

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

July 31, 1992

(Executive Committee--Information)
To: Board of Directors (Finance & Insurance Committee -- Information)
From: General Manager
Subject: Board of Directors Travel Expense

Report

At its meeting of July 14, 1992, the Finance and Insurance Committee requested that a draft report on alternative methods of accounting for travel expenditures for the Board of Directors be prepared which included possible changes to the Administrative Code and a discussion of director travel costs. (See attached memoranda from Director Reed dated June 8, 1992 and July 13, 1992.) This letter explains the current method used to account for travel costs, provides a five-year cost trend, and presents alternative procedures for your Board's consideration.

Currently, there is one work order in the cost accounting system that collects all costs associated with the Board of Directors. These costs include external audit and other consultant costs, travel expense, conference registration, postage, mileage reimbursement, supplies and use of automobiles. The budget for this work order is based on experience and additional information provided by the Executive Secretary regarding potential Board activities; i.e., Board workshops, average attendance at conferences, etc. Cost information is summarized by expenditure type and is not itemized by director.

Director travel expense over the past five years was \$183,000 in 1987-88, \$153,500 in 1988-89, \$240,200 in 1989-90, \$359,000 in 1990-91, and \$317,600 in 1991-92. One of the main contributing factors in the overall increase is higher air fares. Other reasons include more trips to Washington and Sacramento due to increasing amounts of legislation that impact Metropolitan, more frequent Board workshops, and more participation in associations such as Association of California Water Agencies, National Water Resources Association, and Colorado River Water Association.

There are several alternative procedures that can be used to budget, itemize and report on travel expenses by director.

Alternative One

Alternative One would utilize the existing Finance Division Expense Claim System (ECS). The ECS is designed to track travel expenditures for business purposes and expedite the processing of expense claims. Under this proposal, all budgets and costs would continue to be reported under the existing Board of Directors' work order. No individual travel budgets would be established, but reports could be generated through the ECS to provide an accounting of travel expenses by director. Quarterly reports would be made available to the Chair of the Board or the Executive Committee that would indicate by director total costs incurred to date, cost per event, average daily cost, and the date of the last expense claim filed. This would enable the Chair or the Executive Committee to review the purpose, frequency and costs of travel. ECS reports would provide historical travel costs. The value of the reports would decrease if directors delayed filing their expense claims. This is the lowest cost alternative, and the system is capable of providing ad hoc reports as needed.

Alternative Two

Alternative Two would establish a work order within the cost accounting system for each director to account for travel expense when traveling outside the District's boundaries and when attending conferences, whether or not the conference is within the District's boundaries. These work orders would be in addition to the primary Board of Directors' work order which would include funds for travel expense to attend Board and committee meetings and any extraordinary travel. The budgets for the individual work orders would be established by either the Chair of the Board or the Executive Committee. As in Alternative One, the cost reports would only provide historical information on travel expenses. Due to the timing of expense claim submittals and the time to process and record them in the cost system, there could be up to a three-month difference between what is reported in the work order and the actual costs incurred-to-date.

There are already 208 work order accounts for which detailed budgets are developed on an annual basis. The addition of 51 work orders would create additional work for

both the Board and staff to prepare the annual budget. Added work would be required to monitor work order budgets vs. costs and to modify existing mainframe computer reports so that the data would be presented in a meaningful form. While individual work orders would provide a means to track and report travel expense relative to budget by a director over time, Alternative One provides a more efficient and less costly method to furnish this information.

Alternative Three

Alternative Three would involve developing a new spreadsheet application (a ledger) which would track actual and estimated costs vs. budget by each director. This system would be maintained by the Executive Secretary's office. At the time travel plans are made, a director would inform the Executive Secretary of the estimated cost of a trip, and this information would be entered into the ledger. When the expense claim is submitted, the estimated costs would be deleted and actual costs entered. This would provide an approximation of travel dollars available to each director at any point in time but not necessarily an exact accounting of a director's travel expenses. As in Alternative One, quarterly reports would be provided to the Chair or Executive Committee for review, but the value of the reports would again be dependent upon timely reporting.

The cost to develop such a system would be minimal, but approximately 20 to 30 hours per month would be required to process and validate the information contained in the system. The Executive Secretary's office is currently averaging 20 hours per month of overtime; and with this additional work load, it would be necessary to increase the budget to provide for part-time help as required. Most of the potential savings accruing from this alternative would be offset by the additional staffing requirements. This alternative would also require either the Chair or the Executive Committee to develop the budgets for each director.

Administrative Code

To implement either Alternative Two or Three, it would be necessary to (1) amend Section 2417 to include as part of the duties and functions of the Executive Committee the authority to establish an annual travel budget for each director, and (2) amend Section 6324 of the Administrative Code to require the prior approval of a travel request if the cost of such travel would exceed the base travel amount authorized for each director as part of the annual budget

process. Attachment A shows the changes that would be required. Attachment B shows new text marked by underlining and deleted text marked by strikeover.

Board Committee Assignments

This letter was referred to:

The Finance and Insurance Committee pursuant to its authorized to study, advise, and make recommendations with regard to preparation of budgets under Administrative Code Section 2441(a).

The Executive Committee because of its authority to study, advise, and make recommendations with regard to policies and procedures to be considered by the Board under Administrative Code Section 2417(e).

Recommendation

For information.


Carl Boronkay

MCF:jg
061MCF

Attachments

ATTACHMENT A

§ 2417. Duties and Functions.

The Executive Committee shall study, advise, and make recommendations with regard to:

(a) Legislation sponsored by the District or in any way affecting the District;

(b) Public information for governmental and other entities and officials, and for the citizens of California regarding matters affecting the District's interests;

(c) The selection of public information consultants and the determination of the scope of their assignment;

(d) Matters relating to the Colorado River Board of California;

(e) Policies and procedures to be considered by the Board;

(f) Questions raised by the officers and staff in intervals between meetings of the Board and in unexpected situations and emergencies;

(g) Such other matters as may be required under Division 2 of this Administrative Code.

(h) The Executive Committee shall also:

(1) Assign and reassign the directors to the standing committees and designate the Committee Chairs and Vice Chairs, subject to approval by the Board of Directors, and to the limitations on terms of office;

(2) Designate a Board Vice Chair to act in the Board Chair's absence, failure or inability to act if the Chair has not previously made such a designation.

(3) Act on behalf of the Board in unexpected situations and emergencies, subject to subsequent approval or ratification of the actions taken whenever such approval or ratification is required by law.

(4) Provide policy guidance where appropriate to those directors and District staff members who are associated with organizations in which the District has membership.

(i) The Chair of the Board or, on the Chair's referral, the Executive Committee shall approve annual travel budgets for each Director.

ATTACHMENT B

§ 2417. Duties and Functions.

The Executive Committee shall study, advise, and make recommendations with regard to:

(a) Legislation sponsored by the District or in any way affecting the District;

(b) Public information for governmental and other entities and officials, and for the citizens of California regarding matters affecting the District's interests;

(c) The selection of public information consultants and the determination of the scope of their assignment;

(d) Matters relating to the Colorado River Board of California;

(e) Policies and procedures to be considered by the Board;

(f) Questions raised by the officers and staff in intervals between meetings of the Board and in unexpected situations and emergencies;

(g) Such other matters as may be required under Division 2 of this Administrative Code.

(h) The Executive Committee shall also:

(1) Assign and reassign the directors to the standing committees and designate the Committee Chairs and Vice Chairs, subject to approval by the Board of Directors, and to the limitations on terms of office;

(2) Designate a Board Vice Chair to act in the Board Chair's absence, failure or inability to act if the Chair has not previously made such a designation.

(3) Act on behalf of the Board in unexpected situations and emergencies, subject to subsequent approval or ratification of the actions taken whenever such approval or ratification is required by law.

(4) Provide policy guidance where appropriate to those directors and District staff members who are associated with organizations in which the District has membership.

(i) The Chair of the Board or, on the Chair's referral, the Executive Committee shall approve annual travel budgets for each Director.

ATTACHMENT A

§ 6324. Authorization for Domestic Travel.

(a) Directors

(1) Directors are authorized to travel anywhere within the States of Arizona, California and Nevada on District business as long as the costs associated with such travel do not exceed a Director's annual travel budget.

(2) Other domestic travel on District business by directors shall be undertaken only with the prior approval of the Chair of the Board or, on the Chair's referral, the Executive Committee. In considering whether to give such approval, the criteria set out in Section 6320 shall be applied. The Chair, or the Executive Secretary acting at the Chair's direction, shall advise the director in writing in advance that the travel is authorized.

(3) The prior approval of the Chair of the Board, or on the Chair's referral, the Executive Committee shall be required for travel if a Director's annual travel budget has already been expended. The Chair or the Executive Secretary acting at the Chair's direction, shall advise the director in writing in advance that the travel is authorized.

(4) Where a director expects to be absent from the State for personal reasons for more than 60 days, that director shall, in advance of departure, request approval from the Board in order to comply with Government Code Section 1062.

ATTACHMENT B

§ 6324. Authorization for Domestic Travel.

(a) Directors

(1) Directors are authorized to travel anywhere within the States of Arizona, California and Nevada on District business as long as the costs associated with such travel do not exceed a Director's annual travel budget.

(2) Other domestic travel on District business by directors shall be undertaken only with the prior approval of the Chair of the Board or, on the Chair's referral, the Executive Committee. In considering whether to give such approval, the criteria set out in Section 6320 shall be applied. The Chair, or the Executive Secretary acting at the Chair's direction, shall advise the director in writing in advance that the travel is authorized.

~~(3) Where a director expects to be absent from the State for personal reasons for more than 60 days, that director shall, in advance of departure, request approval from the Board in order to comply with Government Code Section 1062.~~

(3) The prior approval of the Chair of the Board, or on the Chair's referral, the Executive Committee shall be required for travel if a Director's annual travel budget has already been expended. The Chair or the Executive Secretary acting at the Chair's direction, shall advise the director in writing in advance that the travel is authorized.

(4) Where a director expects to be absent from the State for personal reasons for more than 60 days, that director shall, in advance of departure, request approval from the Board in order to comply with Government Code Section 1062.

June 8, 1992

To: Members, Finance and Insurance Committee, MWD
Members, Executive Committee, MWD

From: Chris Reed, Director, Santa Monica 

Re: A proposal for change in the current practices regarding
Director Travel Expenditures and accounting for same

I recommend that rather than having one large travel account from which each Director draws we establish individual travel accounts with a budgeted amount for each Director. The individual accounts should be equal except that the Chair should have an amount ~~twice~~ 3 or 4 times that of an individual Director. These accounts should be for travel expenditures outside the District boundaries. There should be two other "special" travel accounts maintained. One, for travel inside the District, would be a general account and would be charged for the mileage reimbursements and for the train fares and other expenses related to attendance at Board and committee meetings. The other account should be for extraordinary travel expense and appropriations from it would be authorized by the Executive Committee. This account, for example, would be drawn on by those Directors who undertake to represent the Agency as an officer or committee member at one of the Associations to which the Agency belongs; or could be used when the Agency decides to send a delegation of Directors to either Sacramento or Washington for a specific legislative purpose.

The purpose of this new scheme would be to encourage accountability on the part of individual Directors. Directors would have to exercise some personal choices as to what meetings they would attend and what trips they would take. By having a limit to the amount appropriated a Director would be encouraged to make plans early, and stick with them, in order to make their travel funds go further. Expenditures from the basic travel account for each Director would be subject to the the adopted regulations for justification, reporting, etc. but would not be reviewed by the Executive Committee or Board except as is called for in the current regulations. Directors who use up all their funds would have to

make specific requests for additional funds from the Executive Committee. Directors who do not anticipate using all their appropriated funds may turn them back to the fund administered by the Executive Committee (side deals to trade or transfer funds would not be allowed except on approval by the Executive Committee). Funds not used could not be carried forward and would return to the general funds of the MWD.

The benefit to this change would allow each Director to accept direct responsibility for their travel choices. Those Directors who do not travel would not be subject to criticism by the public and the press. Some Directors would have to make travel choices (due to limited funds) and would have to pay more careful attention to how much they are spending. Officers, and Directors with special responsibilities (example, an officer in ACWA or a Committee Chair in NWRA), have access to the funds needed to support their responsibilities simply through a memo request to the Executive Committee.

I urge the F & I Committee to support this recommendation and forward it to the Executive Committee.

July 13, 1992

TO: Honorable Chairman and Fellow Members
Finance and Insurance Committee

FROM: Chris Reed, Santa Monica

Last month I submitted a proposal to ensure more accountability by Directors for our individual travel expenditures. I have suggested an accounting and reporting scheme which is similiar to the one that many other agencies use. The intent of my suggestion is to replace the present system which has few constraints with a system of specific allocations to each Director. The effect should be to make each of us more aware of what charges we incur as we travel, and perhaps to encourage us to make lesser cost choices (such as securing discount air fares by making firm plans, foregoing rental cars for shuttles and taxis, etc.).

It is not my intent to create a major administrative burden for the accounting staff or for the Executive Secretary and her staff.

I regret that I am not able to be at the F & I meeting on 7/14. I am providing this additional memo simply to underline my intent. If the specifics of how to get better fiscal control and accountability need to be different from what I suggested that will be ok as long as the overriding goal is honored.

When I joined this Board I was astonished at the lack of rules governing Board Member travel and the wide degree of latitude given to each of us. During my tenure on the Board we have experienced much negative publicity due to the travel practices of a very few Directors. This has not been pleasant and the MWD continues to suffer some criticism from the press and the public for our travel practices. Now that we have put a "hold" on our travel we have a perfect opportunity to devise some better rules and practices. It should not be easy to spend the public's money - tighter budgetary controls and more accountability will serve the agency well in the long run.