

MUNICIPAL AUDITING REPORT

CITY OF ROANOKE

City Council Expenditures

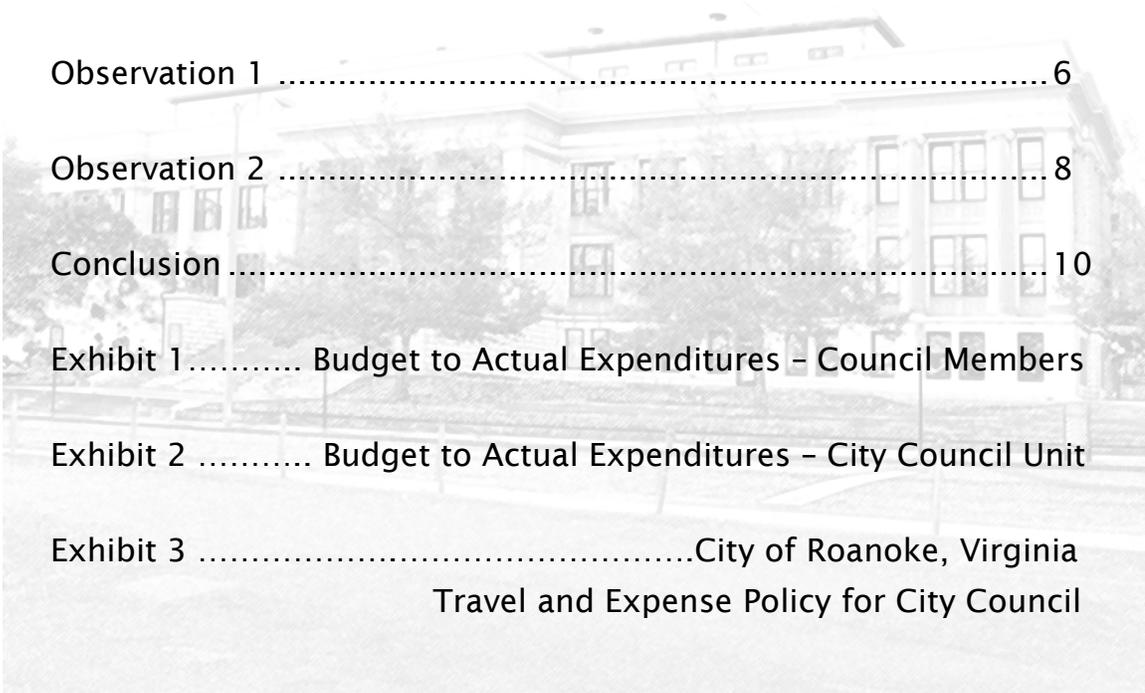
Report Number: 10005

Audit Plan Number: 09004

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BACKGROUND

On April 21, 2008, the City Council passed a resolution approving a travel and expense policy recommended by Mayor Nelson Harris [**Exhibit 3**]. 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.

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 Council Member. Object codes enable reporting expenditures based on the general nature or classification of the purchases; for example, "Training" [object 2044].

The following Units reported expenditures in fiscal year 2009:

Unit #	Unit Title	Actual Spend FY09
1110	City Council	\$211,045
1111	Mayor Bowers	4,330
1112	Vice Mayor Lea	4,600
1113	Council Member Trinkle	1,606
1114	Council Member Mason	4,749
1115	Council Member Nash	2,431
1116	Council Member Price	3,002
1117	Council Member Rosen	3,862
1118	Council Member Cutler	548
Total for Dept 200		\$236,173

Unit 1110 includes general expenses such as food for joint meetings, administrative supplies, postage, dues and memberships, 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.

Units 1111 through 1118 are controlled by the individual Council Members and include expenditures for Internet, telephone, training 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, SCOPE, AND METHODOLOGY

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 2009 adopted budget.

Scope:

Our review encompassed expenditures from Department 200, "City Council," for the period from July 1, 2008, through June 30, 2009.

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, 2008, through September 30, 2010. 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 have been consistent with our standard audit approach.

Methodology and Results:

1. We evaluated overall line item expenditures for each Council Member and the 1110 "City Council" unit, on the basis of budget to actual results. Significant percentage and / or dollar variances were researched and evaluated for reasonableness.

*All Council Members maintained their spending within the amounts originally budgeted to each of their units, as can be seen in **Exhibit 1**. Budget variances within certain line item categories were noted in part due to adopting budgets prior to some Council Members taking office. See **Observation 2** for additional details.*

2. We reviewed the required paper work for one to three training events for each Council Member to determine if forms were properly completed, signed, approved, and supported by original receipts including:
 - a. Verified travel related to City business.

- b. Verified travel required as an officer or board member of an organization meets the parameters specified in the Council's travel and expense policy, item 6.
- c. Verified the overall reasonableness of the dates of travel, mode of travel, and expenditures in the context of the travel and expense policy.

Travel expenditures were supported by original receipts; related forms were appropriately completed, signed and approved.

- 3. We tested a minimum of 50% of the total expenditures for business meals including.
 - a. Verified receipt was itemized and did not include alcohol.
 - b. Verified purpose of the meal and names of those attending were documented.
 - c. Verified meal costs did not exceed 200% of established per diem.

Business meals were related to City business, did not include alcohol, and were within per diem thresholds. Expense forms were properly completed and included adequate supporting documentation.

- 4. We evaluated the Telephone [Internet/fax] and Cellular Phone accounts for each Council Member, on the basis of budget to actual results. Significant percentage and / or dollar variances were researched and evaluated for reasonableness.

*Actual expenditures exceeded budgeted expenses in some cases, as noted in **Observation 2**.*

- 5. We verified each Council Member received training related to the City's travel and purchasing card policies.

Training was provided to each Council Member.

- 6. We verified each Council Member received a monthly report showing their line item expenditures for the month.

*Monthly expense reports were not consistently provided to Council Members; see **Observation 1**.*

7. We requested a signed statement from each Council Member certifying that all of their expenditures were, to the best of their knowledge, in accordance with City policy and necessary to fulfill their duties.

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

8. We tested a minimum of 25% of the total operating expenditures for the City Council budget managed by the City Clerk, including fees for professional services, advertising, administrative supplies, dues and memberships, food, special events, gratuities, and postage:

- a. Verified expenditures were related to City business and consistent with City policies.
- b. Verified expenditures were supported by invoices/ receipts.

*All expenditures tested were related to City business, consistent with City policies, and supported by invoices or receipts. A table of budgeted and actual expenditures has been included in **Exhibit 2**.*

9. We reconciled Council expenditures reported by the City's Advantage accounting system with the expenditures reported on the monthly expense reports prepared by the City Clerk's Office and used by Council Members to manage their budgets.

*Monthly expense reports contained errors as described in **Observation 1**.*

OBSERVATIONS

Observation 1: Monthly Expense Reports

Criteria: “The City Clerk’s Office shall provide Members of Council with a monthly report of detailed expenditures,” *City of Roanoke, Virginia, Travel and Expense Policy for City Council*.

Timely and accurate reports of detailed monthly expenditures are necessary for Council Members to properly understand and plan their spending.

Condition:

We noted the following issues when reviewing and testing monthly expense reports:

- Monthly expense reports for September 2008 were not prepared; September and October expenditures were reported together.
- June 2009 expense reports were not sent to Council Members until September.
- Expenses were sometimes reported on a summary basis as opposed to an expenditure by expenditure basis.
- Prepaid registration fees and travel advances were not consistently reported in the month paid.
- Internal charges for expenditures such as home faxes and the phone line for the Mayor’s office in the Municipal Building were not included in the expense report.
- Monthly reports included errors such as duplicate payments, incorrect amounts, and expenditures that were not incurred.
- Monthly reports did not include some expenditures and did not include monies returned by Council Members.

Effect:

It is more difficult for Council Members to monitor the accuracy of their accounts when expense reports are not received timely and provide only summary information rather than individual expenditures.

When prepaid expenditures are not reported as incurred, year-to-date expenditures are understated making it appear that a Council Member has more funds available to spend than he or she actually has at that point in time.

Duplicate expenditures and other expenditures that are reported but which were not actually incurred overstate expenditures, which understate funds available to spend.

Inaccurate expenditure data can affect decisions about spending and contribute to over or under-spending budgets.

Cause:

Adequate time and consideration was not invested in designing the monthly expense report and the process for preparing the report.

Recommendations:

The City Clerk's office should no longer prepare a monthly expense report and instead provide each Council Member the following documents related to his or her budgetary unit:

1. AC500 "Expense Online General Ledger Report"
2. AC511 "Detail Listing of Commitments vs. Budget..."
3. Monthly purchasing card statement

The AC500 and AC511 reports are produced using data drawn directly from the Advantage Financial system and are considered highly reliable. Purchasing card statements are provided by Fifth Third Bank and have also been found highly reliable.

We recommend that the City Clerk's office work with the Department of Finance to establish either access to InfoAdvantage or a standing request for these reports which should be run on the same day each month to ensure consistency. Additionally, the AC500 report should be run on a year-to-date basis which will enable Council Members to see all expenditures including those encumbered at the end of one month, but not paid until the following month. The suggested information should be provided to Council Members as early as is feasible each month and the first distribution of information should be accompanied by a short training session.

Utilizing the reports outlined, along with providing each Council Member with his/her purchasing card statement, will improve the reliability of expenditure data provided,

will improve timeliness of reporting, and will eliminate the time and expense currently required to produce the monthly expense report.

Management's Response:

I concur with your recommendations that the City Clerk's Office no longer prepare a monthly expense report, but instead provide each Council Member with AC500 and AC511 reports that can be retrieved using the Advantage Accounting system which is considered **highly** reliable, along with a copy of the Council's individual monthly purchasing card statement; and that the City Clerk's Office work with the Department of Finance to establish access to InfoAdvantage or a standing request to run the AC500 and AC511 reports for each Council unit.

Observation 2: Budget Development Process

Criteria: "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," *City of Roanoke, Virginia, Travel and Expense Policy for City Council*.

The budgeting process is an instrument for planning, monitoring, and controlling spending. Budget decisions should begin with determining the desired service level and the resources available to fund expenditures. As it relates to the City Council budgetary units, communications have historically been a funding priority in order to ensure Council Members are accessible to the public and City staff. Members of Council are provided a dedicated phone and fax line for City business in their private homes, as well as a dedicated high speed Internet connection, laptops, and City designated e-mail addresses. Members of Council are also offered cellular phone service to facilitate timely access to e-mail, calendars, voice mail and phone service.

Condition:

We noted that adequate funding was not budgeted for some of the standard communication services provided to Council Members:

- Cellular phone budgets for fiscal year 2009 were not established for two newly elected Council Members whose term began July 1, 2008, and one returning Council Member.
- Funding for a fax line for one returning Council Member's home was not budgeted.

Effect:

Line item accounts, such as 2021 "Telephone - Cellular," are reported as having exceeded budget. The Council Members affected were able to remain within their overall budgets by under-spending other accounts. This can create inequities in discretionary funding for training and business meals.

Cause:

The budget was adopted shortly after Council elections and did not include funds for some services such as cellular phones. Newly elected Council Members recognized the need for cellular services after being seated.

Fiscal 2009 was the first year that budgets were separately adopted for each Member of Council. Costs that had been bundled, such as the monthly service charges for fax lines, varied by Council Member based on individual circumstances such as the location of their homes and the telecommunication services available in their area. These variances had not been noted when developing the 2009 budget.

Recommendations:

Spending on a Member by Member basis is anticipated to be more clearly understood and provided for in subsequent budget years as the City Clerk's office becomes more familiar with this budgeting model. We recommend that the City Clerk document the specific nature of basic services Council Members require to effectively serve, based on her experience. This document should specify the cellular plans the City makes available to Members of Council through the City contract administered by the Purchasing division. A process for considering and approving exceptions to using the City contract should be documented. Monthly billings should be reviewed by the City Clerk's office as soon as they are received so that changes in plan minutes can be made timely, as needed, to avoid more expensive minute-to-minute based charges.

Budgets developed during a Council election year present challenges based on inherent uncertainties of who will be seated and their individual circumstances. We recommend that Internet, phone and cellular services be budgeted for those Council seats that are contested in election years. In this way, funding is available as newly elected members become more familiar with the demands of their position and the tools needed to effectively carry out their duties.

Management's Response:

I concur in your recommendations that the City Clerk document the specific nature of basic services Council Members require to effectively serve, based on her experience,

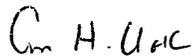
which document should specifically specify the cellular plans the City makes available to Members of Council through the City contract administered by the Purchasing Division; and that Internet, phone and cellular services be budgeted for those Council seats that are contested in election years.

In order to comply with the abovementioned recommendations, I will contact the Director of Finance to schedule a meeting to coordinate efforts to receive the AC500 and AC511 reports on a monthly basis; and will follow up with the Purchasing Agent to request copies of the City's contracts for cellular services.

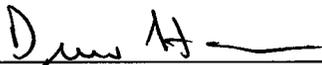
CONCLUSION

We conclude that Members of City Council substantially complied with the Travel and Expense Policy adopted in 2008. Council expenditures were in accordance with the 2009 adopted budget on a unit-by-unit basis. Expenditures for travel and business meals were appropriately classified. We noted several misclassifications of fax, Internet, and cellular expenses that were substantially corrected by the end of the fiscal year. The expenditures listed in **Exhibit 1** reflect additional adjustments identified during the audit.

We appreciate the cooperation and assistance provided by the City Clerk's Office, the Department of Management and Budget, and the Department of Finance.



Ann H. Clark, CPA
Senior Auditor



Drew Harmon, CPA, CIA
Municipal Auditor

Exhibit #1
Budget to Actual Expenditures - Council Members
For Fiscal Year 2009

Unit #	Council Member/Object	Telephone / Internet / Fax	Cellular Phone	Training & Development	Business Meals & Travel	Publications & Subscription s	Total Expenditures	Final Budget *	% of Final Budget
		[2020]	[2021]	[2044]	[2144]	[2040]	-	-	-
1111	Mayor Bowers	\$1,367	\$866	\$1,244	\$853	\$0	\$4,330	\$5,169	84%
1112	Vice Mayor Lea	\$984	\$1,679	\$1,613	\$323	\$0	\$4,599	\$5,453	84%
1113	Council Member Trinkle	\$0	\$251	\$1,280	\$75	\$0	\$1,606	\$3,126	51%
1114	Council Member Mason	\$884	\$913	\$2,365	\$523	\$64	\$4,749	\$5,373	88%
1115	Council Member Nash	\$373	\$758	\$1,266	\$34	\$0	\$2,431	\$2,431	100%
1116	Council Member Price	\$70	\$773	\$2,004	\$155	\$0	\$3,002	\$3,785	79%
1117	Council Member Rosen	\$586	\$1,078	\$2,058	\$140	\$0	\$3,862	\$4,086	95%
1118	Council Member Cutler	\$264	\$173	\$0	\$111	\$0	\$548	\$901	61%
Total Expenditures by Object:		\$4,528	\$6,491	\$11,830	\$2,214	\$64	\$25,127	\$30,324	83%

* Final budget numbers reflect an overall \$6,301 decrease from adopted budget due to transfers out from each Council Members training budget into the City Council unit 1110 to cover cost overruns in food, administrative supplies, and postage.

EXHIBIT #2 – City Council [Unit 1110] FY09 Budget vs. Actual Expenditures

Title	Original Budget	Actual Spent	Under (Over) Budget	% of Budget
Council Salaries and Benefits	126,813	153,060	(26,247)	121%
Fees - Professional Services	1,500	4,464	(2,964)	298%
Advertising	0	858	(858)	~
Administrative Supplies	4,924	4,732	192	96%
Dues & Memberships	7,375	8,925	(1,550)	121%
Food	5,025	6,219	(1,194)	124%
Special Events	5,008	6,717	(1,709)	134%
Postage	1,000	1,927	(927)	193%
Other Operating	7,020	4,593	2,427	65%
Internal Services	19,776	19,550	226	99%
Total for City Council 1110:	178,441	211,045	(32,604)	118%

Notes:

The vacancy of a Council seat for part of fiscal 2008 was not noted when personnel expenditures were loaded into the budget system for fiscal year 2009, causing the salaries and benefits to be under-budgeted for fiscal 2009.

The budget numbers in this table are as originally adopted and do not reflect the budget entry to correct the salaries and benefits budget. It also does not reflect a budget transfer from individual Council Members' training budgets into the City Council 1110 unit that added funds for Food [\$2,000], Administrative Supplies [\$2,949], and Postage [\$1,352]. After corrections and transfers, the expenditures for unit 1110 were within the appropriated budget in accordance with City Code.

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.
5. 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.
6. 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 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.

7. 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.
8. 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.
9. The City Clerk's Office shall provide Members of Council with a monthly report of detailed expenditures.
10. The Municipal Auditing department shall review council expenditures annually for compliance with this policy.