



**COUNCILMEMBER KEVIN L. FAULCONER
CITY OF SAN DIEGO
SECOND DISTRICT**

M E M O R A N D U M

DATE: August 12, 2013

TO: Walt Ekard, Interim Chief Operating Officer

FROM: Councilmember Kevin L. Faulconer

SUBJECT: Travel Credit Card Expenditures

On July 19, 2013, I wrote the attached memorandum to Greg Bych, Interim Chief Financial Officer requesting information regarding Mayor Filner's travel to France. I asked several questions to determine whether all applicable credit card (i.e. procurement card) policies and procedures, including but not limited to the reforms suggested by the City Auditor and agreed to by City management, were followed. I appreciate Mr. Bych's timely response and I do have additional questions.

It remains unclear whether the City Procurement Card Program Policies and Procedures Manual was followed in this instance. It is difficult to determine from Mr. Bych's attached response if City credit cards were used to purchase airfare and other travel arrangements for the Mayor.

Additionally, information revealed since I received his memo raises even more questions.

Specifically, Mayor Filner disclosed on July 31, 2013, that he planned to personally pay for his trip because the IRS cannot confirm the 501(c)3 nonprofit status of the entity he said covered his travel expenses. It stands to reason that the Mayor's decision to personally pay, combined with the absence of any specific benefit the City derived, underscores the personal nature of this travel.

Last year the Audit Committee recommended reforms proposed by the City Auditor to strengthen the City's credit card policy. To ensure the City's internal controls and financial practices were followed, and that City funds were not inappropriately used, **I plan to hold a hearing at the September 9, 2013, Audit Committee meeting to consider requesting an investigation by the City Auditor.**

Walt Ekard, Interim Chief Operating Officer

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August 12, 2013

In order for the Audit Committee to make an informed decision, **I respectfully request disclosure of all of credit card invoices and paperwork associated with the Mayor's trip to France**, including verification that the Mayor followed through on his pledge to reimburse the expenses for his trip. Please provide these documents to me by August 28, 2013, to ensure that all Brown Act public noticing requirements are met.

Finally, I respectfully request Mr. Bych, Judy Von Kalinowski, Human Resources Director and Dennis Gakunga, Purchasing and Contracting Director attend the September 9 Audit Committee meeting to help provide context to the committee.

Maintaining strong internal controls to ensure City funds are used appropriately is a top priority of mine as the Chair of the Audit Committee. I appreciate your assistance in this matter.

KLF: kj

Attachments: Memo to Greg Bych dated July 19, 2013

Memo to Councilmember Faulconer dated July 26, 2013



**COUNCILMEMBER KEVIN L. FAULCONER
CITY OF SAN DIEGO
SECOND DISTRICT**

M E M O R A N D U M

DATE: July 19, 2013
TO: Greg Bych, Interim Chief Financial Officer
FROM: Councilmember Kevin L. Faulconer, Chair, Audit Committee
SUBJECT: Procurement Card Policy and Procedures

In August 2012, the Independent City Auditor released a performance audit of the City's credit card program also referred to as the procurement card program. In the report the City Auditor identified four findings to mitigate the potential misuse of the program.

The report states that "the City does have policies and regulations on allowable purchases of goods and services as well as travel, which should be enforced by Approver reviews." At that time, City management ensured departments would comply with all City regulations relating to the procurement card policy.

According to Administrative Regulation 90.3 which regulates City travel procedures, "care should be taken to obtain the lowest reasonable cost for transportation" and "travel for all employees must be in coach service."

A recent *U-T San Diego* article entitled, "Administrators Increased Cap to \$30,000 Each for Paris Journey" states that two City procurement cards were authorized to have monthly limits increased to \$30,000 for a total of \$60,000 available credit for the purpose of international travel by the Mayor and two members of his security detail.

I have concerns as to whether appropriate procedures were followed in the authorization process to increase the procurement card monthly limits. The Auditor made the recommendation that monthly credit limits be restricted to reduce City liability and ensure purchases were approved in compliance with City policy.

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Greg Bych, Interim Chief Financial Officer

July 18, 2013

Would you please provide a response to the following questions:

- Was the increase in the monthly credit limit in accordance with all applicable policies, including the City's travel policy that requires travel for employees to be in coach service?
- For what reasons was the procurement card monthly limit increase approved by Mayoral staff rather than by SDPD if the costs were to be incurred by the police department?
- According to the City's Procurement Card Program Policies and Procedures Manual, requests to increase monthly credit limits beyond \$25,000 must be submitted to the Office of the City Comptroller for approval with an explanation of the business need. Was this administrative process followed? Specifically, did appropriate management staff outside of the Mayor's office review the request and what was his/her determination?

It is imperative that all applicable policies, including the City's travel policy, were adhered to in order to ensure there is no misuse of the City credit cards at taxpayers' expense.

Would you please provide a written response by Friday, July 26, 2013. I appreciate your assistance.

KLF:kj

cc: Walt Ekard, Interim Chief Operating Officer



THE CITY OF SAN DIEGO

MEMORANDUM

DATE: July 26, 2013
TO: Honorable Councilmember Kevin Faulconer, District 2
FROM: Greg Bych, Interim Chief Financial Officer
SUBJECT: Response to Memo dated July 19, 2013

Per your request in your memo dated July 19, 2013 regarding Procurement Card Policies and Procedures, below are the responses to your inquiries:

Was the increase in the monthly credit limit in accordance with all applicable policies, including the City's travel policy that requires travel for employees to be in coach service?

City staff in charge of the Procurement Card Program acted in accordance with all applicable policies and SDPD security protocol. The Mayor's expenses were covered by an external party. However, in order to have one individual centrally coordinate the travel reservations for the Mayor and SDPD security detail, appropriate procedures were followed to authorize a temporary increase in the Human Resources Department's procurement card limits. Staff was instructed to restore these limits to their previous levels as soon as possible thereafter. The Human Resources Department's procurement card was utilized to reserve airfare and lodging for the SDPD security detail; but only the airfare expenses were paid with this card. SDPD security detail used their SDPD procurement cards for lodging, as authorized by the Police Department, which did not require an increase in card limits. Economy class was sought provided that it also met SDPD security policy requirements.

For what reasons was the procurement card monthly limit increase approved by Mayoral staff rather than by SDPD if the costs were to be incurred by the Police Department?

Per the Procurement Card Policies and Procedures, each Department manages their own procurement card. The Department can request increases to procurement card transaction limits, which are approved by the Comptroller's Office. To ensure coordination of the travel schedules, a member of the Human Resources Department staff was asked to centrally coordinate the arrangements and use their procurement card to make the travel reservations. The card in question has a \$5,000 limit, which was insufficient to make the necessary reservations.

According to the City's Procurement Card Program Policies and Procedures Manual, requests to increase monthly credit limits beyond \$25,000 must be submitted to the Office of the City Comptroller for approval with an explanation of the business need. Was this administrative process followed? Specifically, did appropriate management staff outside of the Mayor's Office review the request and what was his/her determination?

All appropriate policies and procedures were followed using the appropriate chain of command for the affected procurement card. The Mayor relayed the nature and justification of the trip to his Chief of Staff. Due to the absence of a City travel agency to coordinate arrangements for the Mayor and his SDPD security detail, the Chief of Staff directed the Interim Chief Operating Officer to assist with the travel arrangements indicating that the Mayor's expenses would be covered by an external party. The Interim Chief Operating Officer relayed this information and designated staff in the Human Resources Department to assist with the travel arrangements. Per procurement card policies and procedures, Human Resources Department staff requested an increase to procurement card limits to the City Comptroller's Office Procurement Card staff. In the absence of the Interim Chief Operating Officer, the Appointing Authority next in line to approve the card limit increases was the Interim Chief Financial Officer.

Please let me know if any additional information is required.



Greg Bych
Interim Chief Financial Officer

GB

Cc: Walt Ekard, Interim Chief Operating Officer
Scott Chadwick, Assistant Chief Operating Officer