

MUNICIPAL AUDITING REPORT

CITY OF ROANOKE

City Council Expenditures

September 1, 2011

Report Number: 12002

Audit Plan Number: 12005

*Municipal Auditing Department
Chartered 1974*

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BACKGROUND

On April 21, 2008, the City Council passed a resolution approving a travel and expense policy. The policy acknowledges that Members of City Council are subject to the City's Administrative Procedures. It also addresses aspects of budgeting, travel, business meals, and outreach that are unique to the roles served by the Mayor and Members of Council. The policy includes a requirement that the Municipal Auditing Department review Council expenditures annually for compliance with provisions of the policy. [See Exhibit 3]

City Council expenditures are accounted for within the Advantage financial system under Department 200 entitled "City Council." The City Council Department is further segmented into a series of "Units" so that expenditures can be reported by individual Council Member. Expenditures are classified by type, such as Training and Development, Phone and Business Meals. The following Units reported expenditures in fiscal year 2011:

Unit #	Unit Title	Actual FY11
1110	City Council	\$ 195,896
1111	Mayor Bowers	\$ 9,307
1113	Vice Mayor Trinkle	\$ 636
1112	Council Member Lea	\$ 2,857
1116	Council Member Price	\$ 3,803
1117	Council Member Rosen	\$ 2,590
1154	Council Member Bestpitch	\$ 657
1158	Council Member Ferris	\$ 480
Total for Dept 200		\$ 216,226

Unit 1110 includes general expenses such as food for joint meetings, laptops and IT support, fees to advertise public notices, and salary expenses for Council. Spending from this unit is generally directed and overseen by the City Clerk's Office.

Council Member units are controlled by the individual Council Members and include expenditures for telephone, training, memberships and business meals. Each Council Member is responsible for managing expenditures in accordance with the budget adopted for his or her unit.

The City Clerk's Office serves as administrative support to Members of City Council. This includes securing travel arrangements, preparing required forms, obtaining required approvals, and ensuring Council Members are generally informed as to policies and the status of their spending. The City Clerk is also responsible for reviewing Council Members' monthly purchasing card statements and verifying receipts have been submitted to document the items or services purchased in accordance with city policy.

The City's administrative procedures related to travel, rental cars, and business meals were also revised in 2008. The revisions were intended to simplify the rules, provide clearer guidance, and strengthen the review and approval processes. The changes included setting a cap on business meals at 200% of per diem, adopting a true per diem system for meals, increasing the maximum round trip miles to 400 before requiring a rental car, and requiring the 21-A Travel Authorization form to be completed and approved prior to traveling. The administrative procedures for travel are in section 6 of the City's Administrative Procedures:

- 6.1 Training and Development [Travel] Overview
- 6.2 Meal Reimbursement
- 6.3 Lodging Reimbursement
- 6.4 Mode of Transportation
- 6.5 Mileage Reimbursement
- 6.6 Miscellaneous and Incidental Expenses
- 6.7 Use of Rental Cars
- 6.8 Filing Requirements

OBJECTIVES

The objectives of this engagement were to determine if:

1. Members of City Council substantially complied with the Travel and Expense Policy adopted in 2008.
2. Council expenditures were appropriately classified and in accordance with the 2011 adopted budget.

SCOPE

Our review will encompass expenditures from Department 200, "City Council," for the period from July 1, 2010, through June 30, 2011.

The position of Municipal Auditor is appointed by the City Council for a two year term. Mr. Harmon's most recent appointment to the office was for the term October 1, 2010, through September 30, 2012. Generally Accepted Government Auditing Standards require that this relationship be disclosed as a potential impairment to independence and that the work be performed as a non-audit service. The audit procedures we have followed in developing the test plan have been consistent with the Department's standard audit approach.

METHODOLOGY AND RESULTS

1. We evaluated budgeted versus actual expenditures for each Council Unit.

All Council Members maintained their spending within the amounts originally budgeted for each of their units.

2. We compared the original adopted budgets for each Council unit to the final amended budgets to ensure transfers were approved by the majority of council.

Two budget transfers were noted and reviewed. Both of these seemed reasonable and documentation supported the approval of both transfers.

3. We reviewed up to three training and development expenditures for each Council Member to verify that the proper forms were completed, signed and approved.

Expenditures for training and development were accompanied by properly signed and approved travel forms, had proper supporting documentation and were within the guidelines of the City of Roanoke Travel Policy.

4. We reviewed up to three business meal and travel expenditures for each Council Member and evaluated the following:

- a. An itemized receipt was attached detailing the purchase.
- b. The purpose of the meal / travel and names of those whose meal was paid for by the Council Member were documented.
- c. Meal costs did not exceed 200% of the GSA's allowable meal per diem.
- d. Proper travel forms were completed, signed and approved.
- e. Supporting documents for registrations, banquets or other commonly attended functions were on file.

Council Members did not incur significant expenditures for business meals and travel in fiscal year 2011. Expenditures were accompanied by properly signed and approved travel forms, had proper supporting documentation and were within the guidelines of the City of Roanoke Travel Policy.

5. We scanned all expenditures posted to the City Council unit [1110] looking for unusual vendors, amounts, and classifications. We reviewed the invoices for those expenditures

that appeared to be unusual and discussed the purpose of the expenditures with the City Clerk's office.

We flagged a total of 47 expenditures based on our scanning procedures and reviewed their supporting documentation. We concluded that all expenditures for City Council unit [1110] were reasonable and related to city business.

6. We asked with the City Clerk if each Council Member was provided a monthly report showing year to date expenditures by object for each Council Member's unit.

Observation 1 – Timely and Consistent Reports

The City Council Travel Policy states that the City Clerk's office shall provide Members of Council with a monthly report of detailed expenditures.

We observed that Council Members were not provided monthly expenditure reports for February and March. Reports for August, September, and October were not provided to Council Members until December 2, 2010. May and June reports were not provided until August 3, 2011.

Monthly expenditure reports provide Council Members with the information necessary to manage their budgeted funds and to verify expenditures attributed to them. Timely reports support better monitoring and budget management.

In 2010, we recommended that the City Clerk's Office provide Council Members a monthly expenditure report from the Advantage system, along with a copy of their purchasing card statements. We now recommend that the City Clerk's Office establish a policy to provide the monthly expenditure reports and purchasing card statements to Council Members by the 15th calendar day of the subsequent month.

Management Response

I concur in your recommendation that the City Clerk's Office establish a policy to provide monthly expenditure reports and purchasing card statements to Council Members by the 15th calendar day of the subsequent month. I have already implemented the policy, beginning with the July expenditures being shared with the Council under a communication dated August 15.

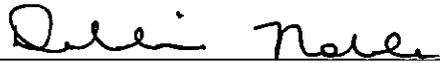
7. We requested that each Member of City Council sign a statement certifying that all of his or her expenditures were, to the best of his or her knowledge, in accordance with city policy and necessary to fulfill his or her duties.

All Council Members provided confirmation that their expenses were necessary to fulfill their duties and in accordance with city policy, to the best of knowledge.

CONCLUSION

We conclude that Members of City Council substantially complied with the Travel and Expense Policy adopted in 2008 and that expenditures were generally classified correctly and were in accordance with the 2011 adopted budget.

We would like to thank the City Clerk and her staff, as well as the members of City Council, for their assistance and cooperation in completing this review.



Debbie Noble, CPA
Senior Auditor



Drew Harmon, CPA, CIA
Municipal Auditor

**Exhibit 1
Council Members
Budget to Actual Expenditures
For Fiscal Year 2011**

Unit #	Council Member	Telephone / Internet / Fax	Cellular Phone	Dues and Memberships	Training & Development	Business Meals & Travel	Total Expenditure	Final Budget	% of Final Budget
1111	Mayor Bowers	689	439	5,269	2,137	773	9,307	13,787	68%
1113	Vice Mayor Trinkle	551	-	-	-	85	636	4,696	14%
1112	Council Member Lea	746	40	-	1,574	497	2,857	4,696	61%
1116	Council Member Price	144	-	-	3,208	451	3,803	6,124	62%
1117	Council Member Rosen	645	812	-	868	264	2,590	4,696	55%
1154	Council Member Bestpitch	0	-	-	320	337	657	4,696	14%
1158	Council Member Ferris	0	390	-	-	90	480	4,696	10%
Total Expenditures by Object:		2,775	1,681	5,269	8,107	2,497	20,330	43,391	47%

Note: This presentation reflects the data available at July 21, 2011, adjusted for misclassified expenditures identified through our review procedures.

Exhibit 2
City Council Unit [1110]
Budget to Actual Expenditures
For Fiscal Year 2011

	Final Budget	Actual Expenditure	(Under)/Over Budget	% of Budget
Council Salaries and Benefits	145,466	151,904	6,438	104.43%
Fees for Professional Services	7,800	5,072	(2,728)	65.03%
Administrative Supplies	4,764	3,504	(1,260)	73.55%
Dues and Memberships	8,245	8,496	251	103.04%
Training and Development	1,074	-	(1,074)	0.00%
Food	5,040	2,070	(2,970)	41.07%
Printing	500	-	(500)	0.00%
Special Events	5,008	1,836	(3,172)	36.66%
Gratuities	3,128	3,770	642	120.52%
Postage	1,000	96	(904)	9.60%
Internal Printing	500	-	(500)	0.00%
Innternal Services	19,147	19,148	1	100.01%
Total for City Council [1110]:	201,672	195,896	(5,776)	-2.86%

Note: This presentation reflects the data available at July 21, 2011, adjusted for misclassified expenditures identified through our review procedures.

Exhibit 3

CITY OF ROANOKE, VIRGINIA TRAVEL AND EXPENSE POLICY FOR CITY COUNCIL

The purpose of this policy is to establish guidelines for the members of City Council for the expenditure of City funds for travel and other expenses. Council recognizes the responsibility of its members to represent the City on various occasions, and it is the intent of this policy to guide Council members as to the appropriateness of incurring expenses for such occasions. Council also acknowledges the need for an equitable policy, one that is in keeping with its obligation to be accountable to the citizens of the City of Roanoke.

The following provisions relating to travel and other reimbursable expenses shall apply to the members of City Council:

1. Members of City Council shall be subject to City Administrative Procedures pertaining to purchasing, travel, and business expenses.
2. Documentation: It shall be the duty of the City Clerk's Office to prepare the required documents for travel and business expenses as prescribed by administrative procedures. The Member of Council for whom forms are prepared shall review them for accuracy and personally sign the forms as the employee. The Director of Management and Budget shall review these forms for completeness and compliance with city policy before signing as approver.
3. Budgeting: Each Member of City Council shall individually be allocated funds for phone and internet services, dues and memberships, training, business meals, gratuities, and postage through the City's annual budgeting process. Budget transfer requests must be justified in writing and shall require approval by a simple majority of the other Members of City Council.
4. Meals with members of council, council appointed officers, or members of city boards and commissions will be reimbursed to the extent funding is available. Meals that are principally related to understanding and promoting the mutual interests of the citizens of Roanoke shall qualify for reimbursement to the extent funding is available. The names of the persons who dined, the purpose of the meeting and an itemized receipt must be provided to the City Clerk's Office for appropriate processing.
5. Boards and Commissions: Travel is authorized for members to attend meetings of the Virginia Municipal League and the National League of Cities, and for service on committees or as officers of such organizations. In addition, the Mayor is authorized to attend the annual conference of the U. S. Conference of Mayors. Travel is also authorized for Council members to attend meetings of organizations or groups to which they have been appointed by Council to represent the City. All other travel by members of Council shall be approved in advance by the Council. If advance approval by Council is not feasible, advance approval from the Mayor

Exhibit 3

shall be obtained. The City Clerk shall sign all travel vouchers submitted by Council members certifying that the travel has been approved by Council and is in compliance with this policy.

6. Gratuities: As government dignitaries, Members of City Council are expected to represent the City at events hosted by charities and other public service oriented organizations. The cost of admission to such events will be paid by the City to the extent provided for within each Council Member's budget. A printed invitation or announcement of the event indicating the date, sponsoring organization and costs must be provided to the City Clerk's Office for payment or reimbursement.
7. The City Clerk's Office shall provide an overview of appropriate administrative procedures, as well as a copy of this policy, to all new Council members before they take office.
8. The City Clerk's Office shall provide Members of Council with a monthly report of detailed expenditures.
9. The Municipal Auditing department shall review council expenditures annually for compliance with this policy.

Exhibit 4 – Discretionary Expenditures Policy

Excerpted from the City's Purchasing Manual, section 3.12

It is the policy of the City that procurements be consistent with the values expressed in the City's Vision Statement. Public funds are to be expended for public purposes, and not primarily for the sole benefit of individual employees or offices. By way of example, City funds **should not** be used for certain types of expenditures, including:

- a. Holiday greeting cards for internal City use.
- b. Individual retirement parties or gifts (unless a part of the City/department regular program for recognizing City service, e.g., plaques, badges)
- c. Coffee, soft drinks or refreshments for casual office use for City employees.

Department heads authorized to approve expenditures should carefully consider the use of City funds when approving purchases or expenditures that may be perceived as beneficial to employees without a corresponding benefit to citizens or the organization. Examples of such purchases where oversight is needed to avoid the appearance of misuse are listed below:

- a. Employee meals purchased locally, but not covered under the travel policy.
- b. T-shirts, golf shirts, hats, etc. with the City name or logo should only be purchased when the need exists for proper identification or the job function is enhanced.
- c. Number and appropriateness of professional organizations to which employees belong at City expense.
- d. Car rentals vs. using airport shuttles, etc.
- e. Newspapers, magazine subscriptions and other publications paid for by the City.

When approving these or similar expenditures, a determination should be made that the expenditure supports the department's mission and the City's Vision Statement. All expenditures should be undertaken in such a manner that they can withstand future public scrutiny, and shall be fully explained and documented. Additionally, all City activities should be administered within the spirit of the City's values.