American Petroleum Institute

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G. William Frick
Vice President
General Counsel and Secretary

February 12, 2003

Dr. Richard Irons
University of Colorado
Health Sciences Center
Campus Box C238
4200 East Ninth Avenue
Denver, CO 80262

Dear Dr. Irons:

This letter is in reference to your July – September and October-December expense reports submitted under API contract No. 2002-10092 for travel and related expenses in conjunction with the Shanghai Health Study. In the letter of agreement between you and API, it states that you will provide us with a detailed quarterly statement of expenses, including documentation. Unfortunately, what was provided does not enable API to fulfill its fiduciary responsibility to the study's funding companies.

Except in the case of your recurring monthly apartment rental, we have been unable to reconstruct your monthly expense categories. There are several reasons for this difficulty. First, in some instances, we could not satisfactorily differentiate expenses related to the China study from other, presumably non-study charges on the credit card billing statements. While there are several examples of this problem, here are a few that caught the attention of my staff: The Amex charges of $7,764.95 for a trip to Paris and $326.25 for Paris hotel charges; the $47.72 bill from the Shanghai Museum Art Shop; $846.65 expenses incurred for a two-night stay at Washington's Grand Hyatt in July; a $216.49 entry for Wilsons Leather and a $147.36 charge from the Shanghai Silk Department Store, both in September. Other difficulties encountered in examining your documentation include redundant Amex statements, undecipherable receipts and the method assigning air travel to a specific month (date of ticket purchase vs. dates of travel). Also, it is not clear whether the airfares were limited to business class per our agreement and were subsequently upgraded by the airline or if first class tickets were purchased.

I am returning a copy of the documentation you submitted for the July-September and October-December quarters and I am requesting that you provide a detailed explanation of how you arrived at the monthly summary figures. Please annotate on the documentation which charges apply to specific categories of expenses, i.e. Airfare, Apartment/Hotel, Monthly Service and Other. Items assigned to the "Other" category should have a brief explanation of purpose of expense. Please be aware that you also provided May and June 2002 Amex statements; I assume that they pertain to the previous quarter's expenses.

The inability of API to satisfactorily document expenses leaves me in a very awkward position. While I don't wish to overly burden you with financial reporting requirements, please be aware API has a responsibility to assure the sponsors of these studies that the monies allocated are spent sensibly. The unclear records you provided for this period does not permit me the necessary level of assurance I require and they do not comport with the agreement you signed with us.

I understand that in your position as the studies' P.I. you are extremely busy with many issues to help assure that the studies are scientifically rigorous. One solution I suggest to minimize the time required for personal expense reporting is for you to obtain a separate credit card for use exclusively with expenses associated with the China study covered by this contract. All items purchased, such as airline tickets, cab fare, car rentals, study-related meals, etc. could be charged to this card and when you receive your monthly billing a simple annotation next to each charge should suffice for API oversight purposes.

Lorraine Twerdok (202-682-8344; twerdokl@api.org) of my staff would be happy to further discuss options for providing adequate documentation of travel expenses under our contract 2002-10092.

I look forward to your response.

Sincerely,

Bill Frick

G. William Frick
Vice President, General Counsel & Secretary

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