



Suzanne Flynn
Metro Auditor

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

MEMORANDUM

May 4, 2011

To: Teri Dresler, General Manager, Visitor Venues
Dan Cooper, Acting Chief Operating Officer

From: Suzanne Flynn, Metro Auditor

A handwritten signature in black ink, appearing to be 'SF' or similar initials.

Re: Procurement card use

During our audit of Management of Large Contracts, we reviewed meal and travel records to determine if employees who administer contracts had accepted travel or gifts from contractors. We did not find any indications of gifts or travel being received from contractors during calendar years 2008-2010. However, in the course of our review, we discovered examples that caused us to question the appropriateness of purchases made using MERC procurement cards (pcards). The expenditures we reviewed did not by themselves constitute intentional abuse. We are not planning to conduct additional review of these purchases during this audit, but we think they warrant your attention.

Improper Documentation

There were two examples where the receipt used to document the travel expenditure was not for the purpose stated on it. In both cases, the receipt was used to document payment for lodging at a hotel but the actual receipt was for meals at a hotel. It is possible that an error was made when documenting the purpose of the expenditure, but one of the examples showed indications of intentional abuse. The warning signs we found included:

- The receipt was dated a day before the employee arrived at their destination;
- The receipt was filled out and signed in pencil;
- The receipt was not a typical computer generated hotel folio/receipt listing room rates and taxes. All that was listed was a total amount; and
- The receipt contained a line for writing in an amount for a tip, which is not common on receipts used for lodging.

Questionable Expenditures

In addition to these receipts, we found indications of questionable purchases by a few pcard users. These purchases form a pattern of behavior that indicates MERC's pcard policies and procedures may not be effective to ensure pcards are used only for approved business purposes. We found four examples of bottles of wine and champagne, including a \$90 bottle of wine purchased as gifts and mailed to individuals. There was another example of an employee using their pcard for wine tasting with the representative of another organization. MERC's current policies are silent about gift and alcohol purchases, although previous policies provided for a "...modest amount of alcohol...with some

receptions or meals...” The travel policy that is currently in effect, states “[m]eal expenses for non-employees...may be reimbursed provided the claim details the business-related purpose of the hospitality.”

There were two examples of an employee using a pcard to make charitable contributions to organizations. These donations came in addition to sponsorship amounts and/or membership dues to the same organizations. We question whether these donations were approved business expenses.

There were several transactions where a pcard was used to pay for expenses that were incurred for employees’ service on the board of directors of another organization. These purchases were later reimbursed by the other organization. Although there was no net cost to MERC, these transactions raise questions about the distinction between business and personal use of MERC pcards. It may not be appropriate to use a MERC pcard for expenses incurred for personal service on a board of directors. In one year, an employee charged just over \$22,000 on a MERC pcard that was later reimbursed.

Finally, we noticed a pattern of pcards being used to pay for meals at business meetings. Some meetings were between outside parties and MERC staff, while others only involved MERC employees. This practice was most prolific at the Portland Center for the Performing Arts (PCPA), which accounted for 59% of total MERC expenditures on meals and entertainment in calendar years 2008-2010. These types of expenditures declined from 2008 to 2009 but increased again in 2010 due to increased expenditures at PCPA.

MERC Meals & Entertainment Expenditures (Calendar Years 2008-2010)

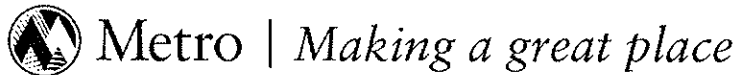
Venue	2008	2009	2010	Total	% of Total
Portland Center for the Performing Arts	\$31,235	\$20,971	\$27,276	\$79,483	59%
Oregon Convention Center	\$15,963	\$6,872	\$4,535	\$27,370	20%
MERC Administration Office	\$10,356	\$8,669	\$7,842	\$26,866	20%
Exposition Center	\$421	\$667	\$530	\$1,618	1%
Total	\$57,975	\$37,179	\$40,183	\$135,337	100%

Several meals cost in excess of \$50 a person. Some examples include meals at:

- Carafe for \$72.83 per person;
- Higgins for \$71.95 per person;
- Andina for \$70.78 per person;
- Heathman for \$66.30 per person;
- Newport Seafood Grill for \$51.40 per person.

MERC’s policy provides flexibility in determining reasonable rates for meal reimbursement and “hospitality expense(s).” Venue Directors and the General Manager are responsible for determining what is reasonable. The information we reviewed included clear documentation for who attended meetings and what was discussed, which was in compliance with MERC’s policies. Nonetheless, the per person costs for meals at business meetings seemed high. As a point of reference, the recognized per diem rate for meals in the Portland area is \$16 for a lunch and \$34 for dinner.

We recommend that management review MERC’s policies and procedures to ensure there is clear guidance to employees about acceptable expenses and sufficient controls to ensure policies are followed.



May 3, 2011

To: Suzanne Flynn, Auditor

From: Dan Cooper, Acting Chief Operating Officer
Teri Dresler, General Manager, Visitor Venues

Re: Management response to **Management Letter – Procurement Card Use**

MERC maintains policies relative to how to handle business travel meals, but does not have established policies to address hospitality meals reimbursement nor does it define a standard of reasonableness for those expenditures.

A process has begun to review existing MERC policies related to business / hospitality meals. A more clearly defined policy and procedures will be developed describing appropriate expenditures, expenditure limits, documentation and appropriate approvals process.

The proposed policy will require approval by the MERC Commission. Training addressing the new policy and management responsibilities will be conducted upon approval and implementation of the policy.