



# Metro

Office of the Auditor

## Sponsorship Expenditures Audit Follow-Up

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### SUMMARY

Metro made some progress on all of the recommendations from the 2014 audit report

**Sponsorship Expenditures: Strengthen oversight and clarify procedures.** All five recommendations were in process. As a result, some sponsorship decisions still lacked accountability and transparency.

### BACKGROUND

In June 2014, the Metro Auditor released an audit of sponsorship expenditures. The audit made five recommendations to increase accountability and transparency regarding decisions to fund sponsorships. Sponsorship expenditures are broadly defined as payments that associate Metro's name with support of another entity that is independent of Metro, and for which Metro derives a public benefit to achieve its goals and objectives. They do not include grants, dues, or memberships paid to other organizations.

Sponsorships are intended to increase the visibility and public awareness of Metro, and to build relationships. They include larger, designated contributions to regional coalitions and smaller awards to nonprofit organizations whose work aligns with Metro's outcomes and values or promotes transportation options. Sponsorships use funds from many departments and venues at Metro, including non-departmental special appropriations from the General Fund, as well as federal transportation funds. Some awards are made by pooling funds from multiple departments.

Some sponsorships are awarded through a request process that includes a request form, a 7-day notice to Metro Council for requests over \$1,000, and a post-event evaluation. Nonprofit organizations can request a sponsorship. Metro's guidelines state that these awards range from \$500 to \$1,500, and do not include partnerships or contracts. Metro also funded transportation-related sponsorships that have a \$5,000 maximum. Other sponsorships were approved during the annual budget process. They were listed in the non-departmental budget and ranged from \$2,700 to \$56,000 in fiscal year (FY) 2017-18.

This and the previous audit focused on sponsorships awarded through the request process. An interdepartmental team manages sponsorship requests. We chose requested sponsorships to see if they were evaluated consistently. Since the previous audit, total sponsorship expenditures increased by 33%.

Payments identified as sponsorships in Metro's accounting system totaled about \$525,000 in FY 2016-17. It's not possible to determine exactly how much of the total was made through the request process. We estimated about \$280,000 in FY 2016-17 may have been awarded using the request process, not including three

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of Metro’s venues. Management reported about \$102,000 were awarded that year, but that total does not include transportation-related sponsorships that were in the scope of the audit.

## RESULTS

Metro made some progress on each of the recommendations. We found that sponsorship procedures had been formalized, but they were not consistently followed. Metro made evaluation criteria available to the public and reported on sponsorships that were awarded. However, some payments did not meet the sponsorship definition. In some cases, this was because procedures were not followed. In others, exceptions were made to allow awards larger than the stated range. As a result, some of Metro’s sponsorship decisions lacked accountability and transparency.

### Exhibit 1 Audit recommendations from 2014 were in process

2014 Recommendations	Status
To increase accountability and transparency regarding decisions to fund sponsorships, Metro should:	
1. Formalize decision-making procedures and make them public.	In process
2. Report on sponsorships that were awarded.	In process
3. Assign administrative resources to support, monitor, and guide the practice.	In process
4. Provide clearer guidance on proper coding of sponsorship expenditure.	In process
5. Provide training to appropriate employees on procedures and the decision-making process.	In process

Source: Metro Auditor’s Office analysis

### Metro published sponsorship information

Metro made information about sponsorships available to the public. This increased awareness of sponsorship opportunities and how to pursue them. Evaluation criteria were published on Metro’s website. The website also described the purpose of sponsorships, level of support available, and award timeline.

Employees were also notified of procedures to award sponsorships. This increased the odds that decisions were made consistently and information about sponsorships was accurate. Metro’s internal website listed documents employees should use to manage sponsorship requests, including criteria to evaluate them.

Metro also started reporting publically on sponsorships that were awarded. This gave the public and requesting organizations some information about how Metro was using sponsorship funds. However, we determined the recommendation to report on sponsorships awarded was not fully implemented because the reported information was inaccurate.

**Sponsorship decisions still lacked accountability and transparency**

We found some payments that did not meet the sponsorship definition. Not following procedures made it difficult to determine how sponsorship decisions were made. It also made information Metro reported inaccurate. More oversight was needed to ensure procedures were followed, so that all sponsorships met the definition and requesters were treated equally.

We reviewed a sample of 16 payments to see if they met the definition. We found that half of our sample did not. There were cases where Metro was not recognized as a sponsor, did not support entities that were independent of Metro, or paid for memberships or partnerships (Exhibit 2). That meant Metro paid for things without fully benefitting from them.

**Exhibit 2 Sampled payments that did not meet the sponsorship definition**

<b>Organization</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
1000 Friends of Oregon	\$30,000	
Reaching and Empowering All People	\$10,000	
Portland Observer	\$900	
Northwest Public Employees Diversity Conference	\$500	
Glendoveer Golf and Tennis	\$364.96	
Oregon Native American Chamber	\$20	
National Association of Minority Contractors Oregon		\$3,000

*Source: Metro Auditor's Office analysis of financial records and supporting documents*

Some payments did not follow sponsorship procedures. This made it difficult to determine how decisions were made. It also made Metro more susceptible to accusations of favoritism and less likely to benefit from sponsorships. New procedures were introduced in November 2015. However, our sample revealed weaknesses in both new and old procedures.

In some cases, request forms were missing. Metro could be accused of favoritism if it cannot prove organizations were treated equally. In one case, we were told two different departments were involved in evaluating a request, but neither could provide information about how the award was made. Without this information, it was difficult to determine which process Metro followed to evaluate the request.

In other cases, post-event evaluations were not completed. If sponsored events are not evaluated, Metro cannot verify that intended benefits were received or determine which events were successful. This information could help prioritize funds if requests increase. Post-event evaluations did not occur because they were viewed as optional. Not evaluating all sponsorships resulted in uneven feedback.

In some cases, awards were made that were significantly larger than the stated range of \$500 - \$1,500. Our sample included an award that was 20 times larger than the stated range. Although the size of these awards was

similar to the ones made through the annual budget, they were awarded using the procedures designed for smaller awards. Using procedures for unintended purposes could result in unintended outcomes.

Documentation for these awards showed they were intended to be part of a new community partnerships program. However, the awards were made at least five months before the program's approval by Metro Council, and neither of them were included in the community partnerships program. This made the intent of the awards even less clear.

The information Metro reported on sponsorships was inaccurate. This reduced the public's ability to determine who was sponsored and how much was awarded. The following factors made the reported information insufficient:

- **Awarded amounts were not included.** This made it hard to tell the levels of support organizations received and whether they fell within the range Metro said was available.
- **Organizations that did not receive sponsorship funds were included.** Ten organizations Metro reported it had sponsored during FY 2015-16 to FY 2016-17 could not be identified in the accounting system for sponsorship expenditures.
- **Some payments that did not meet the sponsorship definition were included.** Including these payments overstated the extent of sponsorships Metro awarded. For example, if two payments in our sample were excluded, it would have resulted in \$40,000 or 15% less in FY 2015-16.
- **Some sponsorships were not included.** Three sponsorships in our sample were not included in lists of sponsored events and activities. Following procedures would have given them a better chance of being tracked and reported.

Sponsorship reports also lacked consistency because the same information was not reported each year. This made trends difficult to identify because the information was not comparable. More information was reported in FY 2015-16 than in FY 2016-17. The lists of sponsorships awarded were also posted in different places. FY 2015-16 sponsorships were included in the end-of-year management report. FY 2016-17 sponsorships were posted directly on Metro's website. Reporting in two locations made the information less accessible and useful to the public.

More oversight was needed to ensure procedures were followed. Metro created an interdepartmental team to manage sponsorship requests. Assigning responsibility to multiple people made it unclear who had the authority to take action if problems occurred.

Having more people involved also required more internal communication and coordination. Team members used a spreadsheet to track sponsorship requests, but management did not review it. As a result, errors and omissions went uncorrected. Missing information made it difficult to determine whom to contact with questions about individual requests. Requests that were not

tracked in the spreadsheet required several email exchanges with different staff to determine how decisions were made. Reviewing the spreadsheet for accuracy and completeness could improve request tracking and reporting. It would also provide an opportunity to identify and address common issues faced by the interdepartmental team.

Training appeared to be another challenge. Some interdepartmental team members were trained on sponsorship procedures by being involved in developing them. After the procedures were finalized, they were expected to provide direction and information to new team members as needed. However, the team met infrequently after procedures were developed, so there were few opportunities to learn or develop consistent approaches to address challenges.

## **METHODOLOGY**

Our audit objective was to determine whether recommendations from the 2014 audit were implemented. The scope of this audit covered Metro's sponsorship expenditures from FY 2015-16 to FY 2016-17. Like the previous audit, we excluded the following venues from our scope: Oregon Convention Center, Portland's Centers for the Arts, and Portland Expo Center. These venues were not included because the previous audit focused on weaknesses identified in other departments.

To determine whether sponsorship procedures were being followed, we reviewed sponsorship information on Metro's internal and external websites. We also reviewed public reports of sponsorship awards and sponsorship payments in Metro's financial accounting system. To determine whether payments met the sponsorship definition, we selected a sample of payments and reviewed supporting documentation.

We used our professional judgment to select our sample, so the results of our review may not apply to all sponsorships. We used this sampling method because the exact population of sponsorships was impossible to determine. We chose payments coded as sponsorships in the financial accounting system from various groups to ensure representation, excluding payments to other governments and designated contributions.

This audit was included in the FY 2017-18 audit schedule. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



# Memo

Date: June 15, 2018  
To: Brian Evans, Metro Auditor  
From: Ina Zucker, Council Office Director  
Cc: Martha Bennett, Chief Operating Officer  
Subject: Management Response to Sponsorship Expenditures Follow-Up Audit

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Thank you for the opportunity to respond to the recommendations in the Sponsorship Expenditures Follow Up Audit. As you know, the Council Office and the other departments that manage sponsorships have been committed to improving the transparency and effectiveness of Metro’s sponsorship decisions and dollars.

Recommendation 1: Formalize decision making procedures and make them public.

Response: Metro maintains information on our external-facing webpage about how decisions are made on requests for sponsorship, including the purpose of sponsorships, and standardized eligibility and criteria guidelines. Internally an inter-departmental team processes sponsorship applications, and applies the criteria to evaluate requests. We will continue to improve the process for considering, tracking, and coding sponsorship requests to eliminate as much as inconsistency as possible.

Recommendation 2: Report on sponsorships that were awarded.

Response: The sponsorship team tracks each year’s awards. In the past, the list of awarded sponsorships was published in the end-of-year management report but to increase transparency and accessibility, the list is now available on Metro’s website. Some information on sponsorships was included in the management reports that was not appropriate for the website. We will continue to improve and standardize the information that is reported on awarded sponsorships, and work to minimize reporting inaccuracies.

Recommendation 3: Assign administrative resources to support, monitor, and guide the practice.

Response: Management relies on department directors to assign a sponsorship liaison for each department. The inter-departmental team that supports the sponsorship process includes many dedicated administrative and program staff. While the overall goals of the sponsorship program are shared across Metro, each department enjoys different opportunities and has diverse considerations in evaluating sponsorship requests such that the current structure provides the greatest breadth for careful evaluation of requests. We agree that some greater oversight of the inter-departmental team at the management level will improve the process.

Recommendation 4: Provide clearer guidance on proper coding of sponsorship expenditures.

Response: Overall, the correct use of sponsorship coding by staff has improved but there is still room for growth in this area. The support documents utilized by the inter-departmental team have provided a stronger understanding as to what type of expenditure qualifies as a sponsorship. Beyond that, minimizing human error in the mechanical aspect of coding expenditures is desirable. To improve accuracy of coded sponsorships management could scrutinize coding on a quarterly basis to correct errors and provide feedback to staff.

Recommendation 5: Provide training to appropriate employees on procedures and the decision making process.

Response: Currently sponsorship inter-departmental team members collaborate in educating new team members about the resources available on the Metronet regarding sponsorship procedures and decision making process. To improve this training, management will convene the inter-departmental team more frequently throughout the year, and create a training checklist for new team members to ensure more reliable understanding of sponsorship procedures.