

Internal Audit Report



**Mayor and City Council  
Operating Expense Audit—  
January 1, 2021 – October 31, 2021**





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# Auditor's Conclusion

January 14, 2022

Internal Audit has completed Mayor and City Council Operating Expense Audit for 2021. We conducted this engagement as part of our 2021 Annual Audit Plan.

The audit objectives were:

- Determine whether recorded expenses are incurred in accordance with Council policy.
- Determine whether expenses are supported by adequate supporting documentation in accordance with Council policy.

To these ends, Internal Audit:

- Reviewed the *Rules of Order and Procedure for the Aurora, Colorado, City Council* in effect during the period under audit as well as any applicable Finance Department policies and procedures.
- Researched and considered leading practices related to managing Mayor and City Council expenses that we believe may add value to existing processes.
- Sampled Mayor and City Council expenses throughout the scope period and performed adequate test work to ensure that sufficient documentation exists to allow us to form a conclusion in accordance with the engagement objectives.
- Examined supporting documentation (receipts, expense reports, etc.) for selected sample items to ensure that they comply with the *Rules of Order and Procedure* as well as any applicable Finance Department policies and procedures.
- Applied other methods as we considered necessary.

Internal controls consist of all the measures taken by management to:

- Protect its resources against accidental loss, waste, fraud, and inefficiency;
- Ensure the completeness, accuracy, timeliness, and reliability of accounting and operating data;
- Ensure compliance with federal, state, and local laws; regulations; and internal policies and procedures;
- Promote efficient and effective operations; and,
- Monitor the achievement of management's goals and objectives.

It is our opinion that the Mayor and City Council are being effective in complying with their *Rules of Order and Procedure* for the scope period examined. We did find some minor issues and some areas that could benefit from clearer guidance. We have detailed our issues and recommendations in the *Issue Details* section of this report. We appreciate the support of the administrative and finance staff in helping us to complete this engagement in a timely manner.

*Wayne Sommer*

Wayne C. Sommer, CPA, CGMA  
Internal Audit Manager

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# Audit Profile

## *Audit Team*

Wayne Sommer, CPA, CGMA – Internal Audit Manager

Laiba Saqib, MPAcc – Lead Auditor

## *Background*

At the request of the Management and Finance Committee, the Office of the Internal Auditor will be conducting an annual audit of Mayor and City Council Member expenses related to Council business in accordance with the *Rules of Order and Procedure for the Aurora, Colorado, City Council* in effect for the engagement scope periods.

Expenses are paid via one of several ways: personal credit cards, City-issued purchasing cards (P-cards), checks, ACH/EFT or wire. Purchases made on a personal credit card, check, ACH/EFT or wire are paid via an Accounts Payable batch (A/P batch). Purchases made on a City P-card are reconciled and approved via the UMB system, and do not have a corresponding A/P batch.

The Mayor, City Council Members, and Council administrative staff primarily make purchases via personal credit card for reimbursement later, or via City P-card. Our testwork included reviews of both personal credit card purchases reimbursed via submissions to Finance for reimbursement (accounts payable batches) and City P-card purchases made by the Mayor, City Council members, and Council administrative staff. From a population of 220 transactions, a sample of 130 transactions was tested for the period January 1, 2021 through October 31, 2021.

## *Scope*

Our first-year scope included all Mayor and City Council expense transactions from January 1, 2021 through October 31, 2021. (Future scopes will cover 12 consecutive months.)

Below is a breakout of expenses by council member from our expense population.

<b>Card Name</b>	<b>Number of Transactions</b>	<b>Expenses</b>
Aurora City Council	75	\$ 448,725.28
Mike Coffman	37	5,702.82
Juan Marcano	29	4,748.48
Alison Coombs	29	4,560.92
Crystal Murillo	22	3,515.30
Dave Gruber	4	2,662.98
Angela Lawson	8	2,295.83
Francoise Bergan	7	1,489.87
Curtis Gardner	4	1,398.63
Marsha Berzins	3	1,025.66
Allison Hiltz	1	204.99
Nicole Johnston	1	-
<b>Grand Total</b>	<b>220</b>	<b>\$ 476,330.76</b>

Below is a breakout of the expenses above that we included in our 130 sample items. This sample represents 97.5% of the expense population.

<b>Card Name</b>	<b>Number of Transactions</b>	<b>Expenses</b>
Aurora City Council	50	\$ 445,224.55
Mike Coffman	23	5,332.38
Crystal Murillo	9	3,256.14
Dave Gruber	3	2,603.98
Juan Marcano	15	1,971.30
Alison Coombs	15	1,774.42
Angela Lawson	4	1,337.01
Curtis Gardner	3	1,299.63
Francoise Bergan	6	1,114.87
Marsha Berzins	1	637.89
Allison Hiltz	1	204.99
<b>Grand Total</b>	<b>130</b>	<b>\$ 464,757.16</b>



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## Issue Details

### ISS.1 – Missing Approval

We found two percent of the transactions in our sample (totaling \$912.17, or .19% of the expense population) lacked signatures from the approving official for travel-related expenses.

Travel-related expenses must be recorded on a Travel Authorization and Expense Report. Additionally, if the Mayor or Council members use a personal credit card during travel, a reimbursement is through an accounts payable batch.

The Deputy City Manager (DCM) is required to approve of all mayor and council member travel-related expenses submissions. Some Travel Authorization and Expense Reports were missing the DCM's signature. For others where the Travel and Expense form did not contain the DCM's signature, the accompanying accounts payable batch did. Accordingly, the latter was not counted as an exception.

The document review process is a control that helps identify errors, prohibited purchases, or noncompliance with existing policies. Approval signatures by the designated approver are the evidence that the review occurred.

### Recommendation

The designated approving official should sign off on all the applicable forms as evidence of a required review.

### Management Response

*Estimated Implementation Date:*

*Issue Owner:* Roberto Venegas

*Issue Final Approver:* James Twombly

### ISS.2 - Inadequate Detail

We found six percent of the transactions in our sample (totaling \$468.25, or .09% of the expense population) lacked adequate supporting documentation. For example, we found meal receipts that were lacking required details such as persons in attendance, a business purpose, or an itemized receipt containing a listing of all items purchased. Where itemized receipts were not provided, we could not verify whether prohibited items such as alcohol were purchased.

Appendix C of the *Aurora City Council Rules of Order and Procedure* states, "Council Members and the Mayor may be reimbursed for reasonable actual costs of meals and incidentals, subject to the submission of a Travel Expense Report which, for meals, should

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identify persons in attendance and business purpose and include receipts detailing all items purchased". [emphasis added]

These requirements help ensure that City funds were spent appropriately.

## Recommendation

The Mayor and Council Members should submit the required adequately detailed and itemized supporting documentation with all expense reimbursement requests regardless of method of payment. Deviations from the policy should be documented and approved. We recommend that inadequately supported expenditure forms be returned to the appropriate individual for correction before being submitted for payment or reimbursement.

## Management Response

*Estimated Implementation Date:*

*Issue Owner:* Patricia Varney

*Issue Final Approver:* James Twombly

## Improving Policy Guidance

We recommend that Council consider the following suggestions to clarify existing guidance.

*Flight upgrades:*

- Appendix C-Conference and Travel, (2)(a) limits air travel to "actual economy class air" to destinations outside of Colorado. It further states that "Upgrade from economy class air travel for medical conditions or unusual circumstances may be considered and approved by City Council prior to travel." Some airlines now break economy into different classes. Although the rule does use the phrase "from economy class", it also states that air travel is limited to "actual economy." It could be useful for Council to clarify whether upgrades to a different class *within* economy are allowed without approval.

*Clarifying vague language:*

- Appendix C(A)(2)(d)(i) states "Council Members and the Mayor may be reimbursed for "reasonable" actual costs of meals..." It is unclear on what basis reasonableness is determined and who decides.



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- (A)(7) "...Council Members and the Mayor should reimburse the City in a "timely manner". Quantifiable guidelines are not laid out within the Council Rules. City employees follow Business Policy Memorandum 3-06 which specifies that City staff must complete and submit travel expenses within 10 working days after the completion of each trip. This may be a standard for Council to consider.
  - (A)(3)(a) titled Expenses Not Eligible for Reimbursement, cites a "Paragraph B(5)(d) above" which does not appear to exist in the Council Rules. Having someone proofread the rules before finalizing them to ensure they are accurate would improve their usefulness.

To improve consistency across the City, Council may want to consider applying the business policies for travel and other expenses applicable to staff to their travels.

Clear guidelines allow users to consistently apply policies and rules across given situations. This can better ensure that City funds are stewarded well.

## Other Items

Elected official expenses are a popular target for information requests and public scrutiny. The better the policies and their application, the better risk is mitigated. The following may be items for consideration:

- It can be intimidating for administrative staff to question an elected official. We suggest proactively and verbally empowering staff to question and to provide guidance to the Mayor and City Council members on the allowability of potentially problematic or uncertain transactions to avoid any risks related to misapplying City funds.
- Educate Council and administrative staff together on revisions or updates to Council Rules. This could be conducted upon the seating of a new Mayor or Council Members, annually as a refresher, or whenever updates to the policy occur. This provides the opportunity for all parties involved to receive instruction together, to ask questions, and to obtain needed clarifications that can reduce potential issues and save processing time.
- Encourage the Mayor and City Council members to use the City-issued P-card for travel whenever possible instead of requesting reimbursements later as P-cards include documentation, approval, and tracking mechanisms for appropriate controls and transparency. This would also provide consistency with the City-wide travel policy, which also encourages the use of P-cards over reimbursements.