



COUNCIL EXPENSE AND CARRY FORWARD ACCOUNTS

PRESENTATION TO THE FINANCE/EXECUTIVE COMMITTEE

FEBRUARY 28, 2024

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OBJECTIVES

- Did council member expense account expenditures in fiscal year 2022 comply with the city charter and code?
- Were former council member carryover balances returned to the general fund in compliance with city code?

BACKGROUND

- Council members are department heads for budgetary purposes.
- Council assistants provide constituent services, manage scheduling, donation requests, quotes for goods and services, invoices, and write legislation for donations and transferring funds.
- The council director oversees financial and other administrative transactions for the 15 City Council members and Council President.

BACKGROUND (CONT.)

Exhibit 4: Council Budget Encompass Six Accounts

Account Name	Account Number	Annual Budget Per Council District
Salaries, Regular	5111001	\$74,400 (Council President) \$72,360 (Council Member)
Benefits	Various	
Salaries, Permanent Part-Time	5111002	\$222,000
Councilmember Expense	5730004	\$61,000
Distribution	5730018	
Contingency	5790001	

Note: Finance refers to the carry forward accounts as contingency funds

Source: Ordinance No. 23-O-1549

FINDINGS OVERVIEW

Strengthening financial controls by developing policies and procedures could increase transparency, enhance accountability, safeguard assets, and prevent a loss of public trust.

- providing specific guidance on allowable and unallowable expenses
- documenting expenditure approvals
- documenting invoice details
- enforcing segregation of duties
- defining “public good”
- tracking inventory
- providing ongoing training

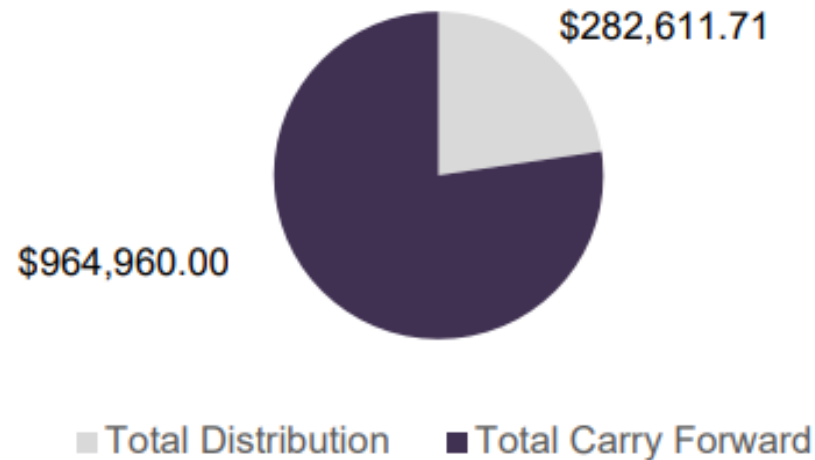
COUNCIL LACKS CONTROLS FOR SPENDING

- Council member employees do not always segregate financial duties
- Inconsistent documentation of council member approval
- Vague invoice descriptions make it difficult to distinguish official city business from campaign activities
- Interpretation of “public good” varied among council members
- Some expenses exceeded the micro purchase threshold
- Council administration has not tracked computer equipment purchased in fiscal year 2023

DONATIONS FROM CARRY FORWARD ACCOUNT ARE MORE TRANSPARENT

- Council members do not have uniform practices for making donations
- Some council members' donations may present a conflict of interest

Exhibit 7: Majority of \$1.2 Million in Donations Were Made from Carry Forward Account



Source: Developed by auditors based on ATLCLOUD Expenditure Details report (November 2021 through December 2022)

REMAINING CARRY FORWARD BALANCES REMAINED WITH THE DISTRICTS

- We found that Council members leaving office generally kept the remaining balances of their accounts in their district through legislation rather than returning them to the general fund.
- City code provides that unspent council funds can be carried forward from one fiscal year to the next.
- If a council member is not serving in office from one term to the next, any unexpended funds should be returned to the general fund.

RECOMMENDATIONS

We recommend the council director request authorization from City Council to:

1. Enforce segregation of duties in all financial transactions and require documented council member approval for all expenditures
2. Develop a documented policy that defines required expenditure approvals, which will help mitigate risks, ensure compliance, and strengthen financial controls
3. Develop a process for documenting invoices with sufficient detail in ATLCLOUD for transparency
4. Develop an internal policy to more clearly specify the types of expenses that are allowed and not allowed from City Council expense accounts

RECOMMENDATIONS (CONT.)

5. Provide ongoing training to council members and council member staff on procurement code requirements
6. Develop written procedures for tracking computer equipment and create and maintain an inventory list of all equipment issued to council members and staff
7. Develop procedures for making donations, including what donations are allowable and thresholds for making donations from distribution and carry forward accounts, and provide training to council members and council member staff on these procedures

RECOMMENDATIONS (CONT.)

8. Work with the Department of Law to define public good in city code and/or in internal City Council policy
9. Inform council members that they are required by the city's Code of Ethics to disclose personal and business affiliations before voting on all legislation (including donation legislation) and seek advice from the Ethics Office when necessary
10. Prepare for City Council consideration an amendment of city code to allow the practice of transferring the carry forward balances from the outgoing to incoming council member of the same district

QUESTIONS?

FULL REPORT:

[HTTP://WWW.ATLAUDIT.ORG/UPLOADS/3/9/5/8/39584481/23.12_COUNCIL_EXPENSE_AND_CARRY_FORWARD_ACCOUNTS_FINAL_REPORT_2-1-24.PDF](http://www.atlaudit.org/uploads/3/9/5/8/39584481/23.12_COUNCIL_EXPENSE_AND_CARRY_FORWARD_ACCOUNTS_FINAL_REPORT_2-1-24.PDF)