



OFFICE OF GOVERNMENT RELATIONS

Expense documentation and approval
process can be improved

A REPORT FROM THE CITY AUDITOR
September 2005



Office of the City Auditor
Portland, Oregon



CITY OF
PORTLAND, OREGON

OFFICE OF THE CITY AUDITOR
Audit Services Division

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September 22, 2005

TO: Mayor Tom Potter
Commissioner Sam Adams
Commissioner Randy Leonard
Commissioner Dan Saltzman
Commissioner Erik Sten
Mark Landauer, Acting Director, Office of Government Relations

SUBJECT: Audit of the Office of Government Relations, Report #325

Attached is Report #325 containing the results of our audit of the Office of Government Relations expense documentation and approval process. Written responses from the Mayor and Acting Director are attached to the report.

We ask that the Director of the Office of Government Relations prepare a status report in one year detailing steps taken to address the recommendations contained in our report.

We appreciate the cooperation and assistance we received from personnel in the Government Relations Office.


GARY BLACKMER
City Auditor

Audit Team: Drummond Kahn
John Hutzler

Attachment

OFFICE OF GOVERNMENT RELATIONS:

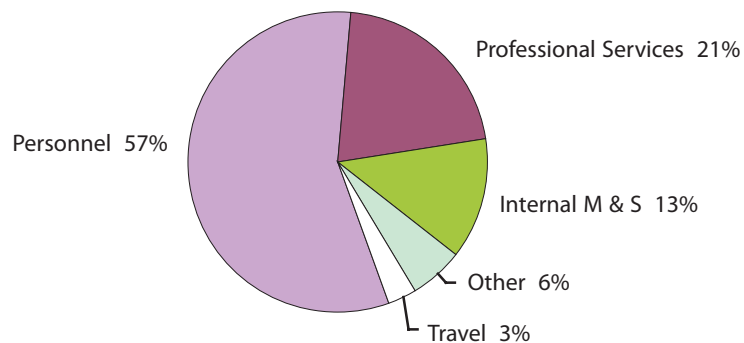
Expense documentation and approval process can be improved

Introduction/ Background

The City of Portland Office of Government Relations (OGR) provides government representation for all City bureaus and offices, the Mayor, and members of the City Council in advancing City objectives with the Congress, the State Legislature, and other governments. It has a current budget of \$750,347, which includes salary and benefits for four full-time employees. Two positions are currently filled. Based on Council interest and within our approved annual audit plan category of "Cost and Compliance", we conducted this audit to determine whether reimbursed expenditures by the Office of Government Relations occurred within City policy and procedure, and to determine whether any significant concerns or weaknesses in this area should be addressed by the office.

The OGR budget is comprised mostly of Staff Salaries and Benefits (57 percent), Professional Services (21 percent) and Internal Materials and Services (13 percent). Local and Out of Town Travel represent less than 3 percent of the budget.

Figure 1 Office of Government Relations Budget



Source: City of Portland Adopted Budget, 2005-06

The office maintains no petty cash fund. The office processes miscellaneous bills and claims for expense reimbursement and sends them to Treasury. Treasury reimburses employees in cash for approved expenses not exceeding \$100 and by check for expenses exceeding that amount. All bills from vendors are paid by check.

Objectives, Scope and Methodology

Based on Council interest and within our approved annual audit plan category of "Cost and Compliance", we conducted this audit to determine whether reimbursed expenditures by the Office of Government Relations occurred within City policy and procedure, and to determine whether any significant concerns or weaknesses in this area should be addressed by the office.

We met with the Acting Director of the Office and the Executive Assistant, presently the only employees of the Office of Government Relations. We reviewed City Rules for Travel, Miscellaneous Expenses and Receipt of Related Benefits. We based our analysis on a review of all expense reimbursement records retained by OGR for payments from the Local Travel, Out-of-Town Travel, Food and Miscellaneous expense accounts. OGR records reviewed included Local Travel and Miscellaneous expenses claims from January 2004 to date, Food expenses reimbursements from August 2002 to date and Out of Town Travel reimbursements from July 2001 to date. Our review included over 200 transactions, totaling nearly \$25,000. We assessed the reasonableness of travel expenses in relation to Runzheimer's Travel Management Network average expenses for the destination.

We did not review OGR expenses charged to City Corporate or Individual Travel Cards or Purchasing Cards. We did not conduct an audit of the office's efficiency or the results of its efforts.

We conducted our work in accordance with generally accepted government auditing standards.

Results We found that the Office of Government Relations is following City policy for cash reimbursement. In addition, our review found that government relations expenses claimed by City employees were generally reasonable. Most of these transactions were properly approved and showed evidence of approval and proper record-keeping (including receipts). Policies governing this office's spending are adequate.

We did identify some minor departures from City Rules for Travel, Miscellaneous Expenses and Receipt of Related Benefits:

- **Documentation of Expenses**

Employees did not always fully document reimbursable meal expenses. The names of those individuals for whom meals were purchased and the nature of City business conducted at the meal were not always included with expense documentation. City Rules for Travel provide: "When entertaining others, the meal receipt or contemporaneous record must state the date, names of persons at the meal, name and location of the establishment and the nature of City business conducted at the meal."

- **Meal Gratuities**

OGR employees often received reimbursement for gratuities at 20 percent of meal costs. City Travel Rules provide gratuities are reimbursable up to 15 percent of meal costs.

- **Approval of Director's Expenses**

Expense reimbursements were occasionally approved by the employee incurring the expense or by an employee reporting directly to the person claiming reimbursement. City Rules for Travel provide: "Unless specifically excepted by the appropriate elected official, City employees may not approve their own expenses." Principles of sound internal control suggest that reimbursements also should not be approved by an employee who reports directly to the individual incurring the expense.

These and other minor matters were discussed with management.

Recommendations

In order to strengthen internal control over petty cash and travel expenses, we recommend that the Office of Governmental Affairs take the following actions:

1. Remind OGR employees to exercise care to fully document reimbursable meal expenses when meals are purchased for others, including the names of those individuals for whom meals were purchased and the nature of City business conducted at the meal.
2. Remind OGR employees to abide by City guidelines for meal gratuities.
3. Request that the Mayor or other appropriate authority approve the Director's expense reimbursements.

Management Response

We shared a draft of this report with the acting Director of the Office of Government Relations and with the Mayor's Office. Responses are attached.

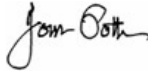
RESPONSES TO THE AUDIT



Office of Mayor Tom Potter
City of Portland

MEMORANDUM

TO: Gary Blackmer, Auditor

FROM: Tom Potter, Mayor 

CC: Drummond Kahn, Audit Services
John Hutzler, Audit Services

DATE: September 16, 2005

RE: Audit of Government Relations


Thank you for your report on the financial practices in the Office of Government Relations. I appreciate the hard work that your staff put into completing this review. I am glad to hear that there are no discrepancies with City policy for cash reimbursement. The recommendations for strengthening internal control over petty cash and travel expenses will be implemented right away and be very useful in setting appropriate protocols when we hire the new Bureau Director.



CITY OF
PORTLAND, OREGON
GOVERNMENT RELATIONS

Mark Landauer, Acting Director
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Fax: (503) 823-3014

September 16, 2005

TO: City Auditor Gary Blackmer
FROM: Mark Landauer 
RE: Government Relations Response to Audit

The Office of Government Relations concurs with the findings of the Audit you conducted of our Office. This Office will implement your recommendations immediately.

Thank you.

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*Office of Government Relations: Expense
documentation and approval process can be improved*

Report #325, September 2005

Audit Team: John Hutzler

Gary Blackmer, City Auditor
Drummond Kahn, Director of Audit Services

Other recent audit reports:

*Portland Development Commission Internal
Controls: Policies are in place, but authorizations and
documentation are often lacking (#321, September 2005)*

*Best Practices for Information Technology Governance
(#314B, September 2005)*

*Parks Bureau Softball: Operating agreement for the
softball program should be revised as it nears self-
sufficiency (#323, August 2005)*

This report is intended to promote the best possible management of public resources.
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