

Harbor Department lacked proper oversight of travel budget, audit says

By Karen Robes Meeks , Long Beach Press Telegram

PressTelegram.com



The container yard at the Long Beach Container Terminal in Port of Long Beach. The Harbor Department, which oversees the Port of Long Beach, is facing criticism brought on by a city audit that analyzed travel expenses by harbor officials (Photo by staff/Long Beach Press-Telegram/File). Aerial view of the Port of Long Beach, Downtown Long Beach and the Queen Mary. The Harbor Department, which oversees the Port of Long Beach, is facing criticism brought on by a city audit that analyzed travel expenses by harbor officials (Photo by staff/Long Beach Press-Telegram/File).



The City Auditor's Office on Thursday released the results of an audit of the Harbor Department's travel budget.

The audit categorized its criticisms into the following groups:

- Trade representative expenses unquestioned
- High travel expenses
- Limited documentation of actual business
- Additional violations of administrative directives
- Increased review of credit card statements

- Travel costs of spouses subsidized by the Harbor Department
- Costs reimbursed for early arrivals or late departures

Source: City Auditor's Office

LONG BEACH >> City Auditor Laura Doud has called for swift corrective action into what she contends is the Harbor Department's lack of proper oversight involving its travel budget, an issue that has led to higher travel charges and unauthorized expenses that are rarely questioned, according to a highly anticipated review released by her office Thursday.

Doud's audit found several issues as a result of "limited oversight" and a "decentralized system" in which

travel planning was done by various sources ranging from the Harbor Department's travel agent to individual commissioners. The Harbor Department also had higher travel costs that weren't questioned, limited documentation of expenses, little evidence of efforts to contain costs and subsidized travel of spouses, according to the report.

"The cost containment would have been more of a priority if one person was overseeing this," Doud said Thursday.

The audit looked at a sample of five overseas trips taken by commissioners and staffers from Oct. 1, 2011, to June 30, 2013.

Doud cited an instance in which harbor officials would buy "companion tickets" for spouses to take advantage of a "companion flies for free" deal booked through American Express. In reality, the cost of that "free" ticket for the spouse was actually part of the harbor official's ticket, which, in some instances, more than doubled the cost of the official's ticket, according to Doud's report.

For three port-related trips, the Harbor Department, which manages the Port of Long Beach and is overseen by the city, ended up paying about \$24,000 in airfare for spouses.

In comparing flight costs, the report said that for a conference and cluster meetings from May 18 to June 1, 2013, in Europe, former commissioners Thomas Fields and Nick Sramek spent an average of \$14,606 per person flying with a spouse, \$7,629 more than if they had traveled alone.

For a seminar from June 24 to July 1, 2012, in Montreal, Commissioner Rich Dines and Harbor President Doug Drummond spent an average of \$5,074 flying with a spouse, \$2,599 more than if they had traveled by themselves.

Fields did not return calls for comment on Thursday. Dines declined to comment.

Drummond said he paid for his wife's travel, but Doud said she did not see record of that payment.

The report also showed:

- A reimbursement request of \$877 for "traffic expenses" incurred on an Asia trade mission in December 2011 that included eight receipts in Korean filed by a trade representative but no written explanation of what was charged.
- Also during the trade mission, Sramek and a staff member met with a trade representative, who asked to be reimbursed for a tour guide, museum admissions and meals on a day when there was no official business related to the port.

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- A hotel charge of \$511 per night was submitted by Fields and a former staff member while on an April 2012 European trade mission before they joined other harbor officials and moved to a hotel that was half the price.

Sramek said he was diligent in recording his travel expenses when he was on the board and separated those costs.

"I made sure that not one penny was spent on my wife" by the Harbor Department, he said.

During a trip to Tokyo, Sramek stayed at a hotel that averaged \$531 a night when other officials stayed at a room that averaged \$452 a night. Sramek said that he was never told of the higher cost since lodging was booked by a travel agent and assumed that everyone was getting the same rate.

Doud is calling for the Harbor Department to have a centralized way of recording and tracking expenses, be more diligent in reviewing the trips' costs involving spouses, and make sure that flight and hotel costs are competitively priced and consistent with other traveling officials.

"It is essential that the Harbor Department accept and implement the recommendations of the audit and ensure that travelers adhere to the established policies and procedures," Doud said in a statement. "I encourage management to take swift corrective action to strengthen the system and improve travel operations."

Doud said she plans to meet with Drummond about implementing her office's recommendations. She added that the Harbor Department will provide her office with a response within six months on how they will be enacted. Drummond said he plans to have a workshop with commissioners to review the recommendations in the coming weeks.

"We appreciate the input and we take the matter very seriously," Drummond said in a statement. "Harbor Department staff has already reviewed the audit and submitted responses and I look forward to a productive discussion with my colleagues on the commission."

Doud began her review in September after the council's Budget Oversight Committee questioned expenses tied to overseas trips taken by harbor commissioners. Councilman Gary DeLong, who serves as the Budget Oversight Committee's chairman, questioned two trips taken without port staff by Fields. Harbor commissioners often travel to promote the Long Beach port, part of the nation's second-busiest seaport, and build relationships with international customers, but DeLong said Fields took "too much of an advantage" in port traveling.

DeLong on Thursday said Doud's suggestion to have a centralized system to keep track of travel expenses makes sense.

"I appreciate City Auditor Doud's review of the situation, and look forward to the port commissioners implementing her recommendations on how to improve oversight of travel expenses," he said. "The Port of Long Beach has a long held reputation for being well-managed, but as the audit indicated, there is always room for improvement."

Fields, who did not return calls for comment Thursday, has defended his travel, saying he went on seven of his eight trips at the request of the board president because he had the most flexible schedule. Fields, who owns Thomas Fields Associates, a Long Beach-based marketing and advertising agency, said he took the trips because no one wanted to go, and challenged Doud to review seven years of port-related travel.

"I know what I'm doing is right," Fields said in September to the Press-Telegram. "We are at a critical time at the port. This marketplace is changing dramatically."

Fields was referring to competition from local and North American ports, many of which are investing in their facilities and infrastructure to accommodate bigger ships.

Fields said he also traveled to investigate business clusters and the possibility of developing one in the San Pedro Bay. The idea was to group trade-related businesses and associations close to the ports of Long Beach and Los Angeles and generate area jobs.

In an initial public records request by the Press-Telegram, documents showed that Fields spent nearly twice as much on international travel to Europe and Asia — which includes lodging, flight, taxi/car fare and meals — in nearly two years than his fellow commissioners.

This prompted the council to cap the annual travel spending at \$40,000 per commissioner. The audit asserts that it would currently be difficult to enforce the spending cap.

Fields spent \$77,196.37 on eight overseas trips from Oct. 29, 2011, to June 1, 2013, as a port representative while Susan E. Anderson Wise, who was board president during much of that two-year period, spent \$34,279.91 on travel on four trips, according to public records.

Sramek spent \$40,154.36 on four trips, while Drummond spent \$33,297.35 on five trips, and Dines spent the lowest with \$32,620.23 on five trips.

The City Council fired Fields on Nov. 19 following a recommendation by Mayor Bob Foster. Fields showed an unwillingness to “harmonize” the interests of the city with the port on security, the relocation of the port’s headquarters and other subjects, including the travel expenses, Foster said.

Foster’s office declined to comment Thursday, saying that the mayor had not yet read the report.

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