

DIRECT TESTIMONY

of

MARY H. EVERSON

Accounting Department

Financial Analysis Division

Illinois Commerce Commission

Ameren Illinois Company d/b/a Ameren Illinois
Compliance Filing
per December 5, 2012 Order in Docket No. 12-0293

Docket No. 13-0075

January 29, 2014

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1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Mary H. Everson. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5 **Q. Please describe your professional background and affiliations.**

6 A. I have a Bachelor of Science in Accounting from the University of Central Florida.
7 I am a Certified Public Accountant licensed to practice in the State of Illinois. I
8 joined the staff of the Illinois Commerce Commission (“Staff”) in February 1999.
9 Prior to joining Staff, I was employed in industry as a financial analyst and in
10 government as an internal auditor.

11 **Q. Have you previously testified before any regulatory bodies?**

12 A. Yes. I have testified on several occasions before the Illinois Commerce
13 Commission (“Commission”).

14 **Purpose**

15 **Q. What is the purpose of your testimony in this proceeding?**

16 A. The purpose of my testimony is to present the results of my review of the Ameren
17 Employee Expense Reporting Policy (“Policy”) submitted by Ameren Illinois
18 Company’s (“Ameren”, “AIC,” or “Company”) in compliance with the Illinois
19 Commerce Commission’s (“ICC” or “Commission”) Order in Docket No. 12-0293
20 for the internal control on AIC’s Purchase Card (“P-Card or Credit Card”) usage
21 by employees. The Order stated:

22 But the Commission's primary concern is not how much a P-Card
23 holder spends at Savvi Formalwear, a florist, or any other retailer
24 listed in Attachment A. The primary concern is the apparent **lack**
25 **of controls** over P-Card use. The Commission recognizes that
26 Ms. Pagel testified to the existence of limitations on P-Card use, but
27 at the same time she did not seem too sure of the specifics for any
28 of the departments, even her own. **This suggests to the**
29 **Commission that AIC needs to do a better job of educating its**
30 **employees on P-Card use and setting reasonable limits on**
31 **usage. One supervisor's or employee's notion of what may**
32 **constitute reasonable usage may not be the same as**
33 **another's.** Moreover, it does not appear from the record that
34 employees have any incentive to save money when it is the
35 practice to just pass P-card charges along to customers.

36 * * *

37 ...To ensure that AIC implements **reasonable usage restrictions**
38 **on P-Cards, the Commission will require AIC to submit for**
39 **approval its internal controls** on P-Card usage within 45 days of
40 the entry of this Order. Such a filing shall take the form of a petition
41 with the usage limitations and supporting testimony attached. AIC
42 should consider establishing uniform standards for all employees.
43 **Such standards should include limitations on meal expenses**
44 **and identify other ways in which employees will be**
45 **encouraged to spend wisely. In addition, AIC must provide**
46 **information on its process for reviewing P-Card expense**
47 **reports to ensure that they are reviewed in a consistent**
48 **manner. When expense reports are submitted by employees,**
49 **it is not unreasonable to expect the employee to report what**
50 **particular activity he or she was engaged in when an expense**
51 **was incurred and why that expense was necessary.** Such a
52 process is similar to that which State employees follow. Staff's
53 suggestion that AIC be able to provide such information for review
54 by Staff in rate cases is reasonable as well.

55 (Ameren Illinois Company, Docket No. 12-0293, Final Order, p. 69(emphasis added)).

56 **Attachments**

57 **Q. Are you sponsoring any attachments with your testimony?**

58 **A. Yes. I am sponsoring the following attachments to my testimony.**

59 Attachment 1 AIC response to Staff DR MHE 2.01

60 Attachment 2 AIC response to Staff DR MHE 2.15
61 Attachment 3 AIC response to Staff DRs MHE 3.06 and 3.07
62 Attachment 4 AIC response to Staff DR MHE 2.14
63 Attachment 5 AIC response to Staff DR MHE 2.29

64

65 **Summary**

66 **Q. Please summarize the results of your review and the recommendations you**
67 **are providing to the Commission.**

68 A. Based on my review, I have found that the Policy submitted by AIC does not
69 include reasonable usage restrictions on its employee Credit Cards. The Policy
70 allows the employees exceptional flexibility to purchase many diverse items
71 without reasonable usage restrictions. In addition, the Policy does not have a
72 sufficient process for reviewing the employee's expense reports to ensure that
73 the reports are consistently reviewed. By having an insufficient review of
74 company credit card transactions, Ameren is encouraging unreasonable and,
75 very possibly, imprudent purchases. This should be of great concern to
76 ratepayers and the Commission. Further exacerbating this problem is a lack of
77 functioning controls operating with regard to approval of purchases. Moreover, it
78 would be difficult with the current policy to establish controls because the current
79 policy allows too much individual discretion in use of the cards and in the
80 approval process.

81 Therefore, I am recommending that AIC revise its credit card Policy and
82 strengthen its internal controls, taking into consideration, the following
83 deficiencies regarding the policy and the controls on usage:

- 84 • Insufficient itemization regarding allowed and prohibited purchases;
- 85 • Insufficient review of transactions;
- 86 • Insufficient justifications for purchases;
- 87 • Excessive dollar limits on cardholders;
- 88 • Excessive number of cards issued; and
- 89 • Lack of training for cardholders.

90 AIC should revise its credit card Policy to correct the deficiencies stated above
91 and submit it with its rebuttal testimony.

92 Also, Ameren should conduct an annual internal audit on credit card transactions
93 and submit the reports to the Commission's Manager of the Accounting
94 Department.

95 **Q. What information have you reviewed?**

96 A. I have reviewed the Policy, the testimony of AIC witness Ms. Jacqueline K.
97 Voiles, Ameren Exhibit 1.0, and the Company's responses to Staff data requests
98 ("DRs") in this proceeding.

99 **Ameren Credit Cards and Policy**

100 **Q. Please provide a brief description of the types of credit cards issued to**
101 **employees by AIC.**

102 A. The three credit cards that are available to AIC employees are:

103 1) a Visa One card which can be used for travel and other types of expenses;

104 2) a Purchase card which can be used for items other than travel; and

105 3) an iProc eCard.

106 The Policy governing the use of the Visa One and the Purchase Cards are
107 addressed in this testimony. (AIC response to Staff DR MHE 2.01; Attachment 1)
108 AIC response to Staff DR MHE 2.15 (Attachment 2) provides a brief description
109 of the Policy and AIC's administration of that Policy.

110 **Recommendation that Policy include more specific itemization regarding allowed**
111 **and prohibited purchases**

112 **Q. Please describe the deficiency regarding insufficient itemization in the**
113 **policy regarding the types of allowed and prohibited purchases.**

114 A. The Policy contains a listing of just seven items that are specifically prohibited
115 and four conditions for items to qualify as capital items. This is the extent of the
116 limitations provided in Ameren's policy. The seven specifically prohibited non-
117 capital items are the following:

- 118 • Stock items;
119 • Bulk fuels;

- 120 • Temporary personnel services;
- 121 • Personal items (non-business related);
- 122 • Chemicals and hazardous materials that do not have a Material Safety
- 123 Data Sheet on file;
- 124 • Legal, professional, medical, or health care services; and
- 125 • Any item requiring inspections prior to payment being issued.

126 The four specific requirements for capital items to be allowable purchases with
127 the company credit card are:

- 128 • Purchases are not for items that are considered property units as shown in
- 129 the Retirement Unit Catalog (such as computers, office furniture, capital
- 130 tools and substation yard improvements);
- 131 • Purchases must not exceed \$3,000 for any single item;
- 132 • Purchases are not for items that are on an open blanket PO from any
- 133 supplier; and
- 134 • Purchases are not for any items that are on an open standard PO from
- 135 any supplier. (Ameren Exhibit 1.1)

136 **Q. Please provide examples of more specific restrictions on the allowable and**
137 **prohibited purchases on the company credit card by employees that AIC**
138 **should consider including in its Policy.**

139 A. The Commission's recent orders that disallowed recovery of various costs
140 charged on the company credit cards by the employees provide examples of
141 costs that should be specifically addressed in the Policy.

142 As noted by the Commission in its Order in Docket No. 12-0293, the Commission
143 disallowed purchases from:

- 144 • 2 bookstores;
- 145 • 1 landscaping firm;
- 146 • 1 formalwear rental store;

- 147 • 1 greeting card outlet;
- 148 • 4 non-discount department or catalog stores;
- 149 • 2 trophy providers or engravers;
- 150 • 2 party or hobby stores;
- 151 • a cash advance finance charge;
- 152 • a satellite cable provider; and
- 153 • 3 florists.

154 (Ameren Illinois Company, ICC Order Docket No. 12-0293, 68 (December 5,
155 2012).

156 In its Order in Docket No. 13-0192, the Commission disallowed the following
157 individual purchases:

- 158 • employee packets & kudos;
- 159 • 2 logo T-shirts, 1 hoodie;
- 160 • Snacks for First Friday;
- 161 • Wireless purchase;
- 162 • Employee farewell;
- 163 • Logistics;
- 164 • Bluetooth.

165 (AIC response to Staff DR MHE 3.01).

166 In addition to disallowing the same types of costs charged on the company's
167 credit cards by its employees in Docket Nos. 12-0293 and 13-0192, the
168 Commission commented on the wide variety of credit card purchases approved
169 by Ameren in AIC's latest formula rate proceeding, Docket No. 13-0301:

170 **The array of prizes and rewards for employees and**
171 **contractors that AIC expects customers to pay for is**
172 **staggering.** A limited sampling of items includes clothing,
173 blankets, coolers, meals (including one breakfast for over
174 200 employees), personal heaters, Kindle Touch e-readers,

175 trail cameras, patio dining sets, digital cameras, DVD
176 players, cordless vacuums, fire pits, turkey fryers, and gift
177 cards for Best Buy, Wal-Mart, Menards, and Home Depot.
178 AIC also seeks recovery of its purchase of a NERF gun for a
179 safety class.

180
181 (Ameren Illinois Company, ICC Docket No. 13-0301, at 59
182 (December 9, 2013)(emphasis added).

183 Later in that same order, the Commission once again discusses the large array
184 of different types of items purchased with AIC credit cards:

185 Disputed charges identified in Ameren Ex. 16.1 range from
186 **donuts, candy, cupcakes, and party decorations to**
187 **cellular telephones, digital cameras, and LCD and flat**
188 **screen televisions....** AIC's policy for using employee credit
189 cards is very similar to its policy regarding the use of
190 "Purchase Cards" or "P-Cards," as the credit cards were
191 referred to during the course of Docket No. 12-0293. **Both**
192 **the earlier and current credit card policies seem to rely**
193 **heavily on the discretion of individual employees in**
194 **making purchases and the discretion of supervising**
195 **managers in approving purchases....**

196 **As was the case in Docket No. 12-0293, the**
197 **Commission is troubled by AIC's view of its employees'**
198 **credit card use. Like before, there do not appear to be**
199 **any definitive company standards for reviewing and**
200 **evaluating employee credit card purchases.**

201 (Ameren Illinois Company, ICC Docket No. 13-0301, at 69
202 (December 9, 2013)(emphasis added).

203 **Q. Do you have a more specific concern regarding the policy's lack of**
204 **controls regarding certain categories of purchases?**

205 A. Yes. The Policy contains little to no direction regarding alcohol and
206 entertainment expenses to be charged on the card. Moreover, AIC has not
207 demonstrated in this proceeding that it has sufficient controls in place to ensure
208 that costs of this nature would be reasonable or prudent. As AIC has reiterated
209 in numerous DR responses, the Policy allows for entertainment purchases when

210 associated with a bona fide business discussion. Ameren Ex. 1.1, p. 3. As part
211 of my review I requested examples of the types of entertainment and the related
212 business discussions and specific examples of both during 2013. AIC's
213 response stated:

214
215 Objection. The requested examples of business 'Entertainment'
216 expenses are not reasonably accessible in light of the burdens and
217 costs of locating, retrieving, and producing the information. Subject
218 to that objection, AIC provides the following response: To provide
219 context to the request, Section 5(a)(i)(6) of the Ameren Employee
220 Reporting Policy provides: 'Entertainment– Only entertainment
221 expense directly related to the conduct of the Company's business
222 is an allowable business expense. The entertainment must be
223 preceded or followed by bona fide business discussion or meeting.'
224 As noted in Section 5(a)(i)(7) of the Ameren Employee Reporting
225 Policy, 'All meals and entertainment must be charged to Resource
226 Type (RT) 82 in the accounting code block on the expense report.'
227 AIC does not account separately for business 'Entertainment'
228 expenses. Any identification of specific examples of business
229 'Entertainment' expenses would require a sampling and manual
230 review of RT 82 expenses, individual employee expense reports,
231 and supporting documentation.
232 (AIC Response to Staff DRs MHE 3.06 and 3.07, Attachment 3).

233 Without information on actual entertainment or the associated business
234 discussions, it is impossible to determine if the minimal requirements listed in the
235 policy are adhered to or whether AIC has any controls in place. AIC's response
236 quoted above is more a demonstration of a lack of controls with respect to
237 entertainment expenses than a policy governing entertainment expenditures.

238 **Recommendation to Increase Review of Transactions**

239 **Q. Please provide the supporting rationale for your recommendation that the**
240 **Policy be revised to include provision for an adequate review.**

241 A. Ameren's policy should be revised to provide increased oversight. The increased
242 oversight should include a review of approved transactions by management
243 higher than the employee's supervisor.

244 The Policy's guidance regarding the review of expense reports to supervisory
245 employees is stated in Section 4(d)(ii), Employee's Supervisor:

246 Review expense report transactions (includes out of pocket and
247 corporate credit card) for accuracy and appropriateness.
248 Transactions must be approved or rejected in a timely manner. By
249 approving the expense report, the employee's supervisor is
250 acknowledging the expenses contained therein are reasonable and
251 necessary business expenses and in compliance with Company
252 policy.

253 There is no indication in the Policy that any other review of approved transactions
254 is performed by management at a higher level than an employee's supervisor.
255 This is a simple lack of necessary oversight, and it is compounded by the lack of
256 specifics regarding what is allowable, the minimal explanations or justifications
257 for purchases in the expense reports, and high individual credit card limits.

258 **Q. Should another level of supervisory review be performed in addition to the**
259 **immediate supervisor's review?**

260 A. Yes, an additional review of credit card transactions should occur on a frequent
261 basis by a level of management that is somewhat familiar with the duties of the
262 cardholders in addition to the current practice of a review by only immediate
263 supervisor. Another level of management review of transactions would
264 strengthen the controls and achieve a more independent detail review of the

265 reasonableness and prudence of each purchase. This review must also be done
266 on a regular basis to be effective. A review by the Internal Audit department that
267 is performed annually is too long an interval between the time of purchase and
268 the review and encompasses too many transactions to constitute an adequate
269 control.

270 **Q. Is there any additional review being conducted by a department or**
271 **individuals that are not party to the individual transactions?**

272 A. Yes. According to the Company's response to Staff DR MHE 2.14 (Attachment
273 4), the Oracle iExpense system is programmed to select a random sample of
274 each day's transactions and produce a report for review by the AIC Program
275 Office. Further, as stated in the Company's response to Staff DR MHE 2.01
276 (Attachment 1), the employees of the Program Office do not know what types of
277 duties are performed by those applying for or using credit cards. The review the
278 AIC Program Office performs, according to the Company's response to Staff DR
279 MHE 2.15 (Attachment 2), is to ensure that justifications are as complete as
280 possible, the information is legible, and that supporting documentation is
281 complete. The review by the Program Office is simply focused on the accuracy
282 and legibility of the information in the Oracle iExpense system, not on the
283 reasonableness or the prudence of the charge. Although AIC's response to Staff
284 DR MHE 2.15 (Attachment 2) indicates that these reports are reviewed to ensure
285 that complete justifications were provided, AIC's response to Staff DR MHE 2.01
286 fails to provide any assurance that the AIC Program Office employees possess

287 the necessary information be able to assess the business necessity of the
288 purchases since its staff does not know what types of duties are performed by
289 credit cardholders. Thus, the only additional review that is performed does not
290 substitute for adequate and functioning internal controls.

291 **Q. Did Ameren indicate any rationale as to why additional supervisory review**
292 **was not necessary to provide control over imprudent or excessive**
293 **purchases?**

294 A. Yes. AIC has stated in its responses to several DR responses that the Policy
295 states that Ameren expects its employees to use good judgment and act
296 responsibly. However, a good policy not only states the company's expectation
297 of good judgment and responsible use, but also provides additional specific
298 itemization of allowed and prohibited purchases and review expectations that
299 reinforce the principle of using good judgment and responsibility. Stating the
300 expectation in the Policy sets a tone for concern, but not providing a more
301 specific itemization of allowable and prohibited purchases unaddressed, vague or
302 ambiguous creates greater possibilities for unreasonable and imprudent
303 purchases.

304 **Recommendation for Justifications of Business Purpose of Charge to be Better**
305 **Documented**

306 **Q. Please explain your recommendation that the Policy should be revised to**
307 **require specific justifications of the business purpose of credit card**
308 **transactions.**

309 A. Ameren's Policy states: "Documented justification of the expense is required to
310 be entered for each transaction." Ameren Ex, 1.1. This simple instruction does
311 not define what constitutes sufficient justification for documentation of the
312 business purpose of the purchase. The statement does not provide employees
313 with sufficient instruction on the information to provide as justification for the
314 charge. At a minimum, the Policy should require the necessity for the purchase
315 and the rationale for the particular vendor be indicated.

316 In practice purchases with insufficient documentation are being approved. AIC
317 employees are purchasing a vast array of items. The lack of adequate
318 explanations could be mitigated to some degree if those who are performing the
319 approval function required adequate explanations and justifications. However,
320 based on many of the explanations and justifications that have been accepted by
321 the supervisors in the data reviewed for the recent rate proceedings, this
322 information is lacking and the supervisors are approving the charges without
323 requiring adequate information.

324 By allowing these types of purchases with minimal explanation, AIC is giving its
325 employees the impression that any item can be purchased and approved as long
326 as some minimal justification is provided.

327 **Q. Can you provide actual examples of the insufficient justifications that have**
328 **been approved by AIC?**

329 A. Yes. Three purchases of communications devices in 2012 were approved with
330 only the following justifications:

- 331 • “Cell Phone” with a blank line with a name omitted (purchased from
332 Verizon;
- 333 • “New Cell Phone” (purchased from AT&T); and
- 334 • “Blackberry for” with a blank line with a name omitted (purchased from
335 AT&T). AIC’s response to Staff DR MHE 3.04.

336 The above justifications for communication devices show that Ameren’s policy
337 allows employees to purchase any brand or model of communication device from
338 any vendor with no particular data plan at any point in time without providing
339 documented justification. Perhaps this information is known to the supervisor
340 approving each charge; however, no evidence is available other than receipts
341 that identify the item purchased and the vendor from whom it was purchased. A
342 receipt provides no answers regarding the necessity for the purchase. The
343 limited justification certainly provides no answers regarding why different cell-
344 phone carriers were chosen or why these purchases were legitimate business
345 expenses reasonably paid for by ratepayers.

346 Another example of insufficient documentation is the justification for purchases
347 during 2012 of five televisions in four separate transactions that were provided on
348 the Company’s response to Staff DR BAP 20.1 in Docket No. 13-0192. The
349 justifications provided were:

- 350 • “LCD TV for Bloomington storm war room” (purchased from Sherman’s
351 Place Inc.);
- 352 • “Flat screen TV’s for Mt. Vernon & Central OC’s” (purchased from Best
353 Buy); and
- 354 • “Flat screen TV for ESTL Office” (purchased from Best Buy).
355 (AIC responses to Staff DRs MHE 3.02, 3.03 and 3.04).

356 No further explanation was provided to determine the size or type (LCD or Flat
357 Screen) of the TVs purchased were cost effective for the TV's intended business
358 purpose.

359 Purchases of items such as individual cell phones and TVs are not of a nature
360 that everyone would agree serve a legitimate business purpose. Without more
361 explanation than the descriptions of the items purchased, it is difficult to discern
362 the justification for the item purchased.

363 **Q. Are there other examples of expenses for which the limited justifications**
364 **exacerbated the difficulties in evaluating purchases that are supported with**
365 **such limited information?**

366 A. Yes. Other examples of purchases having limited supporting justification include
367 disallowances made by the Commission in Docket No. 13-0192 and again in
368 Docket No. 13-0301 that included the following:

- 369 • Trinkets and various logo items which are provided to some, but not all,
370 employees;
- 371 • Snacks and meals for employees at meetings; and
- 372 • Flowers and various gifts provided to employees as an additional incentive
373 to or reward for performing their jobs in a safe manner.

374 Adequate explanations and business justifications are necessary, but many times
375 are non-existent. Apparently, the AIC employees who approved these purchases
376 considered these items to have a business purpose; yet, no such justification is
377 available for subsequent review. For example, the Company's response to Staff

378 DR BAP 20.01, in Docket No. 13-0192, provided no explanations for the following
379 individual purchases:

- 380 • employee packets & kudos
- 381 • 2 logo T-shirts, 1 hoodie
- 382 • Snacks for First Friday
- 383 • Wireless purchase
- 384 • Employee farewell
- 385 • Logistics
- 386 • Bluetooth
- 387 (Ameren response to Staff DR MHE 3.01).

388 The above examples demonstrate a fundamental weakness of the policy: that
389 any meaningful description and justification of the business purpose is not
390 required by the policy's vague guidance. Additional information must be required
391 to support the justification of charges, especially those for which the nexus
392 between the provision of utility service and the need for the purchase is not
393 immediately clear.

394 **Recommendation to Institute Reasonable Dollar Limitations for Cardholders**

395 **Q. Please provide the rationale supporting your recommendation that the**
396 **Policy should be revised to include reasonable dollar limitations for the**
397 **cardholders.**

398 A. Ameren's Policy should be revised to include reasonable spending limits for
399 individual purchases and monthly spending limits for each individual employee.
400 The existing Policy states: "Employees should request and obtain a card account
401 with single transaction and monthly credit limits appropriate for their business

402 needs. Limits in excess of \$5,000 single transaction and \$15,000 monthly credit
403 limit will require a business reason documented on the application.” This is
404 insufficient. (Ameren Exhibit 1.1, 6). The single transaction limit of \$5,000 by any
405 employee is too high.

406 Further, the Policy should also be revised to require single transaction and
407 monthly limits to be reviewed and adjusted periodically for each employee, if
408 employees are to have different limitations. Additionally, the Policy should be
409 revised to only allow cardholders to have high spending limits on a temporary
410 basis only.

411 **Recommendation to Restrict the Number of Cardholders**

412 **Q. Please describe the policy deficiency of having too many cards issued to**
413 **individual cardholders.**

414 A. According to AIC’s response to Staff DR MHE 5.01, AIC has a total of 1,506
415 employees that have been issued either a VISA One or P-card. In addition,
416 Ameren Services has a total of 500 employees that have been issued either a
417 VISA One or P-card. The total dollar amount purchased with Ameren credit
418 cards by employees was:

- 419
- \$13.0 million in 2011;
 - 420 • \$13.5 million in 2012; and
 - 421 • \$17.4 million in 2013. (AIC response to Staff DR MHE 5.03)

422 Having more purchase transactions on company credit cards than the
423 Company's administration can feasibly review for prudence and reasonableness
424 poses a significant risk. The greater the number of credit cards outstanding the
425 greater the risk of improper or excessive purchases. To counter this risk, more
426 administrative and management supervisory resources would need to be
427 devoted to the review of purchased items to achieve proper control.

428 **Recommendation for Required Periodic Training of Cardholders**

429 **Q. Please provide your rationale for the recommendation that periodic training**
430 **should be required for cardholders.**

431 A. In order for any policy to be effective, cardholders must be trained when initially
432 given the card and on a periodic basis thereafter on the responsibilities
433 associated with charging costs on the company credit card. The training should
434 include the type of costs that can be charged on the card and the submission of
435 documentation to justify the reasonableness and prudence of the cost. No policy
436 can be effective if the employees are not trained as to the responsibilities for
437 using the company credit card. In addition, to be effective, training must be
438 repeated on a periodic basis and no less often than annually.

439 **Q. Have the cardholders received any training?**

440 A. According to AIC's response to Staff DR MHE 2.29 (Attachment 5), AIC
441 employees received the following training on being a cardholder:

- 442 • Cardholders were trained when AIC implemented the Oracle iExpense
443 system;

- 444 • Site Administrators participate in a training and information sharing
445 conference call on a quarterly basis; and
- 446 • The Policy, quick reference guides, frequently asked questions,
447 documents, and required forms related to missing receipts and disputed
448 transactions are available on the intranet site to AIC employees.

449 The above listed training does not address regular on-going training of
450 employees on the responsible use of the credit cards and knowing how to
451 determine what types of transactions are allowable or prohibited.

452 The Commission has already concluded that AIC needs to do a better job of
453 educating its employees on using the company credit card in its Order in Docket
454 No. 12-0293:

455 The Commission recognizes that Ms. Pagel testified to the
456 existence of limitations on P-Card use, but at the same time she did
457 not seem too sure of the specifics for any of the departments, even
458 her own. **This suggests to the Commission that AIC needs to
459 do a better job of educating its employees on P-Card use and
460 setting reasonable limits on usage. One supervisor's or
461 employee's notion of what may constitute reasonable usage
462 may not be the same as another's. ...**

463 (Ameren, Docket No. 12-0293, p. 69 (emphasis added)).

464 I recommend training for two groups: one for the credit cardholders and another
465 separate training for the supervisors of the cardholders.

466 **Recommendation for Ameren to Conduct Annual Internal Audits on Credit Card**
467 **Transactions and Submit the Report to the Manager of Accounting of the**
468 **Commission**

469 **Q. Please provide your rationale for the recommendation that the Commission**
470 **order AIC to conduct annual internal audits on credit card transactions and**
471 **submit a copy of the internal audit report on the credit card transactions to**
472 **the Manager of Accounting.**

473 A. I recommend that Ameren conduct annual internal audits of credit card
474 transactions and submit a copy of the audit report to the Manager of Accounting
475 of the Commission by March 30th for the prior calendar year until AIC is no longer
476 a participating utility under Section 16-108.5 of the Public Utilities Act beginning
477 in the reporting year in which an order is entered in this proceeding. Since a final
478 order in this proceeding will not be issued by March 20, 2014, I recommend that
479 Ameren conduct an audit of 2013 transactions and submit the audit report as an
480 exhibit in this proceeding.

481 Receiving an annual audit report will allow Commission Staff to monitor the
482 internal review being done by AIC to ensure that safeguards are being
483 established and internal controls are properly functioning. Each annual internal
484 audit should include at least the following tests:

- 485 a) That prohibited purchases are not purchased on the credit cards;
486 b) That prohibited purchases are not approved by the employees' supervisors

- 487 c) That another level of management beyond the employee's supervisor is
488 providing an additional review that is meaningful;
- 489 d) That charges do not exceed the established dollar limitations for cardholders;
- 490 e) That the documentation supporting the business purpose of transactions is
491 sufficient to enable subsequent review by parties not involved in the initial
492 transactions;
- 493 f) That there is a valid business purpose for the issuance of additional company
494 credit cards to employees;
- 495 g) That there is a valid business purpose for any employee to have a company
496 credit card; and
- 497 h) That all cardholders and approving supervisors have successfully completed
498 periodic training on the procedures and responsibilities associated with using
499 the company credit card.

500

501 **Recommendations**

502 **Q. Please summarize your recommendations to the Commission.**

503 A. I am recommending that AIC's Policy be revised as follows:

- 504 1) Include more specific itemization regarding allowed and prohibited
505 purchases;
- 506 2) Increase review of transactions;
- 507 3) Require Justifications of Business Purpose of Charge to be Better
508 Documented;
- 509 4) Institute Reasonable Dollar Limitations for Cardholders;

510 5) Restrict the Number of Cardholders; and

511 6) Require Periodic Training of Cardholders.

512 In addition, I recommend that Ameren conduct annual internal audits of credit
513 card transactions and submit a copy of the audit report to the Manager of
514 Accounting of the Commission by March 30th for the prior calendar year until AIC
515 is no longer a participating utility under Section 16-108.5 of the Public Utilities Act
516 beginning in the reporting year in which an order is entered in this proceeding.
517 Since a final order in this proceeding will not be issued by March 20, 2014, I
518 recommend that Ameren conduct an audit of 2013 transactions and submit the
519 audit report as an exhibit in this proceeding.

520 When AIC's policy has been revised and contains provisions for adequate
521 controls based on the deficiencies discussed in this testimony, Ameren should
522 file the revised policy in this proceeding for review.

523 **Conclusion**

524 **Q. Does this question end your prepared direct testimony?**

525 A. Yes.

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MHE 2.01

Please provide a complete explanation of which of the options for charge cards, Visa One Card, Purchase Card or iProc eCard, is available to AIC employees. As a part of the explanation, please provide a description of the types of duties performed by the job position that aids in the determination of which card is selected for certain job positions.

RESPONSE

**Prepared By: Greg Dobrinich
Title: Supervisor, Accounts Payable, Ameren Services
Phone Number: 314.554.2297**

To begin, Ameren's Employee Expense Reporting Policy – Includes Corporate Credit Card and Non-Taxable Out of Pocket Expense Reimbursement is a corporate-wide policy. Therefore, the responses supplied are applicable to all Ameren entities, including AIC.

Each of the account types (i.e., VisaOne Card, Purchase Card, and iProc eCard) is available to AIC employees. A completed and signed credit card application is required, and the account type must be specified on the application. An account is provided to employees based on their need to purchase goods and services. The card is not an entitlement, nor does it reflect title or position.

It is not known to the Program Office what types of duties are performed by the applicant. Rather, it is up to the supervisor (signatory to the application) and the related business line to determine the appropriate type of card required.

Generally speaking, it is the Visa One account which allows access to travel and business expense-related merchants (i.e., airlines, rental cars, restaurants, hotels, etc.). The Purchase Card does not have access to these types of merchants. Hence, it would stand to reason that an employee who does not travel on business but typically purchases items for the office, or training supplies, as an example, would apply for this type of account. Lastly, the iProc eCard allows a cardholder to only make purchases from CDW Direct or OfficeMax. This type of account is governed by its own policy "Ameren's iProc eCard Policy."

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MHE 2.15

With respect to the automatic system checks identified in response to MHE 2.13 above, please provide a complete explanation of how these reports are reviewed. Identify the supervisory or management level and what departments have such responsibility.

RESPONSE

**Prepared By: Greg Dobrinich
Title: Supervisor, Accounts Payable, Ameren Services
Phone Number: 314.554.2297**

On a daily basis, Oracle iExpense is programmed to randomly *select* 10% of all final approved expense reports, in that day, for re-review. This daily 10% selection comes to a 'Payables Review' queue whereby the reports are manually reviewed on a report-by-report basis. These reports are reviewed to ensure the justifications (business reasons) of the transactions are as complete as possible. The reports are reviewed for the legibility and completeness of all supporting documentation.

The ASC Associate in the Program Office reviews these reports daily.

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MHE 3.06

With respect to the Ameren Employee Expense Reporting Policy, item 5(a)(i)(6), Entertainment, please provide five examples of entertainment that has been allowed during 2013.

RESPONSE

**Prepared By: Jacqueline K. Voiles
Title: Senior Director – Regulatory Affairs
Phone Number: 217.424.7099**

Objection. The requested examples of business "Entertainment" expenses are not reasonably accessible in light of the burdens and costs of locating, retrieving, and producing the information. Subject to that objection, AIC provides the following response:

To provide context to the request, Section 5(a)(i)(6) of the Ameren Employee Expense Reporting Policy provides: "Entertainment – Only entertainment expenses directly related to the conduct of the Company's business is an allowable business expense. The entertainment must be preceded or followed by bona fide business discussion or meeting." As noted in Section 5(a)(i)(7) of the Ameren Employee Expense Reporting Policy, "All meals and entertainment must be charged to Resource Type (RT) 82 in the accounting code block on the expense report." AIC does not account separately for business "Entertainment" expenses. Any identification of specific examples of business "Entertainment" expenses would require a sampling and manual review of RT 82 expenses, individual employee expense reports, and supporting documentation.

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MHE 3.07

With respect to the Ameren Employee Expense Reporting Policy item 5 (a)(i)(6), Entertainment, Provide five examples of approved bona fide business discussions held in 2013 that were preceded or followed by entertainment that is reimbursable under the Ameren Employee Expense Reporting Policy.

RESPONSE

**Prepared By: Jacqueline K. Voiles
Title: Senior Director – Regulatory Affairs
Phone Number: 217.424.7099**

Please see the objections and response to MHE 3.06.

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MHE 2.14

Referring to Ameren Exhibit 1.0, p. 6, lines 115-118, please provide a description of all automatic system checks performed by the Oracle i-Expense system or its predecessor system including any reports that are generated as a result of such review.

RESPONSE

**Prepared By: Greg Dobrinich
Title: Supervisor, Accounts Payable, Ameren Services
Phone Number: 314.554.2297**

Ameren Exhibit 1.0, p.6, lines 115 – 118 refers to a regular review of corporate credit card expenses. On a daily basis, Oracle iExpense is programmed to randomly select 10% of all supervisor- approved expense reports, for Program Office review. This 10% sample selection comes to a 'Payables Review' queue for manual re-review. The only system generated report is one run daily, which is a listing of all expense reports in the queue, at that point in time. There is no report generated as a result of such review.

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MHE 2.29

What specific instructions are given by Supervisors to educate individual employees about the limitations of the use of a corporate credit card? (Examples include, but are not limited to: Timing of filing reports; types of allowed expense; justifications required, etc.)

RESPONSE

**Prepared By: Greg Dobrinich
Title: Supervisor, Accounts Payable
Phone Number: 314.554.2297**

The Program Office issues the following instructions to educate individual employees about the limitations on the use of a corporate credit card.

- 1.) When Oracle iExpense was implemented, initial training was conducted corporate-wide at numerous Ameren locations. All system processes and timing involved in expense reporting were covered. Additionally, training is conducted for new employees upon request.
- 2.) On a quarterly basis, the Program Administrator conducts a training and information-sharing conference call for all Site Administrators in the Program. (There are over 100 Site Administrators in the network.) The meeting consists of an hour long presentation and question-and-answer session. Site Admins can call into the meeting to view the presentation and participate.
- 3.) Our intranet site contains the corporate policies, quick reference guides, frequently asked questions documents, and required forms related to missing receipts and disputed transactions, as examples.

Please also see lines 146-165 of Ameren Exhibit 1.0. As noted therein, The Program Office is in process of developing computer based training for new cardholders as well as mandatory refresher training for all Ameren Illinois cardholders.