



Special Audit of Former City Council Members – June 2021

July 21, 2022

Mark S. Swann, City Auditor

Mayor

Eric Johnson

Mayor Pro Tem

Carolyn King Arnold

Deputy Mayor Pro Tem

Omar Narvaez

Council Members

Tennell Atkins

Adam Bazaldua

Paula Blackmon

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Executive Summary

Objective and Scope

The objectives of this audit were to determine if former City Council Members Jennifer S. Gates', Adam Medrano's, Lee M. Kleinman's, and David Blewett's: (1) debt was cleared prior to departure; (2) funds from City-Funded Officeholder accounts were applied correctly; and, (3) offboarding activities were completed timely.

What We Recommend

Management should:

- Develop a process to identify the type of purchase (P-Card, T-Card, or accounts payable) along with the appropriate document reference to easily obtain receipts and supporting documentation for expenditures listed on *Annual Statement of City-Funded Officeholder Accounts* reports.
- Reconcile financial system general ledger transaction to expenditures listed on *Annual Statement of City-Funded Officeholder Accounts* reports.
- Verify removal of physical and computer network access timely.

Background

The Office of the City Auditor is required by City Charter Chapter IX, Section 4, *Special Audit*, to audit the accounts of former City officials upon their death, resignation, removal, or expiration of term to determine any indebtedness to the City.

What We Found

Indebtedness to the City on behalf of the former Council Members was not observed. Also:

- A portion of expenditures could not be reconciled to the City's financial general ledger, and supporting documentation could not be consistently located.
- Physical and computer access was not removed timely.

There are areas of emerging risks that may merit additional improvements.

Objectives and Conclusions

1. Was City council members' debt cleared before departure?

Yes.

2. Was usage of funds from the *Annual Statement of City-Funded Officeholder Accounts* verifiable?

Generally, yes. Opportunities exist to improve the reporting of *Annual Statement of City-Funded Officeholder Accounts* by leveraging information available from the City's AMS Advantage financial system and retaining supporting documentation. (See [Observation A](#).)

3. Were off-boarding activities completed timely?

No. While some off-boarding activities can be managed through routine verification, clarifying what should be included would make the process more pertinent to the council members and their operations. (See [Observation B](#))

Audit Results

Both *City Council Resolution 88-3428* and Administrative Directive 4-09, *Internal Control*, prescribe policy for the City to establish and maintain an internal control system. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A: Annual Statement of City-Funded Officeholder Accounts

Annual Statement of City-Funded Officeholder Accounts could not be reconciled to the City financial general ledger, and documentation to support expenditures listed on the reports could not be consistently located. The ability to demonstrate City funds are being applied correctly is difficult when supporting documentation is not available, and reports of officeholder's expenditures cannot be easily traced to the City's financial records.

Reconciliation of Annual Statement of City-Funded Officeholder Accounts

Annual Statement of City-Funded Officeholder Accounts reports do not reconcile with the City's financial system general ledger. Comparing the annual reports to the City's financial system general ledger shows that approximately \$14,995 was identified in the general ledger but not recorded in the *Annual Statement of City-Funded Officeholder Accounts* by council members. Approximately \$457 was reported by council members but was not found in the financial system.

Missing Documentation

Documentation supporting travel and other expenditures could not be located for seven (7) of 50 expenditures reported on the *Annual Statement of City-Funded Officeholder Accounts*. The missing documents totaled \$2,058. A contributing factor in not finding the supporting documents is the lack of accounting document numbers being recorded on the *Annual Statement of City-Funded Officeholder Accounts* and summary postings of Purchase and Travel card details in the City's financial general ledger accounting system.

Criteria

- ❖ Standards for Internal Control in the Federal Government *Principle 10—Control Activities*

Assessed Risk Rating:

High

We recommend the **Director of Office of Mayor and City Council**:

A.1: Develop a process to identify the type of purchase (P-Card, T-Card, or accounts payable) along with the appropriate document reference to easily obtain receipts and supporting documentation for expenditures listed on *Annual Statement of City-Funded Officeholder Accounts* reports.

A.2: Modify the *Annual Statement of City-Funded Officeholder Accounts* reporting process to confirm all receipts and relevant supporting documentation for items included on the reports are retained for the duration of the records retention schedule.

A.3: Request the City Controller to provide the City's financial system general ledger transaction reports by unit (council district) and perform periodic reconciliations of expenditures on these reports to the information recorded on the *Annual Statement of City-Funded Officeholder Accounts* reports.

Observation B: Physical and Computer Access

Deactivation of council members' building physical access and computer access was not timely. This allows council members and their supporting staff to have unauthorized access to restricted City facilities or computer systems after departure.

Physical Access

Identification badges were either missing or returned late. For example, former Council Member Medrano lost his identification badge during his term. However, he did not report the lost identification badge to the Security Services Division of Court and Detention Services. In addition, former Council Member Blewett's identification badge was not returned until a week after his departure. Department managers are responsible for retrieving and returning all badges within two (2) business days of termination.

One employee with access to the purchasing card for Council Member Kleinman continued to retain access despite leaving the Office of the Mayor and City Council on June 2, 2021.

Computer Access

All four city council members' computer user accounts remained active until September 21, 2021, more than three months past the termination date of June 14, 2021. The computer user accounts should have been disabled on the last scheduled workday for departing council members following Information Technology Standard Section 15, *Inactive Accounts*. Since active directory services provide single sign-on for network and some computer applications, access that remains active after a council member leaves can allow unauthorized access to City computer systems.

Criteria

- ❖ Administrative Directive 2-4 *Interim Identification and Access Badge and Restricted Areas Policy*
- ❖ Administrative Directive 2-24 *Computer Security*
- ❖ Information and Technology Services *Information Security Standards*
- ❖ Standards for Internal Control in the Federal Government *Principle 10 –Control Activities*

Assessed Risk Rating:

Low

We recommend the **Director of Office of Mayor and City Council**:

B.1: Obtain formal confirmation that physical and computer access removal is completed within two weeks of council members' last day of service.

Emerging Risks

During the audit, certain emerging risks that could impact the effectiveness of activities performed by the Office of the Mayor and City Council were identified.

Personal Financial Statement

Former Council Member Medrano did not file his annual *Personal Financial Statement* as required by the Dallas City Code for the calendar year 2020 prior to his departure in June 2021. Personal Financial Statements are filed so that conflicts of interest can be validated as needed.

Personal Inventory Management

The Office of Mayor and City Council developed an MS Excel template as a tracking mechanism for council aides to document purchased equipment and furniture details under the \$1,000 capitalization threshold. However, the completeness and accuracy of the inventory are dependent on the diligence of the council aide in completing the form.

Establishing an internal policy unique to the needs of the Office of Mayor and City Council and identifying a cost-effective automated solution for tracking low-value equipment and furniture additions that enforces consistency in capturing information and tracking property assignments, transfers, storage, and disposal could enhance this process.

An analysis of the type of approvals and purchases by council members to improve cost effectiveness should be considered (e.g., office décor and furniture and convenience accessories such as iPads).

Timely Submission and Approvals

Former Council Member Blewett's and former Council Member Medrano's Travel Reimbursement Forms are not being submitted within the 14 days of travel completion as instructed in Administrative Directive 4-7 *Travel Expense Reimbursement Requirement*.

Appendix A: Policy Administration

Background

The Office of the City Auditor is required by City Charter Chapter IX, Section 4, *Special Audit*, to audit the accounts of former City officials upon their death, resignation, removal, or expiration of council member's term to determine any indebtedness to the City.

This Office of Mayor and City Council ensures proper off-boarding of council members. The primary off-boarding activities include:

- Verification of debt clearance.
- Use of City-Funded Officeholder account.
- Removal of physical and logical access.
- Authorization for record disposal.
- Verification of personal property.
- Removal/transfer of memberships.
- Self-reporting of gifts and positions of emolument during council member's term.

The table below outlines all the administrative directives that address off-boarding activities of City employees, departments, and elected officials. The table was used to complete the audit to ensure due diligence of off-boarding; however, there is a possibility that some of these might not apply to the audit objectives because of the open interpretation of the documents. See [Table 1](#).

Methodology

The audit methodology included: (1) interviewing personnel from the Office of Mayor and City Council, City Secretary, City Controller's Office and other city departments; (2) reviewing Dallas City Code, policies and procedures, and applicable Administrative Directives; and, (3) performing various analyses. In addition, all five components of *Standards for Internal Control in Federal Government* were considered.

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 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 objective.

Table 1

Administrative Directives Related to Off-Boarding as of December 20, 2021

Administrative Directive	Purpose	Scope	Applies to Elected Officials
2-4 Interim Identification and Access Badge and Restricted Areas Policy (June 28, 2018)	Provide instructions for departmental security controllers on the proper procedures for obtaining City of Dallas identification /badges and describes access security procedures for restricted areas	Departments, Employees	No
2-13 Gift and Trust Administration (October 2, 1995)	Acceptance and proper investment and accounting of gifts and trusts	Departments, not the Employee Retirement Fund or the Dallas Police Pension Fund	No
2- 24 Computer Security (June 30, 2017)	Provide, manage, and govern the security of information systems and assets, including confidentiality, integrity availability, accountability, and assurance	Departments, all persons, computing devices that comprise the City's information technology systems and assets	No
2-33 Acceptable Use of City Provided Email and Internet Services (July 31, 2001)	Define acceptable and unacceptable use of the internet to conduct business and help agencies with cost-effective measures to disseminate information	All employees	No
2-51 Records Management (December 20, 2013)	Describes Record management responsibilities, and compliance with Chapter 39C of the Dallas city code	Departments, City Officers, Employees	No
3-56 Payroll Procedures (November 3, 2016)	Establish guidelines for payroll processing	Departments, Employees	No
4-05 Contracting Standards and Procedures (April 30, 2018)	The directive sets out standards and procedures for contracting.	City Officers, Employees (City-Funded Officeholder Accounts must comply with the City's administrative directives regarding procurement)	Yes
4-06 Reimbursement for Business Expenses (June 3, 1996)	Establish guidelines for business-related expenses, define procedures for expense approvals documentation and reimbursement	City Council Members, City Manager, Assistant City Managers, Department Directors, Managers, City Lobbyists	Yes
4-07 Travel Reimbursement Expenses (October 1, 2013)	Establish policies and procedures for city government employees, council members and commission members who perform local and out of town official travel in the interest of the City of Dallas	Employees, Appointed and Elected Officials, Board Members	Yes
4-08 Mobile Telephone Services	Establish policy and procedures for the acquisition and use of City-owned	Departments and Organizations	No

Administrative Directive	Purpose	Scope	Applies to Elected Officials
(June 12, 2004)	mobile services and devices and City policy for cell phone allowance		
4-12 Employee in City Memberships (March 4, 2013)	Establish criteria for sponsorship, sponsor memberships and procedures by which City-sponsored memberships will be paid	Employees, Elected Officials, Board Members	Yes
4-15 Purchasing Card Policy and Procedures (October 31, 2018)	Establish procedures for procuring goods using purchasing cards	Departments, Employees (City-Funded Officeholder Accounts must comply with City's administrative directives regarding procurement)	Yes
6-01 Control of City Property (January 24, 2000)	Establish responsibilities and reporting policies for control of City-owned personal property	Departments	No
6-10 City Hall Parking Garage (December 12, 2012)	Information and regulations regarding the use of the City Hall parking garage	Users of parking garage facilities at City Hall	No
City of Dallas Enterprise Information Security Standard (October 1, 2021)	Section 15 guides the separation of employment procedures for handling users' access to all systems.	Departments, Commissions, Boards, Institutions or Agencies of the City, Devices on the City network.	No

Source: City of Dallas, Intranet, Publications, Administrative Directives

Major Contributors to the Report

Matthew Cheadle, CIA, CFE, CGAP – In-Charge Auditor

Mamatha Sparks, CIA, CISA, CISSP, CRISC – Engagement Manager

Appendix B: Management's Response

Refer to the following pages for Management's Acknowledgement and Responses.

Memorandum



CITY OF DALLAS

DATE: July 25, 2022

TO: Mark S. Swann – City Auditor

SUBJECT: *Response to Special Audit of Former City Council Members – June 2021*

This letter acknowledges the City Manager's Office received the *Special Audit of Former City Council Members – June 2021* and submitted responses to the recommendations in consultation with the Office of the Mayor and City Council.

The Office of the Mayor and City Council appreciates the work of you and your staff and their recommendations for enhancing the department's internal controls. The Office of the Mayor and City Council has significantly enhanced its internal controls and is committed to continued improvements.

The Dallas City Code requires City Council Members to file an Annual Statement of City-Funded Officeholder Account Expenses form with the City Secretary. The Dallas City Code does not require a Council Member to involve the Mayor and City Council Office in the preparation or review of the form. However, the Office of the Mayor and City Council will increase their support to City Council Members who voluntarily choose to participate. The elevated support will help ensure the completeness, accuracy, and transparency of the Annual Statement of City-Funded Officeholder Account Expenses forms.

Specifically, the Office of the Mayor and City Council will enhance the form to include a document reference that will tie to specific supporting documents, such as receipts. Further, the Office of the Mayor and City Council began confirming receipts and supporting documents in March 2022. However, to ensure a more reliable and efficient process, the Office of the Mayor and City Council has begun developing an electronic database to tie documentation to specific transactions. In addition, the Office of the Mayor and City Council will request reports from the City's general ledger to ensure the Annual Statement of City-Funded Officeholder Account Expenses forms include all relevant activity.

Lastly, the Office of the Mayor and City Council will develop a mechanism for obtaining formal confirmations that physical and computer access is removed within two weeks of a City Council Member's last day.

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Response to Special Audit of Former City Council Members – June 2021
July 25, 2022
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Sincerely,

A handwritten signature in black ink, appearing to read 'T.C. Broadnax', written over a circular scribble.

T.C. Broadnax
City Manager

C: Genesis D. Gavino, Chief of Staff
Jack Ireland, Chief Financial Officer
Yldefonso Rodriguez Sola, Director, Office of the Mayor and City Council

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Assessed Risk Rating	Recommendation	Concurrence and Action Plan	Implementation Date	Follow-Up/ Maturity Date
High	We recommend the Director of Mayor and City Council:			
	A.1: Develop a process to identify the type of purchase (P-Card, T-Card, or accounts payable) along with the appropriate document reference to easily obtain receipts and supporting documentation for expenditures listed on Annual Statement of City-Funded Officeholder Accounts reports.	Agree: Through a voluntary compliance process, the Office of the Mayor and City Council (MCC) Director will develop and train district staff on an enhanced 15A form that includes an additional column with document references that will help identify the type of purchase and corresponding supporting documentation. The enhanced process will provide district staff with an additional tool to aid in the creation of the Annual Statement of City-Funded Officeholder Accounts report filed directly by the council member with the City Secretary.	9/30/2023	06/30/2024
	A.2: Modify the <i>Annual Statement of City-Funded Officeholder Accounts</i> reporting process to confirm all receipts and relevant supporting documentation for items included on the reports are retained for the duration of the records retention schedule.	Agree: Since March of 2022, MCC has confirmed that receipts and other supporting documentation is retained according to the record retention schedule. Further, MCC has begun working on an electronic database to ensure a more reliable and efficient process.	9/30/2023	06/30/2024

Assessed Risk Rating	Recommendation	Concurrence and Action Plan		Implementation Date	Follow-Up/ Maturity Date
	A.3: Request the City Controller to provide the City's financial system general ledger transaction reports by unit (council district) and perform periodic reconciliations of expenditures on these reports to the information recorded on the <i>Annual Statement of City-Funded Officeholder Accounts</i> reports.	Agree:	MCC will request the City Controller's Office to provide general ledger transaction reports by unit. MCC will require staff of participating City Council Members to perform periodic reconciliations of expenditures from the general ledger to the Annual Statement of City-Funded Officeholder Account Expenses form.	9/30/2023	06/30/2024
Low	We recommend the Director of Mayor and City Council:				
	B.1: Obtain formal confirmation that physical and computer access removal is completed within two weeks of council members' last day of service.	Agree:	MCC staff will submit all security requests timely, in accordance with the City's offboarding procedures. Additionally, MCC will develop a mechanism for obtaining formal confirmations that physical and computer access is removed timely.	6/30/2023	9/30/2023