June 4, 2015

Ivy R. Taylor
Mayor

Rebecca J. Viagran
Councilwoman, District 3

Ray Lopez
Councilman, District 6

Joe Krier
Councilman, District 9

Roberto C. Treviño
Councilman, District 1

Rey Saldaña
Councilman, District 4

Cris Medina
Councilman, District 7

Mike Gallagher
Councilman, District 10

Alan E. Warrick, II
Councilman, District 2

Shirley Gonzales
Councilwoman, District 5

Ron Nirenberg
Councilman, District 8

SUBJECT: Audit Report of City Council Project Funds

Mayor and Council Members:

We are pleased to send you the final report of the Audit of City Council Project Funds. This audit began in November 2014 and concluded with an exit meeting with department management in May 2015. Management's verbatim response is included in Appendix B of the report. The Assistant to City Council and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio
Distribution:
Sheryl L. Sculley, City Manager
Ben Gorzell, Chief Financial Officer
Christopher Callanen, Assistant to City Council
Martha Sepeda, Acting City Attorney
Leticia M. Vacek, City Clerk
Jill De Young, Chief of Staff, Office of the Mayor
Cary Clack, Communications Director, Office of the Mayor
Yolanda Oden, Executive Assistant to the Mayor, Office of the Mayor
Edward Benavides, Chief of Staff, Office of the City Manager
Tom Nichta, Audit Committee Member
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR

Audit of City Council Project Funds

Project No. AU15-004

June 4, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the City Council Offices, specifically the City Council Project Funds (CCPF). The audit objective, conclusion, and recommendation follow:

Is the CCPF used in accordance with policies and procedures?

Yes, CCPF was used in accordance with policies and procedures. CCPF had proper controls in place to ensure events and commitments were properly approved, the moratorium was implemented and annual carry forwards were within proper thresholds.

However, we did note that improvements can be made obtaining sufficient documentation of expenditures. We identified 2 out of 40 event files tested that did not have sufficient documentation at the time reimbursements were made. Subsequent to audit’s review, management provided verifying support documentation for the two files noted.

We recommend that the City Council Offices’ Assistant to City Council ensure sufficient documentation is obtained prior to reimbursing vendors for incurred expenditures.

City Council Offices Management’s verbatim response is in Appendix B on page 6.
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Background

Effective January 2012, City Council approved an ordinance for the adoption of the City Council Project Funds (CCPF), formerly known as the Human Development Services Fund. The ordinance specified guidelines on the use of the CCPF. The funds were earmarked for expenditures such as family strengthening, youth development, workforce development, community safety net initiatives and scholarship programs. In December of 2013, City Council updated the CCPF, which provided additional guidelines related to eligible expenditures. Expenditures must serve a municipal purpose and fit into one of three categories; education, City Council District/community event; or youth and senior services.

In addition, the ordinance included a moratorium period on Mayor and Councilperson approval of CCPF expenditures that begins with the first day of the filing period for office and ends when the elected officials are sworn in office.

As part of the FY 2014 budget, Council voted to reduce the amount of the CCPF adopted budget for Council Districts and the Mayor from $61,818 to $50,000 each. In addition, the amount of unallocated funds carried forward was reduced from $25,000 to $10,000. The Mayor and Councilperson are free to award projects to agencies of their choice, with the exception of awards over $10,000, which must be approved by City Council. All awards must go through an application process managed by the City Council Office.

In FY 2013 and FY 2014 a total of $832,500 and $631,300 CCPF funds were expensed, respectively. Please see table below for a breakout of the number of events and expenditures that occurred per District during FY 2014.

<table>
<thead>
<tr>
<th>District</th>
<th>No. of Events</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mayor</td>
<td>17</td>
<td>$84,609.45</td>
</tr>
<tr>
<td>District 1</td>
<td>45</td>
<td>$65,875.53</td>
</tr>
<tr>
<td>District 2</td>
<td>20</td>
<td>$36,460.87</td>
</tr>
<tr>
<td>District 3</td>
<td>54</td>
<td>$75,487.39</td>
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<td>District 4</td>
<td>51</td>
<td>$67,949.10</td>
</tr>
<tr>
<td>District 5</td>
<td>39</td>
<td>$37,348.50</td>
</tr>
<tr>
<td>District 6</td>
<td>22</td>
<td>$70,176.51</td>
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<tr>
<td>District 7</td>
<td>44</td>
<td>$49,184.25</td>
</tr>
<tr>
<td>District 8</td>
<td>15</td>
<td>$22,287.78</td>
</tr>
<tr>
<td>District 9</td>
<td>16</td>
<td>$80,251.94</td>
</tr>
<tr>
<td>District 10</td>
<td>15</td>
<td>$41,698.14</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>338</strong></td>
<td><strong>$631,329.46</strong></td>
</tr>
</tbody>
</table>

1 An event may be funded by more than one district
Audit Scope and Methodology

The audit scope included assessing current processes and City Council Project Funds (CCPF) events that occurred in FY 2014 to ensure they were in compliance with the City ordinance.

We interviewed the CCPF Program Coordinator in charge of daily operations to obtain an understanding of the CCPF application process and event funding. Additionally, we interviewed staff to understand the processing of payments and related data records for FY 2014.

We tested all 11 events over $10,000 for proper approval by City Council and reviewed expenditures for adequate invoice support.

We tested 40 out of 301 internal and external events\(^2\) for FY 2014 to verify funding in accordance to the ordinance. To determine the allocation of the 40 sample items, we first calculated the percentage of events from each district, by comparing each districts event count and dividing it by the total numbers of events funded for the fiscal year. Next, we applied each district’s percentage and multiplied it by the 40 test sample to allocate the sample size across the districts. After obtaining the number of sample items per district, we randomly selected the sample for testing. We tested on average 13% of the events in each district.

We reviewed carry forward amounts for FY 15 to verify they were within thresholds set by the ordinance. Additionally, we confirmed events committed in FY 14 for use with funds in FY 15 were in fact committed by verifying that an application for the event was signed during FY 14.

Finally, we verified that no CCPF events or activity occurred during the moratorium periods. A moratorium on Mayor and Councilperson approval of CCPF expenditures begins with the first day of the filing period for office and ends when the elected official is sworn into office. During FY 14, the moratorium applied to Council district 2, 9 and 10, hence we tested those districts.

We relied on computer-processed data in SAP. We performed direct tests on the data rather than evaluating the system’s general and application controls. Our direct testing included comparing event expenditures in the excel spreadsheet to actual payment amounts in SAP. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a

\(^2\) Internal events are initiated by a City Council District Office and external events are those requested by Non Profits, Neighborhood Associations or other legally formed entities
reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.
Audit Results and Recommendations

A. Insufficient Documentation

At the time payment was made, City Council Project Fund (CCPF) event files contained insufficient documentation to verify events complied with the City ordinance. We identified 2 out of 40 event files tested that did not have sufficient documentation to support reimbursements made to the vendors. While the expenditures appear reasonable, the files lacked sufficient support of vendor expenditures at the time reimbursements were made. Subsequent to audit’s review, CCPF provided verifying support documentation for the two files noted.

Per the CCPF City ordinance, only expenditures meeting certain criteria are eligible for funding. When supporting documentation is not sufficient, CCPF cannot verify whether expenditures are eligible per the ordinance.

Recommendations

City Council Offices’ Assistant to City Council ensures sufficient documentation is obtained prior to reimbursing vendors for incurred expenditures.
Appendix A – Staff Acknowledgement

Buddy Vargas, CFE, Audit Manager
Danny Zuniga, CPA, CIA, Auditor in Charge
Cristina Stavley, Auditor
Appendix B – Management Response

May 22, 2015

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management’s Corrective Action Plan for Audit of City Council Project Funds

The City Council Office has reviewed the audit report and has developed the Corrective Action Plans below corresponding to the report recommendation.

<table>
<thead>
<tr>
<th>#</th>
<th>Description</th>
<th>Audit Report Page</th>
<th>Accept, Decline</th>
<th>Responsible Person’s Name/Title</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Insufficient Documentation</td>
<td>4</td>
<td>Accept</td>
<td>Assistant to City Council and City Council Project Fund Coordinator</td>
<td>Effective May 22, 2015</td>
</tr>
<tr>
<td></td>
<td>City Council Office’s Assistant to City Council ensures sufficient documentation is obtained prior to reimbursing vendors for incurred expenditures.</td>
<td></td>
<td></td>
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</tbody>
</table>

**Action plan:**
Prior to processing any payments staff will review the file and ensure sufficient documentation has been obtained prior to providing a reimbursement for eligible incurred expenditures.

We are committed to addressing the recommendation in the audit report and the plan of actions presented above.

Sincerely,

Christopher Callanen
Assistant to City Council
City Council Office

Edward Benavides
Chief of Staff
City Manager’s Office

Date: 5/22/15
Date: 5/23/2015

City of San Antonio, Office of the City Auditor