



OFFICE OF THE CITY AUDITOR
COLORADO SPRINGS, COLORADO

14-07
City of Colorado Springs
City Council Travel
Reimbursement Audit

April 2014



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Purpose

As directed by City Council at the Work Session conducted on July 8, 2013, an audit of City Council's travel reimbursements was conducted. The scope of this audit included expenditures charged to the car mileage, meeting expense, and out-of-town travel accounts.

Highlights

We concluded that both Council and Council staff were adhering to the City's and Council's Travel Policies. We identified one observation and one opportunity for improvement. These are detailed in the attached report.

In early 2013, an ethics complaint was made against a member of City Council. The complaint was examined by the City's Independent Ethics Commission and reported to Council. Council reviewed the results of this report at the Working Session held on July 8, 2013. At that time, the Council directed the City Auditor to conduct this audit.

The total budgeted amount for the audited accounts was \$86,000.00. At the time of our audit, only \$26,690.55, or 31% of the budgeted amount, had been spent. The majority of the budgeted amount was allocated to out-of-town travel.

Many of the expenditures were submitted by Council staff. Staff submitted these expenditures because staff members used their City purchasing cards for payment of many of the Council members' travel expenditures. Council members were not issued City purchasing cards.

In the interest of transparency and full disclosure, all noted exceptions were included in Observation 1 of the attached report.

Management Response

City Council and Council's administrative staff were in general agreement with the recommendation and opportunity for improvement. See the attached report for details.

Recommendations

1. Documentation and timeliness issues should be addressed to include:
 - Requested reimbursement for expenses should be submitted in the budget year the expenses were incurred.
 - All expenditures should include details about the purpose of the expenditure.
 - Expenditures submitted for out-of-state travel should reference the appropriate Council meeting minutes where the out-of-state travel was approved.
 - Expenditures should include detailed invoices supporting the expenditure and proper approvals.

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Office of the City Auditor Public Report

Date: April 2, 2014

To: President King, President Pro-Tem Bennett, and Members of City Council

Re: 14-07 City Council Travel Reimbursement Audit

We conducted an audit of the City Council's travel expenditures from January through July 2013.

The purpose of this audit was to verify that members of City Council and Council staff were adhering to both the City and Council travel and meal expenditure policies. The audit was requested by Council at the Working Session conducted on July 8, 2013. The scope of this audit was to review car mileage, meeting expense, and out-of-town travel expenditures for the seven months ended July 31, 2013.

We concluded that generally Council staff and Council were adhering to travel policies. We identified one observation and one opportunity for improvement. We have listed our recommendations in the attached report.

Because City Council is an elected body and I report directly to them, I have been very conservative in my decisions concerning how to report the items identified as exceptions. In an audit of a different department, some of the exceptions discussed in Observation 1 may have been addressed as a comment to management, without a mention in the final audit report. However, in the interest of transparency and full disclosure, I have reported all areas where exceptions were noted.

The 2013 budgeted amount for the three accounts reviewed was \$86,000. The total expenditures for these three accounts on July 31, 2013, were \$26,690, or 31% of the budgeted amount.

As always, feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Denny L. Nester".

Denny L. Nester, MBA CPA CIA CGFM CFE CGAP
City Auditor

Cc: Eileen Gonzalez, City Council Administrator



Office of the City Auditor

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REPORT DETAILS

PURPOSE AND SCOPE

The purpose of this audit was to verify that members of City Council and Council staff were adhering to both the City and Council travel policies as related to travel expenses. The audit was requested by Council. The scope of this audit was to review three travel-related accounts including car mileage, meeting expense, and out-of-town travel expenditures. Our review included expenditures for the seven months ended July 31, 2013. We tested 66 out of 103 transactions (64.08%) for a total amount of \$23,343.42. The amount tested was 87.46% of the total amount expended through July 31, 2013.

BACKGROUND

In early 2013, an ethics complaint was filed against a member of City Council. The Independent Ethics Commission (IEC) of the City of Colorado Springs conducted an investigation into this complaint. The results of this investigation were presented to the City Council in the Council Work Session conducted on July 8, 2013.

The last item detailed in the IEC's report stated:

"The Commission wishes to briefly address the reimbursement process for [the Council Member's] North Dakota trip. The process violated the City's policy that required City Council approval prior to taking an out-of-state trip. Additionally, scanned copies of documents were allowed to serve as expense documentation contrary to City policy. Also, the Grand Forks Hilton Garden Inn bill used by the City's administration as documentation for reimbursement was illegible. A clear copy later secured by the Commission revealed that the bill included a small restaurant charge of \$12.65 yet the full per diem amount was paid for that day. It is therefore the Commission's recommendation that City Council conduct an audit of its reimbursement policies to ensure that similar instances do not occur in the future."

At the Council Work Session, Council, by unanimous voice vote, confirmed Council's direction to the City Auditor to conduct an audit of the reimbursement policy.

The total budgeted amount for all three accounts reviewed was \$86,000. As of July 31, 2013, only \$26,690, or 31% of the budgeted amount, had been spent. Historically the budgeted amount has been allocated equally between all Council members and usage of funds was tracked by Council staff.

Council members were not issued City issued Purchasing Cards. Therefore, many of the expenditures were incurred by Council Staff on behalf of Council members. Council staff, when using a City Purchasing Card, was responsible for adherence to City policies for documentation and approvals.



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CONCLUSION

We concluded that generally Council Staff and Council were adhering to both City and Council travel policies. Expenses were well under budget as of July 31, 2013. We identified one observation and an opportunity for improvement. We have listed our recommendations in the attached report.



OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

OBSERVATION 1-DOCUMENTATION AND TIMELINESS EXCEPTIONS WERE NOTED

Our audit of City Council car mileage, meeting, and travel out of town expenditures for the period January through July 2013 identified documentation exceptions. We also noted car mileage expenditures that were not submitted timely. Audit results are detailed below:

1. Mileage totaling \$939.06 incurred in 2012 was reimbursed in 2013. Documentation indicated mileage occurred five to 15 months prior to submission for reimbursement.

Year-end notices from the Accounting Department require that expenditures be submitted each calendar year so that costs can be recorded in the year they occurred. Submission of business mileage reimbursement 5 to 15 months after they occurred is not strictly prohibited by the policy manual. Timely submission of expenses for reimbursement is a best accounting practice to ensure expenses are valid and recognized in the period they occurred.

2. Documented Council authorization for two out-of-state trips was not included with the submission of these travel expenses.

Council's Rules and Procedures, Part 9-2, indicated all out-of-state travel by a member must be authorized by Council before expenditures or reimbursements could be authorized. The Council Administrator indicated that both trips had been approved by Council and provided Council meeting minutes supporting the approval during our audit. Providing documentation with the expense reports is a best practice and provides immediate assurance of policy compliance.

3. Council members attend a wide range of events and activities paid for by the City of Colorado Springs. Council Rules and Procedures did not provide a clear definition of qualifying events to measure compliance for purposes of this audit.

Council Rules and Procedures, Part 9, indicated a number of instances where Council members may be reimbursed for expenses that are related to the members' official or ceremonial duties. But there was no detailed definition or description of official or ceremonial duties for our compliance review purposes.

4. Documentation to support expenditures was not in compliance with policies. Two separate hotel payments were supported with a reservation document and did not include a hotel invoice. One City Purchasing Card Statement was not approved by the Council Administrator or the City Auditor.

The Civilian PPM, Policy #61, indicated that receipts were required in support of expenses. Also, VISA polices require purchase approval by the employee's manager. Council members do not have City Purchasing Cards. Therefore, Council staff make purchases as requested by Council members. Accordingly, the staff member, per VISA policy, prepares the statement reconciliation and obtains approval.



AUDITOR'S RECOMMENDATION

We recommend the following:

1. Council Rules and Procedures should be updated to ensure clear and comprehensive rules and procedures that decrease the risk of noncompliance. The updates should:
 - a. Require expenses be submitted in a timely manner; at a minimum they should be submitted in the year they occurred,
 - b. Provide additional guidance on qualifying official or ceremonial duties for authorized expenditures, and
 - c. Require Council members to document the business purpose for expenses.
2. Reimbursements requests submitted for out-of-state travel should reference the Council meeting minutes where the out-of-state travel was approved or include a copy of the applicable excerpt from official minutes.
3. Reimbursement requests should include detailed invoices supporting the expenditure and proper approvals.

CITY COUNCIL'S RESPONSE

We agree with the observation and recommendation. 2013 was a transitional year for City Council staff, who were taking on new responsibilities as a result of the election, transition to a new form of government, and staff turnover. In 2014, Council staff is focusing on proper implementation of policy and procedure, including thorough documentation and timely submission of travel reimbursements.

The Council Administrator will convene a subcommittee of Council by May 31, 2014, to review a recommendation for changes to Council Rules and Procedures relating to reimbursement, with amendments adopted as necessary and in consultation with the Auditor's staff.



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OPPORTUNITIES FOR IMPROVEMENT

OPPORTUNITY 1-EFFICIENCY OPPORTUNITY

Repetitive documentation and approval processing for meals provided during Council business meetings could be minimized if the meetings were added to the City preapproved list per policy.

Six instances were observed where payment for “same day meals” occurred. All instances had detailed the positions of the individuals attending and were for meals related to publically scheduled meetings of Council with Council staff and other City officials.

Per Civilian PPM, Policy #62, ‘All employees of the City of Colorado Springs are eligible for same day meals, subject to limitations listed below. This policy is enforced when a city employee attends a meeting where a meal is served and also attended by members of the public, the business community, or officials from other governmental entities, specifically to discuss business related to the City.’ Authorized Non-Taxable Meals are listed in the Policy and indicates the events that have been approved as having a business purpose. Council meals were not included in the list. Adding meals provided during Council functions could make submittal for and tracking of these types of expenditures less laborious. This addition to the preapproved list could enhance the efficiency of Council and Council staff.

AUDITOR’S RECOMMENDATION

The Council Administrator should consider working with City Finance to determine what meals could be included on the list of Approved Events (also known as Exhibit A of PPM, Policy #62). The list of meetings where meals could be served should be updated and expenditures for such meals should reference the Approved Events list.

CITY COUNCIL’S RESPONSE

We agree with the recommendation. The Council Administrator will work with City Finance by May 31, 2014, to include regular meetings where meals could be served on the list of Approved Events, and update documentation processes to reflect that change.

CITY COUNCIL'S OFFICE OF THE CITY AUDITOR

About our Office

The mission of the Office of the City Auditor is to provide City Council with an independent, objective and comprehensive auditing program for operations of the City. Our auditing program includes:

- Evaluating the adequacy of financial controls, records and operations
- Evaluating the effectiveness and efficiency of organizational operations
- Providing Council, management and employees objective analysis, appraisals, and recommendations for improving systems and activities

The Office of the City Auditor is responsible for auditing the systems used by the City of Colorado Springs and its enterprises, including Colorado Springs Utilities. We perform a variety of audits for these entities, including financial audits, performance audits, contract audits, construction audits, and information system audits. We also perform follow-up on a periodic basis to monitor and ensure management actions have been effectively implemented.

Authorization and Organizational Placement

Our audits are conducted under the authority of Chapter 1, Article 2, Part 7 of the Colorado Springs City Code, and more specifically parts 703, 705 and 706 of the Code. The Office of the City Auditor is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council.

Audit Standards

The audit was conducted in a manner that conforms with the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors.

The audit included interviews with appropriate personnel and such tests of records and other supporting documentation as deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests. Sufficient competent evidential matter was gathered to support our conclusions.