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# **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

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## Executive Summary

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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.

## Table of Contents

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Executive Summary .....	i
Background.....	1
Audit Scope and Methodology .....	2
A. Insufficient Documentation.....	4
Appendix A – Staff Acknowledgement .....	5
Appendix B – Management Response.....	6

## Background

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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.

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

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<sup>1</sup> An event may be funded by more than one district

## Audit Scope and Methodology

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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<sup>2</sup> 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

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<sup>2</sup> 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

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### 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**

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Buddy Vargas, CFE, Audit Manager  
Danny Zuniga, CPA, CIA, Auditor in Charge  
Cristina Stavley, Auditor



## Appendix B – Management Response



### CITY OF SAN ANTONIO

P.O. Box 839966  
SAN ANTONIO TEXAS 78283-3966

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.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<b>Insufficient Documentation</b> City Council Offices' Assistant to City Council ensures sufficient documentation is obtained prior to reimbursing vendors for incurred expenditures.	4	Accept	Assistant to City Council and City Council Project Fund Coordinator	Effective May 22, 2015
<b>Action plan:</b> 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 Offices

Date

Edward Benavides  
Chief of Staff  
City Manager's Office

Date