

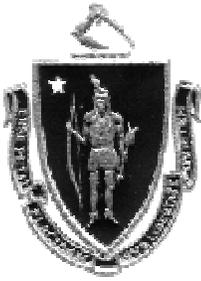
Office of the Inspector General

Commonwealth of Massachusetts

Credit Card and Certain Other Spending Practices at the Reading Municipal Light Department

Gregory W. Sullivan
Acting Inspector General

November 2001



The Commonwealth of Massachusetts
Office of the Inspector General

November 2001

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Her Excellency the Governor

The Honorable President of the Senate

The Honorable Speaker of the House of Representatives

The Honorable Chairman of the Senate Ways and Means Committee

The Honorable Chairman of the House Ways and Means Committee

The Honorable Chairman of the Senate Post Audit and Oversight Committee

The Honorable Chairman of the House Post Audit and Oversight Committee

The Directors of the Legislative Post Audit and Oversight Bureaus

The Secretary of Administration and Finance

Members of the General Court

I am today releasing a report concerning certain spending practices of the Reading Municipal Light Department (RMLD). This Office found that RMLD's Board of Commissioners and General Manager permit unfettered use of RMLD-issued credit cards without regard to RMLD's credit card policy, which requires a clear indication of the business purpose of the expenditure. Certain expenditures appear to be personal in nature, and documentation demonstrating that the cardholder paid restitution to RMLD for the personal purchases is lacking. Other expenditures are devoid of any stated business purpose.

Additionally, RMLD does not have a per diem rate policy capping amounts permissible for business-related travel expenditures. Consequently, RMLD's managers spent thousands of ratepayer dollars annually on extravagant travel and dining, including lunches several times a week at area restaurants. Their excessive spending habits have also included accommodations in luxury hotels. It appears that from

January 1998 to September 2000, credit card and other miscellaneous expenditures of RMLD's managers have included:

- a. accommodations for personal vacations as well as accommodations at premiere luxury hotels while on business;
- b. entertainment and recreation, including Las Vegas show tickets, VIP cinema tickets and golf expenses;
- c. fine dining at numerous top-rated local and nationally renowned restaurants; and,
- d. expensive wines and top shelf alcoholic beverages.

During our review period, the General Manager was out of state for extended days at least once a month almost every month. Thousands of ratepayer dollars were devoted to paying for the travel and expenses of the General Manager, commissioners, and other employees. Ratepayers may have subsidized an extravagant personal vacation to Las Vegas, NV's Bellagio Hotel and Casino by RMLD's Assistant General Manager and other RMLD employees.

The practices documented in this report reveal a need for stronger managerial and accounting oversight of RMLD's expenditure policies, restructuring of credit card use, adoption of a per diem rate policy and a review of the frequency of employee travel by the Board of Commissioners. Moreover, the lavishness of RMLD's previously undisclosed spending practices should offend the sensibilities of the ratepayers who entrust their best interests in prudent oversight of their Light Department to the Commissioners whom they elect.

If you should have any questions regarding this letter, please do not hesitate to contact me.

Sincerely,

Gregory W. Sullivan
Acting Inspector General

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Publication No. 18296-24-5C-11/01-IGO, approved by Philmore Anderson III, State Purchasing Agent.

Printed on recycled paper.

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Introduction

In accordance with M.G.L. c. 12A, §8, this Office conducted a review of certain expenditures of the Reading Municipal Light Department (RMLD). RMLD operates pursuant to the provisions of M.G.L. c. 164, §34 et seq., and St. 1908. c. 369. It is one of thirty-nine municipal light departments in Massachusetts and provides electricity to the Massachusetts towns of Lynnfield, North Reading, Reading, and Wilmington. M.G.L. c. 164, §56 provides for the operation of a municipal light department by a manager subject to the direction and control of an Board of Commissioners. RMLD's five-member Board of Commissioners is elected. The Board of Commissioners appoints a general manager whose responsibilities include operation and management of the plant, the manufacture and distribution of electricity, and the purchase of supplies.

RMLD has one credit card account. The General Manager authorized seven employees and himself to use RMLD's corporate credit card. These eight credit cards bear the name of the employee and RMLD. The credit card company charges 17.8 percent interest on unpaid balances and membership fees of \$30 - \$40 per card. RMLD regularly incurs finance charges. RMLD's credit card policy, adopted by the RMLD Board of Commissioners on November 30, 1998, states in part:

- RMLD credit cards are to be used solely as a business convenience and any expenditure is to be business related. If an expenditure is determined not to be business related, then the authorized employee must immediately provide restitution of such monies within seven (7) business days.
- Use of the RMLD credit card for personal expenditures may lead to revocation of the assigned card.
- The cardholder shall mark reasons for expenditures on each charge slip or monthly bill. Such notes should clearly indicate the business nature of the expenditure.

Regarding oversight and enforcement, RMLD's credit card policy states in part:

It is the responsibility of the RMLD Commission [Board of Commissioners] and the Town Accountant to review any expenditure made using a RMLD credit card and from time-to-time provide any desired constraints or limitations associated with the use of RMLD credit cards.

The General Manager is responsible for ensuring all such expenditures are subjected to an internal RMLD review process to ensure a valid business purpose exists and for designating those RMLD employees who may use such a card.

The General Manager's staff will match monthly credit card bills against charge slips and then forward them to the Chief Accountant for payment. The Chief Accountant will bring questionable charge slips to the attention of the General Manager.

Pursuant to M.G.L. c. 12A, §9, this Office requested that RMLD provide all documents pertaining to credit card usage and reimbursable expenses for the period January 1998 to September 2000. The records received from RMLD only partially recount how RMLD expended money. This Office received additional documents from a complainant and from local and national restaurants and hotels. The documents reflect certain unchecked spending practices by RMLD's management and lack of oversight by the Board of Commissioners.

RMLD's attorneys responded to this Office's documents request and explained that certain RMLD records were not available. A letter dated October 16, 2000, stated in part:

Please note that certain items requested either do not exist or are missing. Records submitted by employees to document expenses consist of receipts attached to credit card bills and notations on the bills explaining expenditures. There are no weekly and monthly reimbursable expense statements, and no payment voucher slips.¹

¹ This is a misstatement. RMLD's Chairman of the Board of Commissioners told this Office that employees use weekly expense statements to document expenditures. In addition, this Office obtained numerous RMLD weekly expense statements from an anonymous source.

The following items are missing: credit card statements with notations on expenditures for [the Assistant General Manager] from March of 1999 to November 1999, and for [a former employee] for November 1999. The credit card company . . . has forwarded copies of statements, but the original statement with the employees' notations and receipts attached are missing

This Office conducted a review of over 1,100 credit card transactions by RMLD management from January 1, 1998 through September 2000. Within that time period, the RMLD General Manager, Assistant General Manager, and other authorized credit card holders spent over \$109,000.00. The General Manager and Assistant General Manager accounted for approximately 74 percent of total purchases. Credit card purchases included daily lunches, expensive dinners, luxury hotel accommodations, entertainment, pager-service charges, clothing, a bicycle, personal hand-held computers, laptops, software, limousine and car services, and bedding and bath-related items.

According to RMLD's credit card policy, ratepayers bear responsibility for improper credit card purchases. RMLD's credit card policy states that the General Manager will not be held liable for lawful (though improper) purchases made by holders of RMLD-issued credit cards. Specifically, it states:

The RMLD agrees to indemnify and hold harmless the General Manager, acting as the authorizing official, in all lawful aspects of obtaining or using RMLD issued credit cards. This policy also establishes that the General Manager, acting as the authorizing official, is not personally liable for any RMLD charges incurred through RMLD issued credit cards.

As written, RMLD will pay for any cardholder's expenditures, regardless of whether the expenditure had a valid business purpose, as long as the purpose of the expenditure was not in violation of law.

In accordance with Massachusetts law,² money collected from RMLD's ratepayers is kept by the Town in an account and used to pay all RMLD's operating and administrative expenses. The statute governing RMLD's operation authorizes the

² M.G.L. c. 44, §53.

Reading's Board of Selectmen to assert a modicum of control over RMLD's accounting and bill paying process. M.G.L. c. 164, §56 requires the Selectmen to:

- Inspect all accounts rendered to or kept in the electric plant.³ The auditor⁴ or the selectmen may require any person presenting for settlement an account or claim against such plant to make oath before the auditor or selectmen, in such form as the auditor or selectmen may prescribe, as to the accuracy of such account or claim. (The willful making of a false oath shall be punishable as perjury.)
- Approve the proposed bill and payroll payments prior to the town treasurer paying them. The selectmen may disallow or refusal to approve any claim for payment if it is deemed to be fraudulent, unlawful or excessive. In such a case, the selectmen must file a written statement with the town treasurer citing the reasons for refusal to approve the payment. The law states that the town treasurer cannot pay any claim or bill so disallowed.

In addition, Massachusetts law requires that Reading's Town Accountant examine RMLD's items for payment and approve them only after determining that charges are correct. According to M.G.L. c. 41, §56, the town accountant shall examine all such bills, drafts, orders and payrolls and, if found correct and approved as herein provided, shall draw a warrant upon the treasury for the payment of the same. The town accountant may disallow and refuse to approve for payment, in whole or in part, any claim as fraudulent, unlawful or excessive, and in such case he shall file with the town treasurer a written statement of the reasons for such refusal.

This Office conducted an interview with the Chairman of RMLD's Board of Commissioners. The Chairman stated that RMLD pays for all business-related travel and conference expenses for RMLD employees and commissioners.⁵ He stated that RMLD pays for his attendance at educational and professional conferences. According to the Chairman, employees and commissioners are also allowed to bring a spouse or a

³ The selectmen contract with a town manager to manage the administrative duties of Town government.

⁴ Reading has a town accountant, not an auditor.

⁵ Though the Commissioners have not been issued RMLD credit cards, the General Manager has included the Commissioners' conference-related expenses on his credit card.

significant other to conferences. Regarding RMLD's credit card policy, the Chairman stated that payment is based on a specific breakdown of all conference expenses including meals, fees, travel etc.

The Chairman of the Board of Commissioners stated that RMLD employees submit weekly expense statements on items for payment or reimbursement. The Chairman contended that certain commissioners review all bills and the weekly expense statements to ensure that expenditures are accompanied by all the proper backup documentation, including receipts, vouchers, etc. He indicated that this information is forwarded to the Town Accountant for payment consideration. The Chairman stated that if an expense were questionable, he and the other commissioners would consult the General Manager for an explanation. The Chairman stated that he has never questioned the expenses of any RMLD employee.

In an interview with this Office, the Town Accountant stated that he has been denied access to full disclosure of receipts, credit card slips, and other documents justifying credit card purchases. He stated that he only receives the total amounts appearing on the weekly expense statements, nothing more. Whenever he has questioned RMLD's spending activities he told this Office that he has been ignored by the General Manager. Moreover, he has not been permitted, as the credit card policy dictates, to either:

- review (via normal "bills payable" process) any expenditures made using a RMLD [c]redit [c]ard, or,
- from time-to-time provide any desired constraints or limitations associated with the use of RMLD credit cards.

The Town Accountant indicated that he has been kept from exercising meaningful oversight of RMLD credit card spending and from enforcing accounting controls.

RMLD's attorneys informed this Office that "after RMLD's General Manager approves the payment of an expense (such as one appearing on the RMLD corporate credit card), it is then subject to review by the Board of Commissioners, which signs warrants upon which bills are placed, which warrants are then subject to review by the

Selectmen, **who may not question the wisdom of an RMLD expenditure** (emphasis added) but who may refuse to pay any bill found to be unlawful, fraudulent or excessive.”

This Office contends that a meaningful review by the Town Accountant consistent with the law requiring oversight of whether RMLD bills are unlawful, fraudulent or excessive requires that the Town Accountant receive the back-up documentation for expenditures. The backup documents are essential for the performance of that statutorily mandated check and balance function. RMLD currently does not provide the Town Accountant with back-up documents for credit card purchases. And, the Board of Commissioners has never enforced the credit card policy or questioned any of RMLD’s staff expenditures. Consequently, RMLD’s employees are at liberty to spend ratepayer dollars without conformance to any of the restrictions in its credit card policy, including the requirement that purchases have a clear business purpose.

In an interview with Reading’s Town Manager, he indicated that he has questioned RMLD’s expenditures on several occasions. Most notably, he questioned a credit card expenditure for an expensive dinner submitted by the Assistant General Manager and the lack of documentation for expenditures from the RMLD petty cash fund. The Town Manager has been waiting for months for an explanation of the expenditures from the General Manager.

In summary, despite the clear language in RMLD’s credit card policy requiring shared oversight with the Town Accountant, and despite the language of M.G.L. c. 164, § 56, requiring Town oversight, the message from RMLD is that employees’ use of ratepayer-funded credit cards is none of the Town Accountant’s (or any other Town official’s) business. If, as legally required, access to back-up documentation had been readily provided to Town officials, as they requested on numerous occasions, the habits of RMLD’s managers for excessive, unsubstantiated, and inadequately documented spending may have been curbed.

RMLD pays its bills through the warrant process in which any combination of three commissioners must sign a warrant before any bills can be forwarded to the Town for

payment. The warrant is then forwarded to Reading's Town Hall for payment. The Chairman told this Office that for convenience purposes RMLD is attempting to change the warrant approval policy. Instead of requiring that three commissioners sign warrants, he stated that RMLD is proposing an approval process where the signature of just one commissioner and the General Manager would suffice for approval.

According to RMLD's attorneys:

RMLD has attempted to work out some type of policy, with the Town of Reading's cooperation, that would permit warrants for RMLD bill payments to be submitted with less than a majority of the RMLD Commissioner's signatures. RMLD has many power bills payment for which, under the new restructured electricity market, is due in a matter of days. RMLD's Commissioners are not always available (between full time outside jobs, vacations, illnesses, business travel, etc.) to come into RMLD's office and sign warrants. RMLD is searching for a way to ensure prompt payment of these bills – which could involve heavy interest charges or even the triggering of an event of default which would cause of [sic] termination of an extremely economical power contract – and believes that the relevant statutes do not require a majority of signatures on warrants for payment by the Town Treasurer. Again, this is not an issue under the jurisdiction of the Inspector General. **If a dispute does arise between the Town of Reading and the RMLD regarding the policy on Commissioner signatures, it will [be] resolved by a court of law.** (emphasis added)

While an adjustment in the warrant approval policy for payment of power bills to accommodate industry changes may be prudent, this Office advises that the policy remain as written for general expenditures. Ratepayers should demand that their elected Commissioners provide meaningful oversight of RMLD spending, including faithfully following RMLD's written warrant approval process.

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Findings

Finding 1. RMLD's Credit Card Spending Cost Ratepayers Thousands of Dollars in Excessive, Unauthorized and/or Inadequately Documented Expenditures.

This Office's investigation found that the General Manager, a cardholder, is the foremost abuser of RMLD's credit card policy. Of more than 700 credit card purchases made by the General Manager, less than 10 percent of the requests for payment were accompanied by notations, charge slips, and receipts which clearly indicate the business nature of the expense.⁶ Of the 130 credit card purchases made by the Assistant General Manager, less than 20 percent of the requests for payment were accompanied by notations, charge slips, and/or receipts which clearly indicate the business nature of the expense. Of the 342 credit card purchases made by other RMLD staff, less than 20 percent of the requests for payment included notations, charge slips, and receipts which clearly indicate the business nature of the expense.

A. Las Vegas, Nevada

In early June 2000, three RMLD employees, (the Assistant General Manager, the Electrical Maintenance Manager, and the Senior Meter Technician) traveled to Las Vegas, NV. RMLD's payment records supporting costs incurred for the Las Vegas, NV trip are sparse and do not clarify the purpose of the trip. A notation on the monthly credit card bill submitted for payment indicates that the Assistant General Manager's expenses were incurred in conjunction with an American Public Power Association (APPA) conference. However, the APPA reported to this Office that it has no record of any APPA conference, meeting, seminar or other event scheduled during the month of June 2000 in Las Vegas, NV.

Hotel records reflect that the Assistant General Manager and another unidentified guest stayed for one night in one of Las Vegas' finest hotels at more than quadruple the room cost of each of the other two RMLD employees. Thereafter, for the next two nights, the

⁶ The General Manager refused to be interviewed by this Office.

Assistant General Manager stayed in a deluxe room at another fine hotel at nearly triple the cost.

- June 3, 2000 (Saturday) – Records from the Bellagio Hotel & Casino, Inc., Las Vegas, NV indicate that two guests occupied hotel room #23028 for one night totaling **\$589.49**. The Hotel's records also indicate that telephone calls totaling \$45.58 were included in the bill that the Assistant General Manager submitted for payment. The credit card bill that the Assistant General Manager submitted for payment also contained the handwritten notation "APPA." The APPA has no record of any meeting held during the month of June in Las Vegas, NV.
- On June 4 and 5, 2000 (Sunday and Monday) - records from the Mirage Hotel and Casino in Las Vegas, NV indicate that a RMLD credit card secured and paid for a deluxe room for a total of **\$792.14**. Also included in the room charges were telephone calls and spa services. The Assistant General Manager subsequently submitted the credit card statement for payment. The bill contained the notation "APPA" next to the Las Vegas expenses. As stated above, the APPA reported to this Office that it has no record of any APPA-sponsored conference, meeting, seminar or other event scheduled during the month of June 2000 in Las Vegas, NV.
- June 3, 4, & 5, 2000 (Saturday - Monday) – Records from Bally's Paris Hotel and Casino indicate that RMLD's Electrical Maintenance Manager and Senior Meter Technician checked into two separate rooms, charged room service meals and incurred steep long-distance telephone charges (\$68.27 and \$141.45 respectively). The total for two employees staying three nights was \$1,054.04. Although requested by this Office, RMLD did not provide any records of payment for these expenses.
- From June 3rd to June 5th, 2000 (Saturday, Sunday and Monday) - records received from the Tres Jazz Night Club and Paris Provencial Restaurant at the Paris Las Vegas Resort indicate that on four separate occasions several guests dined and consumed alcohol at ratepayer's expense. The total for the dinner outings was **\$641.51** (of which **\$115** was spent on alcohol and wine). The Assistant General Manager's bill submitted to RMLD for payment did not identify the guests who dined at ratepayer's expense. The food and alcohol consumption included:

Chilean sea bass (\$30.00); seared jerk tuna (\$32.00); filet of beef (\$36.00); Hess Collection wine (\$40.00); and a bloody mary; Absolute vodka; Dewars Whiskey; and glasses of F.Carano wine⁷;

- On June 6, 2000 (Tuesday) - records received from the Mandalay Resort Group indicate two Luxor Show Tickets for the Blue Man Group were purchased using a RMLD credit card totaling **\$189.00**. The Assistant General Manager's bill submitted to RMLD for payment did not state who attended or whether the expense was for a business purpose. While entertainment expenses are permitted by RMLD's credit card policy, the business purpose must be clearly indicated.

Upon returning from Las Vegas, NV the Assistant General Manager submitted a RMLD weekly expense statement for personal reimbursement, which included the following "APPA" additional expense:

- June 4, 2000 (Sunday) - the Assistant General Manager and two guests dined at Onda Mirage Resort & Casino Restaurant, Las Vegas, NV, totaling **\$196.69**. The expense report did not identify the Assistant Manager's guests. The meal included: dark chocolate souffle, Sambuca, and Saint Margarita, Trimbach Reis, and Villa Chianti wines.

The total to the ratepayers for expenses charged by the Assistant General Manager in Las Vegas (excluding airfare): **\$2,300.25**. If a legitimate business purpose exists for this Las Vegas trip, the costs incurred were excessive by reasonable standards. In addition, monies spent on entertainment were not documented as having a business purpose. When this Office asked the Chairman of RMLD's Board of Commissioners about the Las Vegas expenses he stated that they must be legitimate if the General Manager approved them.

B. Scottsdale, Arizona

During the period of this Office's review, the General Manager made three weeklong trips to Scottsdale, AZ. As indicated below, during the most recent year 2000 trip, certain expenses incurred were identified by the General Manager as "personal" on the credit card bill that he submitted for payment. However, although requested by this

⁷ Restaurant receipts were not provided to this Office as requested but were obtained from the Paris Las Vegas Resort.

Office, RMLD did not provide any records indicating that the General Manager provided restitution of the monies, as the credit card policy requires. The question stands as to whether portions of the weeks in the two prior years were also, in fact, personal travel.

- March 4 (Saturday) – March 10 (Friday), 2000 - The General Manager stayed at the Resort Suites in Scottsdale, AZ and charged \$1,118.26 at the hotel. Hotel records indicate that golf expenses totaling \$136.50 were included. On the bill submitted for payment, the General Manager noted that the golf and two nights at the Resort Suites were personal. However, records reflect that RMLD paid the entire bill. In addition, RMLD ratepayers paid for the General Manager to dine at Z’Tejas Grill in Phoenix, AZ, totaling \$102.33; gasoline totaling \$34.29; shuttle costs totaling \$44.00; and a Massport Authority Logan parking fee of \$124.00. A notation on the monthly credit card statement read, “APPA CEO Roundtable.” Total cost to the ratepayers (excluding airfare) of the General Manager’s year 2000 Scottsdale, AZ trip: **\$1,378.80.**
- March 13 (Monday) – March 19 (Sunday), 1999 - RMLD credit card statements indicate that the General Manager was in Scottsdale, AZ for the “APPA CEO Roundtable.” Records show that the General Manager stayed at the Resort Suites in Scottsdale, AZ for \$1,135.14; rented an Avis Rent-A-Car car for \$501.89; dined at the Old Tortilla Factory for \$65.30; and parked at the Massport Authority Logan lot for \$70.00. Total cost to the ratepayers (excluding airfare) of the General Manager’s 1999 Scottsdale, AZ trip: **\$1,782.58.**
- February 28 (Saturday) - March 6 (Friday), 1998 – The General Manager’s weeklong stay at the Radisson Resort in Scottsdale, AZ totaled \$1,848.15. Included in the expenses paid by RMLD ratepayers were long distance telephone charges of \$86.80; credit card receipts from Andre’s Restaurant and Cabana Bar totaling \$58.89; a gift shop florist expense of \$12.56; an Avis rent-a-car totaling \$595.32. Dinner at the Carlsbad Tavern totaling \$38.90 and a Chart House Restaurant receipt in Scottsdale, AZ totaling \$293.51. The credit card bill submitted by the General Manager noted that expenses were in conjunction with the “APPA CEO Roundtable.” The total cost to the ratepayers (excluding airfare) of the General Manager’s 1998 Scottsdale, AZ trip: **\$2,776.62.**

Total cost (excluding airfare) to the ratepayers for the General Manager’s 1998-2000 Scottsdale, AZ trips: **\$5,938.00.**

C. San Antonio, Texas

In the spring of 1998, the General Manager and another RMLD employee spent several days and several thousand dollars in San Antonio, TX. The costs incurred appear excessive and while records submitted for payment indicate that the trip was in conjunction with an "APPA conference," (records do not indicate the dates of the conference.)

- From June 12 to 18, 1998, a weeklong stay by the General Manager at the San Antonio Marriott River Center totaled **\$1,951.78**. The following expenses were included in that total: \$85.77 for room service; \$29.75 in pool/hotel bar tabs; \$65.00 in valet parking services; \$26.94 for laundry services; and \$35.87 in long distance telephone calls. The General Manager also rented a car from the San Antonio, TX Avis Rent-A-Car for \$354.48 and had \$133.91 of miscellaneous and unidentified expenses charged at the hotel;
- From June 12 - 15, 1998, a four-day stay by another RMLD employee at the San Antonio Marriott River Center totaled **\$729.13**. The following expenses were included in the total: \$135.57 in hotel restaurant expenses; \$90.97 in long distance telephone calls; and \$43.17 in hotel in-room movie rentals. Miscellaneous meal charges and Massport parking fees totaled \$91.82.

Total cost of trip (excluding airfare) to ratepayers: **\$3,261.12**.

D. Miscellaneous Credit Card Purchases

The following partial listing of purchases constitute violations of the credit card policy. Either a request for payment was submitted without the requisite documentation clearly stating a valid business purpose or where a purchase was marked "personal", no records reflect that RMLD was reimbursed for the personal purchases.

- On March 18, 1999, a RMLD manager charged **\$584.63** worth of bedding and bathroom items at Bed Bath & Beyond in Burlington, MA. The RMLD employee wrote "General Manager furniture request" as the business reason for the purchase. The Chairman of the Board of Commissioners surmised that the bedding might be for the emergency crews who sleep at the station during storms. The following items were included in the purchase:

Mattress pad, down comforter and duvet (\$199.98);
Two Zurich pillows (\$79.98);
Calais feathered quilt (\$99.99); and
Newport hand and bath towels (\$27.92).

- On March 31, 1999, the General Manager hired Boston Coach Company for an unknown purpose at a cost of \$425.00;
- On January 21, 2000, the Assistant General Manager hired Next One Sedan Service Company for “APPA Legislative Meetings” at a cost of \$123.75;
- On February 2, 2000, the General Manager purchased **\$47.23** from Linens-N-Things with no receipt, but a notation on the monthly credit card statement read that the General Manager would reimburse RMLD. Despite specifically requesting such documentation, this Office was not provided with records documenting that this expense was reimbursed;
- On June 18, 2000, the Assistant General Manager charged two purchases totaling **\$142.47** at Filene’s Neckwear in Salem, NH. Although requested by this Office, no receipt or records evidencing restitution to RMLD were provided to this Office;
- On July 21, 1999, a RMLD employee purchased a blue power-bike DX model totaling **\$926.13** from PMI Progressive Marketing, Inc./Total EV of Dallas, TX. The monthly credit card statement contained no explanation for the purchase;
- RMLD warrant article dated November 20, 2000 indicates that: on November 11, 2000, RMLD purchased General Cinema Adult VIP tickets valued at **\$282.00**. According to General Cinema records, there still is an outstanding balance of \$7.00. Although requested, no receipts documenting the purpose of the expenditure was provided to this Office.

Furthermore, no purpose was documented for these additional November 11, 2000 warrant expenditures:

- **\$300.00** paid to ShowCase Cinemas;
- **\$976.35** paid to Lynnfield Meat & Deli; and,
- **\$830.94** paid out in petty cash on petty cash log dated November 20, 2000.

E. Restaurants

RMLD ratepayers frequently paid for RMLD employees, commissioners, and undisclosed guests to dine at local and national restaurants. When dining locally, often nothing more than “lunch” or “dinner” appeared as the stated purpose for the expenditures. Those lunches and dinners appear to have no justified business purpose. In addition, all too often RMLD managers treated themselves and other employees to lunch or dinner at ratepayer’s expense, justifying the expenditure by stating that office business was discussed. The frequency of this practice is an abuse of the privilege. Moreover, RMLD’s funds were also spent without a clear stated business purpose for restaurant gift certificates and several dinners costing above \$200. The following information provides a partial overview of the costs involved.

- The General Manager and undisclosed guests dined at the Mandarin Reading Restaurant forty-one (41) times, the Assistant General Manager five (5) times and other management team members two (2) times: totaling **\$2,603.42**. The RMLD management and unidentified guests ordered such menu items as:

soft shell crabs; sizzling seafood platters; salmon; crispy jumbo shrimp; teriyaki chicken dinner; chirashi sushi; sushi deluxe; sushi bento; sushi & sashimi. The bar tabs included: sake, Headhunter and Suffering Bastard cocktails and Chardonnay wines;

- From November 1998 to November 1999, the General Manager and unidentified guests dined at the Kernwood At Lynnfield Restaurant on four separate occasions totaling \$671.69 (including bar tabs of \$78.15); while other members of the RMLD management team dined there an additional seven (7) times totaling \$613.56. The cost of food and alcohol included such items as:

grilled salmon; london broil; baked scallops; rib eye steak; veal medallions; swordfish; shrimp plates; lobster ravioli; thick prime rib; lobster pie; 12 ounce filet; alcohol consumption included: Absolute and Stolichnaya vodkas; Southern Comfort whiskey; Tangueray gin, Sam Adams beer; and wine.⁸

⁸ RMLD did not provide receipts or dinner checks. This Office independently obtained the information from the Restaurant.

- Total cost to ratepayers: **\$1,285.25**
- On August 22, 1999, in conjunction with a New England Power Plant Association conference, RMLD ratepayers funded a **\$1,275.00** dinner at Capriccios Restaurant in Providence, RI for the General Manager and 13 unidentified guests. Food and alcohol purchases include:

lobster (\$41.95), prime rib (\$29.50), veal (\$23.95), shrimp scampi (\$22.95), halibut (\$24.95), and rack of lamb (\$26.95).

Liquor totaling \$359.75 included, Captain Morgan and Bacardi rums; Berringer Reserve wine; Beefeater gin; B&B brandy; Bailey's Irish Crème; a Fuzzy Navel, and Sambuca aperitif;⁹

- On July 24, 2000, three \$125 gift certificates totaling **\$375.00** were purchased from the following three restaurants: Morton's of Chicago, O'Charley's, and the Hard Cover. The explanation noted on the credit card statement read: "for individuals doing significant work on North Reading substation project."
- On the following occasions RMLD management submitted bills for dinners costing over two hundred dollars without the requisite back-up documentation. No meal receipts or charge slips accompanied the demands for payment and the business purposes were not clearly stated. A partial list includes the following:
 - On 1/26/98: **\$882.73** at Hyatt Hotel, Washington, D.C.¹⁰
 - On 8/18/98: **\$731.00** at Mona's at the Cornerstone in Burlington, VT.¹¹
 - On 12/22/98: **\$279.99** lunch at Donatello Restaurant in Saugus, MA. GM's noted purpose: "Lunch (X-Mas) for direct reports."

⁹ The General Manager did not provide either a receipt or dinner check. This Office obtained the records from the restaurant. A notation on the monthly credit card statement read, "Dinner 14 people: RMLD CAB, and an unidentified."

¹⁰ The General Manager wrote the following on the monthly credit card statement "Dinner for 16 people as part of Energy New England (ENE) (to be billed/invoice to ENE)." Although requested, this Office received no records indicating RMLD either invoiced or received payment from ENE.

¹¹ No receipt for the dinner was provided by the General Manager, but a notation on the monthly credit card statement read, "Dinner: RMLD, BELD, TMLP, ENE (17 people I think)".

- On 2/8/99: **\$760.31** at Cities in Washington, D.C.¹²
- On 8/20/99: **\$290.24** dinner at Alberto's Ristorante, Hyannis, MA. General Manager's noted purpose: "NEPPA Annual Conf. - dinner was w/ Commissioners & CAB and guest-Rm charges are included . . ."
- On 9/16/99: **\$397.25** meal at REI 26 Reading Restaurant, Reading, MA. Assistant General Manager's noted purpose: None.
- On 6/10/00: **\$268.24** at Wolfgang Puck Café, Lake Buena Vista, FL. General Manager's noted purpose: "Dinner for APPA Annual Conf."

Finding 2. Records received by this Office demonstrated that RMLD's management is frequently away on business.

This Office learned that during the review period, the General Manager spent a portion of nearly every month away from RMLD at ratepayers expense. The charts on the following pages demonstrate the frequency of management's travel. The "Amount" column represents only the amounts expended at the hotel. It does not include airfare, dining, conference, or other costs. In addition, stays were often several days in length.

¹² The General Manager's credit card monthly statement contained the following notation: "APPA Legislative Rally with BELD, RMLD, TMLD, Holden." No receipt or meal check was attached.

RMLD General Manager Hotel Expenses

Date	Destination	Hotel	Amount
01-29-98	Washington, DC	One Washington Circle Hotel	\$607.47
02-05-98	Nashua, NH	Crown Plaza Nashua	\$129.03
02-06-98	Nashua, NH	Holiday Inn	\$136.88
03-05-98	Scottsdale, AZ	Radisson Hotel	\$1,848.15
03-31-98	Woburn, MA	Crowne Plaza Holiday Inn	\$184.03
04-04-98	Portland, ME	Portland Regency Hotel	\$153.48
04-07-98	Jacksonville, FL	Omni Hotel	\$189.56
05-11-98	Madison, WI	Edgewater Hotel	\$293.07
05-12-98	Washington, DC	One Washington Circle	\$315.88
06-20-98	San Antonio, TX	Marriott Hotel	\$1,951.78
07-14-98	Woburn, MA	Hampton Inn	\$137.13
08-19-98	Burlington, VT	Radisson Hotel*	\$1,062.74
08-19-98	Burlington, VT	Radisson Hotel*	\$345.67
10-07-98	Woburn, MA	Hampton Inn	\$152.48
10-16-98	Bow, NH	Hampton Inn	\$80.89
11-13-98	Lynnfield, MA	Sheraton Hotel Colonial	\$165.87
12-05-98	Washington, DC	Marriott Hotel	\$242.74
01-08-99	Concord, NH	Fairfield Inn	\$99.20
01-30-99	Washington, DC	Embassy Suites	\$398.84
02-10-99	Washington, DC	Hyatt Regency Hotel	\$657.38
03-19-99	Scottsdale, AZ	Resort Suites	\$1,135.14
04-02-99	Portsmouth, NH	Residence Inn	\$150.19
04-15-99	Nashville, TN	Lowe's Hotel Vanderbilt	\$613.73
04-16-99	Boston, MA	Holiday Inn Logan	\$214.45
04-22-99	Washington, DC	One Washington Circle	\$257.59
05-20-99	Washington, DC	One Washington Circle	\$232.07
06-21-99	Salt Lake City, UT	Wyndham Hotels*	\$436.21
06-25-99	Salt Lake City, UT	Wyndham Hotels*	\$1,033.64
08-23-99	Providence, RI	Westin Hotels*	\$178.08
08-25-99	Providence, RI	Westin Hotels*	\$2,271.37
09-03-99	Providence, RI	Westin Hotels*	\$178.08
09-14-99	Fort Collins, CO	Marriott Hotels	\$97.68
09-22-99	Santa Fe, NM	Eldorado Hotel	\$751.65
10-08-99	Fort Collins, CO	Marriott Hotels	\$97.68
10-09-99	Hyannis, MA	Sheraton Hotels	\$172.83
11-19-99	Manchester, NH	Holiday Inn	\$157.68
12-03-99	Boston, MA	Hilton Boston Logan	\$269.70
12-10-99	Scottsdale, AZ	Resort Suites	\$169.00
03-13-00	Scottsdale, AZ	Resort Suites	\$1,118.26
05-11-00	Kennybunk, ME	Kennybunk Inn	\$97.52
06-15-00	Orlando, FL	Marriott Hotels	\$932.95
06-30-00	Washington, DC	Doubletree Hotels**	\$576.67
06-30-00	Washington, DC	Doubletree Hotels	\$641.76
08-24-00	Hyannis, MA	Sheraton Hotels	\$538.93

Total (not including airfare): \$21,475.13

* The General Manager used his RMLD credit card to purchase hotel room accommodations and other miscellaneous hotel expenses for either himself, family members, other RMLD employees, and/or RMLD commissioners.

** The General Manager noted on his monthly credit card statement, "Had to pay [Assistant General Manager's (AGM)] hotel bill with my credit card since her RMLD credit card was rejected." The AGM's July 2000 credit card statement indicated that her balance was \$4,810.90 only \$189.10 short of surpassing her \$5,000 credit limit. It should be noted that the AGM's August 2000 credit card statement indicated that her credit limit was subsequently raised to \$10,000.

Hotel Expenses For All Other RMLD Management

Date	Destination	Hotel	Amount
03-19-98	San Antonio, TX	Adams Mark Hotels	\$538.75
04-07-98	Jacksonville, FL	Omni Hotels	\$167.63
06-15-98	San Antonio, TX	Marriott Hotels	\$729.13
08-19-98	Burlington, MA	Radisson Hotels	\$412.17
09-16-98	Columbus, OH	Radisson Hotels	\$390.00
10-28-98	Austin, TX	Marriott Hotels	\$802.97
10-29-98	Austin, TX	Marriott Hotels	\$830.02
01-30-99	Washington, DC	Embassy Suites	\$387.17
02-10-99	Washington, DC	Hyatt Regency Hotel	\$523.83
03-05-99	Washington, DC	Marriott Hotels	\$744.41
03-05-99	Washington, DC	Marriott Hotels	\$819.52
03-06-99	Washington, DC	Marriott Hotels	\$983.22
04-15-99	Nashville, TN	Loews Hotel Vanderbilt	\$583.92
04-22-99	Washington, DC	One Washington Circle	\$232.55
05-08-99	Madison, WI	Edgewater Hotel	\$1,054.73
05-20-99	Washington, DC	One Washington Circle	\$223.31
06-25-99	Salt Lake City, UT	Wyndham Hotel	\$972.22
07-11-99	Washington, DC	Washington Monarch Hotel	\$292.73
08-25-99	Providence, RI.	Westin Hotels	\$483.60
08-25-99	Providence, RI	Westin Hotel	\$568.51
10-24-99	Austin, TX	Hyatt Hotels	\$1,330.94
02-02-99	Washington, DC	Hyatt Hotels	\$523.08
05-31-00	Las Vegas, NV	Mirage Hotel	\$358.61
06-04-00	Las Vegas, NV	Bellagio Hotel	\$589.49
06-06-00	Las Vegas, NV	Mirage Hotel	\$433.53
08-23-00	Hyannis, MA	Sheraton Hotels	\$168.40
08-24-00	Hyannis, MA	Sheraton Hotels	\$497.35
03-09-00	Waukesha, WI	Holiday Inns	\$464.20
04-04-00	Falmouth, ME	Rowse and Loring	\$235.00
04-13-00	Anaheim, CA	Disney Disneyland Hotel	\$648.55
01-26-00	San Francisco, CA	Embassy Suites	\$785.27
04-13-00	Anaheim, CA	Comfort Inn	\$404.12
07-06-00	Killington, VT	Killington Grand Resort	\$126.96
07-06-00	Killington, VT	Killington Grand Resort	\$126.96
08-24-00	Hyannis, MA	Sheraton Hotel	\$522.76
01-30-00	Washington, DC	Hyatt Hotels	\$125.88

**Total for Other RMLD Management: \$19,081.49 (not including
airfare)**

<p>RMLD's Total Hotel Expenses for 1998 - 2000: \$40,556.62</p>
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Finding 3. Ratepayers funded expenditures for alcoholic beverages purchased at restaurants, hotels, and conferences by RMLD management.

M.G.L. c. 44, § 58, states that no city or town shall pay a bill incurred by any official thereof for wines, liquors or cigars. Unlike Massachusetts' cities and towns, RMLD does not have a policy prohibiting the expenditure of public money for employees' consumption of alcoholic beverages. Consequently, RMLD officials and guests often consume alcoholic beverages with lunches, dinners, and on other occasions paid for by RMLD's corporate credit card. Since the Town Accountant and Town Manager are not permitted access to documents supporting expenditures, nobody but RMLD management and commissioners are aware that the ratepayers are paying for public employee's consumption of alcoholic beverages.

Conclusion and Recommendations

The Board of Commissioners is the primary organizational body that ensures that RMLD meets its operational objectives in the most effective and efficient manner. Board members perform a variety of key functions, including overseeing RMLD's overall operation, setting policies and procedures to ensure that RMLD's objectives are met, and hiring RMLD's top executive, the general manager. This Office's review revealed that RMLD's Board of Commissioners is providing ineffective oversight on behalf of the ratepayers regarding enforcement of certain spending practices. Specifically,

- there is a dearth of supporting documentation for numerous excessive and highly questionable expenditures paid by RMLD ratepayers. Documentation supporting other expenditures is just plain missing;
- administrative controls written into the credit card policy to ensure that RMLD-issued credit cards are used solely for business purposes are flouted with regularity by the staff and overseers as to be completely ineffective;
- entries stating the business purpose of an expense are often devoid of supporting details for clarity; and,
- where employee notations indicated the expenditures were personal, no evidence was provided to this Office verifying that RMLD received restitution.

This Office attempted to verify conferences attended in accordance with cardholder entries on monthly credit card statements. In one instance where extraordinary sums were expended, this Office learned from the stated sponsor that no conference was held during the month and at the location noted by RMLD's Assistant General Manager. According to RMLD's credit card policy as written, the business purpose for the expenditure would have been subjected to an internal review process under the General Manager's responsibility, and also approved by the Board of Commissioners. The ratepayers deserve an explanation from the Board of Commissioners whom they elected to protect their interests.

An effective system for oversight would include:

- a requirement for submission of a detailed statement of business purpose for each expense for all relevant purchases made using RMLD's corporate credit card;
- adherence to the internal review procedures as written in the credit card policy to determine the validity of the stated business purpose for each expenditure;
- periodic reviews to determine whether procedural changes in the credit card policy are necessary;
- an accountability system that would verify whether RMLD received restitution from employees for personal expenditures made with RMLD's corporate credit card; and,
- establishment of a standard of acceptability to determine de minimis personal credit card use.

To their credit, after this Office initiated its review, the Board of Commissioners voted a policy change for themselves relative to their travel. Previously the policy gave Commissioners approval to expend sums on travel that exceeded sums permitted by RMLD management employees. And further, there was no prohibition on ratepayers' funding commissioner's expenditures to attend functions where the commissioners may have had a personal or economic interest. These two perks are no longer permitted.

To address the problems and issues identified in this report, the Office recommends the following reform measures:

- 1. RMLD's Board of Commissioners should exercise more effective oversight to ensure RMLD is in compliance with all internal spending policies.**
- 2. RMLD's credit card use policy should be amended to place restrictions on credit card use.**

RMLD should implement a restrictive credit program to replace present unrestricted use of corporate credit cards. Such a restrictive credit program would specify pre-determined categories for spending and impose spending limits on use. Such programs have been successfully implemented at the University of Massachusetts and numerous

federal agencies. This program allows for tighter controls with respect to usage, billing, and payments of everyday agency expenses compared with RMLD's current corporate credit card program. Predetermined and restrictive categories would assure ratepayers that inappropriate and wasteful purchases couldn't be made.

3. RMLD's per diem rates should conform to the Town of Reading's reimbursement rates.

As outlined by Town policy, meal reimbursements are available for Town employees only, or for approved officials who accompany Town employees at the meal. Reimbursement is based on the following schedule: breakfast, up to \$5.00 per day; lunch, up to \$7.50 per day; and dinner, up to \$15.00 per day. Conference or other employee development programs are reimbursed the per diem rate of \$27.00 for the day.

Payment for any amount expended that is greater than the per diem schedule should be denied unless a more costly meal charge is required as part of a conference or seminar registration. RMLD should be required to provide the Town with the backup documents necessary to review all requests for reimbursement for meals on a case-by-case basis to determine that the charge is the minimum appropriate amount. No reimbursements should be made without corresponding receipts.

- 4. RMLD should adopt a policy prohibiting reimbursement for the consumption of alcohol.**
- 5. RMLD should provide supporting documentation for expenditures to the Board of Selectmen and Town Accountant.**
- 6. RMLD should establish a reasonable annual budget for conference attendance and conference-related travel.**
- 7. RMLD should hold employees financially accountable for apparent past personal use of credit cards.**