Dinner

On date of return, if the employee has:

<u>Returned At or After:</u>	<u>Per Diem Allowance Would Include:</u>
8:00 a.m.	Breakfast
1:00 p.m.	Lunch
7:00 p.m.	Dinner

For non-overnight travel, the employee is entitled to the following meal Per Diem:

Breakfast: The employee must be on travel status for two hours or more before the beginning of their regularly scheduled work shift to receive a breakfast allowance.

Lunch: No allowance is provided for lunch except in certain situations which may include an official business meeting where the meal is an agenda item and part of the meeting.

Dinner: The employee must be on travel status for two hours or more beyond the end of their regularly scheduled work shift to receive a dinner allowance.

Under no condition shall an employee be entitled to a meal Per Diem allowance if such meal is provided as a cost of meeting or conference (registration), air fare or other travel expense. If such meals are provided, a corresponding reduction in the Per Diem allowance shall be made. The primary responsibility for adjustments of this nature rests with the employee and shall be approved by the Department Director (or designee), however, the Accounting Division will review the documentation and adjust these items if determined to be appropriate.

C. Lodging

When out-of-town travel requires absence overnight, reimbursement will be made for the actual cost of reasonably priced lodging not to exceed the single occupancy rate established by the hotel (unless employees share accommodations). Receipts are required for reimbursement. No payment will be made for lodging in a private residence.

When requesting advance payment for hotel or motel, the amount requested must be the rate quoted when the reservation is made. Only this rate plus any local tax will be allowed on the final accounting, unless good cause is shown why the rate was exceeded.

Employees shall submit an occupancy tax exemption certificate when checking into the hotel for potential tax exemption. Copies of the exemption form may be obtained from the Accounting Division.

D. Telephone Expenses

A limited number of personal telephone calls during travel on Metro business are allowed. Employees shall be reimbursed for one (1) phone call home on the first day of travel as well as a personal call on every second day thereafter while on Metro business. Metro will reimburse the employee up to ten (10) minutes per call, or to a maximum of \$10.00 per call. Documentation must be provided to show the number of minutes per call or the dollar amount of the call. When authorized by Metro, employees will be provided with a Metro phone card. Employees are encouraged minimize phone expenses by using phone cards rather than dialing directly from their hotel room, which can be much more expensive. When Metro phone cards are not available, the employee shall provide receipts to be reimbursed for allowable phone calls.

E. No Personal Benefit from Metro-paid Travel

If a spouse/dependent accompanies a Metro employee on official travel, reimbursements for lodging shall not exceed that of the single occupancy government rate. Sufficient documentation will be provided to indicate the difference between the single and multiple occupancy rates. The employee will be personally responsible for any additional lodging costs.

VI. EXCEPTIONS

The Executive Officer may grant exceptions to the travel expenditure procedures included in this Executive Order. Any such exceptions must be requested in writing, and demonstrate good cause and exceptional circumstances.

VII. INTERPRETATIONS

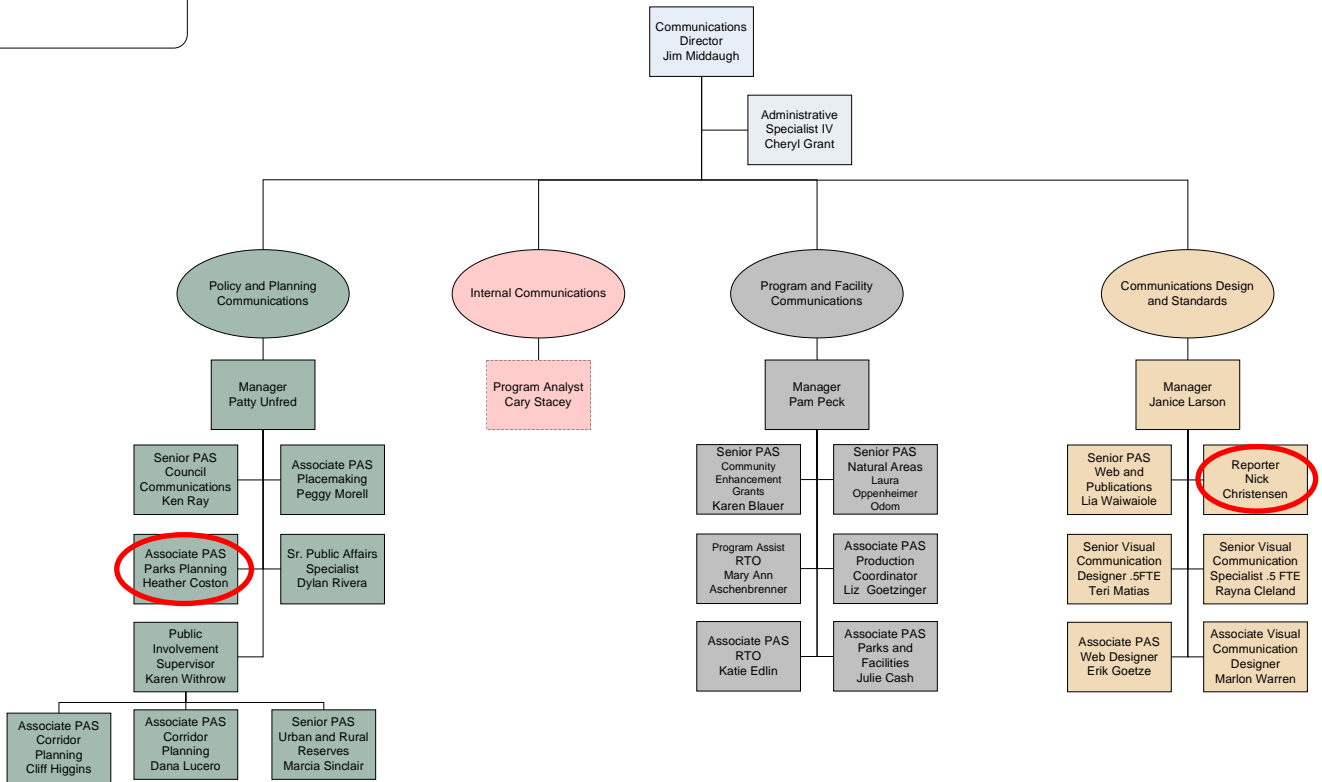
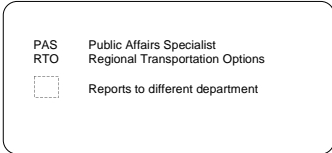
Instances may arise from time to time which require an interpretation of this Executive Order. Such interpretations are incorporated into this Executive Order by reference, provided they are in writing, dated, and signed by the Executive Officer; they will be kept on file with this Executive Order in the files maintained in the Office of General Counsel and the Office of the Executive.

ORDERED this 9th day of September, 2002.



Mike Burton, Executive Officer

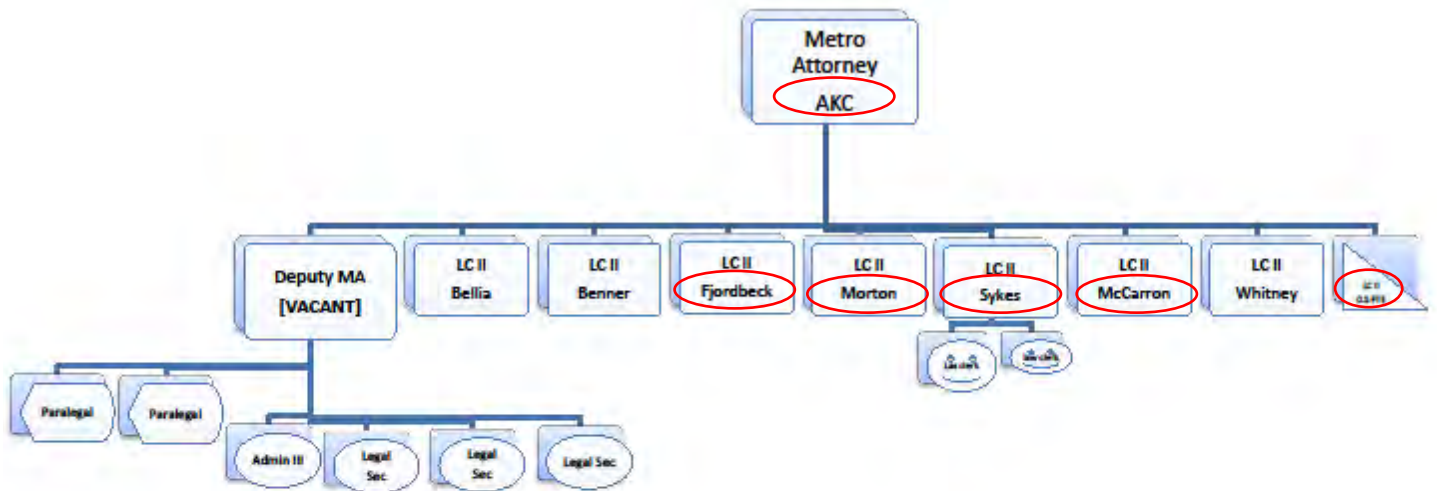
Communications



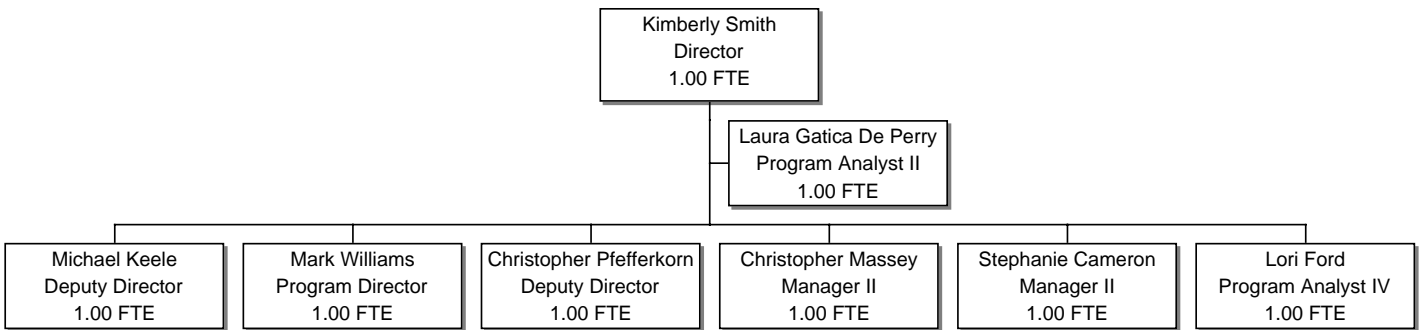
Ben Ramsden Stein

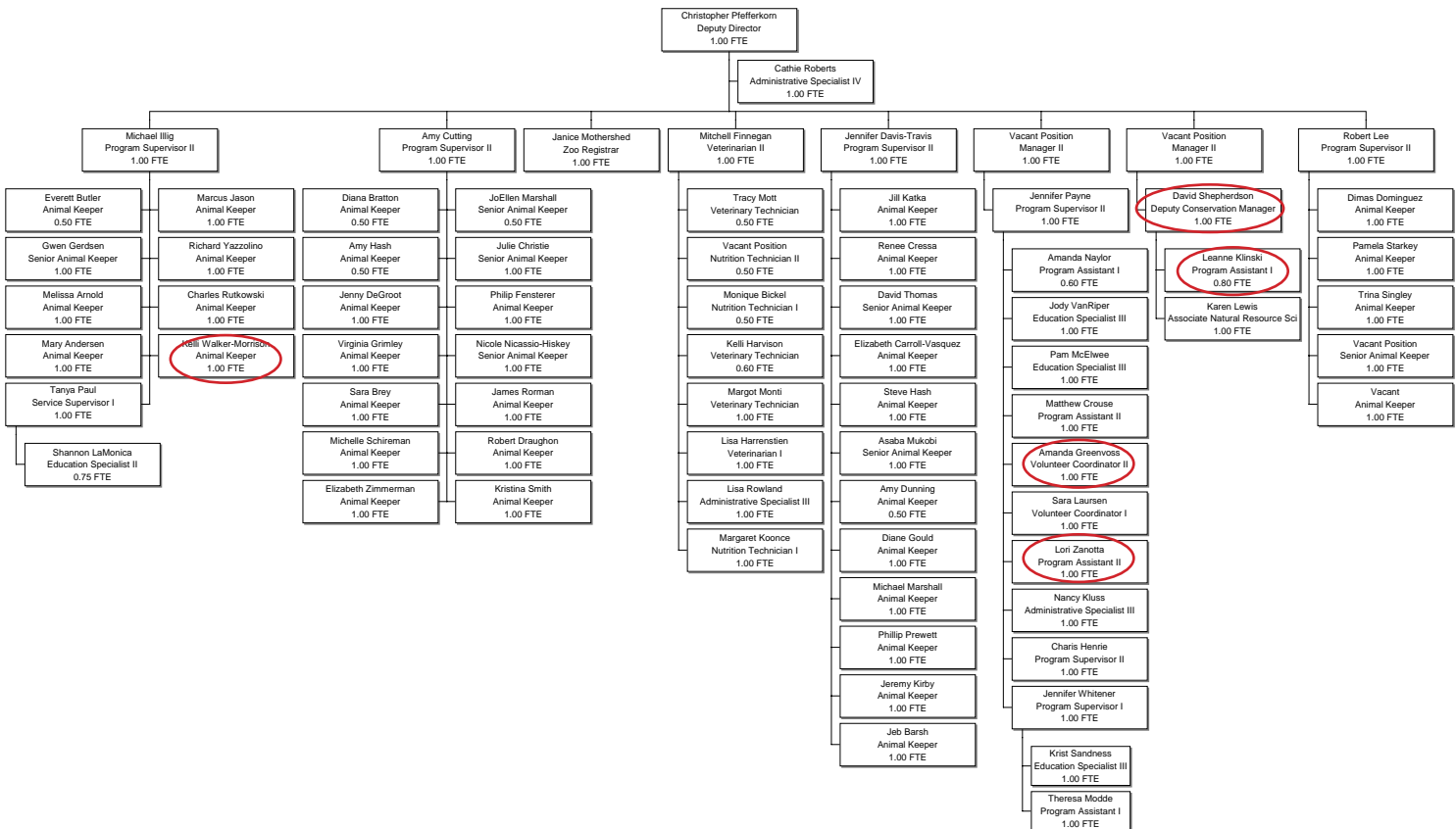
8 February 2012

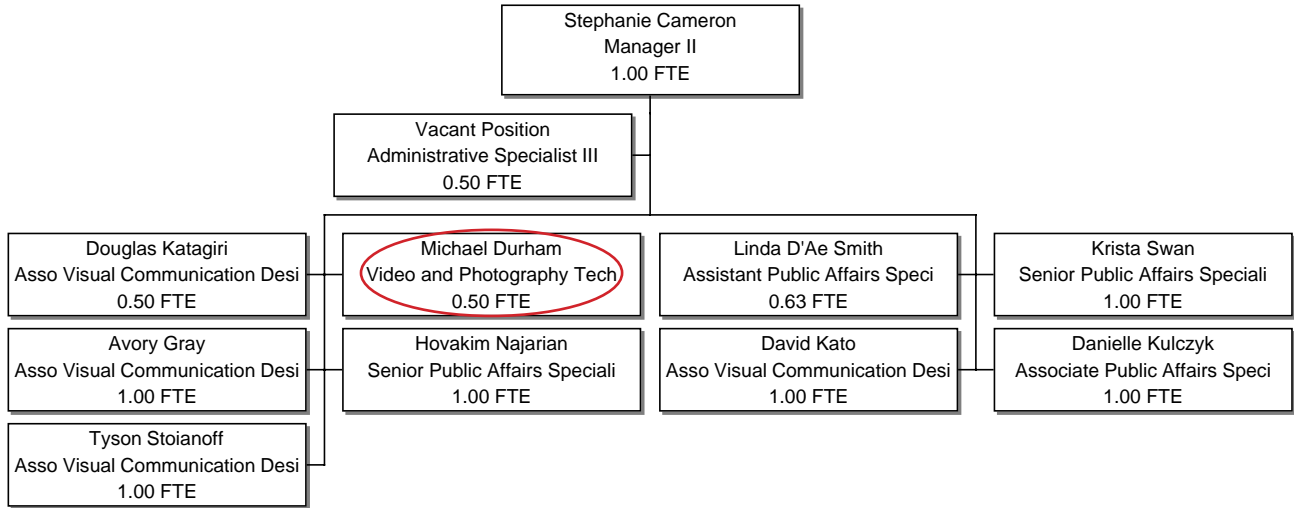
Office of the Metro Attorney



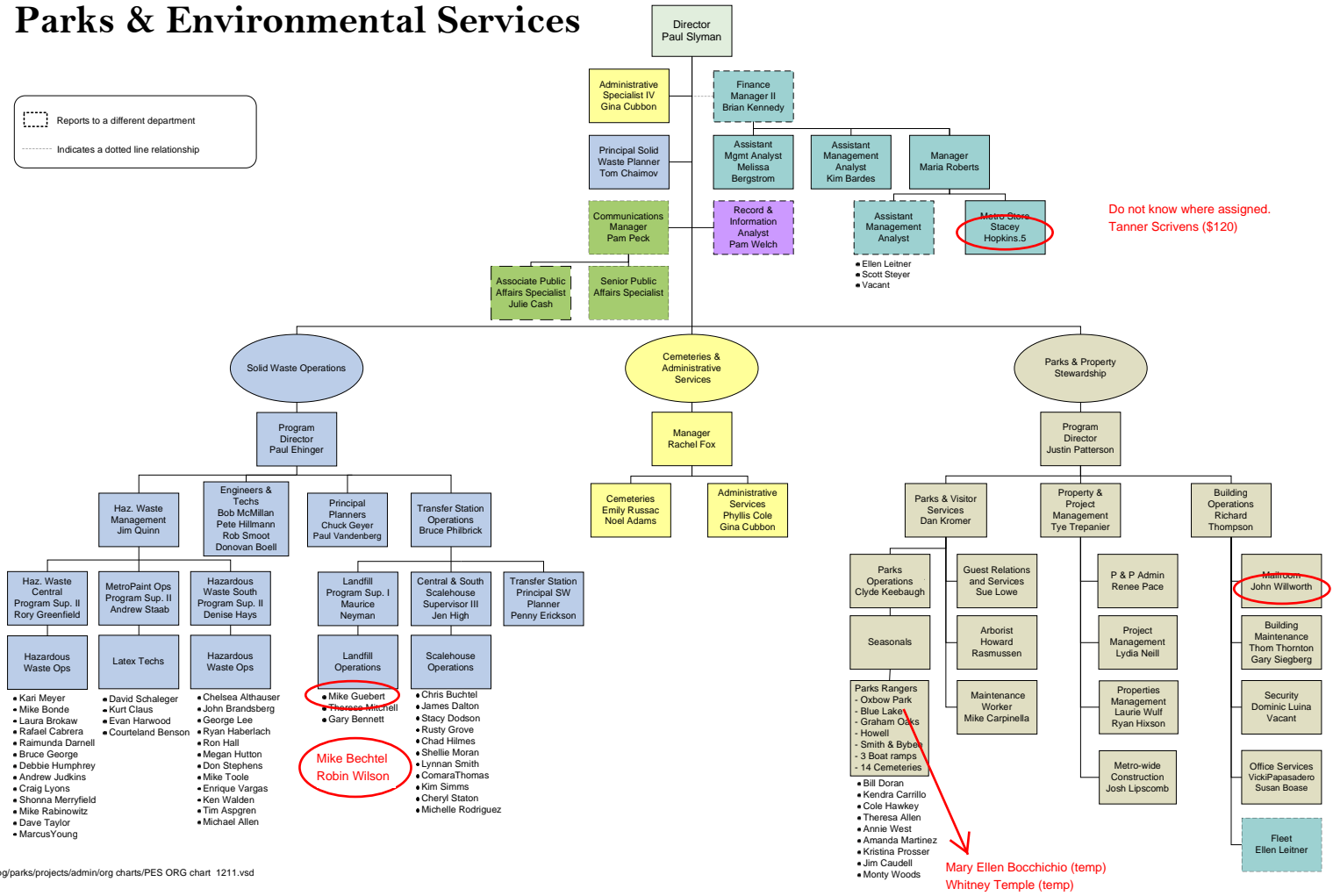
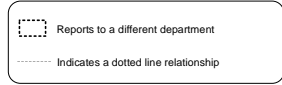
Oregon Zoo







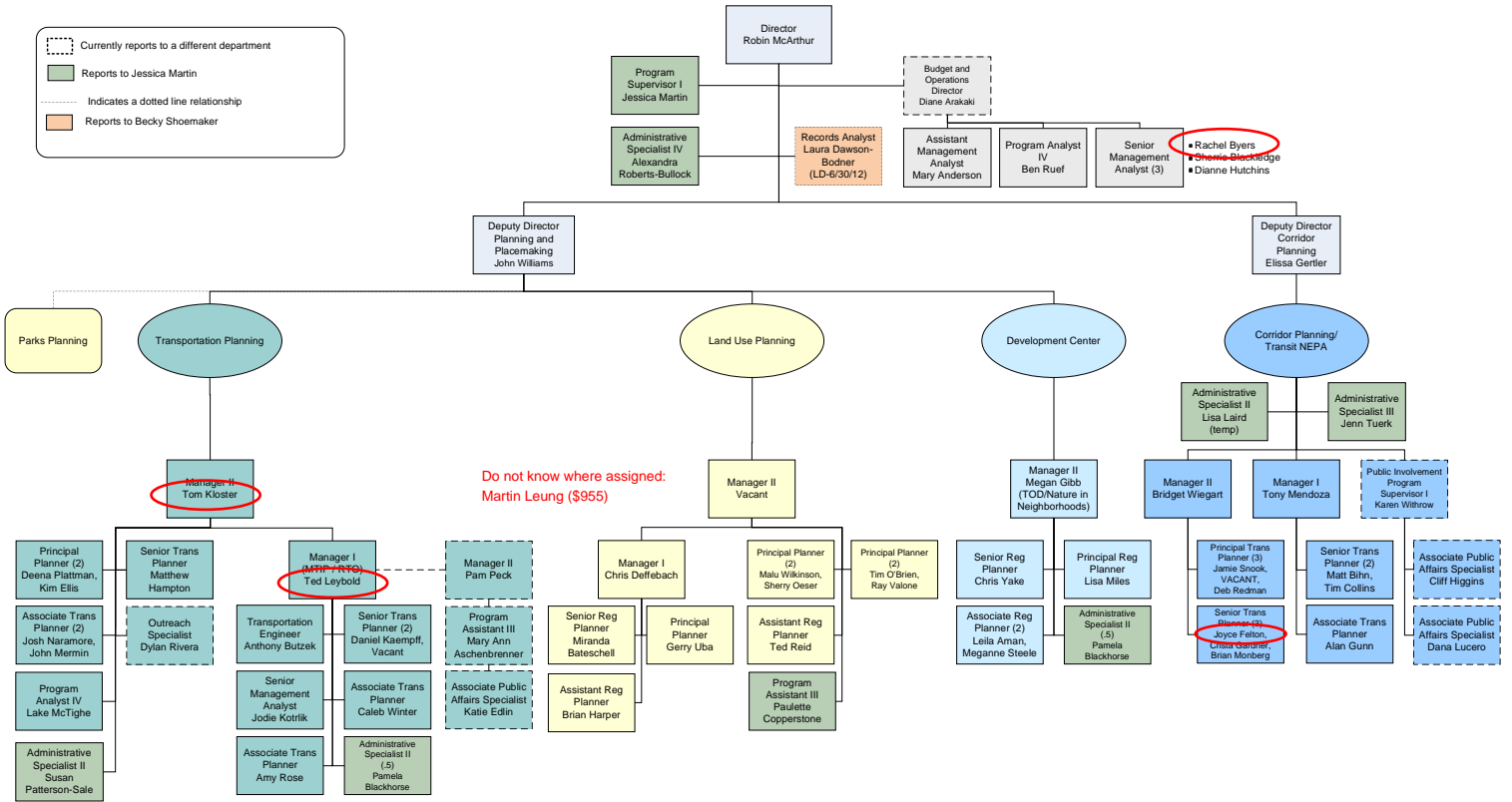
Parks & Environmental Services



m/rp/parks/projects/admin/org charts/PES ORG chart 1211.vsd

8 February 2012

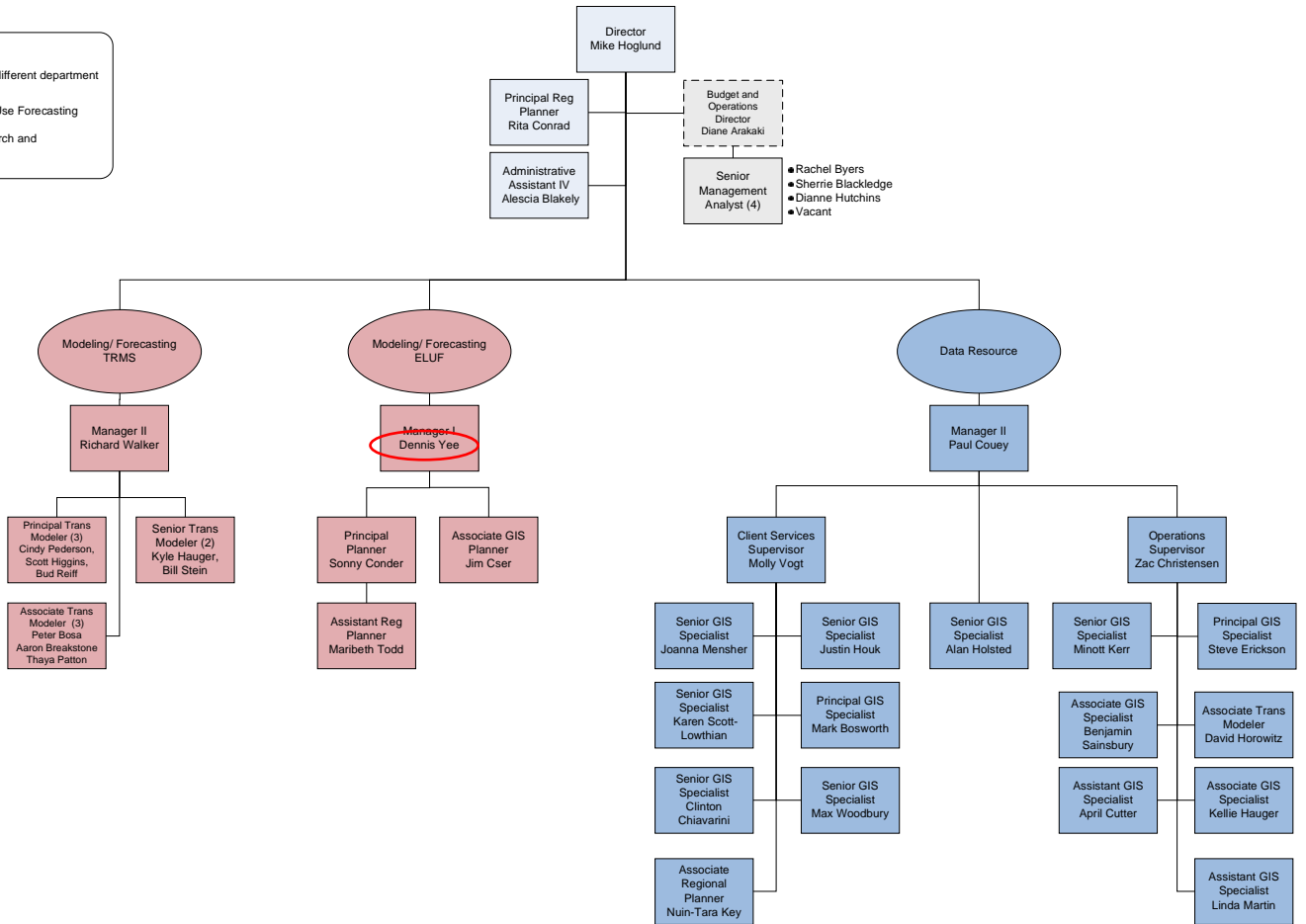
Planning and Development



30 November 2011

Research Center

 Currently reports to a different department
 ELUF Economic and Land Use Forecasting
 TRMS Transportation Research and Modeling Services



1 December 2011

Sustainability Center

