



Special Audit of Former Mayor and City Council Members

April 15, 2020

Mark S. Swann, City Auditor

Mayor

Eric Johnson

Mayor Pro Tem

Adam Medrano

Deputy Mayor Pro Tem

B. Adam McGough

Council Members

Carolyn King Arnold

Tennell Atkins

Adam Bazaldua

Paula Blackmon

David Blewett

Jennifer S. Gates

Lee M. Kleinman

Cara Mendelsohn

Omar Narvaez

Jaime Resendez

Casey Thomas, II

Chad West



Executive Summary

Objective and Scope

The objectives of this audit were to determine whether the former Mayor and six City Council Members whose terms expired in June 2019: (1) were indebted to the City upon expiration of their terms; (2) were removed as authorized agents of the City; and, (3) properly controlled and accounted for assigned City assets.

What We Recommend

We recommend the Director of the Mayor and City Council Office improve internal controls for compliance with City policies and directives regarding:

- Documentation of purchases.
- Personal property purchased or assigned to City officials.
- Records retention.
- Tracking, cancellation or transfer of organizational memberships.

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.

This audit also included an evaluation of the Mayor and City Council Office's compliance with City policies and Administrative Directives and the adequacy of processing controls related to the term expiration of seven former City officials: Mayor Michael Rawlings and Councilmembers Scott Griggs, Rickey D. Callahan, Kevin Felder, Mark Clayton, Sandra Greyson, and Phillip T. Kingston.

What We Found

Auditors did not observe any indebtedness to the City on behalf of former Mayor Michael Rawlings and Councilmembers Scott Griggs, Rickey D. Callahan, Kevin Felder, Mark Clayton, Sandra Greyson, and Phillip T. Kingston.

Opportunities exist for the Mayor and City Council Office to improve internal controls over documentation of purchases, personal property, records retention, and tracking of memberships.

Audit Results

Former Mayor Michael Rawlings and Councilmembers Scott Griggs, Rickey D. Callahan, Kevin Felder, Mark Clayton, Sandra Greyson, and Phillip T. Kingston were not found to be indebted to the City.

Administrative Directive 4-09, *Internal Control* prescribes the 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: Documentation of Purchases

Documentation of purchases made on behalf of the City officials is not always sufficient in detail to support the legitimacy of the city official business purpose, increasing the risk that City-funded officeholder accounts may be used for purposes other than official City business. For example:

- Three purchase card transactions totaling \$520 did not have receipts and/or sufficient documentation in the Mayor and City Council Office's cardholder files to support the City business purpose.
- Eight AMS procurement transaction records totaling \$1,039 did not have sufficient information to support the City business purpose. Please see the details in [Exhibit 1](#) on page 3.

In addition, descriptive information required by City Code Chapter 15A, Article I-b, *City-Funded Officeholder Accounts* on annual statements does not always include sufficient detail such as date of purchase, vendor information, and description of the expenses to support the legitimacy of the City business purpose. For example, \$10,031 in expenditures were documented on the District 5 *Annual Statement of City-Funded Officeholder Account Expenses* for the reporting period of January 1, 2019, through June 17, 2019, only as "*P-Card Expense.*"

Further, some purchase card transactions were not consistent with the City's administrative directive AD 4-15, *Purchasing Card Policy and Procedures*, requirements to use available master agreements without providing a legitimate reason. Two purchases totaling \$667 were made with a purchase card instead of available master agreements without legitimate documentation to support why the master agreements were not used. This included \$99 in office supplies purchased from Office Depot/Office Max and \$568 for a laptop purchased from Amazon.

Exhibit 1:

The following purchases were made either through purchase cards or the AMS procurement process without sufficient documentation (receipts and/or event documentation, community flyers, etc.) to support the legitimacy of the City business purpose.

City Official	Purchases with Insufficient Documentation
Scott Griggs	<ul style="list-style-type: none">• Six floral arrangement purchases totaling \$760 for get-well and bereavements of City Council Members' district residents or acquaintances.
Rickey D. Callahan	<ul style="list-style-type: none">• No exceptions.
Kevin Felder	<ul style="list-style-type: none">• \$300 for an event described as a "World Affairs Council 35th Annual H. Neil Mallong Award Dinner" on purchase card statements.• \$194 for an "internal transaction" with the City of Dallas Food and Laundry Service.
Mark Clayton	<ul style="list-style-type: none">• \$85 for a floral arrangement for the funeral of a district volunteer.
Sandra Greyson	<ul style="list-style-type: none">• No exceptions.
Phillip T. Kingston	<ul style="list-style-type: none">• No exceptions.
Michael Rawlings	<ul style="list-style-type: none">• \$165 for a floral arrangement for the funeral of a volunteer.• A \$55 purchase from Party City.

According to the Mayor and City Council Office, in July 2017, budgeting and accounting tasks were decentralized and became the responsibility of each individual Council Member. Due to the learning curve for this new responsibility, Council Members and their staff continue to commit errors with regard to proper documentation and reporting.

Criteria

- ❖ City Code Chapter 15A, Article I-b, *City-Funded Officeholder Accounts*, specifies that City-funded officeholder accounts may only be used for official City business and requires an annual statement to include to whom the expense was paid, the date the expense was paid, a description of the expense, and the dollar amount of the expense.
- ❖ Administrative Directive 4-15, *Purchasing Card Policy and Procedures*, requires all transactions to be supported by receipts or credit slips and prohibits purchases of products considered as inappropriate use of City funds. In addition, purchases available on master agreements are prohibited with the purchase card unless there is a documented reason for not using the master agreement. The department director is also responsible for ensuring initial and yearly purchase card training.

- ❖ Standards for Internal Control in the Federal Government, *Principle 16 – Perform Monitoring Activities*
- ❖ The Mayor and City Council Office' procedure entitled *MCC Procurement Procedure, Including Use of Procurement and Travel Cards* requires:
 - Elected officials and their staff to obtain documentation for each procurement request to show that:
 - A procurement is for a City-sponsored event.
 - The business purpose of the event.
 - The recipients of the procurement.
 - The date of the event.
 - The Mayor and City Council Office's management to perform periodic reviews of elected officials and their staff compliance with the City and the Mayor and Council Office's procurement procedures.

Assessed Risk Rating:

Low

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

A.1: Monitor compliance with: (1) the City's Administrative Directive 4-15, *Purchasing Card Policy and Procedures*; and, (2) the Mayor and City Council Office's procurement procedure, *MCC Procurement Procedure, Including Use of Procurement and Travel Cards* to ensure the purchase card files include all receipts and complete documentation to support the legitimacy of the official City business purpose.

A.2: Develop and implement procedures for review of each City official's annual statements before the statements are filed with the City Secretary's Office to ensure information is complete, and expense descriptions support the official City business purpose as required per City Code Chapter 15A.

A.3: Continue to provide training to City officials and staff regarding a) purchase card documentation, b) AMS documentation, and c) information required on all City official's annual statements per City Code Chapter 15A to support the official City business purpose of expenditures.

Observation B: Mayor and City Council Office's Inventory Controls

The Mayor and City Council Office's inventory controls do not ensure all personal property¹ is controlled and accounted for. Also, the Mayor and City Council Office does not: (1) use asset/property tag numbers to track inventory; and, (2) conduct annual inventories of personal property. As a result, there is an increased risk that personal property may be lost or misappropriated.

The Mayor and City Council Office uses inventory tracking lists to record information about City-owned personal property in use by the former Mayor and Council Members. However, these lists do not always have the information essential for the proper control and accounting of personal property, such as purchase date, current location and assignment of the item, and the item's purchase price. In addition, some items were not added to the inventory tracking list upon their purchase. For example, Councilmember Clayton's laptop was not on his district's inventory tracking list.

Criteria

- ❖ The Administrative Directive 6-01, *Control of City Property*, requires each Department Director to:
 - Establish and maintain adequate internal controls and security for all personal property charged to that department.
 - Conduct an annual inventory of personal property assigned to each department.
- ❖ The Administrative Directive 6-01, *Control of City Property*, requires Department Property Coordinators to:
 - Establish and maintain any departmental records that may be necessary for proper internal control of the department's personal property.
 - Assign property numbers to qualifying fixed assets.
- ❖ Administrative Directive 4-09, *Internal Control* requires departments to establish and maintain a system of internal control, including monitoring of the internal control system.
- ❖ Standards for Internal Control in the Federal Government, *Principle 16 – Perform Monitoring Activities*

¹ Administrative Directive 6-01, *Control of City Property*, defines personal property as "specific items of property (except land or buildings) that are tangible in nature which the City owns." Personal property may also meet the criteria defining "fixed assets." Fixed assets are defined as "specific items of property that are tangible or intangible in nature, have a useful life of one year or more, and have significant value which the City has defined as \$1,000 or more."

Assessed Risk Rating:

Low

We recommend the **Director of the Mayor and City Council Office** develop and implement procedures to ensure that:

B.1: Information essential for the proper control and accounting of personal property such as purchase date, current location, and assignment of each item, and the item's purchase price is recorded in the inventory tracking lists.

B.2: Inventories of personal property are performed annually in accordance with Administrative Directive 6-01, *Control of City Property*.

B.3: Asset/property tag numbers are assigned to all fixed assets as required by Administrative Directive 6-01, *Control of City Property*.

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

B.4: Provide training to staff on how to control and account for personal property items.

B.5: Monitor staff compliance with procedures related to personal property control and accounting.

Observation C: Mayor and City Council Office's Records Retention

Required transfers of records to the Dallas Municipal Archives and Records Center did not occur or were incomplete. As a result, important records may not be preserved in a manner that ensures they are not lost, damaged, altered, or destroyed.

Transferred records were limited to correspondence and internal memoranda from Councilmember Kingston and accounts payable, disbursement records, telephone logs, constituent surveys, and service requests from Councilmember Felder. The former Mayor and the other four City Council Members did not transfer any records contrary to the requirements of the Mayor and City Council Office's *Records Retention Schedule* approved by the City Secretary's Office. Interviews with Mayor and the City Council Office's staff showed they were not aware of the requirement to develop and apply *Records Retention Schedules* in accordance with Administrative Directive 2-51, *Records Management*.

Criteria

- ❖ Administrative Directive 2-51, *Records Management*, requires Department Directors to:
 - Develop and apply records retention and disposition schedules for all departmental records.
 - Review the department records annually for compliance with retention schedules. This includes the transfer of retained records to the Dallas Municipal Archives and Records Center.
 - Ensure that resources, procedures, and training are adequate for the preservation, filing, and security of records of the department.
 - Incorporate records management policies, objectives, responsibilities, and authorities in pertinent departmental directives.
- ❖ Standards for Internal Control in the Federal Government, *Principle 16 – Perform Monitoring Activities*

Assessed Risk Rating:

Low

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

C.1: Develop and implement procedures to ensure the consistent application of records management policies and responsibilities throughout the Mayor and City Council Office's operations and in conformance with Administrative Directive 2-51, *Records Management*.

C.2: Provide training to staff and City officials regarding the Mayor and City Council Office's records management procedures and responsibilities, including: which records should be retained and transferred to the Dallas Municipal Archives and Records Center; how often records should be transferred; and, the method of transfer.

C3: Perform annual reviews of staff and City officials' compliance with retention schedules and the Mayor and City Council Office's records management policies.

Observation D: Mayor and City Council Office's Tracking and Cancellation/Transfer of City Official Memberships

The Mayor and City Council Office's tracking of City official memberships does not ensure transfer or cancellation of memberships occurs when a City official vacates office. As a result, City officials may continue to derive benefits from memberships after their affiliation with the City has ended, and reimbursement to the City for unused portions of memberships may not occur. One membership for Kevin Felder (\$185) and three memberships for Phillip Kingston (\$395, \$100, and \$60) were not included on the Mayor and City Council Office's membership tracking records as having been canceled or transferred.

Criteria

- ❖ Administrative Directive 4-12, *Employee and City Memberships*, states that if the membership is transferrable, the department must contact the organization immediately upon an official's separation from the City to transfer the membership to another individual currently affiliated with the City. If membership cannot be transferred, the department must attempt reimbursement from the organization for the unused portion of the membership.
- ❖ Standards for Internal Control in the Federal Government, *Principle 16 – Perform Monitoring Activities*

Assessed Risk Rating:

Low

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

- D.1:** Develop and implement procedures to track City officials' memberships.
- D.2:** Develop and implement procedures to ensure memberships are properly transferred or canceled upon City officials' separation.
- D.3:** Transfer one membership for Kevin Felder and three memberships for Phillip Kingston that were not canceled to other staff or City officials currently affiliated with the City. If membership cannot be transferred, attempt to obtain reimbursement for the unused portion of the membership.
- D.4:** Provide training to staff regarding the procedures for tracking of City officials' memberships and transfer or cancellation of memberships upon City officials' separation.

Methodology

To accomplish our audit objectives, we performed the following steps:

- Interviewed personnel from the Mayor and City Council Office to develop an understanding of key processes and controls related to the audit objectives.
- Reviewed the Mayor and City Council Office's policies and procedures in comparison to relevant criteria and city administrative directives.
- Analyzed a sample of purchase card and AMS procurement transactions.
- Reviewed records transferred to the City Secretary's Office by district.
- Analyzed the Mayor and City Council's inventory logs and membership tracking records.

This performance audit was conducted 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major Contributors to the Report

Kimberly Bernsen – Auditor
Holly Hart, CPA – Project Manager
Anatoli Douditski, MPA, CIA, ACDA – Audit Manager

Appendix A: Management's Response

Memorandum



DATE: April 13, 2020
TO: Mark S. Swann, City Auditor
SUBJECT: Response to Special Audit of Former Mayor and City Council Members

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

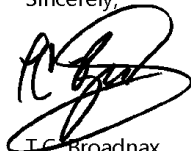
City Management recognizes the importance of developing strong internal controls to ensure transparency and accountability to all citizens.

The Mayor and City Council Office has prioritized strengthening the department's internal controls; including evaluating current processes against best practices, documenting processes in written procedures, and training employees.

The Mayor and City Council Office will further strengthen their processes by:

- Implementing procedures and training staff to ensure sufficient supporting documentation is provided for purchases made on behalf of City officials;
- Strengthening controls for City assets and inventory;
- Enhancing procedures to ensure consistent records management; and
- Developing formal procedures for monitoring City officials' memberships

Sincerely,



T.C. Broadnax
City Manager

C: Kimberly Bizer Tolbert, Chief of Staff
M. Elizabeth Reich, Chief Financial Officer
Carrie Rogers, Director, Mayor and City Council Office

"Our Product is Service"
Empathy | Ethics | Excellence | Equity

Assessed Risk Rating	Recommendation	Concurrence and Action Plan	Implementation Date	Maturity/ Follow-Up Date	
Low	We recommend the Director of Mayor and City Council Office:				
	A.1: Monitor compliance with: (1) the City's Administrative Directive 4-15, <i>Purchasing Card Policy and Procedures</i> ; and, (2) the Mayor and City Council Office's procurement procedure, <i>MCC Procurement Procedure, Including Use of Procurement and Travel Cards</i> to ensure the purchase card files include all receipts and complete documentation to support the legitimacy of the official City business purpose.	Agree:	The Mayor and City Council Office will monitor compliance with the City's Administrative Directive 4-15, Purchase Card Policy and Procedures; and the Mayor and City Council Office's procurement procedures. In addition, MCC will ensure receipts and appropriate supporting documentation are retained.	12/31/2020	6/30/2021
	A.2: Develop and implement procedures for review of each City official's annual statements before the statements are filed with the City Secretary's Office to ensure information is complete, and expense descriptions support the official City business purpose as required per City Code Chapter 15A.	Agree:	The Mayor and City Council Office will implement procedures for reviewing each City officials' annual statements prior to filing with the City Secretary's Office.	12/31/2020	6/30/2021
	A.3: Continue to provide training to City officials and staff regarding a) purchase card documentation, b) AMS documentation, and c) information required on all City official's annual statements per City Code Chapter 15A to support the official City business purpose of expenditures.	Agree:	The Mayor and City Council will continue to train City officials and staff regarding the purchase card documentation, AMS documentation, and information required on the City official's annual statements per City Code.	12/31/2020	6/30/2021

Assessed Risk Rating	Recommendation	Concurrence and Action Plan		Implementation Date	Maturity/ Follow-Up Date
Low	We recommend the Director of the Mayor and City Council Office develop and implement procedures to ensure that:				
	B.1: Information essential for the proper control and accounting of personal property such as purchase date, current location, and assignment of each item, and the item's purchase price is recorded in the inventory tracking lists.	Agree:	The Mayor and City Council Office will implement procedures to ensure that pertinent information for the proper control and accounting of personal property is recorded in the inventory tracking lists.	12/31/2020	6/30/2021
	B.2: Inventories of personal property are performed annually in accordance with Administrative Directive 6-01, <i>Control of City Property</i> .	Agree:	The Mayor and City Council Office will implement procedures that ensure inventories of personal property are performed annually in accordance with AD 6-01.	12/31/2020	6/30/2021
	B.3: Asset/property tag numbers are assigned to all fixed assets as required by Administrative Directive 6-01, <i>Control of City Property</i> .	Agree:	The Mayor and City Council Office will implement procedures that ensure asset tag numbers are assigned to all fixed assets in accordance with AD 6-01.	12/31/2020	6/30/2021
Low	We recommend the Director of the Mayor and City Council Office:				
	B.4: Provide training to staff on how to control and account for personal property items.	Agree:	The Mayor and City Council Office will train staff on accounting for personal property items.	12/31/2020	6/30/2021
	B.5: Monitor staff compliance with procedures related to personal property control and accounting.	Agree:	The Mayor and City Council Office will monitor staff compliance with procedures related to personal property control and accounting.	12/31/2020	6/30/2021

Assessed Risk Rating	Recommendation	Concurrence and Action Plan		Implementation Date	Maturity/ Follow-Up Date
Low	We recommend the Director of the Mayor and City Council Office:				
	C.1: Develop and implement procedures to ensure the consistent application of records management policies and responsibilities throughout the Mayor and City Council Office's operations and in conformance with Administrative Directive 2-51, <i>Records Management</i> .	Agree:	The Mayor and City Council Office will implement procedures to ensure the consistent application of records management policies.	12/31/2020	6/30/2021
	C.2: Provide training to staff and City officials regarding the Mayor and City Council Office's records management procedures and responsibilities, including: which records should be retained and transferred to the Dallas Municipal Archives and Records Center; how often records should be transferred; and, the method of transfer.	Agree:	The Mayor and City Council Office will train staff and City officials regarding records management procedures and responsibilities.	12/31/2020	6/30/2021
	C.3: Perform annual reviews of staff and City officials' compliance with retention schedules and the Mayor and City Council Office's records management policies.	Agree:	The Mayor and City Council Office will perform annual reviews of staff and City officials' compliance with retention schedules and department records management policies.	12/31/2020	6/30/2021

Assessed Risk Rating	Recommendation	Concurrence and Action Plan		Implementation Date	Maturity/ Follow-Up Date
Low	We recommend the Director of the Mayor and City Council Office:				
	D.1: Develop and implement procedures to track City officials' memberships.	Agree:	The Mayor and City Council Office will implement procedures to track City officials' memberships.	12/31/2020	6/30/2021
	D.2: Develop and implement procedures to ensure memberships are properly transferred or canceled upon City officials' separation.	Agree:	The Mayor and City Council Office will implement procedures to ensure memberships are properly transferred or canceled upon City officials' separation.	12/31/2020	6/30/2021
	D.3: Transfer one membership for Kevin Felder and three memberships for Phillip Kingston that were not canceled to other staff or City officials currently affiliated with the City. If membership cannot be transferred, attempt to obtain reimbursement for the unused portion of the membership.	Agree:	The Mayor and City Council Office will request memberships for former City officials be transferred to other staff or City officials. If transfer is not possible, the department will request reimbursement for the unused portion of the membership.	12/31/2020	6/30/2021
	D.4: Provide training to staff regarding the procedures for tracking of City officials' memberships and transfer or cancellation of memberships upon City officials' separation.	Agree:	The Mayor and City Council Office will train staff regarding the procedures for tracking City officials' memberships and transfer or cancellations of memberships upon City officials' separation.	12/31/2020	6/30/2021