

# Audit of Harbor International Travel Expenses

January 2014



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## **Executive Summary**

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During the 2014 City of Long Beach (City) budget proceedings, questions were raised concerning the amount and cost of international travel incurred by members of the Board of Harbor Commissioners (Commissioners). Due to the level of concern by the Mayor and the City Council, as well as the numerous public records requests by the media, the Office of the City Auditor (OCA) determined it was necessary to perform an audit of Harbor Department (Harbor) international travel to assess the reasonableness of travel records and reimbursements. The audit period covered a sample of international trips involving Harbor Commissioners taken between October 1, 2011 and June 30, 2013.

A harbor the size of Long Beach's that relies heavily on international trade can expect to incur significant travel expenses while it builds global relationships and promotes the advantages of the port. Maintaining these relationships requires extensive travel, both domestically and internationally, to reinforce Harbor's commitment to their customers. For the past two fiscal years (FY), Harbor has averaged \$600,000 annually in travel expenses.

Although the type of travel taken by Harbor representatives can be complex, Harbor has not dedicated one particular administrative unit to oversee the process. Instead, several parties are involved in making travel arrangements. We could not find evidence of coordination between the parties to ensure costs were consistent among the travelers. Documentation concerning planning, booking, business conducted, and expense reviews are extremely limited, providing little evidence of the department's efforts to contain costs. These factors contributed to ineligible expenses being reimbursed and large expenses rarely questioned.

Our audit found a variety of issues that warrant closer attention in the planning and review of travel costs. One issue involves Harbor subsidizing the costs of spouses accompanying Harbor representatives on trips. For example, when booking airfare, Harbor representatives purchased "companion tickets" when accompanied by a spouse. While these tickets are advertised as "the companion flies for free", the cost of the second flyer is actually built into the primary flyer's ticket, in some cases more than doubling the cost of the primary ticket. Other issues involve travel reimbursement requests and trade representative invoices not being thoroughly reviewed or compared to trip itinerary documents or to other reimbursement requests by staff on the same trip. This resulted in costs being reimbursed for non-business time while on the trips and high meal, hotel and transportation costs not questioned or justified.

While our audit did not assess the validity of the international trips taken, we did look for evidence that business occurred. This proved to be difficult as information on meetings, objectives and results were not centrally maintained requiring us to review multiple sources such as trip itinerary documents, Commissioner meeting minutes, and discussions with staff. In many circumstances we obtained information that a meeting occurred, but no detail of participants or objectives.

Due to the volume and complexity of travel taken, having multiple people involved in the process reduces Harbor's ability to ensure costs are competitive and reimbursements are appropriate. Centralizing the travel processes, intensifying the review of reimbursement requests, increasing documentation, and focusing on cost containment will provide better planning and oversight of travel expenses.

We would like to thank Harbor staff for their assistance and cooperation during the audit and respectfully request an update in six months on efforts to implement recommendations outlined in this report.

## **Background**

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Harbor is a department of the City and is represented by a Board of five Commissioners who are appointed by the City's mayor to set policy and manage the department. Each Commissioner can serve a maximum of two six-year terms. The powers and duties of the Commission are outlined in the Long Beach City Charter at Article XII. In Section 1203 (m) of this Article, the City Charter states the following concerning promotion of Harbor activities by the Commissioners:

"To manage the business of the port and promote the maritime and commercial interest by proper advertisement of its advantages, and by the solicitation of business, within or without the Harbor District, within the State of California or in other states or foreign countries, through such employees or agencies as it may deem expedient."

Harbor is one of the world's busiest seaports and is a leading gateway for trade between the United States and Asia. It generates billions of dollars in economic activity each year. Harbor's 2009 Strategic Plan states that the relationship with customers is key to achieving Harbor's goals and success. This involves the Commissioners, senior staff, and other Harbor representatives meeting with international and domestic customers to reinforce the relationship as well as demonstrate Harbor's commitment to their business. In addition, Harbor participates in industry events, such as global conferences, to better understand customer requirements. Annual travel budgets are based on historical costs and identification of customer needs and business opportunities. Table 1 summarizes total travel costs, both domestic and international, for all Harbor staff, Commissioners, and trade representatives (see page 4) for FY 2012 and 2013.

**Table 1**  
**Harbor Travel Costs<sup>1</sup>**  
**Fiscal Years 2012 - 2013**

Fiscal Year (FY)	Travel Costs
FY 2012	\$ 686,420
FY 2013	520,835
<b>Total</b>	<b>\$ 1,207,255</b>

At the City Budget Oversight Committee (BOC) meeting on August 27, 2013, questions were raised concerning the amount and cost of international travel taken by Harbor Commissioners and the legitimacy of some expenses incurred. The issue was brought to a City Council meeting on September 3, 2013, where City Council voted to impose a \$40,000 annual cap on travel expenses for each Commissioner. This cap can be overridden by a supermajority vote of the Board of Harbor Commissioners. In addition to concerns raised by the City Council, various media outlets obtained Harbor travel records and also questioned the type of expenses reimbursed. For these reasons, our Office decided it was necessary to audit a sample of the international travel involving Commissioners to assess the reasonableness of travel records and reimbursements.

Travel Policies

Harbor’s travel expenses for domestic and international trips are governed by Administrative Directives (ADs). AD X.1, Travel Policy and Procedures and AD X.2, Entertainment Expenses, Policy and Procedures were in effect until February 2013, when they were superseded by AD 20.01, Expense Reimbursement. When comparing the content of both policies, we found them to be very similar with only a few material differences. For testing purposes, ADs X.1 and X.2 were used as the criteria for all trips except the ITF Conference and Cluster meetings which occurred in 2013. AD 20.01 was used as the criteria for that trip.

In addition to the policies noted above, on July 13, 2009, the Board of Harbor Commissioners discussed guidelines for Commissioner travel. These guidelines were never officially adopted by the Board of Harbor Commissioners. However, staff indicates they are commonly used. The guidelines related to international travel are as follows:

- International travel would be limited to two Commissioners unless otherwise stated by the Commission President.
- All Commission travel is to be reviewed and approved by the Commission President.

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<sup>1</sup> Total costs represent the sum of known accounts charged for travel-related expenses incurred by Harbor staff, Commissioners, and trade representatives, excluding expenses that appeared to be for local activities, such as business or industry meetings.

- Potential travel should be reviewed by the Commission President and Trade staff.
- Conference attendance is at the discretion of each individual Commissioner, but will ultimately be reviewed and approved by the Commission President.
- Commissioners are to report on their travel upon their return.

### Travel Processes

The method for booking travel flights and accommodations varies. Commissioners may handle their own travel arrangements or the Executive Assistant for the Commissioners may arrange on their behalf. For staff, travel bookings are handled by the individual bureaus. Staff has indicated they communicate with one another regarding itineraries. Harbor contracts with a travel agent, TravelStore, which is used to handle flight arrangements. TravelStore can be contacted directly by any Harbor representative. Flights booked through TravelStore are usually refundable and credited back to the traveler's credit card if the trip is cancelled. However, there may be instances where a credit will be issued in the traveler's name for future use on the same airline.

Upon return from a trip, the traveler is responsible for completing the Travel Reimbursement Form in a timely manner. The Executive Assistant for the Commissioners completes this form on the Commissioner's behalf while staff completes their own forms. Travel Reimbursement Forms are submitted to the Finance Bureau for review along with all corresponding receipts. Finance reviews the information for reasonableness and accuracy. Once Finance has approved these forms for payment, the vouchers are routed through the City's normal payment process.

Senior staff members who incur repetitive travel are issued American Express credit cards guaranteed by Harbor. Credit card monthly statements are mailed to the employee instead of Harbor's Finance Bureau, and the employee is responsible for paying the balance due directly to American Express. Expenses are reimbursed back to the employee through a Travel Reimbursement Form. If the employee does not pay the balance due on the credit card, Harbor is ultimately responsible for payment of the entire balance.

### Harbor Overseas Trade Representatives

Harbor contracts with several trade representatives to assist in international customer relations. These trade representatives are located in foreign cities. According to Harbor staff, the primary function of the trade representatives is to establish and maintain working relationships with potential and existing users of port facilities and services in their respective countries. These trade representatives have numerous years of working experience in the transportation industry and have established local relationships with customers in their respective country. Their primary duties include promoting Harbor interests and gathering market information to support Harbor commercial decisions. Trade representatives also

arrange overseas meetings and support Harbor delegations during the trade meetings. In addition, they also provide information on hotel accommodations and transportation.

Trade representatives receive a monthly contractual amount plus additional executive pay while accompanying Harbor delegations overseas. Monthly contractual amounts and executive pay were not included in annual travel costs shown in Table 1. Trade representatives may also incur their own travel costs as well as expenses on Harbor representatives' behalf, which may include meals and transportation. At the conclusion of the trip, the trade representative submits an invoice to Harbor along with expense receipts for reimbursement. The Trade Bureau reviews the charges for reasonableness and forwards the billing to Finance for final review. Once Finance has attested to the information, the voucher is routed through the City's normal payment process.

### *Change of Personnel*

The audit period covers trips taken through June 30, 2013, and involves expenses incurred by Executive Directors Lytle and Steinke, Managing Director Strawbridge, and Commissioners Fields and Sramek. Subsequent to the audit period, these individuals no longer represent the Harbor.

## **Objective & Methodology**

The objective of our audit was to determine the appropriateness of travel expenses for international trips involving Harbor Commissioners. The scope of the audit covered international travel taken October 1, 2011 through June 30, 2013.

During our audit, we performed the following procedures:

- Interviewed Harbor staff, Commissioners, and TravelStore agent;
- Reviewed ADs X.1, Travel Policy and Procedures, X.2, Entertainment Expenses, Policy and Procedures, and 20.01, Expense Reimbursement;
- Reviewed Commissioner travel guidelines;
- Identified FY 2012 and 2013 Harbor travel costs in FAMIS (City's accounting system);
- Reconciled reimbursements and payments to supporting documentation, receipts and ADs X.1, X.2, and 20.01;
- Reviewed Travel Reimbursement Forms for appropriate approvals; and
- Reconciled travel expenses to documentation of business conducted.

A harbor the size of Long Beach's that relies heavily on international trade can expect to incur significant travel expenses while it builds global relationships and promotes the advantages of the port. The scope of our audit did not assess whether the individual trips audited were

necessary or if they resulted in additional business to the Harbor. However, as part of our audit, we did attempt to verify that business was conducted on the trips.

The City’s normal voucher payment process involves the OCA’s staff verifying that the department has attested to the information submitted with the voucher and supporting documentation has been included. The scope of this audit did not include any aspect of the voucher process outside of Harbor.

We are confident our cost numbers are representative of trip expenses. However, we found that travel-related expenses are located in more than one sub-object account, such as training or seminars. Since we did not review transactions in every Harbor account, and Harbor does not retain manual trip files consolidating all trip activities by participant, it is not possible to assure that all travel-related expenses for the sampled trips have been identified.

*Trip Sampling*

Harbor provided a list of all international travel taken by Harbor Commissioners from October 1, 2011 through June 30, 2013. Harbor’s list of 12 trips included destination, dates, trip purpose, participants and total expenses incurred. We elected to sample five of the 12 trips based on this information. Trip selection was based on highest costs incurred on average per traveler and ensured that each Commissioner was a participant on at least two of the trips. We also took into account the length of trips and number of Commissioners on each trip when choosing the sample. We reviewed all staff, Commissioner, and trade representative expenses for each trip selected. Table 2 below lists the international trips included in our audit.

**Table 2  
International Trips Selected for Audit<sup>2</sup>**

<b>Trip</b>	<b>Dates</b>	<b>Purpose</b>
Asia Trade Mission #1	October 29 – November 5, 2011	World Shipping Summit & Customer Meetings
Asia Trade Mission #2	December 1 – December 10, 2011	Customer Meetings
European Trade Mission	April 21 – April 28, 2012	Customer Meetings
AAPA Commissioners Seminar – Montreal	June 24 – July 1, 2012	AAPA Commissioner Conference
ITF Conference & Cluster Meetings – Europe	May 18 – June 1, 2013	ITF Conference & Cluster Meetings

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<sup>2</sup> American Association of Port Authorities (AAPA) and International Transport Forum (ITF) are abbreviated in the table above and throughout this report.



Appendix A details all participant cost information by type for each sampled trip. Figures in Appendix A are higher than previous amounts provided to the BOC and media due to the inclusion of expenses incurred by trade representatives and additional participant expenses identified during the audit.

Besides the 12 trips provided by Harbor, there were eight additional international trips taken during the audit period by Harbor staff that did not include Commissioners. These trips were not part of our audit scope.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

## **Results & Recommendations**

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Harbor's 2009 Strategic Plan states that the relationship with its customers is key to achieving its goals and success. Fostering positive customer relationships requires travel, both international and domestic, by both Harbor staff and Commissioners. In the last two years, Harbor has averaged about \$600,000 annually in travel costs. Our audit reviewed five international trips taken by Commissioners and staff that occurred during October 1, 2011 to June 30, 2013.

For an entity the size of Harbor that engages in a great deal of travel, we would expect to see an organized and streamlined approach to overseeing and documenting travel arrangements and reimbursements. This would include central files containing all travel arrangements, cost comparisons, business conducted, and appropriate Travel Reimbursement Forms. However, our audit found that Harbor relies on a decentralized process that does not promote coordinated planning or effective review. Efforts to contain costs were not documented nor does it seem to be a priority. These factors contributed to ineligible expenses being reimbursed, inconsistent costs between travelers, and limited documentation detailing the business conducted.

Travel can be booked by a variety of sources, including the Commissioners, the Commissioners' Executive Assistant, the individual Harbor bureaus, or directly by the employee. While some use Harbor's travel agent, TravelStore, to book flights, others do not. Having multiple parties involved in the booking process reduces the ability to ensure costs are competitive and are consistent among travelers on the same trip.

With travel arrangements and reimbursements handled by multiple staff, there are no central files for retaining trip information such as cost comparisons, details of business conducted, and

reimbursement notes. The bulk of trip information is maintained with the Travel Reimbursement Form and attached to the payment voucher. It was not unusual for each traveler to have several vouchers on a particular trip and for travel-related expenses to be charged to more than one sub-object account. We found some expenses related to the sampled trips that were not originally disclosed by Harbor. While we are confident our cost numbers are representative of trip expenses, without a centralized approach to tracking all the information and account charges associated with each trip, we are unable to conclude that we have captured every expense.

Travel Reimbursement Forms are prepared by the employee or the Commissioners' Executive Assistant on the Commissioners' behalf. Commissioners do not review the completed Travel Reimbursement Forms prior to submittal for payment. Trade representatives submit invoices for their travel expenses to the Trade Bureau for review. All the Travel Reimbursement Forms and trade representative invoices are then forwarded to the Finance Bureau for final review and payment processing. Overall, the review by all parties appears to be limited with almost no questioning of high costs and no comparison of expenses among travelers on the same trip or to trip itinerary documents. As such, travelers are rarely asked to justify their spending habits.

Harbor's decentralized process for overseeing travel and the lack of attention ensuring costs are reasonable resulted in a variety of issues related to high or inappropriate travel expenses. The issues were not isolated to any one particular trip; instead, these issues appear to be representative of normal spending behavior. We have categorized the issues into the following groups:

- 1 – Travel Costs of Spouses Subsidized by Harbor
- 2 – Costs Reimbursed for Early Arrivals or Late Departures
- 3 – Trade Representative Expenses Not Questioned
- 4 – High Travel Expenses
- 5 – Documentation of Actual Business Incurred is Limited
- 6 – Additional Violations of Administrative Directives
- 7 – Increased Review of Credit Card Statements Needed

### ***1. Travel Costs of Spouses Subsidized by Harbor***

Harbor's ADs allow spouses to accompany Harbor personnel on business trips. However, AD X.2 prohibits reimbursement of any travel or lodging expenses incurred by spouses. The newer AD, 20.01, allows spousal travel reimbursement per Section 6.4.1 with written authorization by the Executive Director explaining why the spouses' presence is necessary and beneficial to Harbor. Of the five trips we sampled, Commissioners' spouses were present on three of them. Every Commissioner except Commissioner Wise had a spouse accompany

them on at least one of the trips. Harbor staff only brought a spouse on one of the trips sampled.

Our review of trip receipts found that certain costs were higher when a spouse was on a trip. The increased costs were not always eliminated on the Travel Reimbursement Forms. As a result, Harbor reimbursed Commissioners and staff for some spouse-related trip costs.

*a. Flights*

The flight cost for Harbor Commissioners or staff bringing spouses was significantly higher than for those Harbor representatives flying alone. Table 3 shows this price difference. For the ITF Conference & Cluster Meetings, two Commissioners, who both took spouses, were the only Harbor representatives on the trip. As such, there was no cost comparison information for someone who might have flown without a spouse. In order to provide a comparison, we used the flight costs associated with the European Trade Mission trip, which had similar itineraries and number of flight legs.

**Table 3  
Flight Cost Comparison of Harbor Personnel**

Trip	Harbor Representative Flying with Spouse	Average Flight Cost per Person Flying with Spouse	Harbor Representative Flying Alone	Average Flight Cost per Person Flying Alone	Difference in Cost per Person	% Increase from Flying Alone to Flying with Spouse	Total Reimbursed for Spouses' Flights
Asia Trade Mission #2	Sramek & Steinke	\$ 9,575	Drummond, Hacegaba & Lytle	\$ 7,609	\$ 1,966	26%	\$ 3,931
AAPA Commissioners Seminar – Montreal	Dines & Drummond	5,074	Fields & Hacegaba *	2,475	\$ 2,599	105%	\$ 5,198
ITF Conference & Cluster Meetings - Europe	Fields & Sramek	14,606	**	6,977	\$ 7,629	109%	\$ 15,258
						<b>Total</b>	<b>\$ 24,387</b>

\* Lytle was not included in this category because his itinerary involved flights to different cities and was not comparable to the flights taken by other travelers.

\*\* No Harbor representative flew alone on this trip. This amount was based on passengers with similar itineraries during the European Trade Mission.

For the three trips noted above where Harbor representatives flew with their spouses, flights were booked through American Express. American Express offers a “companion ticket” with the second flyer paying only the applicable taxes, fees or surcharges. However, the cost of the ticket for the first flyer is substantially higher under this program, and in some cases, double the cost than if he had flown alone. This resulted in Harbor subsidizing approximately \$24,000 of spouses’ flights for these three trips. In one instance, based on the documents provided, we could not determine if the spouse had actually paid all the associated taxes, fees and surcharges or if those were included in the total flight costs paid by Harbor.

Cost comparisons for flights prior to booking do not always occur because they are usually not centrally booked. Those who purchased a companion ticket directly with American Express may have been unaware of the price variance.

b. Hotels

Harbor representatives tended to stay in the same hotel in each city, but we found that the individual room charges were never consistent. It could not be determined why the differences in price occurred as there was no information on the Travel Reimbursement Forms as to how or when the room was booked or if a traveler had a different room type. However, we did note that on the Asia Trade Mission #2, the room rates for two of the hotels were significantly higher for Commissioner Sramek and Harbor staff member Steinke who were accompanied by their spouses, indicating there may have been a surcharge for the double occupancy. The Travel Reimbursement Forms offered no explanation for the higher room rate.

**Examples:**

- *In Seoul, Korea, all travelers stayed two nights at the Westin Chosun Hotel. For Commissioner Sramek and Harbor staff member Steinke, the room cost averaged \$378 per night. For all other travelers, room rates averaged \$311 per night.*
- *In Tokyo, Japan, all travelers stayed at the Imperial Hotel. For Commissioner Sramek and Harbor staff member Steinke, the room cost averaged \$531 per night. For the rest of the travelers, room rates averaged \$452 per night.*

**Recommendation:**

***Going forward, Harbor should adhere to AD 20.01 and only reimburse for spousal-related costs when proper justification and authorization have been obtained. Flight itineraries where spouses are included should clearly itemize the costs associated with each flyer. In addition, Harbor should ensure that flight and hotel costs are competitively priced and reasonably consistent between travelers whenever possible. More diligence is needed in reviewing trip expenses when spouses are involved.***

## **2. Costs Reimbursed for Early Arrivals or Late Departures**

When reviewing the timeline of business conducted on each sampled trip, we found it was not unusual for Harbor representatives to arrive one to two days before business was scheduled or depart one to two days after the last scheduled event. ADs do not provide guidance on what justifies an early or late departure for business reasons. While extended stays for personal

reasons are not prohibited, costs incurred during personal time are not reimbursable per section 6.22.1.3 of AD 20.01.

We noted that on three of the five trips sampled, there were extended stays where Harbor representatives arrived earlier or left later than others on the trip. Summaries of the trip itinerary documents indicating when business was conducted are located in Appendix B. In some cases, travel expenses incurred during these extended stays were included on the Travel Reimbursement Forms, but there was no explanation why the expense was justifiable for business reasons. Table 4 shows examples of costs reimbursed while Commissioners appeared to be on personal time.

**Table 4**  
**Costs Reimbursed During Non-Business Time**

	Trip	Person Incurring Costs	Personal Days	Cost of Extended Stay	Description
(1)	Asia Trade Mission #2	Sramek	2 days - early arrival in a different city	\$433	Flight to Xi'an
(2)	AAPA Commissioners Seminar – Montreal	Drummond	1 day - early arrival	\$326	Hotel, Meal
(3)	AAPA Commissioners Seminar – Montreal	Fields	1 day - late departure	\$286	Hotel, Meal
(4)	ITF Conference & Cluster Meetings - Europe	Fields	2 days - early arrival in a different city	\$422	Hotel, Meals, Taxis

- (1) Both Commissioner Sramek and Harbor staff member Steinke were in the city of Xi'an on December 2 – 3, 2011, in which no business was scheduled. Harbor staff member Steinke did not include any expenses related to this time on his Travel Reimbursement Form. However, Commissioner Sramek received reimbursement for the cost of the flight to Xi'an. He later paid this amount back to Harbor on October 15, 2013.
- (2) The AAPA Commissioners Seminar in Montreal began on June 26, 2012. Only Commissioner Drummond arrived on June 24, 2012. The remaining travelers arrived 24 hours later on the night before the seminar began. Commissioner Drummond was reimbursed for his hotel and meals for the early arrival.
- (3) The AAPA Commissioners Seminar in Montreal ended at 11:30am on June 28, 2012. Commissioner Dines and Harbor staff members Hacegaba and Lytle left that same day. Commissioner Fields departed the next day and was reimbursed for hotel and meals for the late departure. Commissioner Drummond also stayed later, but did not request reimbursement for costs associated with the late departure.

(4) Commissioner Fields arrived in Amsterdam on May 18, 2013. The first business scheduled was in Hamburg on May 21, 2013. Commissioner Fields was reimbursed for flight, hotel, meals and taxi expenses incurred during the early arrival period. The exact cost of the flight could not be determined as it was part of a package.

There is no comparison of Travel Reimbursement Forms to trip itinerary documents, which would indicate when business was conducted. Therefore, those reviewing the expenses would not necessarily know to question costs associated with extended stays. Upon questioning, Harbor staff could not provide reasons why costs detailed in Table 4 were reimbursed.

***Recommendation:***

***Going forward, Harbor representatives should comply with AD 20.01 and not request reimbursement for costs attributed to personal time on trips. In addition, a more thorough review of the Travel Reimbursement Forms against trip itinerary documents should be performed to ensure personal costs are not reimbursed. Lastly, language in AD 20.01 should be expanded to more clearly define what constitutes and justifies an early or late departure.***

**3. Trade Representative Expenses Not Questioned**

Harbor uses trade representatives in foreign cities to assist Commissioners and staff in arranging meetings with customers and understanding local culture and protocol. Each trade representative has a contract with Harbor and is reimbursed for both their time and expenses incurred while accompanying Harbor personnel. Trade representatives were on all of the trips sampled, except the AAPA Commissioners Seminar in Montreal. Expenses reimbursed to trade representatives on the trips sampled averaged 15% of each trip's total expenses incurred by all parties. It appears the trade representatives have significant leeway in the type and amount of services and entertainment they can charge on behalf of Harbor with minimal review or questioning of receipts by Harbor staff prior to payment.

***a. Inappropriate Expenses***

In addition to their own expenses, trade representatives can incur expenses on behalf of Harbor personnel for items such as transportation and meals. Trade representatives are not required to follow ADs. Instead, the contract language states that Harbor will reimburse the trade representative for reasonable travel expenses, including meals, lodging and transportation. Invoices, with supporting receipts, are submitted by the trade representatives at the end of each trip and reviewed by both the Trade and Finance Bureaus. Without clearer guidelines, it is up to each reviewer's interpretation of what constitutes a "reasonable" expense. According to Harbor staff, they are not aware

of an instance when an expense submitted by a trade representative has been denied. As a result, we noted some expenses that did not appear applicable to business.

**Example:**

- *On Asia Trade Mission #2, Harbor staff member Steinke and Commissioner Sramek arrived early and went to the city of Xi'an where a trade representative joined them. The trade representative submitted reimbursement for museum admissions, a tour guide, and meals that were encumbered on a day when no business was conducted. Harbor staff has indicated payment of these receipts to the trade representative was an oversight.*

b. Insufficient Documentation

Many of the trade representative receipts were in a foreign language making it difficult, if not impossible, to determine what was purchased. According to Harbor staff, if the line item description on the trade representative invoice matches a corresponding receipt amount, they do not request any additional information. However, in some cases the trade representatives did not supply receipts or the receipts were in a foreign language. Invoice line item descriptions also tended to be very general or vague, offering no additional explanation as to what was actually purchased.

**Example:**

- *A trade representative submitted an invoice for \$887 for reimbursement of "traffic expenses" incurred on the Asia Trade Mission #2. There were eight attached receipts, all in Korean, with no written explanation as to what was purchased.*

c. High Transportation Costs

When traveling overseas, Harbor representatives rarely use rental cars to drive themselves. Instead, trade representatives arrange transportation within cities for the Harbor delegation and then bill Harbor for the cost. Trade representatives use taxis or hired vehicles, such as limousines and luxury vans. Incurring transportation costs is necessary; however, the cost for these services seemed very high for the trips we sampled. As noted previously, there are no specific guidelines or instructions provided to trade representatives on the expenses they can incur. Without additional information on invoices or receipts, it is not possible to determine the reason for using a more expensive mode of transportation or whether the cost was reasonable.

**Example:**

- *On the European Trade Mission, the trade representative invoiced Harbor for \$4,888 in hired transportation charges, which included both taxis and hired vehicles. This total included a hired car in Amsterdam that was used to transport travelers to and from the airport. The total cost for the service was \$1,812 for four trips, averaging \$453 per trip. Another hired car was used in Hamburg to transport travelers to and from the airport. The cost was \$1,606 for three trips, averaging \$535 per trip.*

**Recommendation:**

***While the trade representatives offer a valuable service to Harbor, their expenses should receive the same review as other participants on the trip. This would include ensuring expenses are adequately explained, reasonable and relevant to established trip itineraries. In addition, Harbor should develop travel guidelines for trade representatives to provide clarification of what constitutes a reasonable expense to reduce the risk of overspending.***

**4. High Travel Expenses**

The ADs established by Harbor provide guidelines on appropriate travel expenses but do not include price limitations, except on domestic meals. However, Section 6.22.1 of AD 20.01 states that expenses that could be perceived as lavish or excessive will not be reimbursed because they are inappropriate for a public agency. When reviewing the travel expenses for the trips sampled, we noted some expenses for hotels, flights, and meals appeared to be high; however, the corresponding Travel Reimbursement Forms did not explain why the higher costs were appropriate.

**a. High-priced Hotels**

Per the ADs, hotels should be reasonably priced and conveniently located for the business being conducted and that luxury hotels are not appropriate unless they are the only available option. For the five trips sampled, Harbor representatives stayed in 22 different hotels. Table 5 below shows the ranges of the average prices per night that were paid for each hotel. Ten, or 45%, of the 22 hotels had average pricing over \$300 per night.



**Table 5**  
**Ranges of Average Hotel Prices Paid Per Night**

Price	No. of Hotels	% of Total
\$100 - 199	3	14%
\$200 – 299	9	41%
\$300 – 399	4	17%
\$400 – 499	3	14%
\$500 – 599	3	14%
<b>Total</b>	<b>22</b>	<b>100%</b>

Harbor staff stated that for the trade missions overseas, the trade representatives recommend and book hotel rooms in international cities. Harbor does not provide the trade representatives specific guidelines on the type of hotel or cost, leaving it up to the discretion of the trade representatives. It was unclear whether Harbor was aware of room pricing prior to booking. Our audit did not include research to determine if room prices were reasonable or if these accommodations were considered luxurious. For the most expensive hotels, such as those over \$300 per night, the Travel Reimbursement Forms did not explain why this option was selected or necessary.

**Example:**

- *On the European Trade Mission, Harbor staff member Strawbridge and Commissioner Fields stayed at the Notting Hill Hotel in Amsterdam at a cost of \$511 per night. The next day they moved to the Bilderberg Hotel, also in Amsterdam, with the rest of the Harbor contingent at an average cost of \$250 per night, less than half the price of the other hotel.*

**b. Expensive Flights**

Per the ADs, Harbor representatives are allowed to fly business or first class for international flights over 5 hours, which could result in a higher cost than if they had flown economy. We were not able to determine the difference in flight costs between business and economy class. To review the reasonableness of flight costs, we compared the costs among the participants on the same flight to determine if there was consistency. This comparison resulted in the identification of higher costs for those flying with their spouses as discussed previously in issue number 1.

We noted another instance of substantially higher flight costs when compared to others on the same trip. For the European Trade Mission, Commissioner Fields and Harbor staff member Strawbridge arrived one day earlier than the rest of the contingent. The flight costs for Fields and Strawbridge averaged \$15,549. The flight costs for Commissioner Wise and Harbor staff member Hacegaba averaged \$6,977. Therefore,

the cost of arriving one day earlier was \$8,572 per person. The Travel Reimbursement Form did not provide an explanation on why the early arrival at this cost was necessary.

c. High Meal Costs

Per AD 20.01, Section 6.13, the daily maximum for meals is capped at \$64. However, the policy allows the cap to be exceeded at destinations where meals are more expensive or when business is conducted with clients. When the cap is exceeded, the employee is to submit a description with the receipts describing the situation. ADs in effect prior to AD 20.01 do not have a meal cap.

Most of the meal receipts submitted for reimbursement were not itemized to detail what was purchased, but usually noted when a client was involved. However, we found instances where no business appeared to be conducted, and the meal prices on average per person were high based on the receipt total, and no explanation was provided on the Travel Reimbursement Forms by staff as to why the high price of the meals was appropriate.

**Examples:**

- *During the AAPA Commissioners Seminar in Montreal, Harbor staff member Hacegaba paid for two separate dinners for himself and the three Commissioners. The first receipt was for \$545, averaging \$136 per person. The second receipt was for \$535, averaging \$134 per person.*
- *At the ITF Conference and Cluster Meetings, Commissioner Fields requested reimbursement for a \$208 dinner for only himself.*

**Recommendation:**

***To ensure costs are not excessive, Harbor staff should be aware of hotel pricing prior to booking. In addition, increased planning and review of costs between trip participants is needed in order to justify higher priced items, such as flights, meals, and variances in hotel rates. Justification of high costs should be documented during planning and on the Travel Reimbursement Forms.***

**5. Documentation of Actual Business Incurred is Limited**

While our audit did not assess the necessity of the international trips taken, we looked for evidence that business was conducted. Details of business incurred are not consistently documented or centrally maintained. According to Harbor staff, a detailed Trade Binder is prepared for each trip, detailing the activities of the trade mission. These Trade Binders are not retained once the trip is concluded, and the Trade Binders for the trips sampled were not

available for our review. We found that the trip itinerary documents, which were attached to the Travel Reimbursement Forms, provided the most details available concerning flight information, hotel stay, and scheduled meetings. However, even these itineraries did not always include meeting details such as customer names and times that may be in the Trade Binder. In addition, these itineraries were not updated when meetings were confirmed or plans changed. Therefore, all trip itinerary documents we reviewed were incomplete.

**Examples:**

- *For the European Trade Mission, Harbor staff member Strawbridge and Commissioner Fields arrived early in Amsterdam. The trip itinerary document does not list any meetings occurring during the early arrival period giving the impression they may have arrived early for personal time. However, Harbor staff states that it is their understanding that Strawbridge had arranged a meeting with an industry client for that evening, and there is a dinner receipt to that effect. The writing on the dinner receipt was not legible, but the total of \$412 could indicate that more than Strawbridge and Fields were at the meal. Details regarding the attendees and the purpose of the meeting were not provided.*
- *Per the trip itinerary document for the ITF Conference and Cluster Meetings, it appears that Commissioner Fields extended his stay in Paris for personal reasons as no business was conducted after May 29, 2013. However, per Harbor staff, Fields had a meeting on May 31, 2013 that was scheduled after the trip began. Details of the meeting were not provided.*

All other information about business conducted must be researched through expense receipt documentation or through individual discussions with travelers. This can be a lengthy process and not always productive. In some cases, trip participants no longer represent Harbor, and no one else within Harbor could answer our inquiries.

**Example:**

- *Harbor staff could not answer some questions concerning travel expenses incurred by Harbor staff member Steinke because he and the assistant who booked the travel are no longer with Harbor.*

It should be noted that Commissioners are required to discuss the results of their travel at a public meeting of the Board of Harbor Commissioners. For the five trips we selected, we were able to view video of the Commissioners discussing, in general, business that occurred for each trip. However, specifics concerning dates, times and participants were not part of the discussion. In addition, according to Harbor staff, the trade representatives may prepare trade

reports of what occurred during the trip. We were unable to review any of these reports, and there was conflicting information about the content and purpose of the information.

***Recommendation:***

***In order to provide transparency and to assess the value received for these expenses, Harbor should adequately document and retain the business actually conducted, including participants at meetings, topics discussed, and benefit to Harbor's operations. This information should be centralized and easily available for review.***

**6. Additional Violations of Administrative Directives**

In verifying receipts submitted for the five sampled trips, we found instances other than those already noted where items were reimbursed but appeared to be in violation of ADs acceptable expenses.

***a. Increased information is needed on meal receipts.***

ADs allow travelers to provide meals for customers or other Harbor representatives on the trip and require receipts to include descriptions of the purpose of the meal, including an explanation of its necessity to Harbor and a list of all persons in attendance. We noted several meal receipts that did not provide this information.

***Example:***

- *For the European Trade Mission, Harbor staff member Hacegaba submitted two breakfast receipts for \$134 and \$100 without noting who was present at the meal.*

The current AD states that reimbursement will be awarded by submitting either a credit card slip, which supplies a summary total, or a meal receipt, which is usually an itemized list of the items purchased. While credit card slips provide proof of a purchase, they do not necessarily provide any information on the items purchased. For this reason, an itemized receipt should be required as it provides information such as the number of meals and the items purchased.

***b. Commissioners should attest to receipts submitted.***

Commissioners submit their travel receipts to the Executive Assistant to prepare the Travel Reimbursement Forms on their behalf. AD 20.01, Section 7.4.2.1 requires the person submitting the receipts to sign the Travel Reimbursement Form, attesting the information is complete and accurate. For all the Travel Reimbursement Forms submitted on the Commissioners' behalf, none of them were signed by the

Commissioners. Commissioners were not asked to review and acknowledge that these forms were completed appropriately and accurately.

**Example:**

- *During the ITF Conference and Cluster Meetings trip, Commissioner Fields charged a \$296 meal to his hotel room. When he submitted his trip receipts to the Executive Assistant, he included the hotel invoice, which included the meal charge, and the dinner receipt itemizing the items purchased. The Executive Assistant completed the Travel Reimbursement Form on Commissioner Fields' behalf and listed the meal from the hotel invoice and again from the separate dinner receipt. Therefore, it appears Commissioner Fields received duplicate payment. Since the Commissioners do not review the Travel Reimbursement Forms prior to payment, Commissioner Fields did not have the opportunity to notice the double entry.*

**Recommendation:**

***The Finance Bureau should intensify its review of travel expenses, question receipts that appear to be in violation of the policy, and require explanations with the Travel Reimbursement Form if exceptions to the policy are allowed. The AD should be amended to require itemized receipts and only accept a credit card slip if an itemized receipt is not available. In addition, all Commissioners should attest to their reimbursement requests no matter who completes the Travel Reimbursement Form.***

## **7. Increased Review of Credit Card Statements Needed**

Harbor issues American Express credit cards to certain Harbor personnel to use while traveling. Credit cards are not issued to Commissioners. The monthly statements for these cards are mailed to the employees, and the employee is responsible for paying the full amount due to American Express. The employee receives monthly reimbursement for the card charges by submitting a Travel Reimbursement Form, corresponding receipts, and a copy of the credit card statement to his or her supervisor. During our testwork, we noted that rarely was the entire credit card statement provided for review. Portions of the statements were attached to the Travel Reimbursement Forms, but without the entire statement it was not possible to ensure the cards were managed appropriately. For example, we could not determine if outstanding card balances had been paid to American Express by the employee or if credits for previous reimbursements were issued.

Since the Harbor is ultimately responsible for any unpaid balances outstanding, including interest on past due balances, it is critical that Harbor's Finance Bureau review all activity

occurring on the cards to limit the risk of inappropriate usage or non-payment. Ideally, monthly statements would be mailed directly to the Harbor's Finance Bureau with employees continuing to be responsible for submitting receipts for all charges appearing on the statements.

***Recommendation:***

***At a minimum, Harbor should require card holders to submit the full credit card statement monthly with their corresponding Travel Reimbursement Form, even in months where there are no charges. Harbor's Finance Bureau should review the statements monthly and ensure charges are consistent with AD 20.01 and employees are paying all outstanding balances due.***

## **Summary**

Due to the high number of trips, cost and complexity of itineraries incurred by Harbor representatives, Harbor needs to increase oversight of the travel process, and ensure that travelers adhere to AD 20.01 with cost containment in mind. This includes, but is not limited to, the following:

1. Centralize the travel processes of trip coordination, booking arrangements, and review of travel expenses. This includes maintaining centralized files, documenting business incurred, comparing expenses between travelers and trade representatives, and overseeing the department credit card program.
2. AD 20.01 should be amended to require all travel arrangements be handled by a single administrative unit and that the travel agent be used unless determined it is more beneficial to book directly with the airlines.
3. The travel agent, TravelStore, offers many services Harbor does not use, such as monthly reporting and on-line itineraries. Harbor should investigate how these services may assist in centralizing and improving travel processes.
4. Harbor should develop a training session on travel guidelines, emphasizing the importance of cost containment. This should be provided to all Harbor personnel, including Commissioners, who may travel on Harbor business. Regular refresher training should then be scheduled.

It should also be noted that the \$40,000 annual travel spending cap for each Harbor Commissioner imposed by the City Council on September 3, 2013, will be difficult to monitor under Harbor's current processes. Travel expenses can be initiated through a number of sources for each traveler. Attempting to capture and then allocate costs for each

Commissioner to ensure caps have not been exceeded will be extremely time consuming. Instead, we recommend that Harbor improve processes through centralization and provide training on travel policy to Harbor personnel who may travel on Harbor business.

## Appendix A

### Travel Expenses Per Trip

**Note:** Costs associated with each traveler reflect reimbursements made to them or payments made to third parties on their behalf, such as the travel agent. In some instances, participants incurred expenses for other travelers, such as meals or transportation. These costs were not allocated between the parties and are recorded with the person who was reimbursed. Trade representative executive pay and contractual monthly payments are not included in these costs.

**Table A1**  
**Asia Trade Mission #1**  
**October 29 – November 5, 2011**

Person Incurring Costs	Flight	Hotel	Meal	Transportation	Misc.	Total Per Person
Dines	\$ 10,618	\$ 1,628	\$ 73	\$ -	\$ 52	\$ 12,371
Wise	10,618	1,617	53	-	62	12,350
Lytle	10,618	1,658	152	387	1,488	14,303
Snyder	10,618	1,613	1,042	113	4,337	17,723
Steinke	10,379	2,039	197	200	1,413	14,228
Trade Representative	1,644	2,209	3,347	2,098	1,467	10,765
<b>Total Per Expense Category</b>	<b>\$ 54,495</b>	<b>\$ 10,764</b>	<b>\$ 4,864</b>	<b>\$ 2,798</b>	<b>\$ 8,819</b>	<b>\$ 81,740</b>

**Table A2**  
**Asia Trade Mission #2**  
**December 1 – December 10, 2011**

Person Incurring Costs	Flight	Hotel	Meal	Transportation	Misc.	Total Per Person
Steinke (and spouse)	\$ 9,597	\$ 2,710	\$ 136	\$ -	\$ -	\$ 12,443
Sramek (and spouse)	9,552	2,416	95	-	5	12,068
Lytle	7,912	2,217	98	-	242	10,469
Hacegaba	7,458	2,140	3,771	-	1,757	15,126
Drummond	7,458	2,105	79	-	16	9,658
Trade Representative #1	-	-	25	1,914	-	1,939
Trade Representative #2	-	-	-	-	887	887
Trade Representative #3	1,080	3,039	323	325	828	5,595
<b>Total Per Expense Category</b>	<b>\$ 43,057</b>	<b>\$ 14,627</b>	<b>\$ 4,527</b>	<b>\$ 2,239</b>	<b>\$ 3,735</b>	<b>\$ 68,185</b>



**Table A3**  
**European Trade Mission**  
**April 21 – April 28, 2012**

Person Incurring Costs	Flight	Hotel	Meal	Transportation	Misc.	Total Per Person
Strawbridge	\$ 15,597	\$ 3,160	\$ 797	\$ 144	\$ 112	\$ 19,810
Fields	15,501	2,108	94	-	20	17,723
Wise	6,977	2,095	159	-	101	9,332
Hacegaba	6,977	2,092	2,109	8	307	11,493
Lytle	17,282 *	2,185	193	-	94	19,754
Trade Representative	2,797	803	730	6,119	300	10,749
<b>Total Per Expense Category</b>	<b>\$ 65,131</b>	<b>\$ 12,443</b>	<b>\$ 4,082</b>	<b>\$ 6,271</b>	<b>\$ 934</b>	<b>\$ 88,861</b>

\* Lytle flew to Singapore on Harbor business prior to arriving in Amsterdam. The flights for both the Singapore and European trips were combined. Therefore, we were unable to determine the portion of the ticket related to the Singapore leg of the trip.

**Table A4**  
**AAPA Commissioners Seminar - Montreal**  
**June 24 – July 1, 2012**

Person Incurring Costs	Flight	Hotel	Meal	Transportation	Misc	Total Per Person
Drummond (and spouse)	\$ 5,074	\$ 1,205	\$ 66	\$ -	\$ 825	\$ 7,170
Dines (and spouse)	5,074	694	14	-	825	6,607
Fields	2,600	931	49	41	842	4,463
Hacegaba	2,351	693	1,437	614	1,247	6,342
Lytle	1,983*	712	45	99	971	3,810
<b>Total Per Expense Category</b>	<b>\$ 17,082</b>	<b>\$ 4,235</b>	<b>\$ 1,611</b>	<b>\$ 754</b>	<b>\$ 4,710</b>	<b>\$ 28,392</b>

\* Lytle flew to Chicago on Harbor business prior to arriving in Montreal. Therefore, this flight includes a connection flight that other travelers did not have.

**Table A5**  
**ITF Conference & Cluster Meetings**  
**May 18 – June 1, 2013**

Person Incurring Costs	Flight	Hotel	Meal	Transportation	Misc	Total Per Person
Fields (and spouse)	\$ 14,996	\$ 4,206	\$ 1,389	\$ 379	\$ -	\$ 20,970
Sramek (and spouse)	14,215	3,329	655	170	934	19,303
Trade Representative	3,400	2,853	805	4,729	374	12,161
<b>Total Per Expense Category</b>	<b>\$ 32,611</b>	<b>\$ 10,388</b>	<b>\$ 2,849</b>	<b>\$ 5,278</b>	<b>\$ 1,308</b>	<b>\$ 52,434</b>

## Appendix B

### Summary of Trip Business Activity

**Note:** The following tables are summaries of activities for trip participants taken from Harbor provided trip itinerary documents, Travel Reimbursement Forms, and supporting documentation and invoices.

**Table B1**  
**Asia Trade Mission #1**  
**October 29 – November 5, 2011**

Date	Steinke	Dines	Wise	Lytle	Snyder	Trade Representative
10/29/2011	Arrive Hong Kong 6:05pm					Incurs Expenses
10/30/2011	No Business Conducted	Arrive Hong Kong 7:15am	Arrive Hong Kong 7:15am	Arrive Hong Kong 7:15am	Arrive Hong Kong 7:15am	Incurs Expenses
10/31/2011	Meetings	Meetings	Meetings	Meetings	Meetings	Incurs Expenses
11/1/2011	Arrive Haikou 1:00pm	Arrive Haikou 12:55pm	Arrive Haikou 12:55pm	Arrive Haikou 12:55pm	Arrive Haikou 12:55pm	Incurs Expenses
11/2/2011	Shipping Summit	Shipping Summit	Shipping Summit	Shipping Summit	Shipping Summit	Incurs Expenses
11/3/2011	Arrive Hong Kong 10:15pm	Meetings	Meetings	Meetings	Meetings	Incurs Expenses
11/4/2011	Depart Hong Kong 12:50pm	Arrive Shanghai 4:55pm	Arrive Shanghai 4:55pm	Arrive Shanghai 4:55pm	Arrive Shanghai 4:55pm	Incurs Expenses
11/5/2013 *		Depart Shanghai 8:25pm	Depart Shanghai 8:25pm	Depart Shanghai 8:25pm	Depart Shanghai 8:25pm	Incurs Expenses

\* Original itinerary stated the trade mission was to end on 11/8/13. Review of flight expenses indicated all Harbor representatives departed for Los Angeles by 11/5/13 as Harbor was able to reschedule an 11/7/13 anticipated meeting to earlier in the trip.

**Table B2**  
**Asia Trade Mission #2**  
**December 1 – December 10, 2011**

Date	Steinke (and Spouse)	Sramek (and Spouse)	Drummond	Lytle	Hacegaba	Trade Representatives
12/1/2011	Arrive Seoul 6:10pm Meeting *					Incurs Expenses
12/2/2011	Arrive Xi'an 2:30pm *	Arrive Xi'an 2:30pm				Incurs Expenses
12/3/2011	No Business Conducted	No Business Conducted				Incurs Expenses
12/4/2011	Arrive Beijing 3:20pm *	Arrive Beijing 3:20pm	Arrive Beijing 4:40pm	Arrive Beijing 4:40pm	Arrive Beijing 4:40pm	Incurs Expenses
12/5/2011	Meetings	Meetings	Meetings	Meetings	Meetings	Incurs Expenses
12/6/2011	Arrive Tokyo 9:00pm	Arrive Tokyo 9:00pm	Arrive Tokyo 9:00pm	Arrive Tokyo 9:00pm	Arrive Tokyo 9:00pm	Incurs Expenses
12/7/2011	Meetings	Meetings	Meetings	Meetings	Meetings	Incurs Expenses
12/8/2011	Arrive Seoul 3:10pm Meeting	Arrive Seoul 3:10pm Meeting	Arrive Seoul 3:10pm Meeting	Arrive Seoul 3:10pm Meeting	Arrive Seoul 3:10pm Meeting	Incurs Expenses
12/9/2011	Meetings	Meetings	Meetings	Meetings	Meetings	Incurs Expenses
12/10/2011	Depart Seoul 4:30pm	Depart Seoul 4:30pm	Depart Seoul 4:30pm	Depart Seoul 4:30pm	Depart Seoul 4:30pm	Incurs Expenses

\* These activities were not on the original itinerary. Information was provided by Harbor staff during the audit.

Appendix B – Summary of Trip Business Activity

**Table B3  
European Trade Mission  
April 21 – April 28, 2012**

Date	Strawbridge	Fields	Wise	Hacegaba	Lytle	Trade Representative
4/21/2012	Arrive Amsterdam 9:15am Meeting *	Arrive Amsterdam 9:15am Meeting *				
4/22/2012	No Business Conducted	No Business Conducted	Arrive Amsterdam 2:05pm	Arrive Amsterdam 2:05pm	Arrive Amsterdam 7:10am	Incurs Expenses
4/23/2012	Meetings Arrive Copenhagen 6:50pm	Meetings Arrive Copenhagen 6:50pm	Meetings Arrive Copenhagen 6:50pm	Meetings Arrive Copenhagen 6:50pm	Meetings Arrive Copenhagen 6:50pm	Incurs Expenses
4/24/2012	Meeting Arrive Hamburg 6:50pm	Meeting Arrive Hamburg 6:50pm	Meeting Arrive Hamburg 6:50pm	Meeting Arrive Hamburg 6:50pm	Meeting Arrive Hamburg 6:50pm	Incurs Expenses
4/25/2012	Meetings	Meetings	Meetings	Meetings	Meetings	Incurs Expenses
4/26/2012	Arrive Marseille 12:35pm Meetings	Arrive Marseille 12:35pm Meetings	Arrive Marseille 12:35pm Meetings	Arrive Marseille 12:35pm Meetings	Arrive Marseille 12:35pm Meetings	Incurs Expenses
4/27/2012	Depart for Geneva 8:44am Meetings	Depart for Geneva 8:44am Meetings	Depart for Geneva 8:44am Meetings	Depart for Geneva 8:44am Meetings	Depart for Geneva 8:44am Meetings	Incurs Expenses
4/28/2012	Depart Geneva 1:00pm	Depart Geneva 1:00pm	Depart Geneva 1:00pm	Depart Geneva 1:00pm	Depart Geneva 1:00pm	Incurs Expenses

\* This meeting was not on the original itinerary. Harbor staff subsequently stated that Fields and Strawbridge arrived early for a dinner meeting with an industry group.

**Table B4  
AAPA Commissioners Seminar - Montreal  
June 24 – July 1, 2012**

Date	Drummond (and Spouse)	Fields	Dines (and Spouse)	Hacegaba	Lytle *
6/24/2012	Arrive Montreal 7:57pm				
6/25/2012	No Business Conducted	Arrive Montreal 7:57pm	Arrive Montreal 7:57pm	Arrive Montreal 7:57pm	Arrive Montreal 10:41pm
6/26/2012	Conference	Conference	Conference	Conference	Conference
6/27/2012	Conference	Conference	Conference	Conference	Conference
6/28/2012	Conference End 11:30am	Conference End 11:30am	Conference End 11:30am Depart Montreal 7:55pm	Conference End 11:30am Depart Montreal 7:55pm	Depart Montreal 10:00am
6/29/2013	No Business Conducted	Depart Montreal 8:10am			
6/30/2013	No Business Conducted				
7/1/2013	Depart Montreal 8:10am				

\* Lytle was not listed as one of the travelers on the original itinerary. During our review, we found expenses for Lytle related to this seminar and Harbor staff confirmed he was present.

**Table B5  
ITF Conference & Cluster Meetings  
May 18 – June 1, 2013**

Date	Fields (and Spouse)	Sramek (and Spouse)	Trade Representative
5/18/2013	Arrive Amsterdam 8:50pm		
5/19/2013	No Business Conducted		
5/20/2013	Arrive Hamburg 6:05pm	Arrive Hamburg 2:05pm	Incurs Expenses
5/21/2013	Meetings	Meetings	Incurs Expenses
5/22/2013	Conference	Conference	Incurs Expenses
5/23/2013	Conference Arrive Marseille 9:00 pm	Conference Arrive Marseille 9:00 pm	Incurs Expenses
5/24/2013	Meeting	Meeting	Incurs Expenses
5/25/2013	No Business Conducted	No Business Conducted	Incurs Expenses
5/26/2013	Depart for Paris 9:38am	Depart for Paris 9:38am	Incurs Expenses
5/27/2013	Meeting	Meeting	Incurs Expenses
5/28/2013	Meeting	Meeting	Incurs Expenses
5/29/2013	Arrive Amsterdam 8:40am Meeting Arrive Paris 8:05pm	No Business Conducted	Incurs Expenses
5/30/2013	No Business Conducted	Depart Paris 11:30am	
5/31/2013	Meeting *		
6/1/2013	Depart Paris 11:30am		

\* This meeting was not on the original itinerary. Harbor staff stated that Fields scheduled the meeting while on the trip but no documentation was provided that this meeting occurred.

Appendix C  
Management's Response



**Date:** February 19, 2014  
**To:** Laura Doud, City Auditor  
**From:** Al Moro, P.E., Acting Executive Director *AM*  
**Subject:** Response to International Travel Audit

We thank you and your staff for conducting the audit in a professional manner. The scope of the audit included three trade missions to visit existing and potential customers, in addition to a seminar for harbor commissioners, organized by the American Association of Port Authorities, and a trade conference. The audit reported an average annual travel expense for FY12 and FY13 of about \$600,000. Out of that amount, travel-related expenses reimbursed to commissioners were \$186,673 and \$93,653 for FY12 and F13, respectively. This does not include any commissioners' meals paid by and reimbursed to staff or other in-country commissioners' expenses paid by and reimbursed to Trade Representatives.

As the City Auditor's report pointed out, the City Charter defines the commissioners' duties and activities to include promoting the maritime and commercial interests of the Port in California, other states, and foreign countries. Our existing and potential customers appreciate and hold it in high regard when members of our governing body come calling on them to promote our business.

We have outlined below our responses to the specific recommendations, in the same order numbered in the January 2014 audit report.

1. Spousal Travel
  - a. Staff will discuss the two-for-one airline ticket option offered by American Express with the Board. We will communicate to the City Auditor any changes in policy or practice approved by the Board.
  - b. As discussed, hotel room rates change constantly based on supply and demand. The rate paid depends on when the room was booked.
2. Time of Arrivals and Departures
  - a. It is very important that our trade mission delegates are well-rested for the grueling day-long meetings that sometimes go into the evening. Especially when traveling to the Far East, arriving early allows for recovery from the long journey and time change. Also, depending on when business is concluded, and subject to airlines' schedules, it may be necessary to leave the day after.
3. Expenses Incurred by Trade Representatives
  - a. We will continue to scrutinize the expenses reimbursed to the Trade Representatives and supplement these with explanation where the business purpose may not be clear.

- b. We will ensure there is an English translation that explains the nature of and details the expenses when the receipts are in a foreign language.
- c. Often, the trade mission ground transportation is done by van due to the size of the party. It is not advisable for commissioners to rent cars and drive on their own in foreign countries as they are not familiar with the terrain or driving habits. In many situations, it is safer and makes the arrival at business meetings more efficient and orderly, if the delegation arrives at the same time and in one vehicle. Specifically, in the two examples cited in the audit report, the ground transportation was used extensively, and not just for transportation to and from the airport. For example, in Amsterdam, the delegation used the van for an entire day. The trade delegation checked out of the hotel in the morning with their luggage, visited a terminal far out in the Port of Rotterdam (the terminal was on the edge of the North Sea, approximately 20 miles from the city and the driver waited for the delegation while they toured the terminal), then traveled back through The Hague, had lunch, and then traveled to a meeting with APM Terminals. Following that meeting, the van took the delegation to the airport. Likewise, in Hamburg, besides needing airport transportation, the trade delegation traveled to meet with Hapag Lloyd, then Hamburg Sud, and then traveled to the administrative offices of the Port of Hamburg followed by a tour, in the van, of a terminal.

#### 4. Travel Expenses

- a. Many of the international cities visited, such as Tokyo, Paris, Hong Kong, etc., have hotel rates higher than those in the U.S. Often the hotels are recommended by the Trade Representatives due to their proximity to the customers. The example cited in the audit report mentions two hotels being in the same city of Amsterdam, one twice the cost of the other. In fact, the lower cost Bilderberg Hotel is in Rotterdam and not in Amsterdam as the audit report indicated.
- b. Airline ticket prices change constantly based on a very sophisticated supply and demand computer model used by the airlines. Depending on when the flights were booked, the prices could vary drastically.
- c. When traveling outside the U.S. to some high cost-of-living countries, the \$64 per day cap on meals is not reasonable. However, we will request additional explanation when the cost of meals appears to be high.

#### 5. Documentation of Business Conducted

- a. As mentioned, each traveler on a trade mission is given a very detailed binder that includes the purpose of each meeting, the issues to be discussed, the names and titles of the people meeting with, etc. These binders are not attached to the reimbursement requests, mostly because of the sheer size of the document and its confidential nature.

6. Additional Documentation

- a. We will ensure that all meals reimbursed include all pertinent information.
- b. We will ensure that all reimbursement requests submitted by the Commissioners are signed by them before disbursement of funds. Section 7.1.1 of AD20.01 allows for credit card slip or meal receipt as evidence of the meal expense. We feel this Directive is sufficient as stated.

7. We will explore with American Express monthly reporting on all activities and balances.