



January 18, 2019

Report of Investigation

# Forensic Accounting and Investigative Services

## City of Seaside

*Prepared by:*

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January 18, 2019

Mr. Donald Freeman, City Attorney  
City of Seaside  
P.O. Box 805  
Carmel, CA 93921

**Re: City of Seaside – Forensic Accounting and Investigative Services – Report of Investigation**

Dear Mr. Freeman,

Attached is our report containing the results of investigative services provided to you on behalf of the City of Seaside, California. This work was conducted under your direction as legal counsel to the District.

While our work involved the analysis of accounting records, our engagement did not include an audit in accordance with generally accepted auditing standards or any other attest function. We performed our engagement in accordance with the Statement on Standards for Consulting Services, *Consulting Services: Definitions and Standards* (codified as CS Section 100 in *AICPA Professional Standards*) of the American Institute of Certified Public Accountants (“AICPA”) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE).

The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. The professional standards promulgated by the ACFE prohibits CFEs from expressing opinions regarding the guilt or innocence of any person or party. Therefore, CLA does not render such opinions.

Please contact me with any questions related to this matter.

Sincerely,

A handwritten signature in black ink that reads 'Jenny Dominguez'.

Jenny Dominguez, CPA, CFF, CFE  
Signing Director  
**CliftonLarsonAllen LLP**

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## 1. Executive Summary

### *Background*

On September 19, 2018, the City of Seaside (City) responded to a Public Records Act Request for Council Member expenses received on September 7, 2018. After responding to the Public Records Act Request, the City wished to retain the services of an accounting firm to assist in conducting a forensic review of the expenses incurred by the City for City Council Members.

### *Scope of work*

On October 2, 2018, CliftonLarsonAllen (CLA) was retained by the City to conduct forensic accounting and investigative services related to the CAL-Card and expense reimbursement activity for all City Council Members for the period of July 1, 2015, through October 31, 2018, to verify compliance with City policies, including the City's *Expense and Use of Public Resources* policy, and identify activity that appeared unusual or questionable in nature. This engagement was conducted in two phases, as further described below:

Phase 1: Review each transaction and supporting documentation for CAL-Card and expense reimbursement activity for all City Council Members for the period of July 1, 2015, to October 31, 2018.<sup>1</sup> Identify activity that does not comply with City policies and/or appears unusual or questionable in nature.

Phase 2: Conduct appropriate and legal investigative procedures of those transactions identified in Phase 1 that do not comply with City policies and/or appear unusual or questionable in nature. Investigative procedures may include, but not be limited to, computer forensics and interviews of City employees and City Council Members.

### *Summary of Work Performed*

CLA communicated directly with City personnel to obtain the documents and records necessary to begin the first phase of this engagement. These documents included:

- PDF document containing the City's response, dated September 19, 2018, to a *Public Records Act Request* related to Council Member expenditures, which was described in the *Background* section of this report
- City of Seaside Expense and Use of Public Resources Policy Statement

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<sup>1</sup> Expense reimbursement activity included reimbursements for family care and were included in the scope of this engagement.

- Schedules detailing all of the travel-related expenses for City Council Members and the Family Care expenses in Excel format for the period of July 1, 2015, to September 24, 2018<sup>2</sup>

CLA reviewed the supporting documentation for each expenditure to verify supporting documentation existed for each transaction and then assessed whether the expense complied with the City's *Expense and Use of Public Resources Policy*.

As part of the second phase of this engagement, CLA obtained additional supporting documentation from the City as well as certain email and text communications. Additionally, CLA reconciled the Council Member expenses to the City's general ledger, conducted investigative research, reviewed relevant City Council meetings recordings and minutes, worked with the City to obtain missing receipts from merchants, and conducted interviews deemed necessary. For a detailed description of the work performed, refer to Section 5, *Work Performed*, beginning on page 9.

### *Results of Work Performed*

This section summarizes the findings from the analysis and testing performed. For a detailed discussion of each finding, refer to the body of the report, which begins on page 6.

CLA identified nineteen findings in its review of Council Member expenses. Finding Numbers **(1)** and **(13)** through **(16)** relate to accounting errors and internal control deficiencies that CLA identified during this engagement and do not reflect inappropriate and/or questioned costs incurred by a Council Member. These findings are briefly summarized below. Refer to the report page number identified for a detailed discussion of each finding.

- Finding Number **(1)**: CLA identified small accounting errors related to expenses recorded to the City's general ledger. See *Section 7, Reconciliation of Expenses to City's General Ledger*, beginning on page 20.
- Finding Number **(13)**: The City's standard expense reimbursement form was not consistently used (page 62).
- Finding Number **(14)**: Sufficient information was not included with travel expenses to allow easy identification of the business purpose (page 63).
- Finding Number **(15)**: Support was not retained for reimbursements by Council Members to the City (page 64).
- Finding Number **(16)**: An expense adjustment (abatement) was not recorded for reimbursements to the City by Council Members (page 66).

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<sup>2</sup> The schedules received in Excel format were identical to the schedules included as part of the PDF document containing the City's response to the *Public Records Act Request*. Staff under the direction of Ms. Hodgson prepared these schedules.

Finding Numbers (2) through (12) and (17) through (19) are summarized in Table 1 on page 5. These findings represent expenses paid on behalf of Council Members that did not comply with the City's *Expense and Use of Public Resources* policy, did not comply with California Government Code, and/or appear questionable in nature. Table 1 presents by Council Member name the finding number, finding type, finding description, and a total dollar amount. The right most column ("Page Ref") indicates the report page number where the related finding is discussed in detail within this report. Findings related to *Family Care Reimbursements* are addressed in Finding Numbers (17) through (19). CLA does not include in Table 1 a total questioned cost for each Council Member for all findings combined as Finding Numbers (2) and (3), (7.1), and (17) include amounts that are also identified in other findings. It is up to the City to decide whether it will require Council Members to reimburse the City for amounts identified as findings in this report. Any costs the City determines Council Member Jones should refund the City should be offset by a \$490 payment she made to the City on September 1, 2018.

After reviewing a draft of this report, the City contacted Mayor Rubio, Mayor Pro Tem Alexander, and Council Member Campbell to inform them of the questioned costs identified for each of them and to request that they reimburse the City for certain questioned costs as described below.

- The City received payment from Mayor Rubio on January 15, 2019, for questioned costs related to his one instance of out-of-state travel for \$860.20 as detailed in Finding Number (3) and for questioned costs related to guest expenses for \$800 as detailed in Finding Number (8). CLA verified that the City received \$1,660.20 as a reimbursement from Mayor Rubio relating to identified questioned costs for Finding Numbers (3) and (8).
- The City received payment from Mayor Pro Tem Alexander on January 16, 2019, for questioned costs related to expenses that exceeded the city policy limits by \$76.90 as detailed in Finding Number (5) and for guest expenses of \$150 as detailed in Finding Number (8). CLA verified that the City received \$226.90 as a reimbursement from Mayor Pro Tem Alexander related to identified questioned costs for Finding Numbers (5) and (8).<sup>3</sup>
- The City received payment from Council Member Campbell on January 16, 2019, for questioned costs related to expenses that exceeded the city policy limits by \$14.73 as detailed in Finding Number (5). CLA verified that the City received this payment.

### *Recommendations*

*Section 9, Recommendations*, beginning on page 85 of this report includes CLA's recommendations that the City may consider implementing based on the results of the work performed.

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<sup>3</sup> Mayor Pro Tem Alexander rounded the \$226.90 payment to the nearest dollar making the total payment \$227.00 instead of \$226.90.

**Table 1: Summary of Findings with Questioned Costs**

Finding Number	Finding Description	Kayla Jones	Ralph Rubio	Dennis Alexander	Jason Campbell	Ian Oglesby	David <sup>4</sup> Pacheco	Total	Page Ref
2	Expenses in excess of approved budget amounts	\$ 16,178.54	\$ 360.59	\$1,335.24	\$ -	\$700.46	\$ -	\$18,574.83	23
3	Out of state travel - Not approved by City Council at open meeting	15,265.42	860.20	-	-	-	-	16,125.62	29
4	Not a necessary expense to the City (personal expense)	2,766.44	-	-	-	-	-	2,766.44	33
5	Expenses that exceeded City policy limits	443.03	-	76.90	14.73	-	-	534.66	43
6	Expenses incurred for travel and conference reservations not used	2,505.29	-	-	-	-	-	2,505.29	48
7	No receipts provided for expenses	2,324.33	499.00 <sup>5</sup>	263.35 <sup>5</sup>	-	-	-	3,086.68	51
7.1	No receipts provided for expenses & No explanation of business purpose (This amount is also accounted for in Finding Number 7)	215.44	-	-	-	-	-	215.44	51
8	No reimbursement to the City for guest expense	-	800.00	150.00	-	-	-	950.00	57
9	Unallowed expense - Payment to a political action committee	159.24	-	-	-	-	-	159.24	58
10	Unallowed expense - Payment for gasoline for a personal vehicle	93.27	-	-	-	-	-	93.27	59
11	Unallowed expense - Purchase of travel insurance <sup>6</sup>	94.88	18.00	53.50	-	-	-	166.38	60
12	Itemized receipts not provided for restaurant charges	34.41	-	208.12 <sup>7</sup>	-	-	-	242.53	61
17	Unsupported and possibly false <i>Family Care Reimbursement</i> requests	11,413.00	-	-	-	-	-	11,413.00	69
18	Not a necessary expense to the City for <i>Family Care Reimbursements</i> (personal expense) (This amount is also accounted for in Finding Number 17)	1,060.00	-	-	-	-	-	1,060.00	80
19	Overpayment for <i>Family Care Reimbursements</i> (This amount is also accounted for in Finding Number 17)	241.00	-	-	-	-	-	241.00	81

<sup>4</sup> CLA did not identify any findings related to Council Member Pacheco's expenses.

<sup>5</sup> The amounts correspond to four charges to Ms. Salcedo's CAL-Card for Mayor Rubio and Mayor Pro Tem Alexander. Although the original receipt was not included as support, documentation existed to support the business purpose. These four instances seemed to be isolated instances of non-compliance.

<sup>6</sup> CLA does not identify the purchase of travel insurance as a violation of City Policy because CLA was not provided with a written policy that indicates travel insurance is not allowed. However, CLA has assigned Finding Number **(11)** to purchases of travel insurance as this was a verbally communicated City policy that should be documented in the *Expense and Use of Public Resources* policy.

<sup>7</sup> Some form of receipt was provided by Mayor Pro Tem Alexander to request the related two expense reimbursements. For one expense reimbursement request, he provided receipts that were not itemized but were within the City meal allowance. For the other expense reimbursement request, he provided a copy of his credit card statement as he had lost his original receipts. The expenses appeared appropriate; however, not providing an itemized meal receipt was not compliant with the City's *Expense and Use of Public Resources* policy.

## 2. Background and Scope of Work

### a) Background

On September 19, 2018, the City of Seaside (City) responded to a *Public Records Act Request* for Council Member Expenditures received on September 7, 2018. In the cover page of the response, the City described the request as follows:

“All records associated with travel expenses; child care expenses, salary and benefits; other claims/receipts filed since July 1, 2015, including but not limited to hotel expenses, travel reimbursements claims, credit card statements, cellphone bills for current Council Members Ralph Rubio, Jason Campbell, Dennis Alexander, Kayla Jones, Dave Pacheco and former Council Member Ian Oglesby.”<sup>8</sup>

After responding to the *Public Records Act Request* for Council Member expenditures, the City decided to retain the services of an accounting firm to assist in conducting a forensic review of the expenditures incurred by the City for City Council Members.

### b) Scope of Work

On October 2, 2018, CliftonLarsonAllen (CLA) was retained by the City to provide forensic accounting and investigative services. CLA was to conduct an examination of CAL-Card and expense reimbursement activity for all City Council Members for the period of July 1, 2015, through October 31, 2018, for compliance with City Policies, including the City’s *Expense and Use of Public Resources Policy*.<sup>9</sup> This work was to be conducted in a phased approach as follows:

Phase 1: Review each transaction and supporting documentation for CAL-Card and expense reimbursement activity for all City Council Members for the period of July 1, 2015, to October 31, 2018.<sup>10</sup> Identify activity that does not comply with City policies and/or appears unusual or questionable in nature.

Phase 2: Conduct appropriate and legal investigative procedures of those transactions identified in Phase 1 that do not comply with City policies and/or appear unusual or questionable in nature. Investigative procedures may include, but not be limited to, computer forensics and interviews of City employees and City Council Members.

Provide a written report of findings and recommendations.

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<sup>8</sup> All *Public Records Act Request* responses are published and available on the City’s website.

<sup>9</sup> Council Members include the Mayor, the Mayor Pro Tem, and all Council Members. CLA examined fiscal years 2015/16 (July 1, 2015, through June 30, 2016); 2016/17 (July 1, 2016, through June 30, 2017); 2017/18 (July 1, 2017, through June 30, 2018); and 2018/19 (July 1, 2018, through October 31, 2018).

<sup>10</sup> Expense reimbursement activity included reimbursements for family care and were included in the scope of this engagement.

### 3. Professional Standards Followed by CliftonLarsonAllen

The overall scope of work and approach was conducted utilizing standards in accordance with the Statement on Standards for Consulting Services, *Consulting Services: Definitions and Standards* (codified as CS Section 100 in *AICPA Professional Standards*) of the American Institute of Certified Public Accountants (“AICPA”) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). In consulting engagements, the nature and scope of work is determined solely by the agreement between the practitioner (CLA) and the client (the City). This report does not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express such an opinion.

Because of the unique nature of fraud, and because our engagement was limited to the matters described in the engagement letter, fraud and/or financial irregularities may exist within the organization that we may not have identified during the performance of our procedures. However, if during the performance of our services other matters had come to our attention suggesting possible financial improprieties and/or irregularities, we would have communicated such matters to the City.

The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. The professional standards promulgated by the ACFE prohibits Certified Fraud Examiners (CFEs) from expressing opinions regarding the guilt or innocence of any person or party. Therefore, CLA does not render such opinions.

#### 4. Information about CliftonLarsonAllen

Established on January 2, 2012, as the nation's newest top 10 accounting firm, CLA is well positioned with knowledge, insight, and industry-specific accounting, tax, and consulting services. CLA has a national forensic and governmental practice and is the result of a union between Clifton Gunderson and LarsonAllen, both established more than 60 years ago. (Exhibit 01)

Rich Gonzalez, CPA, was responsible for supervising Phase 1 of the work performed and worked closely with the Forensic Services division of CLA in the execution of Phase 2 of this engagement. Mr. Gonzalez is a Principal in the State and Local Government division of CLA. His practice areas include financial and compliance audits of counties, cities, special districts, and state agencies, including single audits performed in accordance with OMB's Uniform Guidance (Exhibit 02).

Jenny Dominguez, CPA/CFF, CFE, supervised Phase 2 of this engagement. Ms. Dominguez is a signing director in the Forensic Services division of CLA and has 17 years of experience conducting complex forensic accounting and fraud investigation projects. Ms. Dominguez is also experienced in conducting fraud risk assessments, internal control reviews, litigation support, and anti-fraud and ethics training (Exhibit 03).

Ana Rodriguez, CPA, CFE, conducted and supervised fieldwork for Phase 2 of this forensic accounting and investigative services engagement. She assisted Mr. Gonzalez and Ms. Dominguez throughout this engagement. Ms. Rodriguez is a manager in the Forensic Services division of CLA. Her practice areas include conducting fraud investigations, forensic accounting engagements, internal control review analysis, and providing litigation support services (Exhibit 04).

## 5. Work Performed

### a) Phase 1 – Work Performed

CLA communicated directly with Craig Malin, City Manager, and Daphne Hodgson Part-Time Finance Directors, in order to obtain the documents and records necessary to begin the work of the first phase as described in the engagement letter executed on October 2, 2018.<sup>11</sup> CLA was also in communication with Don Freeman, Legal Counsel for the City. The following is a listing of the documents and records received to complete Phase 1:

- PDF document containing the City’s response, dated September 19, 2018, to a *Public Records Act Request* related to Council Member expenditures, which was described in the *Background* section of this report
- City of Seaside *Expense and Use of Public Resources* policy statement (Exhibit 05)
- Schedules detailing all of the travel-related expenses for City Council Members and the Family Care expenses in Excel format for the period of July 1, 2015 to September 24, 2018<sup>12</sup>

CLA analyzed the documents and records received and conducted conference calls with Ms. Hodgson to request additional documents needed. As part of this phase, CLA prepared a combined schedule listing all Council Member expenses by category and identified those transactions that appeared to not comply with City policies and/or appeared unusual or questionable in nature. In order to do this, CLA reviewed the supporting documentation for each expenditure to verify supporting documentation existed for each transaction and then assessed whether the expense complied with the City’s *Expense and Use of Public Resources* policy.<sup>13</sup>

### b) Phase 2 – Work Performed

Throughout Phase 2, CLA was in constant communication with Mr. Freeman, and performed the following investigative steps.

- **Reconciled expenses to general ledger:** CLA compared the expense schedules received for each Council Member against the City’s general ledger detail to verify that all of the expenses incurred for Council Member expenses were included in the schedules provided.

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<sup>11</sup> Ms. Hodgson was the Deputy City Manager since 2006 until she semi-retired on September 6, 2018. After September 6, 2018, her title is Part-Time Finance Director.

<sup>12</sup> The schedules received in Excel format were identical to the schedules included as part of the 639-page PDF document containing the City’s response to the *Public Records Act Request*. Staff under the direction of Ms. Hodgson prepared these schedules.

<sup>13</sup> The *Public Records Act Request* related to Council Member expenditures. The testing conducted by CLA compared the Council Member expenditures to the City’s *Expense and Use of Public Resources Policy*. Because this policy uses the word “expense,” and for continuity, CLA uses “expense” rather than “expenditure” throughout this report.

- **Obtained additional supporting documentation:** CLA requested and obtained additional accounting and CAL-Card documentation and support necessary to complete the testing of Council Member expenses and analyze the appropriateness of the transactions.<sup>14</sup>
- **Contacted merchants:** CLA worked with Ms. Hodgson to contact merchants and request support for CAL-Card transactions that had been identified as lacking sufficient support, such as itemized receipts from hotels.
- **Conducted investigative research:** CLA conducted additional research relating to those expenses that did not appear to comply with City policies and/or appeared unusual or questionable in nature. This included public internet searches and internet archives research.<sup>15</sup>
- **Reviewed City Council meeting recordings and minutes:** CLA reviewed City Council meeting recordings and minutes to obtain information relevant to the investigation.
- **Performed a review of email and text communications:** CLA reviewed certain email and text communications relevant to this investigation. CLA worked with Gary Bartlett, the City's Information Technology Manager, to obtain email communications between Mr. Malin and Council Member Jones, and between Council Member Jones and Ms. Hodgson. Mr. Bartlett also provided CLA with text communications between Mr. Malin and Council Member Jones.
- **Conducted interviews:** CLA conducted certain interviews deemed necessary for the investigative portion of this engagement. Based on the results of the expense testing from Phase 1, CLA determined it was necessary to interview Council Member Jones because of the quantity and dollar amount of her expenses that were missing receipts and appeared to not comply with City policy. CLA determined that it was not necessary to interview other Council Members, as the quantity and dollar amounts of their expenses that did not comply with City policy was relatively small, and the information necessary to clarify could be obtained from Ms. Hodgson. Relevant information obtained from the interviews is included in the appropriate sections of this report. The interviews conducted included the following:
  - **Daphne Hodgson:** CLA interviewed Ms. Hodgson on November 6, 2018, via telephone. Ms. Hodgson was interviewed telephonically, as she currently resides in New York after her semi-retirement as the Deputy City Manager. CLA continued to communicate with Ms. Hodgson throughout this investigation to obtain additional accounting information and documentation, as needed.

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<sup>14</sup> In order to complete the testing of Council Member expenses, it was necessary for CLA to obtain certain accounting records and documentation in addition to the City's original response, dated September 19, 2018, to the *Public Records Act Request*. These documents included support for those expenses for which additional support was necessary, and support for expenses incurred after September 19, 2018 and through October 31, 2018.

<sup>15</sup> The internet archive used by CLA was Wayback Machine, a digital archive of the World Wide Web and other information on the internet. This was needed to retrieve information that was readily accessible on the internet at some point in time, but was no longer accessible, except through internet archives.

- **Craig Malin:** CLA interviewed Craig Malin, City Manager, in person on November 28, 2018. A court reporter was present during the interview with Mr. Malin. Exhibit 06 contains the transcripts of this interview. After the interview, CLA had additional telephonic and email communications with Mr. Malin.
- **Kayla Jones:** Mr. Freeman requested that Council Member Jones attend an in-person interview with CLA on November 8, 2018. He requested that Council Member Jones confirm her availability to Mr. Freeman no later than November 6, 2018. On November 7, 2018, Council Member Jones communicated to Mr. Freeman that she would be unable to attend the interview as scheduled. Exhibit 07 contains the letter delivered to Council Member Jones requesting this interview.

Mr. Freeman rescheduled the in-person interview with Council Member Jones for November 28, 2018. On November 27, 2018, Council Member Jones communicated to Roberta Greathouse, the City's Human Resources Director, that she could only attend the interview telephonically. CLA conducted the interview telephonically on November 28, 2018. A court reporter was present for the telephonic interview with Council Member Jones. Exhibit 08 contains the transcripts for the November 28, 2018, interview.

Because of time restrictions requested by Council Member Jones, the interview was not completed on November 28, 2018, and CLA scheduled a follow-up phone interview with her for December 4, 2018, at 11:00 a.m. Approximately thirteen minutes before the scheduled follow-up phone interview, CLA received an email, with a letter attached, from John Coniglio, an attorney retained by Council Member Jones that morning to represent her in this matter. Mr. Coniglio stated that the interview could not take place as scheduled because there was short notice on his part and he needed to be present at any meeting with Council Member Jones. Exhibit 09 includes the email and the attached letter received from Mr. Coniglio.

CLA conducted the follow-up interview with Council Member Jones on December 11, 2018. The interview was conducted via video conference with Council Member Jones who was accompanied by Mr. Coniglio. A court reporter was present for the interview with Council Member Jones. Exhibit 10 contains the transcripts for the December 11, 2018, interview.

- **Prepared this written report:** CLA's report presents the detailed results of this forensic accounting and investigation.

## 6. Background Information Pertaining to Council Member Expenses

### a) Council Member Travel Expenses

Individual budget amounts are established annually for Council Member travel expenses, and a separate expense account is established in the general ledger for each Council Member. Although the word “travel” is used in the name of these accounts, they contain items such as airfare, mileage reimbursements, event and conference registrations, hotel costs, meals, and other miscellaneous expenses such as local meals, local transportation, and city events. Historically, the budget allocated to each account was \$3,000.00 for the Mayor and \$1,500.00 for each Council Member. According to the City’s *Expense and Use of Public Resources* policy, previously included as Exhibit 05, Council Members have the ability to utilize the established budget only in accordance with this policy. This policy states in *Section I – Findings*, that public resources should only be used when there is a substantial benefit to the City, which includes:

1. The opportunity to discuss the community’s concerns with state and federal officials;
2. Participating in regional, state and national organizations whose activities affect the City;
3. Attending educational seminars designed to improve officials’ skill and information levels; and
4. Promoting public service morale by recognizing such service.

The City’s *Expense and Use of Public Resources* policy, in *Section II – Authorized Expenses*, specifies that expenses incurred in connection with the following types of activities generally constitute authorized expenses, as long as the other requirements of this policy are met:

1. Communicating with representatives of regional, state and national government on City-adopted policy positions;
2. Attending educational seminars designed to improve official’s skill and information levels;
3. Participating in regional, state and national organizations whose activities affect the City’s interests;
4. Recognizing services to the City, e.g. a gift or celebration of a nominal value;
5. Attending City events;
6. City-related charitable events of nominal value;
7. Implementing a City-Approved strategy for attracting or retaining businesses to the City, which will typically involve at least one staff member; and
8. Meals for persons with whom the official is conducting City-related business, not to exceed the daily maximum as set forth in § (G) per person, and not including expenses for alcohol.

The City’s *Expense and Use of Public Resources* policy further provides that “all other expenses, including international and out-of-state travel and expenses in excess of the annual limits established for each office holder, require prior approval by the City Council at a public meeting.”

## b) Family Care Reimbursements

Prior to the 2017/18 year, *Family Care Reimbursements* were not part of the City Council budget. These types of reimbursements are intended to reimburse Council Members for actual costs incurred as a result of their attendance at City events, which prevents them from personally providing the care they would have otherwise provided for a family member. This section provides an overview of how this budget line item was implemented in 2017/18.

### Background

Mr. Malin communicated to CLA that adding *Family Care Reimbursements* to the budget was an initiative of Council Member Jones. CLA confirmed this through email communications between Mr. Malin and Council Member Jones.

- On May 2, 2017, Council Member Jones provided Mr. Malin with California Government Code § 36514.5 relating to the provision that “City Council Members may be reimbursed for actual and necessary expenses incurred in the performance of official duties.” Exhibit 11 contains this email.
- On June 7, 2017, Council Member Jones emailed Mr. Malin to provide an estimated hourly rate of \$14.00, and an estimated annual cost for childcare of \$1,344.00, which she expected to incur as a result of her participation in Council meetings and activities (Exhibit 12).
- On July 13, 2017, Council Member Jones requested that Mr. Malin include this discussion in the July 20, 2017, Council meeting agenda (Exhibit 13).

### Review of Council Meeting Recordings and Minutes

Per review of the City Council meeting recording for June 15, 2017, CLA identified at minute 00:21:35 Mr. Malin’s explanation that the proposed budget included \$3,000.00 for “Council Member Child Care Reimbursement.”<sup>16</sup> He stated this was being proposed for reimbursements to Council Members for childcare expenses that they may incur in the course of their official duties. It would work in the same way that the City reimbursed Council Members for travel and training. He also explained that it would have to be approved as a policy in order to have it placed in the budget. He explained that the intent behind this proposed policy was to allow more people to participate in Council services. At approximately minute 03:18:35, Council Member Campbell mentioned, during his time for questions on the proposed budget, that he received a comment from a constituent on the proposed “Council Member Child Care Reimbursement.” He briefly commented that it would be advisable to call it “Family Care” in order to make it more inclusive.

Per review of the City Council meeting recording for July 20, 2017, CLA identified at minute 01:00:45 the discussion related to *Item I – Consider resolution to modify the City of Seaside Expense and Use of Public Resources Policy*. During the public comments section of the meeting, a member of the

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<sup>16</sup> Mr. Malin was providing information for each of the line items for programming enhancements, and “Council Member Child Care Reimbursements” was one of the line items.

public communicated that he believed the “Family Care Resolution” to be a “grand idea.” However, he expressed concerns that details of the resolution were unclear and asked that the City Council table this resolution for a future agenda until his expressed concerns were clarified.

After the public comment section, Mr. Malin provided the following clarification: “The question of when is this reimbursement applicable? After Council votes on it; What are the annual limits? We have placed \$3,000.00 on the budget for that and this budget can afford it.” After Mr. Malin’s comment, there was a motion for approval. The motion was then approved unanimously by the City Council.<sup>17</sup> Exhibit 14 contains the resolution presented during this meeting, the related staff report, and the City Council meeting minutes.

CLA is not aware of any other Council meetings at which the adoption or implementation of the Family Care Reimbursement was discussed.

#### Review of Updated Policy

The *Expense and Use of Public Resources* policy was updated to include *Section III K – Family Care Expenses*: “Reimbursement for actual family care expenses incurred in the performance of official duties.” A budget of \$3,000.00 was established with account 7176 – *Family Care – Council Members* for the 2017/18 year. The budget was again established at \$3,000.00 for the 2018/19 year.

### **c) Methods of Payments for Council Member Expenses**

The expenses incurred by the City for Council Members included two types of expenses, travel-related expenses for all Council Members and reimbursements for Family Care utilized only by Council Member Jones.

#### Council Member Travel Expenses

Per review of accounting records and supporting documentation relating to Council Member travel expenses, CLA identified six different payment methods utilized to incur expenses on behalf of Council Members. Table 2 lists the different methods of payment used to pay for Council Member expenses and the number of transactions (not payments) identified for each method by year.<sup>18</sup>

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<sup>17</sup> The end of the discussion regarding the *Family Care Reimbursement* was at minute 01:03:38 of the City Council meeting recording.

<sup>18</sup> The number of transactions refers to the number of line items included with each payment method, such as line item charges on a CAL-Card statement.

**Table 2: Number of Travel Expense Transactions by Payment Method for Council Members**

Method of Payment	2015/16	2016/17	2017/18	2018/19	Total
CAL-Card - Jones	-	-	83	66	149
CAL-Card - Salcedo	45	20	41	11	117
Expense Reimbursement	13	5	10	10	38
Direct Payment	9	19	7	2	37
Petty Cash Reimbursement	2	-	-	-	2
EFT - Leslie Milton	-	1	-	-	1
Total	69	45	141	88	344

Each method of payment is described further below:

- **CAL-Card – Jones:** A purchasing card (CAL-Card) was issued to Council Member Jones on March 1, 2018, as approved by Mr. Malin on February 21, 2018. This CAL-Card was for the exclusive use by Council Member Jones. There were 149 transactions (charges) recorded to this CAL-Card for the period under review. Prior to being issued a CAL-Card, expenses for Council Member Jones were paid using other payment methods as described below.<sup>19</sup>
- **CAL-Card – Salcedo:** As the Executive Assistant to the City Manager, Rosa Salcedo possessed a CAL-Card, which was used to pay for Council Member related expenses such as registration for events and conferences, and travel arrangements. There were 117 transactions on Ms. Salcedo’s CAL-Card related to Council Members for the period under review. According to the interviews conducted, Council Members communicate a particular request, such as registering for a conference, to Ms. Salcedo who then fulfills the request using her City-issued CAL-Card.
- **Expense Reimbursement:** In instances when Council Members attend a conference and pay for the related expenses using their personal funds, or use their own vehicles for transportation, they may request an expense reimbursement from the City. They may request an expense reimbursement by completing the *Travel Reimbursement* request form and by providing the necessary receipts or mileage support in order for the expense reimbursement to be approved. A City check, made payable to the name of the Council Member submitting the request, is then issued. There were 38 transactions recorded via expense reimbursements for the period under review for Council Member expenses.
- **Direct Payments:** When booking conference or event registrations for Council Members, if the vendor accepts purchase orders, a purchase order is prepared and a direct payment is issued to the vendor via a City check. There were 37 transactions recorded as direct payments to vendors for Council Member expenses.
- **Petty Cash Reimbursement:** Although not as commonly used, CLA identified two instances in which a petty cash reimbursement request was approved and paid to a Council Member for amounts of \$25.00 or less. Petty Cash reimbursements are documented using an

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<sup>19</sup> Section 6 d. Issuance of CAL-Card to Council Member Jones discusses the circumstances surrounding the issuance of a CAL-Card to Council Member Jones.

*Expenditure Tag Imprest Revolving Fund – Cash Funds* form, which is approved by the respective department head.<sup>20</sup>

- EFT – Leslie Milton: CLA identified one instance in which a payment of \$60.00 was made directly to a vendor, on behalf of Mayor Rubio, using an Electronic Funds Transfer (EFT).

#### Family Care Reimbursements

The City processed *Family Care Reimbursements* only for Council Member Jones. There were 72 instances of childcare for which the City reimbursed Council Member Jones totaling \$11,469.00. These reimbursements were processed similar to expense reimbursements whereby a City check was issued payable to Council Member Jones. There was no specific form used to request *Family Care Reimbursements*. Instead, Council Member Jones submitted a typed document listing a date, a description of the event that caused her to require the services of a baby sitter to care for her daughter, the baby-sitting cost for each event, and a total dollar amount.<sup>21</sup>

#### **d) Issuance of CAL-Card to Council Member Jones**

As mentioned in the section above, Council Member Jones is the only Council Member who had a City-issued CAL-Card. Although the CAL-Card was in the possession of Council Member Jones, the City owns the CAL-Card and makes monthly payments for the balance charged to the City's CAL-Cards. This section provides details concerning the provision and use of this card.

#### Issuance of CAL-Card to Council Member Jones

On February 21, 2018, Mr. Malin sent a memorandum to the Assistant Finance Director, with the subject line "Cal Card for Council Member Kayla Jones." The memorandum contained the signature of Mr. Malin dated the same day. The body of the memorandum stated, "This memorandum is for the approval of a Cal Card for Council Member Kayla Jones with a limit of \$2,500 to be used for purchases related to the City Council."

Council Member Jones was issued a CAL-Card on March 1, 2018, according to a *Purchasing Cardholder Use Agreement* signed by Council Member Jones. The agreement stated that the Cardholder had been provided with a copy of the City's *Purchasing Card Policies and Procedures* document and thereby agreed to comply with all terms and conditions set forth therein. The agreement further described that City purchasing cards are for official City use only and warned that "charging personal expenses on City Cards is a misuse of City funds and a serious breach of the City ethics policy." It further stated that adequate supporting documentation would (must) be retained for all charges. Exhibit 15 contains the memorandum signed by Mr. Malin approving the issuance of a CAL-Card to Council Member Jones, the *Purchasing Cardholder Use Agreement* signed by Council Member Jones, and the City's *Purchasing Card Policies and Procedures* document.

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<sup>20</sup> Ms. Hodgson approved one of the petty cash reimbursements and Mr. Malin approved the other.

<sup>21</sup> Section 8 e. *Family Care Reimbursements* includes as exhibits the *Family Care Reimbursements* requested and paid to Council Member Jones.

Costs Incurred by Council Member Jones on Her City-Issued CAL-Card

Table 3 lists the statement dates for Council Member Jones' CAL-Card, the number of transactions on each statement, and the total dollar value of the transactions on each statement. Exhibit 16 includes a copy of the CAL-Card statements.

**Table 3: Transaction Summary for CAL-Card Issued to Council Member Jones**

CAL-Card Statement Date	Number of Transactions	Transactions Total
March 22, 2018	6	\$ 1,702.67
April 23, 2018	21	871.58
May 22, 2018	18	3,614.29
June 22, 2018	34	2,486.11
July 23, 2018	29	1,309.82
August 22, 2018	38	2,936.36
September 24, 2018	3	621.69
Total	149	\$ 13,542.52

The last transaction on Council Member Jones' CAL-Card is dated September 11, 2018. On October 19, 2018, Council Member Jones returned her CAL-Card to Mr. Malin.<sup>22</sup> Exhibit 17 contains email communication from Mr. Malin to Council Member Jones confirming the return of her CAL-Card to him as of that date.

Email Review

Included in this section is information obtained from the review of email communications relevant to the monthly limits for the CAL-Card of Council Member Jones. Although the CAL-Card *Purchasing Cardholder Use Agreement* signed by Council Member Jones on March 1, 2018, stated that the monthly limit was \$2,500.00, the actual charges incurred in two of the months exceeded the stated limit. CLA identified an email dated May 24, 2018 in which, after receiving an email from Council Member Jones inquiring about the balance on her CAL-Card, Ms. Hodgson replied that as of that day, the CAL-Card had a \$4,000.00 available balance (Exhibit 18).

Results of Interviews

Included in this section is information obtained from interviews regarding the reasons that Council Member Jones was issued a City CAL-Card, who initiated this process, who provided approval for Council Member Jones to receive a CAL-Card, and what instructions and/or information was provided to Council Member Jones at the time that she was given the CAL-Card.

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<sup>22</sup> There were no transactions after September 11, 2018 to October 19, 2018, when Council Member Jones returned the CAL-Card.

**Kayla Jones<sup>23</sup>**

Council Member Jones stated that Mr. Malin at some point had an in-person conversation with her during which Mr. Malin presented the option of providing her with a City-issued CAL-Card. She asked Mr. Malin if she was allowed to have it, to which he responded affirmatively. She stated that this conversation might have been after an incident where she was traveling for a conference with the League of Cities and the hotel did not have a reservation for her that she believed Ms. Salcedo was supposed to make. Council Member Jones recalled that Mr. Malin had to step away from a Council meeting to call the hotel and use his personal credit card to reserve a room for her. She mentioned that Mr. Malin believed that if she had a CAL-Card she could make her own travel reservations and not rely on Ms. Salcedo.

Council Member Jones recalled that Ms. Hodgson provided her with the CAL-Card, along with a form to sign. Council Member Jones also recalled that she was provided a monthly budget (limit) of a certain dollar amount that she could not recall during the interview. If she needed to exceed the monthly budget (limit), Ms. Hodgson would increase the budget amount for the month.

According to Council Member Jones, Mr. Malin told her that she could use the CAL-Card for anything related to travel to and from events related to her duties as a Council Member and provided her general instructions on how to use the CAL-Card. She recalled that Mr. Malin communicated to her that she could not use the CAL-Card for personal purchases and told her she could only use it for purchases pertaining to her “line of duty” as a Council Member.

**Craig Malin<sup>24</sup>**

Mr. Malin stated that he did not recall how the process of providing Council Member Jones with a CAL-Card was initiated, and stated, “I don’t know whose idea it was.” He stated that he had the “vaguest recollection” that, if Council Member Jones had a CAL-Card, the City would have more control as they would know what was purchased.

Mr. Malin stated that he recalled an incident where Council Member Jones had texted him while he was at a Council meeting because her hotel reservation in Sacramento could not be located by the hotel (Exhibit 19 includes this text communication). He stated that he had to step away from the City Council meeting to call the hotel and provide his personal credit card to pay for the hotel. He acknowledged that this incident might have been the impetus for providing Council Member Jones with her own City-issued CAL-Card.<sup>25</sup>

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<sup>23</sup> Refer to Exhibit 06 for the interview transcripts for Council Member Jones’ interviews.

<sup>24</sup> Refer to Exhibit 08 for the interview transcript for Mr. Malin’s interview.

<sup>25</sup> Mr. Malin stated that, although he paid with a personal credit card for the hotel stay of Council Member Jones, he did not believe that he had requested a reimbursement from the City for this expense. CLA obtained all expense reimbursements processed for Mr. Malin through September 21, 2018, which were available on the City’s website as part of a *Public Records Act Request* response. CLA reviewed the expense reports processed for Mr. Malin and did not identify a reimbursement for a hotel in January 2018, which is when Council Member Jones attended a conference in Sacramento for which she received a reimbursement for mileage, parking, and family care expenses.

Mr. Malin did not recall having discussions with Council Member Jones concerning the appropriate use of the CAL-Card; however, he recalled that he had multiple discussions with her about the use of public funds. He recalled telling her, “You don’t report to me, you report to the citizens. You have to explain to them whether or not an expenditure is not just consistent with policy, but it is consistent with the goals of the City.” He stated he had these types of conversations with her because “she was interested in expanding her horizons.”

Mr. Malin also stated that he was under the impression that all Council Members had a City-issued CAL-Card. He only recently learned from Mayor Rubio that Council Members utilized the services of Ms. Salcedo to assist them in making travel and event arrangements and did not have individual CAL-Cards. He stated that it “turned out that Council Member Jones was the only Council Member who had a CAL-Card.”

### ***Daphne Hodgson***

Ms. Hodgson communicated to CLA that Ms. Salcedo had become overwhelmed with many requests from Council Member Jones, and Ms. Hodgson discussed with Mr. Malin her concerns that Ms. Salcedo’s CAL-Card use was exceeding the monthly limits. Therefore, the decision was made that a CAL-Card would be issued to Council Member Jones. Ms. Hodgson stated that this was done in an attempt to “make things more functional.”

Ms. Hodgson recalled handing Council Member Jones the CAL-Card along with a *Purchasing Cardholder Use Agreement* for her to sign. CLA asked if Council Member Jones was provided written or verbal directions on the month-end process when the cardholder activity for the month was received. Ms. Hodgson stated that the *Purchasing Cardholder Use Agreement* that Council Member Jones signed, in paragraph 2, discusses the need for timely support. Ms. Hodgson stated that in the first couple of months, “[Council Member Jones] did pretty well” meeting with Ms. Hodgson and turning in receipts, “but then it went downhill from there.”

**7. Reconciliation of Expenses to City's General Ledger**

**a) Council Member Expenses**

Introduction

CLA received expense schedules provided by the City within its *Public Records Act Request Response* dated September 19, 2018, which was provided to CLA to conduct this engagement. Expenses incurred by Council Members after September 19, 2018, and through October 31, 2018, were added to the schedules by CLA.<sup>26</sup> As mentioned previously, each Council Member has his/her own expense budget line item (account). The City uses a designated account number prefix 100-0-1010 followed by a four-digit number unique to each Council Member. In order to verify that the expense schedules provided to CLA were complete and included all of the expenses recorded in the City's general ledger for Council Member expenses, CLA compared the expense schedules to the general ledger. Table 4 contains the total expenses by account name for the period under review compared to the City's general ledger.<sup>27</sup>

**Table 4: Council Member Expenses**

Fiscal Year	2015/16	2016/17	2017/18	2018/19 <sup>28</sup>	Total
Account Name	Amount	Amount	Amount	Amount	Amount
4114 - Travel - Jones	\$ -	\$ 2,497.44	\$ 11,212.10	\$ 4,443.17	\$ 18,152.71
4115 - Travel - Rubio	5,248.16	2,498.00	3,015.91	1,000.00	11,762.07
4116 - Travel - Alexander	2,083.17	1,597.88	1,176.93	2,154.19	7,012.17
4119 - Travel - Oglesby	2,200.46	254.41	-	-	2,454.87
4120 - Travel - Campbell	390.94	600.00	844.67	-	1,835.61
4117 - Travel - Pacheco	420.00	292.93	276.25	-	989.18
Total Per Schedules	\$ 10,342.73	\$ 7,740.66	\$ 16,525.86	\$ 7,597.36	\$ 42,206.61
Total Per General Ledger	10,382.73	7,750.66	16,831.55	7,302.36	
Difference	(40.00)	(10.00)	(305.69)	295.00	
Corrected Total	\$ 10,382.73	\$ 7,750.66	\$ 16,831.55	\$ 7,597.36	

The identified differences in each year are discussed in detail in Exhibit 20. The last row in Table 4 titled "Corrected Total" identifies the actual total of Council Member expenses for the year. Additionally, certain City event-related expenses were charged to Mayor Rubio's travel account in error in the years 2015/16, 2016/17, and 2017/18. The amounts that were charged to Mayor Rubio's account are not deducted for the totals in Table 4; however, this issue is discussed in detail in section 8 a) *Expenses in Excess of Approved Budget Amounts* beginning on page 23.

<sup>26</sup> CLA updated these schedules based on the general ledger, a listing of all expense reimbursements processed for Council Members, and the CAL-Card statements that covered the period through October 31, 2018.

<sup>27</sup> The account name includes a four-digit number followed by the word "travel" and the last name of the Council Member for whom the expense was incurred.

<sup>28</sup> The fiscal year 2018/19 includes activity for July 1, 2018 through October 31, 2018, only.

Conclusion

By completing this reconciliation, CLA gained the confidence that it had included all of the Council Member travel expenses in its detailed testing. As described in Exhibit 20, there were small errors in posting expenses to the general ledger in the correct amounts or to the correct general ledger account. CLA therefore identifies the differences, which are due to accounting errors, as Finding Number **(1)**.

**b) Family Care Reimbursements**Introduction

CLA reviewed the amounts recorded in the expense schedules for reimbursements paid for Family Care.<sup>29</sup> The only Council Member to whom reimbursements were made for Family Care was Council Member Jones. In order to verify that the schedules for *Family Care Reimbursements* contained complete information, CLA compared the expense schedules to the City's general ledger. Table 5 includes a comparison of the *Family Care Reimbursements* to the general ledger.

**Table 5: Reconciliation of Family Care Reimbursements**

Fiscal Year	2017/18	2018/19	Total
Total per Schedule	\$ 6,877.31	\$ 3,990.00	\$ 10,867.31
Total per General Ledger – 7176 Family Care	6,877.31	4,010.76	10,888.07
Difference	\$ -	\$ 20.76	\$ 20.76

Although only a \$20.76 difference was identified between the expense schedules received and the general ledger for the 7176 – Family Care account, CLA identified one additional payment to Council Member Jones of \$780.00 that was incorrectly posted in the general ledger. This payment was posted to account 7177 - Child Care, instead of to account 7176 – Family Care – Council Members (Exhibit 21 contains the support for this payment). The total *Family Care Reimbursements* paid to Council Member Jones for 2017/18 was \$7,479.00. Exhibit 20 includes a detailed explanation of the reasons for the identified differences.

Conclusion

By completing this reconciliation, CLA gained the confidence that it had included all of the *Family Care Reimbursements* paid to Council Member Jones in its detailed testing. The total amounts paid to Council Member Jones for *Family Care Reimbursements* are listed in Table 6.

**Table 6: Total Family Care Reimbursements to Council Member Jones**

Fiscal Year	2017/18	2018/19	Total
Total Paid for Family Care Reimbursements	\$ 7,479.00	\$ 3,990.00	\$ 11,469.00

<sup>29</sup> These are the expense schedules that were provided by the City within its *Public Records Act Request Response* dated September 19, 2018, which was provided to CLA to conduct this engagement.

As described in Exhibit 20, there were errors in posting expenses to the general ledger in the correct amounts or to the correct general ledger account. CLA therefore identifies the differences, which are due to accounting errors as Finding Number **(1)**.

## 8. Results of Testing

The detailed results of work performed are presented here as subsections a) through e). Each of the subsections contain additional subsections to present an introduction; the applicable policy; the condition; the results of interviews (if applicable); the results of email and/or text review (if applicable); the results of research (if applicable); and a conclusion. CLA presents its findings for expenditures that were not consistent with City Policy and/or California Government code within the conclusion subsections. A number in red font identifies the findings sequentially. CLA also included a finding for instances where internal control deficiencies were identified.

### a) Expenses in Excess of Approved Budget Amounts

#### Introduction

As previously mentioned, a budget is annually approved for Council Member Expenses. Historically, the Mayor was provided a budget of \$3,000.00 and each Council Member a budget of \$1,500.00. The published budgets for fiscal years 2015/16, 2016/17, and 2017/18 included the budgeted amounts as described to CLA. Exhibit 22 includes the relevant pages of the budgets for each of these three years. The published budget for 2018/19 listed the same budget amounts for the Mayor and each Council Member, with the exception of Council Member Jones, who had a budget of \$8,000.00. Exhibit 23 contains the relevant page of the published budget for 2018/19. CLA reviewed the travel expenses to identify whether they exceeded the approved budget and if they exceeded the approved budget, CLA reviewed whether advance approval was obtained from the City Council at a public meeting.

#### California Government Code and City Policy

California Government Code § 53232.2 (f) states, "All expenses that do not fall within the adopted travel reimbursement policy . . . shall be approved by the governing body, in a public meeting before the expense is incurred." Exhibit 24 includes California Government Code.

The City's *Expense and Use of Public Resources* policy provides "all other expenses, including international and out-of-state travel and expenses in excess of the annual limits established for each office holder, require prior approval by the City Council at a public meeting." Refer to Exhibit 05 for this City policy.

#### Condition

CLA's review included identifying whether any Council Member expenses exceeded the approved budgets, and, if the approved budgets were exceeded, whether excess expense amounts were approved by the City Council at a public meeting. Payment approval for these expenses followed the normal payment approval process.

Council Members Pacheco and Campbell did not incur expenses in excess of their approved budgets for any of the years reviewed. The remaining four Council Members incurred expenses in excess of their approved budgets for one or more years as indicated in the bullets below.

- **Council Member – Ian Oglesby**

Account number 4119 – Travel – Oglesby corresponds to Council Member Ian Oglesby. The annual City budget included \$1,500.00 for this account for the years of 2015/16 and 2016/17.<sup>30</sup> For the 2015/16 year, the expenses incurred for this account amounted to \$2,200.46, which exceeded the approved budget of \$1,500.00 by \$700.46. Table 7 includes by category the expenses incurred by year, the annual approved budget amount, and the expense in excess of the approved budget amount. CLA did not see any evidence that the expenses that exceeded the approved budgets for Council Member Oglesby were approved in advance by the City Council at a public meeting.

**Table 7: 4119 – Travel – Oglesby**

Category	2015/16	2016/17	Total
Airfare	\$ 436.20	\$ -	\$ 436.20
Hotel	699.26	204.41	903.67
Registration	1,140.00	50.00	1,190.00
Reimbursement	(75.00)	-	(75.00)
Total	\$ 2,200.46	\$ 254.41	\$ 2,454.87
Approved Budget	1,500.00	1,500.00	
Excess Amount	\$ 700.46	\$ -	

- **Mayor Pro Tem – Dennis Alexander**

Account number 4116 – Travel – Alexander corresponds to Mayor Pro Tem Dennis Alexander. The annual City budget included \$1,500.00 for this account for the years under review. For the 2015/16, 2016/17, and 2018/19 years, expense amounts exceeded the approved budget by \$583.17, \$97.88, and \$654.19, respectively. Table 8 includes by category the expenses incurred by year, the annual approved budget amount, and the expense in excess of the approved budget amount. CLA did not see any evidence that the expenses that exceeded the approved budgets for Mayor Pro Tem Alexander were approved in advance by the City Council at a public meeting.

**Table 8: 4116 – Travel – Alexander**

Category	2015/16	2016/17	2017/18	2018/19 <sup>31</sup>	Total
Airfare	\$ -	\$ 221.20	\$ -	\$ 377.40	\$ 598.60
Hotel	767.17	-	428.70	877.04	2,072.91
Meals	111.93	-	148.35	180.83	441.11
Mileage	212.07	-	196.88	-	408.95
Office Supplies	-	107.68	-	-	107.68
Parking	17.00	-	-	-	17.00
Registration	880.00	1,250.00	403.00	575.00	3,108.00

<sup>30</sup> Council Member Oglesby was not a Council Member in fiscal years 2017/18 or 2018/19 year, thus there are no expenses for these years.

<sup>31</sup> CLA's testing of expenses for 2018/19 went through October 31, 2018.

Category	2015/16	2016/17	2017/18	2018/19 <sup>31</sup>	Total
Taxi	95.00	-	-	109.42	204.42
Travel Insurance	-	19.00	-	34.50	53.50
Total	\$ 2,083.17	\$ 1,597.88	\$ 1,176.93	\$ 2,154.19	\$ 7,012.17
Approved Budget	1,500.00	1,500.00	1,500.00	1,500.00	
Excess Amount	\$ 583.17	\$ 97.88	\$ -	\$ 654.19	

- **Mayor – Ralph Rubio**

Account number 4115 – Travel – Rubio corresponds to the Mayor, Ralph Rubio. The annual City budget included \$3,000.00 for this account for the years under review. CLA identified that certain expenses related to city events and office supplies were incorrectly charged to his account.<sup>32</sup> Additionally, due to other accounting errors, a total of \$450 in 2016/17 and \$524.84 in 2017/18 that Mayor Rubio reimbursed the City through a stipend deduction was not appropriately recorded to his travel account, thus overstating the expenses in his travel account.<sup>33</sup> CLA subtracted the amounts related to these accounting errors in order to calculate Mayor Rubio's actual total expenses for each year. Table 9 includes by category the expenses incurred by year, the annual approved budget amount, and the expenses in excess of the approved budget amount. CLA did not see any evidence that the expenses that exceeded the approved budgets for Mayor Rubio were approved in advance by the City Council at a public meeting.

**Table 9: 4115 – Travel – Rubio**

Category	2015/16	2016/17	2017/18	2018/19 <sup>34</sup>	Total
Airfare	\$ 842.20	\$ -	\$ -	\$ -	\$ 842.20
City Events	1,778.77	293.00	431.92	-	2,503.69
Meals	15.02	-	137.47	-	152.49
Memberships	59.00	-	-	-	59.00
Office Supplies	108.80	-	-	-	108.80
Recognizing Service to City	135.00	-	-	-	135.00
Registration	2,371.37	2,205.00	2,462.52	1,300.00	8,338.89
Reimbursement	(80.00)	-	(16.00)	(300.00)	(396.00)
Travel Insurance	18.00	-	-	-	18.00
Total	\$ 5,248.16	\$ 2,498.00	\$ 3,015.91	\$ 1,000.00	\$ 11,762.07
Less: Accounting Errors	(1,887.57)	(743.00)	(956.76)	-	(3,587.33)
Actual Expense Amount	3,360.59	1,755.00	2,059.15	1,000.00	8,174.74
Approved Budget	3,000.00	3,000.00	3,000.00	3,000.00	
Excess Expense Amount	\$ 360.59	\$ -	\$ -	\$ -	

<sup>32</sup> Other Council Members also had charges related to office supplies. However, the charges for supplies for other Council Members were appropriately recorded to their accounts as they were for the purchase of their business cards. The charges for office supplies reflected for Mayor Rubio related to paper clips, pens, notebooks, a labeling system, and a USB charging station. These types of office supplies should be charged to the 100-1010-3095 Department Consumables account.

<sup>33</sup> Refer to finding number (8) for a complete discussion on this accounting error relating to stipend deductions that resulted in an overstatement of Mayor Rubio's account.

<sup>34</sup> CLA's testing of expenses for 2018/19 went through October 31, 2018.

- **Council Member – Kayla Jones**

Account number 4114 – Travel – Jones corresponds to Council Member Kayla Jones. The annual City budget for Council Member Jones was \$1,500.00 for fiscal years 2016/17 and 2017/18. For the 2018/19 year, the budget established for this account was increased to \$8,000.00.<sup>35</sup> Council Member Jones took office in December 2016; therefore, the first year expenses were incurred in this account is 2016/17. The expenses incurred for this account exceeded the annual budget of \$1,500.00 in 2016/17 by \$997.44 and in 2017/18 by \$9,712.10. Table 10 lists by category the expenses incurred by year, the annual approved budget amount, and the expenses in excess of the approved budget amount. CLA did not see any evidence that the travel expenses that exceeded the approved budgets for Council Member Jones were approved in advance by the City Council at a public meeting.

**Table 10: 4114 – Travel – Jones**

Category	2016/17	2017/18	2018/19	Total <sup>36</sup>
Airfare	\$ -	\$ 2,616.80	\$ 1,163.00	\$ 3,779.80
Gasoline	-	93.27	-	93.27
Hotel	771.24	3,065.26	1,807.50	5,644.00
Meals	-	986.29	694.68	1,680.97
Mileage	283.28	179.01	-	462.29
Office Supplies	102.92	-	-	102.92
Parking	-	164.00	-	164.00
Professional Photos	-	458.85	-	458.85
Registration	1,340.00	3,142.04	-	4,482.04
Reimbursement	-	(125.00)	-	(125.00)
Rental Car	-	117.00	-	117.00
Taxi	-	389.33	653.65	1,042.98
Travel Insurance	-	94.88	-	94.88
Unknown	-	30.37	124.34	154.71
Total	\$ 2,497.44	\$ 11,212.10	\$ 4,443.17	\$ 18,152.71
Approved Budget	1,500.00	1,500.00	8,000.00	
Excess Amount	\$ 997.44	\$ 9,712.10	\$ -	

- **Family Care Reimbursement – Kayla Jones**

CLA identified all of the expenses recorded in the general ledger for 7176 – *Family Care – Council Members* and the one *Family Care Reimbursement* paid to Council Member Jones but charged to account 7177 in error. Payments processed for Council Member Jones for *Family Care Reimbursements* for 2017/18 exceeded the approved budget by \$4,479.00. As of October 31, 2018, the total expense reimbursements processed for Council Member Jones for *Family Care* for 2018/19 exceeds the approved budget by \$990. CLA did not see any evidence that the expenses in excess of the approved budget were approved by the City Council in a public

<sup>35</sup> Ms. Hodgson communicated to CLA that historically, the budget is established each year for Council Members at \$1,500.00 and for the City Mayor at \$3,000.00. However, because Council Member Jones incurred expenses in 2017/18 that exceeded the established budget, when the 2018/19 budget was prepared, the budget amount for Council Member Jones was increased to \$8,000.00.

<sup>36</sup> CLA's testing of expenses for 2018/19 went through October 31, 2018.

meeting. Table 11 includes the total amounts paid to Council Member Jones for *Family Care Reimbursements* compared to the approved annual budgets for 2017/18 and 2018/19.

**Table 11: 7176 – Family Care – Council Members Expenses**

Fiscal Year	2017/18	2018/19	Total <sup>36</sup>
Total Paid for Family Care	\$ 7,479.00	\$ 3,990.00	\$ 11,469.00
Approved Budget	3,000.00	3,000.00	6,000.00
Difference	\$ 4,479.00	\$ 990.00	

### Results of Interviews

Included in this section is information obtained from interviews regarding the reasons for Council Member travel expenses incurred in excess of the approved budget, and for not seeking Council approval at a public meeting in advance of the expenses that caused the approved budgets to be exceeded.

#### **Craig Malin**

CLA inquired with Mr. Malin whether there was any advance approval for Council Member Travel expenses prior to exceeding the approved budgets. Mr. Malin stated that only expenses that exceed established budgets by \$10,000 or more would require presentation to the City Council, and the individual Council Member Travel expenses did not exceed the budgets by more than \$10,000. Furthermore, he stated that in his review of the City's *Expense and Use of Public Resources* policy, he had not focused on the sentence that read, "all other expenditures, including international and out-of-state travel and expenses in excess of the annual limits established for each office holder, require prior approval by the City Council at a public meeting." He mentioned he had not focused on it because it "did not apply to staff" he was responsible for.<sup>37</sup>

Additionally, he commented that the City has a "terrible financial information system" and they were only able to produce a mid-year budget report when he first became the City Manager. He requested monthly budget reports, but with the financial information system, they were unable to obtain monthly reports. The best he has received is quarterly and annual reports. He speculated the Council Member Travel Expenses may be within an entire category for all Council Members, so if some spent below and some above, then it would all be within budget.<sup>38</sup>

CLA also inquired about the reason for the Travel Expenses budget for Council Member Jones being approved for \$8,000 for 2018/19. Mr. Malin communicated that the Finance Director assembles the proposed budget, generally from historical information, and will make a recommendation for the

<sup>37</sup> It is CLA's understanding that the *Expense and Use of Public Resources* policy is applicable to all City staff and Council Members. CLA understood Mr. Malin's comment that it "did not apply to staff" he was responsible for to mean that this portion of the policy never became relevant to the staff that reported to him because there was an administrative process to obtain advance approval for staff travel.

<sup>38</sup> As a group, the expenses exceeded the approved budget; however, they did not exceed the approved budget by more than \$10,000.00.

proposed budget amount. Mr. Malin recalled a conversation with Ms. Hodgson relating to the budget of \$8,000 for Council Member Jones being higher than for all other Council Members, including the Mayor. He understood that this increase was based on Council Member Jones' expense trend for the prior year, and this amount represented an appropriate estimate for 2018/19.

### ***Daphne Hodgson***

CLA inquired with Ms. Hodgson regarding whether she recalled if expenses in excess of approved budgets for Council Member travel were approved in advance of the Council Member incurring the expense. She stated that she would not see the expenses until after the Council Members incurred them and did not believe that such approval was taking place. Furthermore, she stated that she usually attended all City Council meetings and did not recall any discussions of advance approval for Council Member expenses incurred in excess of approved budgets. She believed there was not an established process to obtain approval from the City Council for Council Member expenses that exceeded the established budget.

Ms. Hodgson also recalled the conversation with Mr. Malin related to the 2018/19 budget of \$8,000 for Council Member Jones being higher than all other Council Members and their agreement that this amount represented an appropriate estimate for 2018/19 based on Council Member Jones' prior year expenses.

### ***Kayla Jones***

Council Member Jones stated that she had inquired with Mr. Malin at some point when she desired to attend a conference and suspected that the related expenses would exceed her approved budget. She stated, "I wanted to attend these conferences, I asked the City Manager if it was okay to go over budget, and he said yes, because they could pull from the general fund and they always want to support Council Member development."

Council Member Jones noticed the proposed amount for her travel budget for 2018/19 was \$8,000.00 during her review of the agenda packet in advance of the Council meeting. She stated that she had called Mr. Malin to inquire about the reason for her travel budget amount being larger than the other Council Members. He responded that other Council Members did not travel as much as she did; therefore, their proposed travel budgets were less.

### **Conclusion**

Four Council Members exceeded their approved annual budgets for travel expenses and the *Family Care Reimbursements* for one or more years as listed in Table 12. In violation of the City's *Expense and Use of Public Resources* policy, these excess expenses were not presented for advance approval to the City Council at a public meeting. Because the City policy requires advance approval by the City Council at an open meeting for expenses in excess of the approved budget, these instances of travel were also in violation of California Government Code § 53232.2 (f), which states, "All expenses that do not fall within the adopted travel reimbursement policy . . . shall be approved by the governing body, in a public meeting before the expense is incurred." Based on the information shared with CLA during interviews, it appears that the City does not have an established process in place to ensure that advance approval is obtained from the City Council prior to incurring expenses in excess of the

approved Council Member travel expense budgets. For reference purposes, CLA will identify this City policy and California Government Code non-compliance as Finding Number (2). Table 12 lists the amounts of Council Member expenses that exceeded the approved budgets and were not presented to the City Council for approval during a public meeting.

**Table 12: Council Member Expenses in Excess of Approved Budget**

Name	2015/16	2016/17	2017/18	2018/19	Total
Ian Oglesby	\$ 700.46	\$ -	\$ -	\$ -	\$ 700.46
Dennis Alexander	583.17	97.88	-	654.19	1,335.24
Ralph Rubio	360.59	-	-	-	360.59
Kayla Jones	-	997.44	9,712.10	-	10,709.54
Kayla Jones – Family Care			4,479.00	990.00	5,469.00

## b) Review of Out-of-State Travel

### Introduction

As part of their official duties, Council Members typically attend certain conferences and events, the cost of which is paid for or reimbursed by the City. These costs may include airfare, mileage, event and conference registrations, hotel costs, meals, and incidentals. In some instances, the conference or event may take place out of state. CLA reviewed these instances of travel to determine whether advance approval was obtained from the City Council at a public meeting.

### City Policy

The City's *Expense and Use of Public Resources* policy provides that "all other expenses, including international and out-of-state travel and expenses in excess of the annual limits established for each office holder, require prior approval by the City Council at a public meeting."

### Condition

Six out-of-state travel instances were identified, with one instance for Mayor Rubio and five instances for Council Member Jones. Mr. Malin approved for payment the *Cardholder Activity Statement* where the charge for the out-of-state travel was made for Mayor Rubio. Ms. Hodgson approved for payment the *Cardholder Activity Statements* where the charges for the out-of-state travel were made for Council Member Jones. Table 13 provides details related to these instances of travel, and additional details for each conference are discussed after this table.<sup>39</sup>

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<sup>39</sup> The appropriateness of the trips themselves and the related costs are addressed in Section 8 c. *Certain Council Member Travel Expenses Did Not Comply with City Policy*. CLA identified multiple other findings related to the expenses incurred for the travel by Council Member Jones and the additional findings are detailed in Section 8 c. This section focuses solely on whether prior approval was obtained from the City Council in an open session meeting for the out-of-state travel.

**Table 13: Council Member Out-of-State Travel**

No.	Name	Date	Payment Method	Destination	Purpose	Total	Payment Approval
1	Rubio	6/5/2016	CAL-Card - Salcedo	Harrisburg, Pennsylvania	Meeting related to Fort Ord Reuse Authority – Cost includes only airfare and travel insurance	\$ 860.20	Mr. Malin
2	Jones	12/17/2017	Reimbursement - Jones	Fort Worth, Texas	Interview references for police chief – only cost was for <i>Family Care Reimbursement</i> . The Hotel and travel costs were paid by the City Manager, who then obtained a reimbursement	769.00	Ms. Hodgson
3	Jones	5/29/2018	CAL-Card - Jones	Atlanta, Georgia	National League of Cities' Women in Municipal Government Conference	4,499.03	Ms. Hodgson
4	Jones	6/14/2018	CAL-Card - Jones	Little Rock, Arkansas	National League of Cities University. Only costs are for airfare and registration.	1,638.40	Ms. Hodgson
5	Jones	7/23/2018	CAL-Card - Jones	Hilo, Hawaii	Grant Writing Class – Originally registered for class in San Mateo, CA	4,345.40	Ms. Hodgson <sup>40</sup>
6	Jones	7/26/2018	CAL-Card - Jones	Seattle, Washington	Young Elected Official's (YEO) Conference (sponsored by People for the American Way)	4,013.49	Ms. Hodgson <sup>41</sup>

1. Mayor Rubio incurred a cost of \$860.20 associated with travel to Harrisburg, Pennsylvania. The only costs associated with this instance of travel were for airfare and travel insurance. According to information provided by Ms. Hodgson, Mayor Rubio attended conferences and meetings relating to the Fort Ord Reuse Authority.<sup>42</sup> She believed that the cost associated with this expense was supposed to be reimbursed to the City by the planners of the event. However, she could not locate evidence that this reimbursement was ever received by the City. CLA received additional information from the City related to this instance of travel. According to the additional information provided, Mayor Rubio was invited to attend the 62<sup>nd</sup> U.S. Army War College National Security Seminar from June 6, 2016, to June 9, 2016. The invitation email stated that meals, lodging, and daily transportation would be provided;

<sup>40</sup> Ms. Hodgson approved for payment the *Cardholder Activity Statement* where the conference registration was reflected in March 2018. Mr. Malin approved the payment for the related *Family Care Reimbursement*. However, no one signed in approval for the July 2018 *Cardholder Activity Statement* where the remaining out-of-state travel charges were reflected. According to Ms. Hodgson, after June 2018, she refused to sign the *Cardholder Activity Statements*, for Council Member Jones' CAL-Card, because she was not turning in receipts, but directed the finance department to make the payment, as otherwise all of the City CAL-Cards would be disabled for lack of payment.

<sup>41</sup> Ms. Hodgson approved for payment the *Cardholder Activity Statement* where the airfare and conference registration was reflected in April and May 2018. A note was written by hand on the *Family Care Reimbursement* request indicating Mr. Malin had approved the reimbursement for payment. No one signed in approval for the August 2018 *Cardholder Activity Statement* where the remaining out-of-state travel charges were reflected. According to Ms. Hodgson, after June 2018, she refused to sign the *Cardholder Activity Statements*, for Council Member Jones' CAL-Card, because she was not turning in receipts, but directed the finance department to make the payment, as otherwise all of the City CAL-Cards would be disabled for lack of payment.

<sup>42</sup> The Fort Ord Reuse Authority (FORA) is responsible for the oversight of Monterey Bay area economic recovery from the closure and reuse planning of the former Fort Ord military base.

- however, the U.S. Army War College would not pay for transportation to attend the seminar. The City also provided a FORA travel authorization request where the FORA Executive Officer, Michael Houlemard, was authorized to travel to the 62<sup>nd</sup> U.S. Army War College National Security Seminar as he was also invited. The travel authorization request was approved with the stipulation that Mr. Houlemard would pay for his airfare. There was no indication in the documents provided by the City that FORA approved to pay for the travel cost for Mayor Rubio to attend the 62<sup>nd</sup> U.S. Army War College National Security Seminar. Additionally, there was no advance approval by the City Council at an open meeting for this out-of-state travel. On January 15, 2019, Mayor Rubio reimbursed the City for the \$860.20 related to this out-of-state travel that was not approved at an open City Council meeting. CLA verified that the payment was received by the City. Exhibit 25 includes the support for the airfare costs related to this instance of travel, the email invitation, the FORA travel authorization request, and a copy of the check that Mayor Rubio provided to the City as a reimbursement for this questioned cost.<sup>43</sup>
2. Council Member Jones was paid by the City through a *Family Care Reimbursement* a total of \$769.00 for childcare costs related to her travel to Fort Worth, Texas. Mr. Malin stated that he had invited a City employee, a student, and Council Members to go with him to Fort Worth, Texas to be part of the interview panel for a new Police Chief. The trip was two days with a one-night hotel stay. According to Mr. Malin, the airfare and hotel costs related to the hiring of the Police Chief were not part of Council Member travel expenses.<sup>44</sup> Exhibit 26 includes a list of the individual costs incurred for this travel and the related support.
  3. Council Member Jones incurred \$4,499.03 in costs associated with her travel to Atlanta, Georgia for the National League of Cities' Women in Municipal Government conference. She charged \$2,339.03 to her City-issued CAL-Card for airfare, registration, taxis, hotel, and meals. She also requested and received a *Family Care Reimbursement* of \$2,160.00.<sup>45</sup> There was no advance approval by the City Council at an open meeting for this out-of-state travel. Exhibit 27 includes a list of the individual costs incurred for this travel and the related support.
  4. Council Member Jones incurred \$1,638.40 in costs associated with airfare and registration only for scheduled travel to Little Rock, Arkansas for the National League of Cities conference. Council Member Jones stated that she was unable to attend this conference

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<sup>43</sup> The check from Mayor Rubio was for \$1,660.20 and included the \$860.20 related to out-of-state travel not approved by the City Council at an open meeting and \$800.00 in payment for guest expenses as detailed in Finding Number (8). The calculation is as follows:  $\$860.20 + \$800.00 = \$1,660.20$ .

<sup>44</sup> CLA reviewed Mr. Malin's expense reimbursements and identified hotel costs and a car rental that were reimbursed to him for this trip. In addition to Council Member Jones, a city employee and a student participated in the interview panel with Mr. Malin. Mr. Malin was reimbursed for one-night's hotel cost for four separate rooms. Appropriately, none of these expenses were allocated to the budget for Council Member travel expenses. He did not request an expense reimbursement for meals, although he stated that he paid for the attendees meals.

<sup>45</sup> The calculation is as follows:  $\$2,339.03 + \$2,160.00 = \$4,499.03$ .

due to health reasons.<sup>46</sup> There was no advance approval by the City Council at an open meeting for this out-of-state travel. Exhibit 28 includes a list of the individual costs incurred for this travel and the related support.

5. Council Member Jones incurred \$4,345.40 in costs associated with her travel to Hilo, Hawaii for a grant writing class. She charged a total of \$3,285.40 to her CAL-Card for airfare, registration, taxis, hotel, meals, and unknown charges.<sup>47</sup> She additionally requested and received \$1,060.00 for a *Family Care Reimbursement*.<sup>48</sup> Council Member Jones originally registered for the grant writing class that took place in San Mateo, California. There was no advanced approval by the City Council at an open meeting for this out-of-state travel. Additional concerns related to the location of travel are detailed Finding Number (4). Exhibit 29 includes a list of the individual costs incurred for this travel and the related support.
6. Council Member Jones incurred \$4,013.49 in costs associated with her travel to Seattle, Washington for the Young Elected Officials National Convening. She charged a total of \$1,853.49 to her CAL-Card for airfare, registration, taxis, hotel, and meals. She also requested and received \$2,160.00 in *Family Care Reimbursement*. Council Member Jones traveled directly from Hawaii to Seattle on July 25, 2018.<sup>49</sup> There was no advance approval by the City Council at an open meeting for this out-of-state travel. Exhibit 30 includes a list of the individual costs incurred for this travel and the related support.

### Results of Interviews

#### ***Craig Malin***

In regards to out-of-state travel, Mr. Malin stated that although a policy was in place that required advance approval by the City Council at a public meeting, there is no procedure in place and a form does not exist to communicate these requests to the City Council at a public meeting in order to obtain this approval.

#### ***Kayla Jones***

CLA inquired with Council Member Jones whether advance approval by the City Council at a public meeting was obtained prior to her making the travel arrangements to travel outside of California. She stated that no one had mentioned this requirement to her. Council Member Jones

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<sup>46</sup> Although Council Member Jones did not attend this conference, there was no refund of the registration cost and there was a credit issued to her name for the airfare cost. This topic is discussed in detail in Finding Number (6).

<sup>47</sup> Because Council Member Jones did not turn in many receipts or provide an explanation for these charges, CLA is unable to determine the nature of some of the charges using only the CAL-Card statement. The concern over receipts that were not turned in is discussed in detail in Finding Number (7).

<sup>48</sup> Refer to Section 8 e. *Family Care Reimbursements* for a complete discussion.

<sup>49</sup> The grant writing class in Hawaii took place July 23, 2018, and July 24, 2018. The Young Elected Officials National Convening in Seattle took place from July 26, 2018, to July 29, 2018.

communicated that she was told to “just let the City Manager know” of any plans for traveling, solely for notification purposes, but not as a means to obtain approval.

#### Conclusion

Expenses related to Council Member out-of-state travel were incurred without approval by the City Council at a public meeting. These actions did not comply with the City’s *Expense and Use of Public Resources* policy. CLA identifies this policy non-compliance as Finding Number **(3)**.

### c) **Certain Council Member Travel Expenses Did Not Comply With City Policy**

CLA reviewed the expenses incurred by Council Members to identify activity that did not comply with City policies/and or appeared unusual or questionable in nature. This section details the results of this review and provides findings for expenses that do not comply with City policy, identified as Finding Numbers **(4)** through **(13)**.

#### **(4) Not a Necessary Expense to the City (Personal Expense) - Kayla Jones - \$2,766.44:**

##### Introduction

CLA reviewed the expenses incurred by each Council Member to identify expense items that were not necessary for the performance of official duties and represented a personal expense of the Council Member.

##### California Government Code and City Policy

California Government Code § 36514.5 states, “Council Members may be reimbursed for actual and necessary expenses incurred in the performance of official duties.” Exhibit 31 includes this section of the California Government Code.

The City’s *Expense and Use of Public Resources* policy provides examples of personal expenses that the City will not reimburse, which includes the personal portion of any trip.

The *Purchasing Cardholder Use Agreement* signed by Council Member Jones on March 1, 2018, when she received her CAL-Card, communicates that City purchasing cards are for official City use only. “Charging personal expenses on City Cards is a misuse of City funds and a serious breach of the City ethics policy.” It further states that adequate supporting documentation will (must) be retained for all charges (refer to Exhibit 15).

##### Condition

Council Member Jones was the only Council Member for whom expenses that were not related to official duties were identified. CLA identified a total of \$2,766.44 charged to the CAL-Card of Council Member Jones for expenses that were not necessary, as they were not incurred in the performance of official duties. This amount includes four separate travel instances of Council Member Jones. The receipts for these expenses were not turned in to the City by Council Member Jones, and the City obtained the hotel receipts directly from the hotels. None of these expenses were approved in advance, and Ms. Hodgson approved the CAL-Card statement for

payment.<sup>50</sup> Table 14 includes a summary of expenses that were not related to her official duties and instead represent a personal expense of Council Member Jones.

**Table 14: Not A Necessary Expense to The City (Personal Expense) – Kayla Jones<sup>51</sup>**

Destination	Airfare	Hotel	Meals	Parking	Taxi	Total	Reference
Anaheim, California	\$ -	\$944.19	\$148.74	\$ 84.00	\$ -	\$ 1,176.93	1)
Atlanta, Georgia	-	-	215.86	-	-	215.86	2)
Hilo, Hawaii	-	524.02	61.04	-	181.25	766.31	3)
Seattle, Washington	307.20	255.16	44.98	-	-	607.34	4)
Total						<u>\$ 2,766.44</u>	

The “Reference” column on the far right in Table 14 corresponds to the numbered bullets included below that provide a more detailed discussion of each trip.

1) Anaheim, California, April 2018 – Personal Expense Total: \$1,176.93

Council Member Jones attended the 2018 Women’s Conference (by California Women Lead) held at the Disneyland Resort in Anaheim, California. Expenses related to this conference were charged to her City-issued CAL-Card.<sup>52</sup> Although Council Member Jones did not provide the City with a receipt for her hotel and meal expenses, or a copy of the conference itinerary, a receipt was obtained directly from the Disneyland Resort and the conference itinerary was obtained online by CLA. The conference was one and a half days long. It began at 8:00 a.m. on April 26, 2018, and ended at 2:00 p.m. on April 27, 2018. Exhibit 32 contains the conference itinerary, a listing of all costs incurred, the corresponding CAL-Card statements, and the hotel receipt obtained. Exhibit 33 contains the listing of Personal Expenses for this trip and the associated available support.

*Hotel Costs - \$944.19*

Hotel accommodation costs of \$1,573.65 were incurred on the CAL-Card for Council Member Jones for the Disneyland Resort in Anaheim, California related to her attendance at the 2018 Women’s Conference. This amount was composed of a \$314.73 deposit on March 6, 2018, a charge of \$1,258.92 (of which \$1,016.20 was for lodging), and another charge on April 29, 2018, for \$242.72 (Exhibit 33).<sup>53</sup> These costs were for a five-night stay from April 24, 2018, through April 28, 2018; however, as stated above, the 2018 California Women’s conference began at 8:00 a.m. on April 26, 2018, and

<sup>50</sup> Ms. Hodgson signed in approval for payment for the CAL-Card *Cardholder Activity Statements* for March 2018 through June 2018. After June 2018, she refused to sign the *Cardholder Activity Statements*, but directed the finance department to make the payment, as otherwise all of the City CAL-Cards would be disabled for lack of payment.

<sup>51</sup> The amounts identified in the table reflect the portion of the trip’s cost deemed to be personal or unnecessary. They do not reflect the entire cost of the trips.

<sup>52</sup> Council Member Jones stated that she had her husband and daughter travel with her to the Disneyland Resort.

<sup>53</sup> Hotel accommodations totaled \$1,573.65 (\$314.73 + \$1,016.20 + \$242.72 = \$1,573.65). Other charges included on the hotel receipt related to meals, which are discussed separately in the section below.

ended at 2:00 p.m. the next day. This conference would have required at most a two-night stay (arriving on April 25, 2018, the day before the conference started, and departing on April 27, 2018, the same day the conference ended), which would have cost \$629.46.<sup>54</sup> Therefore, the unnecessary cost identified for this hotel stay is \$944.19, which represents a personal expense of Council Member Jones.<sup>55</sup>

#### *Costs for Meals - \$148.74*

Two meals were charged to Council Member Jones' hotel room on April 28, 2018. One meal was \$43.75 and the other was \$30.76. These meal costs were incurred after the conference had ended the day before at 2:00 p.m. Exhibit 33 includes the hotel receipt.

A \$74.23 meal cost was incurred at the Rain Forest Café Disneyland on April 26, 2018. Additionally, the hotel receipt listed a meal charge for \$28.21 on April 26, 2018.<sup>56</sup> Because the conference itinerary obtained by CLA indicates that lunch and dinner were provided by the conference on April 26, 2018, only breakfast should have been purchased by Council Member Jones. Therefore, the \$74.23 meal at Rain Forest Café Disneyland on April 26, 2018 was not necessary and is considered a personal expense. Exhibit 33 includes the charge made to the CAL-Card.

#### *Costs for Parking - \$84.00*

Valet parking costs of \$140.00 were charged to the CAL-Card for Council Member Jones while she was staying at the Disneyland Resort in Anaheim, California during her attendance at the 2018 California Women's conference. Valet parking cost \$28 per day. As mentioned above, this conference would have required at most a two-night stay; therefore, \$84.00 ( $\$28.00 \times 3 = \$84.00$ ) was determined to not be necessary and is considered a personal expense. Exhibit 33 contains the hotel receipt listing the valet parking costs.

#### *Results of Interview – Kayla Jones*

During her interview, Council Member Jones stated that she had driven to this conference and had taken her husband and daughter with her. She additionally stated that it was her understanding that she could arrive a day in advance of the conference and leave the day after. She believed that meeting materials were available for pick-up

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<sup>54</sup> The nightly rate for the necessary hotel stay was calculated based on the actual rates listed on the hotel receipt, as follows: \$269.00 room rate, \$40.35 tax, and \$5.38 ATID assessment for a total of \$314.73 per night ( $\$269.00 + \$40.35 + \$5.38 = \$314.73$ ). Two nights would have totaled \$629.46 ( $\$314.73 \times 2 = \$629.46$ )

<sup>55</sup> The calculation for the personal expense amount for hotel accommodations is as follows: \$269.00 room rate, \$40.35 tax, and \$5.38 ATID assessment for a total of \$314.73 per night ( $\$269.00 + \$40.35 + \$5.38 = \$314.73$ ). Three nights totals \$944.19 ( $\$314.73 \times 3 = \$944.19$ ).

<sup>56</sup> Although the meal listed on the hotel receipt for April 26, 2018 for \$28.21 did not list the time or whether it was a breakfast, lunch, or dinner, CLA determined that it would be reasonable to categorize this meal as a breakfast that would be needed for Council Member Jones.

and registration occurred on the day before the conference began (April 25), and the day after the conference ended (April 28) there were still hosted conference events.<sup>57</sup> Council Member Jones stated that she had charged the Rain Forest Café restaurant meal to her City-issued CAL-Card in error and believed it was included in the reimbursement she paid to the City of \$490.00.<sup>58</sup> Council Member Jones indicated that she would provide CLA with an itemized listing of the expenses she was intending to reimburse the City with the \$490.00 payment.<sup>59</sup>

2) Atlanta, Georgia – May 30, 2018 to June 2, 2018 – Personal Expense Total: \$215.86

Council Member Jones attended the *Women in Municipal Government* conference scheduled from May 30, 2018, at 12:00 p.m., to June 2, 2018, at 1:00 p.m. in Atlanta, Georgia. Expenses related to this conference were charged to her City-issued CAL-Card.<sup>60</sup> Although Council Member Jones did not provide the City with a receipt for the Omni hotel and meal expenses, or a copy of the conference itinerary, a receipt was obtained directly from the Omni Hotel and the conference itinerary was obtained online by CLA. Council Member Jones charged to her CAL-Card airfare cost in addition to her original bookings and an additional night stay at the Westin hotel for the night of June 2, 2018. Council Member Jones provided copies of some of her detailed meal receipts (from the Omni hotel) to CLA during her follow-up interview. (Exhibit 34 contains the hotel receipts for the Omni hotel and Westin hotel, conference itinerary, a listing of all costs incurred, the corresponding CAL-Card statements, and the detailed meal receipts obtained from Council Member Jones after her follow-up interview).

*Costs for Meals - \$215.86*

Meal costs of \$215.86 appeared on the Omni Hotel receipt and were charged to the CAL-Card for Council Member Jones related to her stay in Atlanta, Georgia. CLA reviewed the conference itinerary and determined the following meal costs incurred by Council Member Jones were not necessary as the particular meal was provided by the conference. Exhibit 35 contains a listing of the personal expenses for this trip along with the detailed receipts provided by Council Member Jones to CLA.

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<sup>57</sup> Council Member Jones registered for this conference in advance on March 6, 2018. Although general registration was included on the conference schedule for Wednesday, April 25, 2018 from 4:00 p.m. to 6:00 p.m., general registration was also included for the morning of Thursday, April 26, 2018 from 8:00 a.m. to 11:00 a.m. Because Council Member Jones had already registered, the only task for her to complete prior to attending the first session would have been to check in and pick up her conference packet, and she could have done this on the morning of April 26, 2018. This did not require her to travel to the Disneyland Resort prior to April 25, 2018.

<sup>58</sup> CLA verified that Council Member Jones paid the City \$490.00. However, in a follow-up email from Council Member Jones to CLA, she indicated that the \$490.00 payment she made to the City was to reimburse the City for her personal expenses for hotel charges related to her stay in Hawaii, which is discussed in bullet number 3 below.

<sup>59</sup> Any costs the City determines Council Member Jones should refund the City should be offset by the \$490.00 payment she made on September 1, 2018.

<sup>60</sup> Council Member Jones stated that no one traveled with her to this conference.

- Dinner of \$35.26 on May 30, 2018 – Dinner was included as part of the conference from 6:00 p.m. to 8:00 p.m. The dinner receipt shows a time stamp of 9:04 p.m. for two guests.
- Breakfast of \$31.27 on May 31, 2018 – Breakfast was included as part of the conference from 8:00 a.m. to 9:00 a.m. The receipt provided by Council Member Jones shows a time stamp of 9:47 a.m., which indicates that she did not attend the conference-hosted breakfast and missed at least the first hour of the first session, which was from 9:00 a.m. to 11: 00 a.m.
- Lunch of \$31.93 on May 31, 2018 – Lunch was included as part of the conference from 11:30 a.m. to 12:45 p.m. The meal receipt shows a time stamp of 4:02 p.m., which may signify that she did not attend the “mobile tour” session, which took place from 1:45 p.m. to 4:45 p.m.
- Dinner of \$44.56 on May 31, 2018 – Dinner was included as part of the conference from 6:30 p.m. to 9:00 p.m. The dinner receipt shows a time stamp of 9:01 p.m.
- Breakfast of \$31.27 on June 1, 2018 – Breakfast was included as part of the conference as a roundtable session from 8:00 a.m. to 9:00 a.m. The breakfast receipt for this day shows in-room dining at 11:11 a.m. This indicates that Council Member Jones did not attend the breakfast roundtable, may not have attended the first session from 9:00 a.m. to 10:15 a.m., and did not attend the second session from 10:30 a.m. to 11:45 a.m.
- Breakfast of \$41.57 on June 2, 2018 – Breakfast was included as part of the conference, from 8:30 a.m. to 9:00 a.m. (Council Member Jones did not provide this receipt; however, the Omni Hotel receipt listed this charge as “Room Service Breakfast Food”).

*Results of Interview – Kayla Jones*

CLA inquired with Council Member Jones whether meals were included as part of the conference and she responded that meals were not part of the conference. When CLA mentioned that the conference itinerary showed meals were included, she stated that all she recalled having as part of the conference was a meal that was provided on a bus during a tour. She also recalled one dinner meal that she was supposed to attend at the city hall, but she was not on the registration list and was not able to attend.<sup>61</sup>

CLA asked Council Member Jones why there was an additional night stay at the Westin Hotel for June 2, 2018, when the conference had ended at 1:00 p.m. on June 2, 2018. Council Member Jones stated that the Omni hotel had lost her luggage, which caused

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<sup>61</sup> Her statements are inconsistent with the conference itinerary as meals are specifically identified and none of the meals listed on the itinerary specifies that a separate registration was required for any meals.

her to miss her flight, thus she had to stay another night in Atlanta at the Westin hotel. Council Member Jones did not provide the receipts for either the original or additional charge for American Airlines. However, because the additional American Airlines charge was listed on her CAL-Card on June 2, 2018, which is the day the conference ended, CLA concludes that it was possible that she missed her flight, which caused her to incur additional costs to change the flight and for an additional night at the Westin hotel.<sup>62</sup> Therefore, CLA does not identify the additional airfare cost or night stay at the Westin hotel as a personal expense.

3) Hilo, Hawaii – July 23, 2018 to July 24, 2018 – Personal Expense Total: \$766.31<sup>63</sup>

Council Member Jones attended a grant writing class that took place on July 23, 2018, and July 24, 2018, from 9:00 a.m. to 4:00 p.m. each day.<sup>64</sup> Costs related to this conference were incurred on her City-issued CAL-Card. Council Member Jones did not provide the hotel receipt to the City; therefore, the receipt was obtained by the City directly from the hotel. Exhibit 36 includes a listing of all costs incurred, the corresponding CAL-Card statements. Exhibit 37 contains the listing of Personal Expenses for this trip and the associated available support. Council Member Jones originally scheduled to attend this class in San Mateo, California; however, she claimed she could not attend the class scheduled in San Mateo, California due to illness and rescheduled to attend the class offered in Hilo, Hawaii.

*Hotel Costs - \$524.02*

On July 25, 2018, hotel accommodation costs of \$1,310 were charged to the CAL-Card for Council Member Jones for her stay at the Double Tree Hawaii hotel in Hilo, Hawaii, which included the base room rate and related taxes for five nights, July 20, 2018, to July 24, 2018 (Exhibit 37).<sup>65</sup> Although the related hotel stay included a total of five nights, this class would have required at most a three night stay (arriving on July 22, 2018, the day before the class started, and departing on July 25, 2018, the day after the

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<sup>62</sup> There were two separate occasions when Council Member Jones stated that a hotel had lost her luggage causing the City to bear the cost of a flight change and an additional night of hotel charges. Although CLA does not identify the additional cost in this instance as a personal expense, the total additional related cost is \$264.92. The total cost relates to \$75.00 for the flight itinerary change, \$132.42 for the additional night stay, \$57.50 for two meals for a total of \$75.00 + \$132.42 + \$57.50 = \$264.92.

<sup>63</sup> In addition to the travel costs discussed here, the City paid Council Member Jones \$1,060.00 for a *Family Care Reimbursement* request associated with her travel to Hawaii. She acknowledged during the interview that because her husband had travel with her to Hawaii, she should have not requested this reimbursement from the City. This item is discussed in detail in Finding Number (18).

<sup>64</sup> Although the grant writing class did not begin until July 23, 2018, because of the distance, it is reasonable that costs incurred on July 22, 2018 were necessary to attend this class.

<sup>65</sup> The total charge from the Double Tree hotel was \$1,382.86, which included the \$1,310.05 room and related tax costs plus two restaurant charges of \$32.29 for July 21, 2018, and \$40.52 for July 23, 2018.

class ended), which would have cost \$786.03.<sup>66</sup> Therefore, the unnecessary cost identified for this hotel stay is \$524.02 for two extra nights, which represents a personal expense of Council Member Jones.

*Costs for Meals - \$61.04*

Total meal costs of \$61.04 were charged to the CAL-Card for Council Member Jones during her stay in Hawaii that CLA determined were for personal expenses. Based on the days for this class, CLA identified the following meals costs that were not necessary. The earliest that Council Member Jones should have incurred meal expenses paid by the City was July 22, 2018 as a travel day, because the class did not begin until July 23, 2018.

- Cost of \$24.83 for a meal on July 21, 2018 charged to the room
- Cost of \$3.92 at an establishment named “Sunset News” on July 21, 2018
- Cost of \$32.29 for a meal charged to the room on July 23, 2018. Three other meal charges were made directly to Council Member Jones’ CAL-Card for July 23, 2018, thus the \$32.29 charged to the hotel room would be a fourth meal for July 23, 2018

*Costs for Transportation - \$181.25*

Transportation costs of \$164.25 were charged to the CAL-Card for Council Member Jones for Lyft and Uber on July 21, 2018 and July 23, 2018. Council Member Jones stated during her interview that Uber and Lyft charges while she was in Hawaii were incurred by a family member in California who was using her Lyft and Uber account, which was linked to her City-issued Cal Card. There was also a taxi charge of \$17.00 on July 21, 2018, which was two days before the class started.

*Results of Interview*

***Kayla Jones***

Council Member Jones acknowledged that she originally enrolled for the grant writing class in San Mateo, California, to be held in April 2018, but had “missed that class because [she] was sick.” She stated that she was provided with a list of other options and “there wasn’t anything coming up locally anytime soon.” She mentioned that the other locations available were Miami, Florida, and Anchorage, Alaska. When CLA asked why she selected the Hawaii location, she responded, “I just don’t like Florida and I didn’t know anything about Alaska, it just seemed like cold. I mean, it was really simple, I just didn’t want to go somewhere freezing and I don’t like Florida.”

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<sup>66</sup> This amount includes the room rate of \$229.00 per night, \$23.47 for transient tax, and \$9.54 for general excise tax for a total of \$262.01 per night ( $\$262.01 \times 3 = \$786.03$ ).

Council Member Jones stated that she did not remember why she would have arrived in Hilo, Hawaii on July 20, 2018, instead of the night of July 22, 2018. Council Member Jones stated that her husband had traveled with her on this trip. She stated that this issue was brought to her attention by the City and the excess hotel stay costs were included in the reimbursement she paid to the City of \$490.00 on September 1, 2018. She stated that she would provide CLA with an itemized listing of the expenses she was intending to reimburse the City with the \$490.00 payment. She followed up with an email to CLA on December 14, 2018, stating that the \$490.00 was to repay the City for the two extra nights in Hawaii, which she believed was \$220.00 for each night and three Uber and Lyft charges.<sup>67</sup>

### ***Craig Malin***

Mr. Malin commented that he became aware of Council Member Jones' plan to travel to Hawaii in July 2018, only after Council Member Jones had purchased the airfare and registered for the grant writing class. Ms. Hodgson had brought to his attention that the travel booked by Council Member Jones was not consistent with City policy due to the destination. Mr. Malin inquired with Council Member Jones regarding the purpose for the travel to Hawaii and learned that it was for a grant writing class. He told Council Member Jones that grant writing and overseeing of grant writing was not something directly within her areas of responsibility as a Council Member. However, he stated to CLA that she was determined to attend. Mr. Malin stated that if this had been a staff member, he would have said, "You're not going to Hawaii to go to a grant-writing class." He communicated to Council Member Jones that the policy required prior approval by the City Council, and, because she had already incurred the expense, she had to inform the City Council.

According to Mr. Malin, Council Member Jones made a presentation to the City Council after she returned from Hawaii and mentioned having attended the grant writing class; however, she did not inform the City Council of the location of the class or the cost of the trip.

### ***Results of Internet Searches***

CLA reviewed internet archives to identify the class schedule for the grant writing class offered by Grant Writing USA, the organization Council Member Jones registered with for this class. Originally, she was registered to take the class in San Mateo, California, on April 4-5, 2018. Based on the schedule of classes available, after Council Member Jones missed her originally scheduled class, the following five options were available in California: Merced, CA: May 14-15, 2018; Walnut Creek, CA: June 28-29, 2018; San Diego, CA: August 8-9, 2018; and Ontario, CA: August 15-16, 2018. Exhibit 38 contains the schedule of available classes.

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<sup>67</sup> Any costs the City determines Council Member Jones should refund the City must be offset by the \$490.00 payment she made on September 1, 2018.

*Results of Council Meeting Recordings*

On August 2, 2018, at minute 00:38:41 of the City Council meeting recording, Council Member Jones communicated to the City Council that she had attended a grant writing workshop. She stated, "I attended a grant writing workshop, which sounds more exciting than it was, it was mind-numbing, really, fourteen hours of that." She went on to communicate that because she had attended the grant writing workshop, she could attend a grant management workshop in Walnut Creek.<sup>68</sup> However, although she stated the location for a future class she planned to attend, at no point did she state that she traveled to Hawaii for the grant writing class, or state the cost associated with her travel to Hawaii, as had been previously recommended to her by Mr. Malin.

4) Seattle, Washington – July 25, 2018 to July 30, 2018 – Personal Expense Total: \$607.34

Council Member Jones attended the 2018 National Convening sponsored by the Young Elected Officials Network. This convening took place from July 26, 2018, at 12:00 p.m. through July 29, 2018, at 1:30 p.m. Council Member Jones did not provide the hotel receipt to the City, and the receipt was obtained by the City directly from the hotel. Exhibit 39 contains the conference itinerary, a listing of all costs incurred, the corresponding CAL-Card statements, and the hotel receipts. Exhibit 40 contains the listing of Personal Expenses for this trip and the associated available support.

*Airfare Costs – \$307.20*

On April 18, 2018, Council Member Jones booked a return flight from Seattle to San Jose for July 29, 2018 at 5:01 pm with Delta Air, as reflected in a charge to her CAL-Card of \$225.30 (Exhibit 40). This flight schedule appeared appropriate based on the convening ending at 1:30 p.m. on July 29, 2018. However, on July 28, 2018 (the day before the last day of the convening), Council Member Jones incurred an additional cost of \$307.20 with Delta Air as reflected by a charge to her CAL-Card on July 28, 2018. Council Member Jones did not provide to the City or CLA a copy of the flight itinerary or receipt to support this charge from Delta Air. An additional charge of \$25.00, which is consistent with a bag check-in fee, was charged to her CAL-Card on July 30, 2018. Additionally, Council Member Jones incurred costs for a hotel stay on the night of July 29, 2018, which is discussed in the next paragraph. This fact pattern indicates that Council Member Jones changed her return flight in order to stay in Seattle for an extra night after the convening ended for reasons that appear to be unrelated to her official duties as a Council Member. The charge of \$307.20 incurred by Council Member Jones to change the date of her return flight from Seattle to San Jose was not necessary and should not have been paid by the City.

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<sup>68</sup> Walnut Creek is a distance of approximately 115 miles from the City of Seaside.

*Hotel Costs - \$255.16*

On July 30, 2018, \$255.16 was charged to the CAL-Card for Council Member Jones for a one-night stay in Seattle, Washington on July 29, 2018 (Exhibit 40).<sup>69</sup> This one night stay was after the convening had ended at 1:30 p.m. on July 29, 2018. Based on the original return flight booked by Council Member Jones, her original itinerary had her returning to San Jose, California on July 29, 2018 at 5:01 p.m., which makes this extra night in Seattle unnecessary and it should not have been paid by the City.

*Meal Costs - \$44.98*

On July 30, 2018, \$44.98 was charged to the hotel room for breakfast. This was the extra day Council Member Jones stayed at the hotel after the convening had ended at 1:30 p.m. on July 29, 2018. Based on the original return flight booked by Council Member Jones, her original itinerary had her returning to San Jose, California on July 29, 2018 at 5:01 p.m., which makes this meal cost in Seattle unnecessary and it should not have been paid by the City.

*Results of Interview – Kayla Jones*

Council Member Jones stated that she stayed an additional night in Seattle after the convening ended on July 29, 2018 at 1:30 p.m. because the hotel had lost her luggage the day she was supposed to return to San Jose, California. CLA communicated to Council Member Jones that the CAL-Card charge for the flight change occurred on July 28, 2018, the day before the convening ended. Therefore, her statement that she needed to change her flight back to San Jose, California because her luggage was lost appears inconsistent with this fact pattern. Council Member Jones then stated she would attempt to locate the receipt for the change to her return flight. Council Member Jones did not provide this receipt; therefore, CLA must rely on the transaction date recorded on the CAL-Card statement.

Conclusion

It is CLA's conclusion that the costs described above of \$2,766.44 incurred by Council Member Jones and charged to her City-issued CAL-Card were not expenses that were necessary for the performance of her official duties as a Council Member. These costs represent a personal expense of Council Member Jones and should not have been paid by the City. The California Government Code § 36514.5 states, "Council Members may be reimbursed for actual and necessary expenses incurred in the performance of official duties." The City's *Expense and Use of Public Resources* policy states that the City will not reimburse for the personal portion of any trip. The costs identified above do not comply with these requirements. Additionally, According to the *Purchasing Cardholder Use Agreement* signed by Council Member Jones on March 1, 2018, "Charging personal expenses on City Cards is a misuse of City funds and a serious breach

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<sup>69</sup> The conference fee included the hotel stay, and the only additional hotel stay costs are for the night that Council Member Jones stayed after the conference ended on July 29, 2018 at 1:30 p.m.

of the City ethics policy.” This Government Code and City policy violation is identified as Finding Number (4).

Additionally, Council Member Jones did not provide the City with a majority of the receipts for the charges she made to her City-Issued CAL-Card. However, based on the few receipts that Council Member Jones provided to CLA, there is indication that she did not attend all of the sessions included in some of the conferences, which was the purpose of the expenses being incurred by the City.

Although the amount identified by CLA as a personal expense in Finding Number (4) related to her trip to Hawaii is only \$766.31, based on Council Member Jones’ misrepresentations to the City and to CLA, as presented in the bullets below, the City should consider whether the entire cost of this trip (\$4,345.40) represents a personal expense of Council Member Jones (Refer to Exhibit 29).<sup>70</sup>

- Council Member Jones was not truthful in her representations to the City and CLA that her only options to make up the missed class included Hawaii, Florida, and Alaska, when in fact, five other options existed within California that she could have attended.<sup>71</sup>
- Council Member Jones was accompanied by her husband for this trip.
- Council Member Jones omitted the fact that she had traveled to Hawaii for the grant writing class during her presentation to the City Council on August 2, 2018.

**(5) Expenses that Exceed City Policy Limits: Kayla Jones - \$443.03; Dennis Alexander - \$76.90; Jason Campbell - \$14.73:**

Introduction

CLA reviewed expenses incurred by Council Members to identify expense items that exceeded dollar threshold limits specifically stated in the *Expense and Use of Public Resources* policy.

City Policy

The City’s *Expense and Use of Public Resources* policy provides that meal expenses will be reimbursed at actual costs, not to exceed \$12.00 for breakfast, \$18.00 for lunch, and \$36.00 for dinner. The policy goes on to say that “any meal expenditures that were paid by CAL-Card and exceed individual meal amounts must be returned to the City Treasurer within ten (10) business days of the official’s return, along with an expense report and receipts documenting each meal

<sup>70</sup> The total cost of \$4,345.40 includes *Family Care Reimbursements* paid to Council Member Jones related to this trip.

<sup>71</sup> Although it was communicated to CLA by Mr. Malin that Council Member Jones was not in any way involved in the grant writing process for the City, CLA does not make a conclusion as to whether a grant writing class was a necessary course for Council Member Jones to attend.

in compliance with this expense policy.” This policy also provides for a baggage handling fee limit of \$1.00 (one dollar) per bag.<sup>72</sup> (Refer to Exhibit 05).

The *Purchasing Cardholder Use Agreement* signed by Council Member Jones on March 1, 2018, states that City purchasing cards may be used to pay for travel expenses. However, the City’s regular travel guidelines apply to all such purchasing card payments, including the use of travel authorizations and per diem amounts.

#### Condition

CLA identified a total \$534.66 in costs that exceeded dollar thresholds allowed by the City *Expense and Use of Public Resources* policy. These expenses are related to Council Member Jones’ purchases of meals and luggage check-in fees, three meals for Mayor Pro Tem Alexander, and one meal for Council Member Campbell. Exhibit 41 includes a listing of these expenses, and denotes who approved them for payment. Table 15 includes the amounts that CLA determined exceeded the City Policy limits.

**Table 15: Expenses that Exceed City Policy Limits**

Council Member	Airfare – Luggage Check-In	Meals	Total	Reference
Kayla Jones	\$ 168.00	\$ 275.03	\$ 443.03	1)
Dennis Alexander	-	76.90	76.90	2)
Jason Campbell	-	14.73	14.73	3)
Total			<u>\$ 534.66</u>	

The instances in which expenses exceeded the dollar threshold limits established by City policy are discussed below for each of the three Council Members listed in Table 15.

#### 1) Council Member Jones

Council Member Jones attended six conferences during which she incurred meal costs and checked luggage fees that exceeded the amounts allowed by City policy.<sup>73</sup>

#### *Meal Costs \$275.03*

Council Member Jones incurred 18 meal charges on her City-issued CAL-Card that exceeded the City’s meal allowance limits. These are for meals that were necessary because the related conference did not include these meals as part of the registration cost. However, although necessary, they exceeded the City’s meal allowance limits.

<sup>72</sup> CLA confirmed with Ms. Hodgson that this policy limitation of \$1.00 for baggage handling fees relates to luggage check-in for flights.

<sup>73</sup> This section excludes costs previously identified as personal expenses, which are discussed in Finding Number (4). Ms. Hodgson signed in approval for payment for the CAL-Card *Cardholder Activity Statements* where these charges were listed for March 2018 through June 2018. After June 2018, she refused to sign the *Cardholder Activity Statements*, but directed the finance department to make the payment, as otherwise all of the City CAL-Cards would be disabled for lack of payment.

(Exhibit 42 contains the listing of these charges, the related CAL-Card statements, and hotel receipts where meals were charged).

*Luggage Check-In Fees \$168.00*

Council Member Jones incurred seven charges that exceeded the City's luggage check-in fee allowance by \$168. Each charge was \$25, while the City policy allows for only \$1.00. Exhibit 42 contains the listing of these charges and the related CAL-Card Statements.

*Results of Interviews*

***Kayla Jones***

Council Member Jones stated that she was not familiar with the City's *Expense and Use of Public Resources* policy prior to incurring these costs. CLA reminded Council Member Jones that this policy was handed out to all Council Members at the time that the *Family Care Reimbursement* resolution was discussed and approved on July 20, 2017. She stated that, although she recalled the time when the *Family Care Reimbursement* was approved to be added to the policy, she did not recall, "seeing it at that time."

Council Member Jones was asked if she was aware of the City policy limits for breakfast, lunch, and dinner. She stated that she was not aware of this policy and only became aware when Mr. Malin had discussed these limits with her after she had already incurred the costs and after her last trip, which was to Seattle in July 2018.

In regards to the \$1.00 allowance for luggage check-in fees, she stated that the first time she heard about this was at that moment during her interview with CLA.

***Craig Malin***

CLA inquired with Mr. Malin whether he recalled if Council Member Jones had been provided the City's *Expense and Use of Public Resources* policy as part of her onboarding process in December 2016 or at any other point.

Mr. Malin stated that the onboarding process for Council Members has improved recently, and he did not recall whether the City's *Expense and Use of Public Resources* policy was provided to her as part of the onboarding process. He only recalled having had three conversations related to meals with Council Member Jones; however, the conversations did not include a discussion of meal allowance limits.<sup>74</sup>

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<sup>74</sup> CLA identified one text communication on June 29, 2018, in which Council Member Jones asked Mr. Malin about whether she could charge a lunch with Chief Pridgen to her City-issued CAL-Card. She stated that she "would just rather not to have to nickel-and-dime" herself any time a member of staff wanted to meet with her. Mr. Malin replied, "use of the card for a working lunch is fine." No additional instructions were provided (Exhibit 43 includes these text communications).

### *Review of Documents*

The City's *Expense and Use of Public Resources* policy was provided to all Council Members in the agenda packet for the July 20, 2017 Council meeting. Additionally, the *Purchasing Card Use Agreement* signed by Council Member Jones on March 1, 2018, states that the cardholder was provided with a copy of the *City's Purchasing Card* policies and procedures and agrees to comply with all of the terms and conditions set forth therein (refer to Exhibit 15). The *City's Purchasing Card* policies and procedures document states, "purchasing cards may be used in paying for travel expenses. However, the City's regular travel guidelines apply to all such purchasing card payments, including the use of travel authorizations and per diem amounts." Exhibit 15 includes this document. Further evidence that Council Member Jones should have known about the meal allowance limits includes a *Travel Reimbursement* request form that Council Member Jones completed on January 17, 2017. Exhibit 44 includes this document. The form includes the cost allowed for meals at \$12 for breakfast, \$16 for lunch, and \$36 for dinner.

#### 2) Mayor Pro Tem Alexander

##### *Meal Costs \$76.90*

In early September 2018, while traveling to a League of California Cities conference in Long Beach, California, Mayor Pro Tem Alexander incurred costs for one meal at a restaurant and two separate meals at his hotel. Each of these three meals exceeded the maximum allowance in the City's policy. Mayor Pro Tem Alexander submitted to Ms. Salcedo one detailed receipt for his meal at a restaurant, the hotel receipt listing the two meals, and the detailed receipts related to the two hotel meals. Ms. Salcedo completed the expense reimbursement form for him and listed the actual cost incurred without regard for the City policy limits. Additionally, the two meals he had at the hotel were duplicated on the expense reimbursement form, as they were included once based on the hotel receipt and a second time based on the detailed receipts. Therefore, an excess of \$76.90 was paid via check to Mayor Pro Tem Alexander. Mr. Malin approved the expense reimbursement. On January 16, 2019, Mayor Pro Tem Alexander reimbursed the City for the \$76.90 that was paid to him in excess of the maximum allowance specified in the City's policy. CLA verified that the payment was received by the City. Exhibit 45 contains the related support including a copy of the check paid to the City.<sup>75</sup>

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<sup>75</sup> Mayor Pro Tem Alexander paid the City for the \$76.90 from expenses the exceeded the City Policy limits and for \$150.00 for guest expense previously not reimbursed to the City as detailed in Finding Number (8). The total was \$76.90 + \$150.00 = \$226.90; However, Mayor Pro Tem paid with a check totaling \$227.00 as he rounded to the nearest dollar.

### 3) Council Member Campbell

#### *Meal Costs \$14.73*

On September 15, 2017, while traveling to a League of California Cities conference in Sacramento, California, Council Member Campbell incurred a hotel charge of \$26.73 for breakfast, which exceeded the maximum allowance of \$12.00 for breakfast. This expense was incurred on the CAL-Card of Ms. Salcedo. Mr. Malin approved the *Cardholder Activity Statement* where the hotel charge was listed. Exhibit 46 includes the hotel receipt. On January 16, 2019, Council Member Campbell reimbursed the City the \$14.73 that the City paid in excess of maximum breakfast allowance. CLA verified that the payment was received by the City. Exhibit 46 also includes a copy of the check paid to the City by Council Member Campbell.

#### Conclusion

CLA concludes that Council Member Jones incurred, on her City-issued CAL-Card, meals and luggage check-in fees that exceeded the dollar limits allowed per City Policy by \$443.03. Mayor Pro Tem Alexander incurred meal costs that exceeded the City policy limits by \$76.90. Similarly, Council Member Campbell incurred meal costs that exceeded City policy limits by \$14.73 for a breakfast that was charged to his hotel room and paid by the CAL-Card of Ms. Salcedo. CLA identifies this violation of City policy as Finding Number (5).

Regardless of whether Council Member Jones, Council Member Campbell, or Mayor Pro Tem Alexander, were aware of the City policy limits on breakfast, lunch, and dinner, or the allowance for luggage check-in fees, the excess amounts were in violation of the City *Expense and Use of Public Resources* policy. Furthermore, neither Council Member Jones nor Council Member Campbell turned into the City “an expense report and receipts documenting each meal in compliance with [the City] policy.” Because these costs were incurred on a City CAL-Card, the meal expenses that exceeded individual meal amounts should have been returned to the City within ten business days of the officials’ return along with the expense report and receipts.

Pro Tem Alexander’s meal costs that exceeded City policy limits were paid to him as an expense reimbursement and were not incurred on a City-issued CAL-Card. Therefore, it appears that City management did not enforce the City policy limits when approving and processing this travel reimbursement.<sup>76</sup> Additionally, the review process did not identify the meal duplication error on the travel reimbursement request.

As stated, Mayor Pro Tem Alexander and Council Member Campbell reimbursed the City on January 16, 2019, for the identified questioned costs related to meals that exceeded the dollar limits allowed per City Policy.

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<sup>76</sup> The travel reimbursement request was approved by Mr. Malin.

**(6) Expenses Incurred for Travel and Conference Reservations Not Used - Kayla Jones \$2,505.29**Introduction

CLA Reviewed expenses incurred by each Council Member to identify instances where an expense was made for airfare, reservations, conference registration that was not ultimately used and for which no credit was obtained for the City.

City Policy

The City's *Expense and Used of Public Resources* policy specifies that the City takes its stewardship over the use of its limited public resources seriously. However, the policy does not address what should be done when travel plans have to be cancelled or changed due to an emergency or sudden illness.

Condition

CLA identified nine expense items that Council Member Jones incurred related to planned travel that she ultimately did not use, and for which no corresponding credit was reflected in her CAL-Card statement. Ms. Hodgson signed in approval for payment for Council Member Jones' CAL-Card *Cardholder Activity Statements* for March 2018 through June 2018. After June 2018, Ms. Hodgson refused to sign the *Cardholder Activity Statements*, because Council Member Jones was not providing receipts, but directed the finance department to make the payments, as otherwise all of the City CAL-Cards would be disabled for lack of payment. Table 16 lists the planned travel instances and the related expenses incurred by Council Member Jones that went unused.

**Table 16: Expenses Incurred for Travel and Conference Registration Not Used**

Planned Travel Instance	Car Rental	Airfare	Hotel	Registration	Total	Reference
Anaheim, California, April 2018	\$ 117.00	\$ -	\$ -	\$ -	\$ 117.00	1)
Little Rock, Arkansas, May 2018	-	902.60	-	735.80	1,638.40	2)
Seattle, Washington, July 2018	-	128.20			128.20	3)
Long Beach, California, September 2018		379.40	242.29		621.69	4)
Total					<u>\$2,505.29</u>	

Each of the four travel instances and the related costs are described below.<sup>77</sup>

1) Anaheim, California, April 2018: \$117.00*Car Rental \$117.00*

On April 11, 2018, Council Member Jones incurred on her City-issued CAL-Card a charge of \$117.00 from car rental agency Hertz for a car rental reservation under her husband's

<sup>77</sup> The amounts listed in the table include only the amounts for which an expense was incurred but the related travel, registration, or reservation was not used and no credit was issued to the City.

name, Ryan Gibson. The car was to be picked up on Tuesday, April 24, 2018.<sup>78</sup> According to Council Member Jones, although she had intended for her husband to pick up the rented vehicle, it was never used. She was unable to retrieve the vehicle because she was under 25 years old at the time, and Hertz would not rent vehicles to individuals under 25 years old. According to Council Member Jones, she was unable to obtain a credit for the reservation, and she and her family ultimately drove their personal vehicle to Anaheim, California. Ms. Hodgson recalled that Council Member Jones communicated to her via email the fact the vehicle could not be retrieved and that the reservation did not allow for refunds. Exhibit 47 contains the support and email communication related to this expense.

2) Little Rock, Arkansas, May 2018: \$1,638.40

*Registration \$735.80; Airfare \$902.60*

On May 15, 2018, Council Member Jones incurred a charge on her CAL-Card of \$735.80 paid to "ELB NLC University." Council Member Jones did not provide the City with a receipt for this expense. However, she stated that this charge was for her to attend the NLC University conference held on June 26, 2018, to June 28, 2018 and provided CLA with the link to the conference itinerary. There were also two United Airlines airfare charges: \$368.80 for a flight from San Jose, California to Little Rock, Arkansas on June 25, 2018, and \$533.80 from Little Rock, Arkansas to San Jose, California on June 29, 2018.

Council Member Jones stated that she was unable to attend the conference due to health reasons. She provided an email with the cancellation confirmation for the flight from San Jose, California, to Little Rock, Arkansas only. The cancellation email stated that the value of her ticket could be applied to future travel with United Airlines. This credit resides under Council Member Jones' name with United Airlines. She did not provide the cancellation details for the flight from Little Rock, Arkansas to San Jose, California. No refund was reflected on the CAL-Card statement for the conference registration fee or for either one of the one-way airfare tickets. Exhibit 48 contains the available support for these expenses.

3) Seattle, Washington, July 2018: \$128.20

On April 18, 2018, Council Member Jones booked her flight from San Jose to Seattle for July 25, 2018, with Alaska Air as reflected in a charge to her CAL-Card of \$103.20 for airfare and \$25.00 for a bag check-in fee (Exhibit 49 contains the flight itinerary). However, she did not use this flight, as she booked a separate flight to go directly from Hawaii to Seattle. CLA identified one email Council Member Jones forwarded to Ms. Hodgson detailing a \$25.00 credit certificate from Alaska Airlines for the bag check-in fee; however, this credit was issued to Council Member Jones' name and not refunded

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<sup>78</sup> Council Member Jones attended the 2018 Women's Conference that took place at the Disneyland Resort in Anaheim, California on April 26, 2018, and April 27, 2018.

to the CAL-Card. Additionally, CLA did not identify an email documenting a credit for the \$103.20 flight, and a credit for this flight did not appear on the CAL-Card statement.

4) Long Beach, California, September 2018: \$621.69

*Airbnb \$242.29; Airfare \$379.40*

On September 5, 2018, Council Member Jones booked an Airbnb stay in Long Beach, California from September 12, 2018, to September 14, 2018.<sup>79</sup> She stated that this booking was for her to attend the League of California Cities conference for those dates. However, according to Council Member Jones, she did not attend this conference because it was recommended to her that she not attend (she did not mention who recommended that she not attend).<sup>80</sup> The cost for this booking was \$242.29. Exhibit 50 contains the CAL-Card statement, the Airbnb receipt.

On September 5, 2018, Council Member Jones booked a flight for travel from San Jose, California to Long Beach, California for a departure date of September 14, 2018, and a return date of September 17, 2018. The cost for this travel was \$203.40. These travel dates do not coincide with the conference dates of September 12, 2018 to September 14, 2018 or the Airbnb reservation. Then on September 11, 2018, Council Member Jones changed the departure to September 12, 2018 at 6:28 p.m. and the return date to September 14, 2018 at 4:34 p.m. The change to the itinerary incurred an additional cost of \$176.00 (refer to Exhibit 50). The total cost related to the original booking and the updated departure and return dates was \$379.40. Again, Council Member Jones stated that she did not attend this conference.

CLA identified the itinerary for the League of California Cities conference held in Long Beach, California from September 12, 2018 at 9:00 a.m. to September 14, 2018 at 2:30 p.m. Based on the change to the flight from San Jose, California to Long Beach, California to depart on September 12, 2018 at 6:28 p.m., if Council Member Jones planned to attend, she was in fact planning to attend a day late. Furthermore, CLA did not identify that a payment was made to register for the conference.<sup>81</sup>

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<sup>79</sup> Airbnb provides lodging accommodations that are considered homestays. These homestays can be used as an alternative to a hotel stay.

<sup>80</sup> CLA asked Mr. Malin if he had advised Council Member Jones not to attend this conference. He stated that the last conversation he had with Council Member Jones about this was on September 11, 2018, when Council Member Jones texted him at 3:24 p.m. and told him she would attend. Based on the text message, it was Mr. Malin's understanding that Council Member Jones planned to attend this conference.

<sup>81</sup> It is possible that Council Member Jones intended to register for the conference once she arrived there. However, CLA was not provided with any evidence that she had registered in advance. For example, Mayor Pro Tem Alexander attended this conference. He obtained a check from the City prepared on September 7, 2018, payable to the League of California Cities. He used this check to pay at the door.

Conclusion

Council Member Jones caused the City to incur charges of \$2,505.29 for reservations and bookings that she ultimately did not use. She provided explanations to CLA as to the reasons for not collecting the reserved vehicle and not attending the conferences. However, it appears to CLA that Council Member Jones did not take her stewardship of limited City funds seriously, which resulted in wasteful spending by the City. Additionally, it appears that Council Member Jones was not careful when making her flight reservation for the Long Beach, California trip in September 2018, as the departure and return dates did not correspond to the dates of the conference or her Airbnb reservation. She incurred additional last-minute airfare costs to revise the dates of travel just one day before the new departure date, but ultimately did not take this trip. Again, this represents wasteful spending of City funds by Council Member Jones.

- (7) No Receipts Provided for Expenses: CAL-Card of Council Member Jones - \$2,324.33; CAL-Card of Ms. Salcedo includes costs for Mayor Rubio - \$499.00; and Mayor Pro Tem Alexander - \$263.35**

Introduction

CLA reviewed transactions for Council Member travel expenses and identified those for which no receipts were provided to support the expense. This section includes only those transactions for which a receipt was not provided and there were no other findings aside from a receipt not being provided.

City Policy

The City's *Expense and Use of Public Resources* policy requires that officials submit their expenses (on an expense report form provided by the City) within ten business days of an expense being incurred, accompanied by receipts documenting each expense. "Inability to provide such documentation in a timely fashion may result in the expense being borne by the official."

The *Purchasing Cardholder Use Agreement* signed by Council Member Jones on March 1, 2018, requires that "for each charge, proper supporting documentation (original invoices or receipts and with charge card receipts) should be attached" in order to process payments.

Condition

CLA identified 59 transactions that were charged to a City-issued CAL-Card for which a corresponding receipt was not turned in to the City and was not provided to CLA when requested from the Council Member.<sup>82</sup> These transactions consist of 55 transactions charged to

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<sup>82</sup> This finding includes only those transactions for which a receipt was not provided and there were no other findings aside from a receipt not being provided. For example, Council Member Jones did not provide the receipt for the registration charge of \$735.80 paid to "ELB NLC University," which was discussed in the previous finding. Although she did not provide the receipt, the charge is not included in this finding to avoid double counting any expenses.

the CAL-Card of Council Member Jones totaling \$2,324.33 and four transactions charged to the CAL-Card of Ms. Salcedo totaling \$762.35 as detailed below:

1) CAL-Card of Council Member Jones

Council Member Jones incurred 149 transactions on her City-issued CAL-Card for the period under review. As a CAL-Card user, Council Member Jones is responsible for ensuring that the CAL-Card is used for official City use only, and for submitting adequate supporting documentation for all charges made to her City-issued CAL-Card. Ms. Hodgson signed in approval for payment for the CAL-Card *Cardholder Activity Statements* for March 2018 through June 2018. After June 2018, Ms. Hodgson refused to sign the *Cardholder Activity Statements*, because Council Member Jones was not providing receipts, but directed the finance department to make the payment, as otherwise all of the City CAL-Cards would be disabled for lack of payment.

*Council Member Jones – No Receipts Provided - \$2,324.33*

CLA identified 55 transactions totaling \$2,324.33 charged to the CAL-Card of Council Member Jones for which she has not submitted to the City or CLA a receipt to support the expense.<sup>83</sup> Exhibit 51 includes a listing of these transactions and the related CAL-Card statements. Based on the description included on the Card Holder Activity statement received from US Bank, CLA assigned categories to these charges based on the merchant name associated with each transaction. Table 17 lists the categories for which Council Member Jones did not provide a receipt to the City or CLA.

**Table 17: Expense Categories for Which No Receipts Were Provided**

Category	2017/18	2018/19	Total
Airfare	\$ 991.60	\$ 5.00	\$ 996.60
Meals	76.57	279.38	355.95
Registration	350.00	-	350.00
Taxi	77.00	390.07	467.07
Unknown	30.37	124.34	154.71
Total	\$ 1,525.54	\$ 798.79	\$ 2,324.33

*Council Member Jones – No Receipts Provided and No Business Purpose Communicated - \$215.44*

CLA was able to determine a business purpose for 43 of the 55 transactions identified above based on Council Member Jones' statements and CLA's research.<sup>84</sup> For the

<sup>83</sup> Although Council Member Jones did not submit to the City multiple receipts for hotel charges incurred on her City-issued CAL-Card, the City was able to obtain these receipts directly from the hotels. Hotel receipts for which a receipt was obtained directly by the City are not included as part of this finding. Council Member Jones referred CLA to her City emails to Ms. Hodgson. Gary Bartlett, IT Manager for the City, provided CLA with these emails. CLA reviewed the emails to identify any receipts Council Member Jones may have sent via email to Ms. Hodgson, to ensure that all of the receipts she had provided to Ms. Hodgson were considered in our testing.

<sup>84</sup> For example, in some of the emails that Council Member Jones sent to Ms. Hodgson, she communicated the purpose of an upcoming trip.

remaining twelve transactions, totaling \$215.44, Council Member Jones did not provide CLA with a business purpose that would have required her to incur the expense on her City-issued CAL-Card. These included known merchants such as Uber and Lyft for which the purpose of the ride was not communicated to the City or CLA. Also included are other merchant charges that appear to be of a personal nature such as Go Go air (inflight internet services), Hidden Treasure Hawaii (souvenir store in Hawaii), Mariam (unknown), and Tiare Enterprises (souvenir store in Hawaii). Exhibit 52 includes a listing of these expenses.

#### *Results of Interviews*

##### ***Kayla Jones***

Council Member Jones stated that along with her CAL-Card she received a form to sign, but nothing that communicated limits on meals for example. She also stated that she recalled a conversation with Ms. Hodgson who told her that if she ever could not find a receipt, to email Ms. Hodgson to let her know the purpose of the expense. CLA asked whether there was a specific process to turn in receipts at the end of the month. Council Member Jones stated, “No. Just whatever receipts I have ‘turn in please.’”

CLA communicated to Council Member Jones that in the first months after she received her CAL-Card it seemed that she was turning in a majority of her receipts, but after April/May, receipts were no longer being turned in. CLA asked if there was a particular reason why she stopped turning in receipts. Council Member Jones stated that there was no reason and she had not realized that there was a period when she stopped turning in receipts. She added, “I guess I just got really busy.”

##### ***Craig Malin***

Mr. Malin communicated that he, Ms. Hodgson, and Ms. Greathouse asked Council Member Jones for the outstanding receipts, and Council Member Jones would respond in some manner.<sup>85</sup> He then would hear that Council Member Jones had most of the receipts or she was working on obtaining the receipts, and, occasionally, she would turn in a receipt.

##### ***Daphne Hodgson***

Ms. Hodgson indicated that the *Purchasing Card Use Agreement* that Council Member Jones signed indicated that timely support was necessary. Ms. Hodgson requested outstanding receipts from Council Member Jones multiple times. CLA asked Ms. Hodgson why she approved the CAL-Card statements for payment for the months of May 2018 and June 2018, when Council Member Jones had not provided the City with any related receipts. Ms. Hodgson stated that she had signed her approval of the March

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<sup>85</sup> The manner of the responses may have included an email saying that Council Member Jones would come in to the City hall to bring the receipts to Ms. Hodgson, for example.

2018 and April 2018 CAL-Card holder activity statements because most of the receipts were turned in. By the May 2018 and June 2018 months, Council Member Jones was not turning in receipts. Ms. Hodgson still approved the statements for payment to ensure the functionality of all the City-issued CAL-Cards. According to Ms. Hodgson, nonpayment of any amount would result in all CAL-Cards being suspended. After the month of June 2018, Ms. Hodgson refused to sign any further CAL-Card holder activity statements because, at that point, it became clear that Council Member Jones was not turning in any receipts.

#### *Requests for Outstanding Receipts*

- Requested by Ms. Hodgson: CLA identified two email communications in which Ms. Hodgson requested receipts from Council Member Jones. Exhibit 53 includes these emails which are dated May 1, 2018, and July 16, 2018. Also included is an email dated August 16, 2018 in which Council Member Jones mentioned to Ms. Hodgson that she would drop off “everything” to Ms. Hodgson on August 30, 2018 or in the first week of September 2018.
- Requested by Ms. Greathouse: Ms. Greathouse emailed Council Member Jones on October 19, 2018, stating that documents had been placed in the mailbox for Council Member Jones on September 17, and October 5, and Council Member Jones had not yet retrieved them. Ms. Greathouse scanned and attached these documents to the email. The attached documents included a memorandum dated October 5, 2018, requesting the outstanding receipts. A copy of the August 2018 and September 2018 *Cardholder Activity Statements* were also included. Exhibit 54 includes this email and attachments.
- Requested by Mr. Freeman: In preparation for the interview with CLA on November 8, 2018, Mr. Freeman directed Council Member Jones to turn in the outstanding receipts. Refer to Exhibit 07, which includes a letter sent to her by Mr. Freeman requesting the outstanding receipts. Council Member Jones did not agree to an interview on November 8, 2018, therefore, it was rescheduled for November 28, 2018. Exhibit 55 includes an email from Ms. Greathouse informing CLA that Council Member Jones would attend the November 28, 2018 interview by phone. Council Member Jones did not attend this interview in person and did not turn in the outstanding receipts.
- Requested by CLA: During Council Member Jones’ phone interview on November 28, 2018, CLA requested that Council Member Jones provide directly to CLA the outstanding receipts and sent her via email a listing of the outstanding receipts. Exhibit 56 includes the listing of outstanding receipts CLA sent to Council Member Jones. CLA requested that Council Member Jones provide the receipts to CLA by Tuesday December 4, 2018. On Monday December 3, 2018, Council Member Jones emailed CLA and stated she needed more time to be able to provide receipts. CLA communicated to Council Member Jones that she could submit the outstanding receipts to CLA no later

than Friday December 7, 2018. Council Member Jones did not provide CLA with any receipts as requested by December 7, 2018.

- Requested by CLA: As Council Member Jones did not provide CLA with any receipts by December 7, 2018, CLA communicated with Mr. Coniglio that Council Member Jones could provide CLA with outstanding receipts in advance of the follow-up interview rescheduled, as requested by Mr. Coniglio, for December 11, 2018. During this follow-up phone interview, Council Member Jones provided CLA with some receipts. CLA again asked that Council Member Jones provide CLA with additional receipts she may be able to locate, especially for Uber and Lyft payments as she could retrieve those from her Uber and Lyft account history through her phone. CLA requested that Council Member Jones provide any receipts she could locate by December 13, 2018. Mr. Coniglio contacted Mr. Freeman stating that Council Member Jones would be unable to provide any further documents on December 13, 2018, because she was having a medical procedure on this day and requested that she be allowed until Friday, December 14, 2018 to attempt to provide the requested receipts. Mr. Freeman agreed and directed CLA to include in its review any documents and receipts received from Council Member Jones through the end of the day on December 14, 2018. The results of CLA's review includes documents and communications received from Council Member Jones through December 14, 2018.

## 2) CAL-Card of Ms. Salcedo

As the Executive Assistant to the City Manager, Rosa Salcedo, possessed a CAL-Card, which was used to pay for Council Member related expenses, such as registration for events and conferences, and travel arrangements. There were 117 transactions related to Council Members recorded to this CAL-Card for the period under review. According to the interviews conducted, Council Members communicate a particular request, such as registering for a conference, to Ms. Salcedo who then fulfills the request using her City-issued CAL-Card. As a CAL-Card user, Ms. Salcedo is responsible for ensuring that the CAL-Card is used for official City use only and submitting adequate supporting documentation for all charges made.

### *Mayor Rubio - \$499.00*

Three charges were made to the CAL-Card of Ms. Salcedo totaling \$499.00 for registration to three separate events in 2015/16 that did not contain receipts for the transactions. The prior City Manager approved for payment the *Cardholder Activity Statement* where the two of the charges were listed. Mr. Malin approved for payment the *Cardholder Activity Statement* where one of the charges was listed. A memorandum from Ms. Salcedo to the Finance Department was included as support for two of these expenses. The memorandum explained that she had not received the receipts from the venue, had requested them, and was awaiting receipts. The other transaction without a receipt included as support an email from Mayor Rubio with the details of the event and asking, "did we rsvp to this?" Ms. Salcedo's response was, "yes." Exhibit 57 contains the schedule of the transactions and the support received for these three transactions.

*Mayor Pro Tem Alexander - \$263.35*

A charge was made on the CAL-Card for Ms. Salcedo for one transaction of \$263.35 paid to Expedia.com on July 11, 2015. The description entered in the general ledger indicated the cost was for hotel charges for a legislative conference in Sacramento, California. However, there was no receipt included for the expense, and there was no conference agenda or description included as support for the expense (Exhibit 58). The prior City Manager approved for payment the *Cardholder Activity Statement* where the charge was listed.

Conclusion

Although Council Member Jones was not provided with a specific form to complete to turn in her receipts as prescribed by the purchasing card guidelines, it is CLA's conclusion, based on documents and emails reviewed, that she was informed of the requirement to turn in receipts for all of the charges incurred on her City-issued CAL-Card. The City appears to have requested the outstanding receipts on multiple occasions to no avail. Additionally, CLA also requested these outstanding receipts from Council Member Jones, and she provided certain receipts which were incorporated in this review; however, multiple receipts were not provided.

Her failure to turn in receipts for charges incurred on her City-issued CAL-Card is in violation of the City *Expense and Use of Public Resources* policy that states, "Officials must submit their expense reports within 10 business days of an expense being incurred, accompanied by receipts documenting each expense. Inability to provide such documentation in a timely fashion may result in the expense being borne by the official." The *Purchasing Cardholder Use Agreement* signed by Council Member Jones on March 1, 2018, requires that "for each charge, proper supporting documentation (original invoices or receipts and with charge card receipts) should be attached" in order to process payments. The receipts Council Member Jones did not provide to the City or CLA equal \$2,324.33. Finding Number (7) identifies expenses charged to a CAL-Card for which no receipt was received by the City

Additionally, for twelve of the transactions, totaling \$215.44, Council Member Jones did not provide CLA with a business purpose that would have required her to incur that expense on her City-issued CAL-Card, and a business purpose was not apparent from the information available to CLA on the CAL-Card statements. This is identified as Finding Number (7.1).

The four instances for which charges were made to the CAL-Card of Ms. Salcedo for Mayor Rubio (\$499.00) and Mayor Pro Tem Alexander (\$263.35), and the original receipt was not attached, did not follow the standard process for payments. As the Cardholder, Ms. Salcedo is responsible for ensuring that for each charge, proper supporting documentation that includes original invoices or receipts are attached to the monthly CAL-Card *Card Holder Activity Statement* and *Statement of Account Form*. Although the original receipts were not provided to CLA for these expenses, some documentation existed to support the business purpose. These expenses were not incurred for the benefit of Ms. Salcedo and she attached the documentation that was available to her. Additionally, these seemed to be isolated instances as the majority of the charges incurred on Ms. Salcedo's CAL-Card were supported by sufficient receipts.

Nonetheless, the CAL-Card charges for Mayor Rubio and Mayor Pro Tem Alexander that do not have original receipts are also identified as Finding Number (7).

**(8) No Reimbursement to City for Guest Expense – Alexander \$150.00; Rubio \$800.00**

Introduction

As part of their official capacity, Council Members may attend events for which the City bears the cost of admission. In certain occasions, the admission fee for a guest of the City official is purchased by the City at the time the cost of admission is paid with the expectation that the City official will reimburse the City for the admission cost of his/her guest. If the admission fee for a guest was originally paid by the City, CLA reviewed the supporting documentation to determine whether the Council Member for whom the expense was incurred refunded the City for the portion of the cost related to the admission fees of guests.

City Policy

Per the City's *Expense and Use of Public Resources*, policy Section II. *Authorized Expenses*, an example of personal expenses that the City will not reimburse includes, but is not limited to, family expenses, including partner's expenses when accompanying an official on agency-related business.

Condition

CLA identified eight transactions charged to the CAL-Card of Ms. Salcedo and two transactions made via direct payment to a vendor that were for the purchase of two tickets each as explained below.

- *Mayor Rubio - \$800.00*

Nineteen purchases were made for event registrations where two tickets were purchased for each event (one for Mayor Rubio and one for his wife) and Mayor Rubio requested to make the repayment via a stipend deduction. For eight of these purchases, the amount related to his guest (wife) was not been reimbursed to the City through a stipend deduction. The support for these transactions include memorandums from Mayor Rubio requesting that the amount for his guest be deducted from his City stipend. Ms. Hodgson communicated to CLA that Mayor Rubio requested that when a ticket was purchased for his wife, the corresponding amount be deducted from his monthly stipend in order to comply with the City policy. CLA reviewed the deductions made to Mayor Rubio's stipend and identified deductions made for eleven of the transactions. Although requested by Mayor Rubio, the remaining eight deductions to his stipend totaling \$800.00 were not made, which appears to be an oversight by the finance department. Exhibit 59 contains the support for these payments and the requests for deductions.<sup>86</sup> Exhibit 59 includes a reconciliation of the outstanding

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<sup>86</sup> The Exhibit also lists who approved the related *Cardholder Activity Statements* where these payments were incurred.

amounts (not yet reimbursed to the City) and an accounting system report listing Mayor Rubio's stipend payments and the corresponding deductions. The total amount outstanding is \$800.00. Mayor Rubio reimbursed the City on January 15, 2019, the questioned amount of \$800.00 that was not deducted from his stipend as he had previously requested.<sup>87</sup> CLA verified that the City received this payment. Exhibit 60 contains a copy of the check.

- *Mayor Pro Tem Alexander - \$150.00*

On September 25, 2017, two tickets totaling \$300.00 were purchased for Mayor Pro Tem Alexander and his wife to attend a Salvation Army event. Mr. Malin approved the *Cardholder Activity Statement* where this charge was included. There is no evidence that the guest's amount was reimbursed to the City (Exhibit 61). The total amount not reimbursed to the City is \$150.00. Mayor Pro Tem Alexander reimbursed the City on January 15, 2019, the questioned amount of \$150.00.<sup>88</sup> CLA verified that the City received the payment. Exhibit 62 contains a copy of the check.

#### Conclusion

The City incurred charges totaling \$800.00 related to Mayor Rubio's guest and \$150.00 related to Mayor Pro Tem Alexander's guest that were not repaid to the City. This was in violation of the City's *Expense and Use of Public Resources* policy, which provides that guest's expenses when accompanying an official on agency-related business is considered a personal expense for which the City will not bear the cost. Both Mayor Rubio and Mayor Pro Tem Alexander reimbursed the City for these amounts on January 15, 2019 and on January 16, 2019, respectively.

### **(9) Unallowed Expense – Payment to a Political Action Committee – Council Member Jones \$159.24**

#### Introduction

As part of their official capacity, Council Members may attend events for which the City bears the cost of admission. These events may include luncheons and other events at which meals are provided. CLA reviewed the support for the events attended by Council Member at a cost to the City and conducted research for those that appeared to be of a political nature.

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<sup>87</sup> The check from Mayor Rubio was for \$1,660.20 and included the \$860.20 related to out-of-state travel not approved by the City Council at an open meeting as detailed in Finding Number (3), and \$800.00 in payment for guest expenses as detailed in Finding Number (8). The calculation is as follows: \$860.20 + \$800.00 = \$1,660.20.

<sup>88</sup> Mayor Pro Tem Alexander paid the City for the \$76.90 from expenses the exceeded the City Policy limits and for \$150.00 for guest expense previously not reimbursed to the City as detailed in Finding Number (8). The total was \$76.90 + \$150.00 = \$226.90; However, Mayor Pro Tem paid with a check totaling \$227.00 as he rounded to the nearest dollar.

City Policy

The City's *Expense and Use of Public Resources* policy, Section II. *Authorized Expenses*, states that an example of personal expenses that the City will not reimburse includes, but is not limited to, political or charitable contributions or events.

Condition

On September 11, 2017, a \$159.24 ticket was purchased with the CAL-Card of Ms. Salcedo for Council Member Jones to attend the Bay Area Municipal Elections Committee (BAYMEC) gala brunch on October 1, 2017. According to the results of research conducted by CLA, the BAYMEC describes itself as a four-county lesbian, gay, bisexual, and transgender Political Action Committee. Mr. Malin approved the *Cardholder Activity Statement* where this payment was incurred. Exhibit 63 includes the CAL-Card statement and information for the BAYMEC payment and information about BAYMEC. When CLA asked Council Member Jones about this event, she stated that she was unaware that the BAYMEC was a Political Action Committee until approximately two months ago when BAYMEC donated to her campaign.<sup>89</sup>

Conclusion

The \$159.24 payment made to BAYMEC for Council Member Jones to attend a gala brunch on October 1, 2017, represents a payment for a political event. This payment is a violation of the City's *Expense and Use of Public Resources* policy, which states that political events are not an allowed expense.

**(10) Unallowed Expense – Payments for Gasoline – Council Member Jones - \$93.27**Introduction

CLA reviewed the Council Member expenses to identify payments for expenses specifically not allowed per the City policy, such as payments for gasoline for a personal vehicle of a Council Member.

City Policy

The City's *Expense and Use of Public Resources* policy states that an example of a personal expense that the City will not reimburse includes, non-mileage personal automobile expenses including repairs, traffic citations, insurance, or gasoline.

Condition

Council Member Jones traveled to Anaheim, California in April 2018 for the 2018 Women's Conference. For this conference, she elected to drive her personal vehicle. CLA identified three charges made to Council Member Jones' City-issued CAL-Card on April 26, 2018, and April 29,

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<sup>89</sup> Council Member Jones was referring to her campaign for the November 2017 elections when she was a candidate for City Mayor.

2018, that appeared to have been made at gas stations. Council Member Jones has not provided the receipts for these charges; however, the name of the merchant listed on her CAL-Card statement conveys a gas station. The total amount for these charges is \$93.27. Ms. Hodgson approved the *Cardholder Activity Statement* where these charges were incurred. Council Member Jones communicated to CLA that she understood that purchasing gasoline was an appropriate expense as it was related to travel for attending a conference. Exhibit 64 includes the CAL-Card statement on which these charges are reflected.

#### Conclusion

The \$93.27 charges to the CAL-Card of Council Member Jones were made in violation of the City's *Expense and Use of Public Resources* policy that disallows non-mileage personal automobile expenses, including gasoline.

#### **(11) Unallowed Expense – Insurance – Council Member Jones - \$94.88; Mayor Pro Tem Alexander - \$53.50; Mayor Rubio - \$18.00**

#### Introduction

When making airfare travel arrangements, an option to purchase travel insurance is offered. CLA identified the instances where payments for travel insurance were made.

#### City Policy

The City's *Expense and Use of Public Resources* policy does not address whether travel insurance is an allowed expense by the City. However, Ms. Hodgson communicated to CLA that, as a verbally communicated policy, the City does not allow for purchases of travel insurance.

#### Condition

CLA identified a total of \$94.88 for Council Member Jones, \$53.50 for Mayor Pro Tem Alexander, and \$18.00 for Mayor Rubio charged to a City CAL-Card for travel insurance.<sup>90</sup> Exhibit 65 contains the support for these purchases and denotes the individual approving the *Cardholder Activity Statement* where these charges were reflected.

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<sup>90</sup> The \$18.00 identified for travel insurance purchased for Mayor Rubio relates to his one instance of out-of-state travel and is included in the total cost of \$860.20 identified with Finding Number (3). For Council Member Jones, \$21.88 of the \$94.88 identified for travel insurance purchased relates to one of her out-of-state travel instances and is included in the total cost of \$15,262.42 identified in Finding Number (3).

*Results of Interview – Kayla Jones*

Council Member Jones stated that she had purchased insurance one time, which resulted in Ms. Hodgson informing her that she should not purchase travel insurance. Council Member Jones stated that after Ms. Hodgson told her not to, she did not purchase travel insurance again.<sup>91</sup>

Conclusion

CLA does not identify the purchase of travel insurance as a violation of City Policy because CLA was not provided with a written policy that indicates travel insurance is not allowed. However, CLA has assigned Finding Number **(11)** to purchases of travel insurance as this is a verbally communicated City policy that should be documented in the *Expense and Use of Public Resources* policy.

**(12) Itemized Receipts Not Provided for Restaurant Charges - Council Member Jones \$34.41; Mayor Pro Tem Alexander \$208.12**

Introduction

While traveling, Council Members are allowed to purchase meals and be reimbursed by the City (or use a City-issued CAL-Card) except for when the cost paid for the conference or event registration includes meals. CLA reviewed the receipts included as support for meals and identified those that were not itemized.

City Policy

The City's *Expense and Use of Public Resources* policy *Section V* requires that restaurant receipts detailed with actual items purchased be part of the documentation that must be turned into the City. The purpose of requiring an itemized receipt is to ensure the meal expense complied with City policies, such as, no alcohol was purchased and/or the meal purchased was only for the City employee and not additional people.

Condition

Council Member Jones incurred a meal expense of \$34.41 on her hotel receipt for September 15, 2017, which was charged to the CAL-Card of Ms. Salcedo. Council Member Jones did not provide the hotel receipt to the City or CLA; however, the City obtained the receipt directly from the hotel (Exhibit 66 contains this hotel receipt). The itemized receipt pertaining to this meal expense was not provided by Council Member Jones.<sup>92</sup> Mr. Malin signed in approval of payment for the *Cardholder Activity Statement* on which the charges from the hotel were included.

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<sup>91</sup> This statement was factually incorrect as there were three separate purchases of travel insurance charged to her CAL-Card for a total of \$94.88.

<sup>92</sup> Council member Jones did not provide the city with many receipts for charges made to her Cal-Card. The City obtained hotel receipts directly from the hotels, which included the cost of meals charged to the room; however, itemized meal receipts were not provided. Meal costs included in this finding are only those meals that did not

Seven meal expenses for which Mayor Pro Tem Alexander requested an expense reimbursement, although accompanied by a credit card receipt or a print out of his personal credit card charges, did not include a detailed receipt listing the actual items purchased. The total of these transactions is \$208.12. Two meals were included on an expense reimbursement dated September 30, 2015, that was approved by then City Manager, John Dunn. The five other meals were included in an expense reimbursement from September 2017, which consisted of a copy of his personal credit card statement. An expense reimbursement form was not used, thus there was no approval signature evident (Exhibit 67 includes the related support).

### Conclusion

The support submitted for one meal expense of \$34.41 for Council Member Jones, and for seven meal expenses totaling \$208.12 for Mayor Pro Tem Alexander did not contain a restaurant receipt detailed with the actual items purchased. This lack of detailed (itemized) restaurant receipts is not compliant with the City's *Expense and Use of Public Resources* policy.

## **d) Council Member Travel Expenses – Internal Controls Deficiencies**

CLA identified certain practices that, although not a violation of City policy, represent internal control deficiencies. CLA provides below a description of the deficiency and assigns it a Finding Number denoted by a number included in parenthesis in red font. In *Section 9. Recommendations*, CLA provides recommendations for the City to consider implementing in order to strengthen the identified internal control deficiencies.

### **(13) Standard Expense Reimbursement Form Not Consistently Used**

#### Introduction

Council Members may request an expense reimbursement for expenses incurred in the performance of their official duties, such as attending an out of town conference. CLA identified the instances where an expense reimbursement was processed without the use of a standard expense reimbursement form.

#### City Policy

The City's *Expense and Use of Public Resources* policy states that within ten business days after returning from travel, the official must complete the *Travel Expense Report* and submit to the Department Head for review and approval of reimbursement.<sup>93</sup> It is important that a standard expense reimbursement form be used as it can:

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have any other findings, such as meal costs that were not allowed because the meals were provided by the conference. To prevent double counting of any expenses, if a meal cost has multiple finding it is only included in one finding.

<sup>93</sup> Although the City policy refers to it as a *Travel Expense Report*, the forms included with the support provided to CLA, when a form was used, were titled "Travel Reimbursement" or "Travel Reconciliation – CAL-Card Used." These two forms were used to process expense reimbursement, when a form was used.

- Calculate the reimbursement rate for the number of miles
- Document the description of an event or the business purpose
- Document that a receipt is attached to the form to support each line item
- Provide an area for the requester to certify the accuracy of the expenses with a signature
- Provide an area to document approval of the reimbursement

#### Condition

From 29 individual expenses processed through expense reimbursements for the period under review, only nine were made using the standard *Travel Reimbursement* form and contained sufficient support in the form of itemized receipts and a complete description of the events. For example, four separate expense reimbursement payments were processed for Council Member Jones totaling \$265.41 for mileage. A standard *Travel Reimbursement* form was not completed, and the mileage reimbursement request consisted of an email or a note in which Council Member Jones stated the dates of travel and starting and ending location. Then, a handwritten note included the corresponding number of miles and total dollar amount (Exhibit 68 includes an example).

#### Conclusion

Although the City has created a standard *Travel Reimbursement* form, and a *Travel Reconciliation-CAL-Card Used* form, the forms are not consistently used to request an expense reimbursement and to record management approval of the expense report. This is an internal control deficiency, as important information may not be documented, such as the description of the event or authorization.

### **(14) Sufficient Information Was Not Included With Travel Expenses to Allow Easy Identification of the Business Purpose**

#### Introduction

Council Members may request an expense reimbursement for expenses incurred in the performance of their official duties, such as attending out of town conferences. In the performance of its work, CLA noted instances where sufficient information was not included with travel expenses to allow easy identification of the business purpose.

#### City Policy and Best Practices

The City's *Expense and Use of Public Resources* policy authorizes expenses incurred in connection with officials participating in regional, state, and national organizations whose activities affect the City's interest. The *Travel Reimbursement* form, which is used to request expense reimbursement includes a location to record the meeting/travel event and location.

Best business practices include providing sufficient documentation with an expense reimbursement request or expenses charged to a City-issued purchasing card to communicate a business purpose. For example, if an official submits an expense reimbursement, the details of the event attended should be documented by describing the name of the event/conference, including a copy of the flyer for the event and/or the event's itinerary. Including additional details and support related to the event allows the person approving the expense to easily determine the purpose of the travel and verify that the event supported the City's goals and complied with City policies.

#### Condition

For many of the expense reimbursements processed and costs incurred on the City-issued CAL-Cards, a flyer for the conference or an itinerary was not included. Using the descriptions entered into the accounting system, CLA conducted internet searches to locate the details of the event/conference. However, there was one expense reimbursement processed for Mayor Pro Tem Alexander that CLA was not able to identify the conference/event attended. This expense reimbursement request was processed upon submission of a *Travel Reimbursement* form.<sup>94</sup> This expense reimbursement request included four transactions totaling \$257.23 for mileage reimbursement, parking fees, and two meals for Council Member Alexander while attending a conference/event on July 12, 2015, in Sacramento, California. Although the expense reimbursement request was appropriately made by submitting a *Travel Reconciliation* form and receipts, it did not contain a description of the conference or the conference agenda. The section on the form that requires the "meeting/travel Event & Location" only stated "Sacramento." CLA is not suggesting that the event did not take place; however, for this one expense reimbursement to Mayor Pro Tem Alexander in July 2015, CLA was not able to verify the purpose of travel. Exhibit 69 contains the support received for these four transactions.

#### Conclusion

For many of the expenses paid for Council Member Travel Expenses, a copy of the event information and/or itinerary was not included. However, based on the description stated in the general ledger, CLA was able to obtain detailed information about the event via internet searches. Best practices call for event details to be retained as part of the support and for the event name and location to be documented on the *Travel Reimbursement* form.

### **(15) Support Was Not Retained for Reimbursements by Council Members to the City**

#### Introduction

As part of their official capacity, Council Members may attend events for which the city bears the cost of admission. On certain occasions, the admission fee for a guest of the City official is purchased by the City at the time the cost of admission is paid with the expectation that the

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<sup>94</sup> Attached to the form were receipts and MapQuest travel directions from the point of departure to the conference/event location.

City official will reimburse the City for the admission cost of his/her guest. In the performance of its work, CLA identified instances where an entry was made to the general ledger to denote the payment by a Council Member to the City; however, no documentation was retained as support.

#### City Policy

Per the City's *Expense and Use of Public Resources*, policy Section II. *Authorized Expenses*, an example of personal expenses that the City will not reimburse includes, but is not limited to, family expenses, including partner's expenses when accompanying an official on agency-related business.

Sound accounting practices include retaining documentation related to expenses incurred to provide adequate support for the transaction. If those expenses are reduced by an entry to the general ledger, such as in the case of a Council Member reimbursing the City for a personal expense, supporting documentation for that adjustment should be retained.

#### Condition

CLA identified eleven adjustments recorded to the Council Members' travel expense accounts for expenses originally incurred by the City for which Council Members appear to have reimbursed the City. These adjustments abated (decreased) the original expense incurred by the City and related to unallowed expenses, such as contributions to political organizations (Monterrey Democratic Party) or purchases of event entry fees for the spouses of Council Members. In the documents originally provided to CLA, only one of these eleven adjustments included a copy of the receipt issued to the Council Member for the reimbursement the Council Member made to the City. CLA requested from the City copies of the receipts for the other ten adjustments. The City located and provided receipts and copies of the corresponding checks for two of the adjustments, only a copy of the receipt for one, and only a copy of the check for another. Therefore, CLA was able to verify that a payment was made to the City by a Council Member for four of the ten adjustments. For the other six adjustments, CLA did not receive any support evidencing that the payment was made to the City.<sup>95</sup> Exhibit 70 contains a listing of these adjustments made for which no support was received.

#### Conclusion

Based on the lack of attached support for expense adjustments made for Council Member travel expenses, it appears that the City does not typically retain the support associated with payments received from Council Members. Retaining adequate support for reimbursements paid to the City, including the source and reason for the reimbursement, is important for ensuring complete and accurate accounting records. Additionally, it allows the City to verify

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<sup>95</sup> For purposes of testing Council Member expenses in other sections of this report, if a credit (decrease) was identified in a particular Council Member's travel expense account, CLA assumed that the credit (decrease) was due to a reimbursement paid by that Council Member to the City.

whether a Council Member or City employee reimbursed the City for a personal expense if a question is raised at a later date.

**(16) An Expense Adjustment (Abatement) Was Not Recorded for Reimbursements to the City by Council Members**

Introduction

As part of their official capacity, Council Members may attend events for which the City bears the cost of admission. On certain occasions, the admission fee for a guest of the City official is purchased by the City at the time the cost of admission is paid, with the expectation that the City official will reimburse the City for the admission cost of his/her guest. In the performance of its work, CLA identified instances where a Council Member reimbursed the City for the admission fee of a guest; however the reimbursement to the City was not properly recorded.

Appropriate Accounting Methods

Appropriate accounting methods prescribe that, for a refund or reimbursement received that reduces a previous expense recorded by the City, the amount of the refund must abate (decrease) the original expense to which the refund is associated. This accounting entry should be recorded by crediting (decreasing) the original expense account and debiting (increasing) cash.

Condition

CLA identified nine instances in which a stipend deduction was made for Mayor Rubio after the City had paid for event entry fees for his wife. These nine deductions were for the repayment of fifteen separate events for which the City had purchased an event ticket for Mayor Rubio's wife. Mayor Rubio requested that the entry fees for his wife be deducted from his stipend payment in order to reimburse the City for these personal expenses, and the City complied with his request. However, the Travel Expense account for Mayor Rubio was not adjusted to reflect the reimbursements to the City. As a result, his Travel Expense account was overstated by \$450.00 in 2016/17 and \$524.84 in 2017/18. Exhibit 71 contains a listing of the original expense and a listing of the stipend deductions that relate to these expenses.

Results of Interview – Daphne Hodgson

CLA inquired with Ms. Hodgson about the reason for the original expense not being adjusted after the City had deducted the appropriate amounts from the Mayor's stipend to pay for his wife's portion of the entrance fees for these fifteen events. Ms. Hodgson stated that this was an accounting oversight, the City had already identified it was an issue in the 2017/18 year, and the former Assistant Finance Director was supposed to record a journal entry to correct the issue. However, the Assistant Finance Director resigned a few months prior, and Ms. Hodgson was not aware that the journal entry had never been recorded.

Conclusion

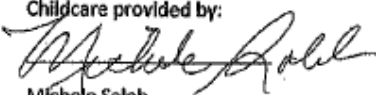
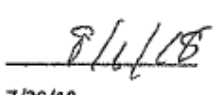
CLA does not provide an opinion as to whether it was appropriate to execute a stipend deduction for the City to obtain reimbursement from Mayor Rubio for unallowed expenses originally incurred by the City. However, although the City received a reimbursement for these unallowed expenses, the Travel Expense account of Mayor Rubio did not reflect the reimbursements he made for fifteen transactions totaling \$450 in 2016/17 and \$524.84 in 2017/18.

## e) Family Care Reimbursements

### Introduction

The only Council Member who utilized the established budget for 7176 – *Family Care – Council Members* was Council Member Jones. The process followed included Council Member Jones submitting a typed note that served as the *Family Care Reimbursement Request*. The City understood this note to contain information reflective of the payments Council Member Jones made for childcare of her daughter and for which she was seeking reimbursement. The typed notes listed a date, a description of the event, a total amount, and the name and signature of the individual providing the childcare. Figure 1 contains an example of this typed note.

**Figure 1: Example of Support Provided to the City for Family Care Reimbursement**

Kayla Jones	
<b>Childcare provided on:</b>	
July 25 <sup>th</sup> thru July 30 <sup>th</sup> Young Elected Officials National Convening (sponsored by People for the American Way): \$2,160	
<b>Childcare provided by:</b>	
	
Michele Saleh	7/30/18

Based on the content of these typed notes, the City processed expense reimbursement checks payable to Council Member Jones.

### California Government Code and City Policy

California Government Code § 36514.5 states, “Council Members may be reimbursed for actual and necessary expenses incurred in the performance of official duties.” Refer to Exhibit 31, which includes this section of the California Government Code.

The City’s *Expense and Use of Public Resources* policy Section III K allows for “Reimbursement for actual family care expenses incurred in the performance of official duties.”<sup>96</sup>

### Condition

Four different childcare providers were listed on the 20 *Family Care Reimbursement* requests submitted by Council Member Jones. There were 72 events listed in 20 requests for reimbursements, which included City Council meetings, attendance at speaking events, and attendance at conferences. Table 18 lists by fiscal year the names of the caregivers, the count of the events, and the related dollar amounts. Three of the 20 requests were approved by Mr. Malin, nine were approved by Ms. Hodgson, six had no approval signature, and two had a stamp in approval of

<sup>96</sup> This sentence comprises the entire policy related to the *Family Care Reimbursement* policy, and no additional instructions or guidelines were provided within this policy.

payment.<sup>97</sup> Exhibit 72 contains a listing of these payments made to Council Member Jones and includes the name of the person authorizing the payment. The exhibit also includes a copy of the City check used to pay Council Member Jones and the typed note she submitted to request the payment.

**Table 18: Payments to Council Member Jones for Family Care**

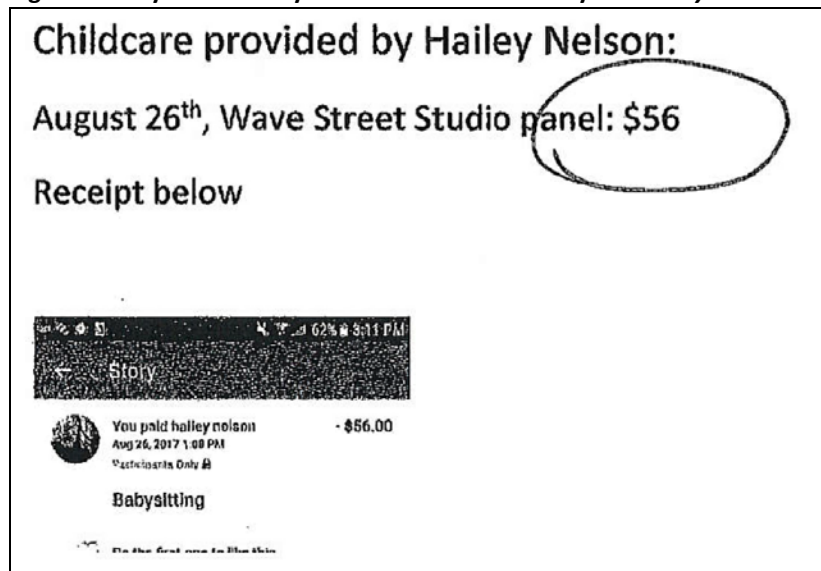
Year	2017/18		2018/19		Total		
	Name	Count	Amount	Count	Amount	Count	Amount
	Bree Jones	29	\$ 3,449.00	13	\$ 770.00	42	\$ 3,439.00
	Dee Russo	0	-	1	1,060.00	1	1,060.00
	Hailey Nelson	1	56.00	0	-	1	56.00
	Michele Saleh	27	3,974.00	1	2,160.00	28	5,992.00
	Total	57	\$ 7,479.00	15	\$ 3,990.00	72	\$ 11,469.00

CLA has identified three findings related to *Family Care Reimbursements* processed for Council Member Jones as detailed in Finding Numbers (17) – (19).

**(17) Unsupported and possibly false expense reimbursement requests - \$11,413.00:**

For only one *Family Care Reimbursement* of \$56.00, Council Member Jones provided the City with evidence that she actually incurred the cost as represented by her *Family Care Reimbursement* requests. The support included a screen shot from a payment application as presented on Figure 1. However, although an apparent proof of payment was included, the description of “Wave Street Studio panel” did not communicate how the expense related to her official duties as a Council Member.

**Figure 2: Only Proof of Payment Provided to the City for Family Care Reimbursement Request**



<sup>97</sup> The stamp denoted approval for payment and included a location where the following information was written in: amount, account code, and date. The stamp location for the signature had a hand-written note stating “see attached.” However, there was nothing else attached.

## Results of Interviews

### ***Craig Malin***

Mr. Malin stated that he had provided Council Member Jones with directions that she could submit “something simple” for her requests for *Family Care Reimbursements*. He stated that he and Ms. Hodgson referred back to the policy that stated it was to be for “actual family care expenses.” He believed that as long as the City received some sort of documentation, there was a signature, and it related to official duties, it was appropriate for the City to process the reimbursement.

Mr. Malin stated that the City Council approved the policy with the best of intentions. He communicated that the City Council discussed and approved the policy and one sentence described everything about that policy, “reimbursement for actual family care expenses incurred in the performance of official duties.” He further stated, “we administered . . . the policy consistent with the very limited parameters we were given.”<sup>98</sup> CLA asked Mr. Malin whether there was ever any discussion as to who could provide the care and whether it was appropriate for family members to provide the care. Mr. Malin stated that the policy does not give the staff the ability to tell a Council Member whom they can use as care providers.

### ***Kayla Jones – First Interview***

Council Member Jones stated that she had four childcare providers for her daughter.<sup>99</sup> She stated that Bree Jones, her mother, was one of the childcare providers and she paid her at the rate of \$15.00 an hour. Council Member Jones stated that she never used checks to pay her childcare providers. Instead, she paid her childcare providers in cash, money transfers, or using Venmo, a payment application (app).<sup>100</sup> Michele Saleh, she stated, is her grandmother; however, she was not “actually the childcare provider for the entire time, but she would manage it” while Council Member Jones was away. Council Member Jones stated that Ms. Saleh knew Ms. Russo, and Ms. Saleh would “sign Diana Russo’s receipts, which then [Council Member Jones] would turn in to the City.” Because Council Member Jones acknowledged that Ms. Saleh did not provide the actual childcare services herself, CLA asked Council Member Jones if she had actually paid Ms. Saleh for any of her services. Council Member Jones replied, “No. Just Diana Russo.”<sup>101</sup>

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<sup>98</sup> During the introduction section of the interview with Mr. Malin, he stated that his responsibilities as a City Manager include implementing policies of the City Council.

<sup>99</sup> Council Member Jones stated that the childcare providers were the following: Ciara Williams, Bree Jones, Diana Russo, and Michele Saleh.

<sup>100</sup> Council Member Jones stated that Ciara Williams was the only childcare provider who used Venmo, as the other childcare providers were not “tech savvy.” Ciara Williams is not one of the childcare providers listed in the reimbursements requested by Council Member Jones.

<sup>101</sup> Diana Russo’s name was listed as “Dee Russo” on the *Family Care Reimbursement* requests Council Member Jones submitted.

Once the *Family Care Reimbursement* policy was approved, Council Member Jones requested a reimbursement for 24-hour care for all of her overnight trips, with the exception of the Anaheim, California trip because her husband and daughter traveled with her on this trip. CLA asked Council Member Jones whether there was ever discussion when the policy was established regarding requesting reimbursement for 24-hour care. She stated that no discussion had taken place. CLA asked why 24-hour care would be necessary and whether her husband could have provided any overnight care. Council Member Jones stated that her husband was not available to care for their daughter when she was away at conferences, and he was not available in the evenings or overnight. Therefore, her daughter required the 24-hour care to be provided by her childcare providers, and Council Member Jones requested a *Family Care Reimbursement* based on the 24-hour care.

CLA communicated to Council Member Jones that it was necessary to obtain from her evidence that she made the payments for childcare services she presented to the City in her requests for *Family Care Reimbursements*. CLA stated that proof of payment needed to be, for example, a screen shot of the Venmo transaction or wire transfer, or a bank withdrawal receipt to show that she had made a cash withdrawal to pay for childcare services.<sup>102</sup> Council Member Jones stated that she would attempt to provide the documentation requested.<sup>103</sup>

### ***Daphne Hodgson***

CLA inquired with Ms. Hodgson regarding whether the City required that the childcare be provided by a licensed childcare facility and whether Council Member Jones disclosed to the City that two of her family members were listed as the childcare providers on the *Family Care Reimbursement* requests. Ms. Hodgson indicated that those discussions never took place, and Council Member Jones never mentioned that family members were providing the care.

### **Results of Email Review**

CLA identified emails in which Council Member Jones inquired about the type of support she would need to provide in order to request an expense reimbursement for childcare. On June 12, 2018, Council Member Jones emailed Mr. Malin, “will I need to provide Daphne with receipts of childcare I've paid to babysitters for reimbursement during Council stuff or how will that work?” Mr. Malin responded that receipts are needed for all reimbursements and added that the receipt “can be a simple, handwritten note.” Exhibit 73 contains these email communications.

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<sup>102</sup> CLA pointed out to Council Member Jones that, if she was paying the childcare providers in cash, many of the amounts she requested reimbursement for were quite large, and CLA expected that she would have had to make a cash withdrawal from her bank in order to have that amount of cash available.

<sup>103</sup> CLA sent Council Member Jones an email and included the reimbursement requests she submitted to the City for *Family Care Reimbursements*.

### CLA Request for Proof of Payment for Child Care expenses

As stated, CLA requested that Council Member Jones provide CLA with proof that she made the payments as represented to the City in her *Family Care Reimbursement* requests. The deadline communicated to Council Member Jones to provide these documents to CLA was Tuesday, December 4, 2018 at 11:00 a.m., which was one hour prior to the scheduled follow-up interview. On Monday, December 3, 2018 at 9:55 a.m., CLA received an email from Council Member Jones that stated she was working on providing the items as requested, but it was taking longer than she expected. She then stated, "I'm finishing going through my bank statements today. Can we reschedule our conference call for either Thursday of this week or sometime next week so I can get it together?" CLA replied that it was necessary to keep the interview as scheduled for Tuesday, December 4, 2018 at 11:00 a.m., but she could have until the end of that week to provide the requested items. Exhibit 74 includes these email communications.

### Council Member Jones' Call to Mr. Malin

On Tuesday December 4, 2018, at 9:14 a.m., CLA received a call from Mr. Freeman who advised CLA that Mr. Malin had called him the night before to communicate the details of a conversation Council Member Jones had with Mr. Malin earlier that day. CLA contacted Mr. Malin to obtain from him directly the details of his conversation with Council Member Jones. Mr. Malin stated that Council Member Jones called him at approximately 5:15 p.m. on Monday, December 3, 2018. She had told Mr. Malin she had a follow-up interview with CLA the next day and was attempting to assemble her bank statements. She communicated to Mr. Malin that she was not a wealthy person, had not paid the babysitters thousands of dollars, but maybe had paid a few hundred dollars when she could. She asked him how she should represent this information in her follow-up interview with CLA. Mr. Malin advised her to answer CLA's questions honestly and succinctly. She also asked whether she should retain the services of an attorney to represent her and asked him if she could write a check to the City for \$4,000 for the investigation to go away. Based on CLA's discussion with Mr. Malin, CLA understands that during this call, Mr. Malin recommended that Council Member Jones retain the services of an attorney and informed her that he could not provide her with an amount due back to the City. (Exhibit 75 contains the notes Mr. Malin took after the conversation he had with Council Member Jones).

### Follow-Up Interview Cancelled

As mentioned in Section 5 *Work Performed* approximately thirteen minutes before the scheduled follow-up phone interview with Council Member Jones on Tuesday, December 4, 2018, CLA received an email from John Coniglio, an attorney Council Member Jones had retained that morning to represent her in this matter. Mr. Coniglio stated that the interview could not take place as scheduled because there was short notice on his part and he needed to be present at any meetings with Council Member Jones (refer to Exhibit 09 for this email and memorandum).

### Results of Follow-Up Interview with Council Member Jones

The follow-up interview with Council Member Jones was rescheduled for December 11, 2018 (refer to Exhibit 10 for interview transcripts). During this interview, she again stated that when the *Family Care Reimbursement Requests* included the signature of Ms. Saleh, someone else was providing the care and not Ms. Saleh.

Council Member Jones provided CLA with a schedule she stated her grandmother, Ms. Saleh, prepared, which listed cash withdrawals made from the bank account of her grandmother. She stated that after her grandmother made those cash withdrawals, and her grandmother gave her (Council Member Jones) those funds to pay for childcare services.<sup>104</sup> Figure 3 contains the schedule provided, which according to Council Member Jones, describes the month of the withdrawal(s), the amount of the withdrawal(s), and the total she received in *Family Care Reimbursements* from the City.<sup>105</sup>

**Figure 3: Schedule of Withdrawals from Michele Saleh's Bank Account**

Summary of Funds to Kayla Jones July 2017 – August 2018		
Date	Amount	Totals from Child Care Expense Claims
July 2017	\$ 560.00	0
August 2017	\$ 190.00	\$216.00
September 2017	\$ 520.00	\$973.00
October 2017	\$3870.00	\$292.00
November 2017	\$2130.00	\$253.00
December 2017	\$ 795.00	\$932.00
January 2018	\$ 380.00	\$406.00
February 2018	\$1755.00	\$ 50.00
March 2018	\$ 250.00	\$201.00
April 2018	\$ 370.00	\$142.00
May 2018	\$ 655.00	\$281.00
June 2018	\$ 405.00	\$2497.00
July 2018	\$ 600.00	\$3650.00
August 2018	\$ 545.00	\$340.00
Total: \$13,025.00		Total: \$10,233.00

Because the City paid Council Member Jones \$2,497 and \$3,650 for June 2018, and July 2018, respectively, CLA asked Council Member Jones the reason for the difference between the amounts she stated she received from her grandmother to pay for childcare and the amounts she requested to be reimbursed by the City. Council Member Jones stated that there would be

<sup>104</sup> At the beginning of the follow-up interview, Council Member Jones and her attorney provided to the Court Reporter documents to scan and email to CLA. These documents were received by CLA in PDF form and included the schedule in Figure 3, supporting schedules with withdrawal dates and amounts, and a schedule that listed what Council Member Jones stated were her childcare expenses. The PDF files also included copies of Ms. Saleh's bank statements for the months of July 2017 to August 2018. Per review of the additional schedules included, it was noted that the listed amounts included checks as well as cash withdrawals.

<sup>105</sup> The column listing the amounts the City paid Council Member Jones for *Family Care Reimbursements* does not accurately reflect all of the reimbursements paid to her by the City. The payments made by the City for the months of May 2018 through August 2018 are reflected accurately.

differences because in addition to her using the money she received from her grandmother to pay for childcare, she used additional funds from her husband's bank account. Exhibit 76 includes various schedules provided to CLA by Council Member Jones, which include the schedule from Figure 3, a schedule detailing the dates of the withdrawals and/or checks, and a listing that includes payments for child care.<sup>106</sup>

CLA asked Council Member Jones whether she had repaid her grandmother for the money she received from her grandmother for childcare expenses. Council Member Jones stated that in her family they pool all of their funds together and give them to her grandmother who is the matriarch of her family. She stated, "Everything we have is given to my grandmother." CLA asked if she provided her grandmother the checks she received from the City for *Family Care Reimbursements*. Council Member Jones stated that the checks were not deposited into her grandmothers' account, but were deposited into her husband's account. Council Member Jones indicated that she did not have her own bank account.

CLA asked if she recalled her call to Mr. Malin on December 3, 2018. She stated that she did.<sup>107</sup> CLA asked her if during that call she had made any mention to Mr. Malin that she did not in fact pay for any of the child care services. Council Member Jones responded, "no. if that's his takeaway, then that's . . ." However, Mr. Coniglio instructed Council Member Jones to stop talking at that point, and she did not complete her response to CLA. CLA then asked if she had offered Mr. Malin to repay the City \$4,000 to resolve the audit and the questions related to the family care expenses. She stated that she had asked him, "how much would be required to pay the City to settle this." Then she mentioned that she had asked Mr. Malin "what is it going to look like," "is this like \$4,000?" However, Mr. Malin did not give her an amount.

CLA requested that Council Member Jones attempt to provide proof that the additional funds, for example for the months of June and July 2018, were withdrawn from her husband's bank account to pay for childcare services.

#### Follow-Up Email Communication

In a follow-up email communication on December 14, 2018, Council Member Jones communicated to CLA, "For Childcare during June 2018 and July 2018, I used cash funds in my safe from the months of Oct 2017 and Nov 2017 for childcare." This was the first time Council Member Jones mentioned that she had used funds kept in a safe to pay for childcare services.<sup>108</sup> CLA pointed out that she had not mentioned before that she kept thousands of

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<sup>106</sup> Although the personal bank statements of Ms. Saleh were provided to CLA, CLA did not include the bank statements as an exhibit as they contain Ms. Saleh's personal information.

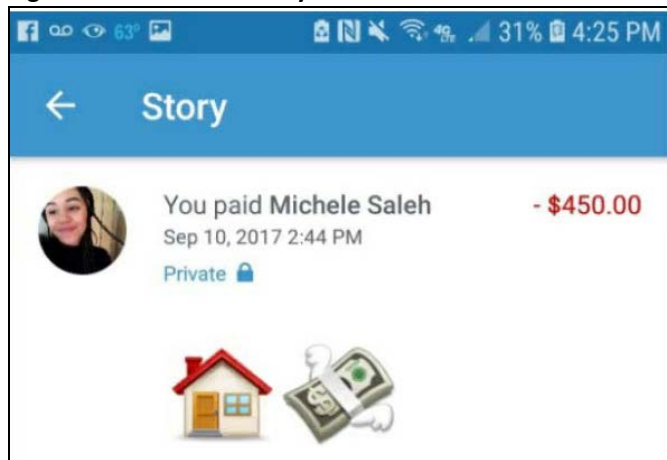
<sup>107</sup> Although Council Member Jones recalled calling Mr. Malin, she did not recall the exact date of the call.

<sup>108</sup> CLA had mentioned during the first interview that some of the *Family Care Reimbursements* exceeded \$1,000.00 and imagined she would have had to go to the bank to withdraw such large amounts. At that time, Council Member Jones stated that she would attempt to locate support for those withdrawals and at no point mentioned that she had a safe containing thousands of dollars. She also did not mention this during her second interview.

dollars for several months in her safe that she then used to pay for childcare services in the months of June and July of 2018. She responded that it was a family safe that she shares with her grandmother and other family members, and “was not sure what the daily fluctuating balance was over the course of a year, but money was put aside for childcare.” Exhibit 77 contains these email communications.

In a separate follow-up email communication on December 14, 2018, Council Member Jones provided CLA with a screenshot of a transaction from September 10, 2017. She stated that it represented a payment she made to Ms. Saleh for childcare for September 2017.<sup>109</sup> Figure 4 contains this screenshot.

**Figure 4: Screenshot of Payment Made Via Venmo**



CLA responded to Council Member Jones’ email asking her to confirm that in the month of September 2017, she received from her grandmother \$520 in cash (Figure 3) and, in the same month, paid her grandmother \$450 via a Venmo transaction (Figure 4) to pay for Childcare services.<sup>110</sup> She replied that she gave her grandmother money that came from her husband’s account for “numerous reasons including childcare in general.” Exhibit 78 contains this email communication.

#### Review of Bank Statements Provided

CLA reviewed the bank account statements of Ms. Saleh and the schedule listing withdrawals and checks that, according to Council Member Jones, represented the amounts Ms. Saleh

<sup>109</sup> During her first interview she stated that the only childcare provider whom she had paid using a Venmo transaction was Ciara Williams.

<sup>110</sup> The *Family Care Reimbursements* Council Member Jones requested for September 2017, within a week before and after September 10, 2017, when the Venmo transaction took place, included \$60.00 for September 7, 2018, \$28.00 for September 9, 2017, and \$756.00 for September 13 to 15, 2017. The Venmo transaction does not correlate to the date or amount of the childcare expenses requested before or after the September 10, 2017, Venmo transaction.

gave her to pay for childcare services.<sup>111</sup> CLA confirmed that the withdrawals made from Ms. Saleh's account were listed in the schedules provided. Furthermore, CLA noticed that all of the withdrawals made from Ms. Saleh's account were listed in the schedules provided by Council Member Jones. This would imply that all of the cash withdrawals made by Ms. Saleh from her bank account were provided to Council Member Jones as withdrawn, and this cash was not used for any other personal purpose of Ms. Saleh. Additionally, the withdrawal dates and amounts did not coincide to the dates and amounts Council Member Jones listed in her *Family Care Reimbursement* requests.

#### Review of Email Communication

CLA identified an email dated September 6, 2018, from Ms. Hodgson to Council Member Jones. In this email, Ms. Hodgson informs Council Member Jones that on September 2, 2018, Council Member Jones submitted a request for *Family Care Reimbursement* that listed four instances of childcare for which the City had already paid Council Member Jones based on her request dated August 17, 2018.<sup>112</sup> The signature in the "childcare provided by:" line indicated Bree Jones for both of the requests. The second reimbursement request was not processed as the City had identified that this was a duplicate request of the first reimbursement on August 17, 2018. Exhibit 79 contains this email communication and the attached *Family Care Reimbursement* requests discussed in the email.

CLA reviewed both of the *Family Care Reimbursement* requests and noticed that of the four events duplicated on the requests for August 17, 2018, and September 2, 2018, three of them listed a different dollar amount on each request. Both of the *Family Care Reimbursement* requests contained the signature of Bree Jones, who is Council Member Jones' mother. Figure 5 and Figure 6 include both of these requests.

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<sup>111</sup> CLA requested that Council Member Jones provide copies of the checks listed in this schedule to confirm that the checks were made payable to Council Member Jones or one of the childcare providers. Council Member Jones did not provide copies of these checks.

<sup>112</sup> The *Family Care Reimbursement* request dated August 17, 2018, is also discussed later in this section in regards to overnight care for Council meetings that continued past 10:30 p.m.

Figure 5: Family Care Reimbursement Request Dated August 17, 2018



Kayla Jones	
Childcare provided on:	
August 2 <sup>nd</sup> council meeting: \$45	
August 14 <sup>th</sup> NSVMAD meeting: \$35	
August 14 <sup>th</sup> Arts & History Commission: \$35	
August 16 <sup>th</sup> council meeting: \$225 (overnight care required, picked up at 9 am)	
Total: \$340	
Childcare provided by:	
	8/17/18
Bree Jones	8/16/18

Figure 6: Family Care Reimbursement Request Dated September 2, 2018

Kayla Jones	
Childcare provided on:	
August 2 <sup>nd</sup> council meeting: \$45	
August 9 <sup>th</sup> sugarleaf ribbon cutting: \$25	
August 14 <sup>th</sup> NSVMAD meeting: \$40	
August 14 <sup>th</sup> Arts & History meeting: \$40	
August 16 <sup>th</sup> council meeting: \$75	
August 24 <sup>th</sup> spoke to classes at Foothill elementary: \$30	
Total: \$255	
Sign 	Date: 9/2/18

#### Analysis of Documentation and Statements of Council Member Jones

*Council Member Jones' verbal statements to CLA during her interviews are inconsistent with the information she represented to the City on her Family Care Reimbursement requests.*

- Based on the Family Care Reimbursement requests submitted by Council Member Jones to the City, childcare was provided by Ms. Saleh for which Council Member Jones paid her a total of \$5,992. However, to CLA, Council Member Jones stated that Ms. Saleh had not provided the childcare directly and only managed the childcare services on her behalf. This fact pattern indicates that Council Member Jones presented to the City false and/or misleading information in her *Family Care Reimbursement* requests.

*The typed notes Council Member Jones provided to the City documenting her payments for child care are not reliable.*

- Bree Jones (Council Member Jones's mother) signed, on two separate occasions, a request for reimbursement for three of the same events; however, the dollar amounts indicated on each request were different. This suggests that the *Family Care Reimbursement* requests submitted by Council Member Jones are unreliable as evidence for actual childcare payments made by Council Member Jones. This also calls into question whether Bree Jones, as a family member of Council Member Jones, was actually paid by Council Member Jones for providing childcare services because she signed to having received two different amounts.

*Council Member Jones made inconsistent statements to CLA regarding the source of the funds used to pay for childcare services.*

- During Council Member Jones' first interview with CLA, she claimed to have paid for childcare services using cash, wire transfers, and Venmo.
- During Council Member Jones' second interview with CLA, she claimed that Ms. Saleh, her grandmother, gave her the funds via cash withdrawals to pay for childcare services. Council Member Jones provided CLA with schedules detailing withdrawals and checks from Ms. Saleh's bank account that Council Member Jones claimed were given to her to pay for childcare services. She also claimed that any differences between the amounts taken from Ms. Saleh's account and what she had requested in reimbursement would have come from her husband's bank account. In her first interview, Council Member Jones never mentioned that the source of funds was her grandmother, Ms. Saleh.
- Via an email sent to CLA subsequent to Council Member Jones' second interview, she claimed that in July 2018 and August 2018, when her reimbursement requests to the City exceeded \$6,000, she paid for the childcare services using cash from a family safe that had cash she received from Ms. Saleh in October 2017 and November 2017 (refer to Exhibit 77, which includes this email communication). During her interviews with CLA, Council Member Jones never mentioned using cash from a family safe to pay for childcare services.

*Council Member Jones has not provided CLA with sufficient information to support the childcare expenses she claimed on the Family Care Reimbursement requests submitted to the City, with the exception of one request for \$56.00.*

- Council Member Jones provided evidence of one payment made to Hailey Nelson on August 26, 2017 for \$56.00 (see Figure 2). This was the only proof of payment that reflects an amount she represented to the City that she incurred as an expense for childcare.
- Council Member Jones provided schedules detailing cash withdrawals and checks from Ms. Saleh's bank account that she claimed were given to her to use for childcare services. Although the bank statements evidence cash withdrawals and check

disbursements from Ms. Saleh's account, this is not evidence that Council Member Jones paid for childcare services. Additionally, it is unlikely that all of the cash withdrawals from Ms. Saleh's account were provided to Council Member Jones specifically to pay for childcare services, and none of these withdrawals represent Ms. Saleh's personal use of her funds. If Ms. Saleh did provide cash to Council Member Jones to pay for childcare services, this raises the question of whether Council Member Jones was due a reimbursement from the City as she did not personally incur the costs for childcare services. Furthermore, the withdrawal dates and amounts on Ms. Saleh's bank statements did not coincide to the dates and amounts Council Member Jones listed in her *Family Care Reimbursement* requests.

- The payment made to Michele Saleh on September 10, 2017, for \$450.00 is not evidence to support that this payment was made for childcare services. According to Council Member Jones, Ms. Saleh did not directly provide the childcare and only managed the childcare services on behalf of Council Member Jones. Furthermore, the date of September 10, 2017, for the \$450 payment does not match any of the dates or amounts included in her requests for *Family Care Reimbursements*. The *Family Care Reimbursements* Council Jones requested within a week before and after this Venmo transaction included \$60.00 for September 7, 2017, \$28.00 for September 9, 2017, and \$756 for September 13, 2017 to September 15, 2017.

Council Member Jones admitted to Mr. Malin during a phone call on December 3, 2018, that she had not paid for childcare services in the amounts she had represented to the City. Mr. Malin informed CLA that Council Member Jones told him that she had paid for childcare expenses that amounted to a few hundred dollars instead of the thousands of dollars she represented to the City. During the same conversation, she also asked Mr. Malin if she could pay \$4,000 to the City to make this go away. Mr. Malin's account of this conversation appears supported by the inconsistencies in Council Member Jones' statements and the lack of evidence to support the actual payments made by Council Member Jones for childcare services.

### Conclusion

With the exception of one payment for \$56.00, CLA was unable to verify that Council Member Jones actually paid for childcare services as represented to the City in her *Family Care Reimbursement* requests. The unsupported reimbursements to Council Member Jones for childcare services total \$11,413.00. These reimbursements to Council Member Jones may be a violation of California Government Code § 36514.5 which provides that only "actual and necessary expenses incurred in the performance of official duties" [emphasis added] may be reimbursed to city officials. Similarly, these reimbursements may be a violation of the City's *Expense and Use of Public Resources* policy *Section III K*, which allows for "Reimbursement for actual family care expenses incurred in the performance of official duties." Furthermore, Council Member Jones appears to have submitted to the City false expense reports, the payments of which represent a misuse of public resources. According to California Government Code § 53232.4, penalties for the misuse of public resources or falsifying expense reports in violation of expense reporting policies may include, loss of reimbursement

privileges, restitution to the local agency, civil penalties for misuse of public resources, and/or prosecution for misuse of public resources.


CLA does not make a conclusion as to whether Council Member Jones' husband was available to provide the care for their daughter while Council Member Jones was away at conferences.

**(18) Not a Necessary Expense – Family Care - \$1,060:**

CLA identified a *Family Care Reimbursement* paid to Council Member Jones related to her trip to Hilo, Hawaii for a grant writing class. The request submitted to the City was for \$1,060 for July 21, 2018, with the description "July 21<sup>st</sup> Travel to grant writing usa: \$340;" and for July 23 to 24, 2018 with the description "Grant Writing USA 23<sup>rd</sup>-24<sup>th</sup>: \$720." The review of the hotel receipt related to her trip to Hilo, Hawaii revealed that the room was occupied by two guests. Figure 7 includes the note Council Member Jones used to request this *Family Care Reimbursement*, which was approved by Mr. Malin.

**Figure 7: for Family Care Reimbursement**

Kayla Jones	
<b>Childcare provided on:</b>	
July 21 <sup>st</sup> Travel to grant writing usa:	\$340
Grant writing USA 23 <sup>rd</sup> -24 <sup>th</sup> :	\$720
<del>Total: \$1,080</del>	\$ 1060. <sup>00</sup>
<b>Childcare provided by:</b>	
<u>For [Signature]</u>	<u>7/25/18</u>
Dee Russo	7/25/18

PLEASE PAY  
  
 7/27/18  
 100-1010-7176

Results of Interview

CLA inquired with Council Member Jones whether anyone had traveled with her to Hilo, Hawaii. Council Member Jones communicated to CLA that her husband had traveled with her. During the first interview, Council Member Jones stated that her husband had arrived in Hawaii a day after she did and, therefore, believed that the City should have processed her

*Family Care Reimbursement* request for her day of travel (July 21). However, for the remaining days (July 23-24), because her husband was with her when he could have been home providing the childcare for their daughter, Council Member Jones stated that she should not have requested reimbursement from the City for childcare expenses incurred on these days. When asked again why she would have requested a reimbursement for family care when her husband had accompanied her on this trip, she stated, “it doesn’t make sense to me that I requested childcare at all.” During her second interview, Council Member Jones stated that she should have not been paid for \$720 of the *Family Care Reimbursement* related to her trip to Hilo, Hawaii.

#### Conclusion

Based on Council Member Jones’ own admission that she should not have requested a reimbursement for childcare services on July 23 and 24, 2018, CLA concludes that \$720.00 of the childcare costs reimbursed to Council Member Jones for her trip to Hawaii was inappropriate, as her husband could have stayed home to care for their daughter. For the remaining \$340.00 in childcare costs reimbursed to Council Member Jones for this trip, CLA refers back to Finding Number (17).

#### **(19) Overpayment – Family Care – \$241.00:**

CLA identified two instances in which Council Member Jones submitted a *Family Care Reimbursement* request for her attendance at Council meetings for which the number of hours claimed appears to be an overpayment based on the actual length of each of the Council meetings. The total questioned cost for these two instances is \$241.00 (\$114.00 + \$127.00 = \$241.00).

- 1) For the date of June 21, 2018, Council Member Jones submitted a *Family Care Reimbursement* request for \$240.00, which at an hourly rate of \$14.00, calculates to a total of 17 hours.<sup>113</sup> The description listed on the document submitted by Council Member Jones was “June 21<sup>st</sup> council meeting (went very late, required overnight care): \$240.” Exhibit 80 contains this *Family Care Reimbursement* request

CLA reviewed the Council meeting minutes published on the City’s website and noticed that the Council meeting minutes listed a starting time on June 21, 2018, of 5:30 p.m. for a special meeting and 7:25 p.m. for the regular meeting. The recorded ending time of 12:12 p.m. would indicate the meeting lasted approximately 16.8 hours (Exhibit 81). However, the minutes appear to have incorrectly stated an ending time of 12:12 p.m. instead of an ending time of 12:12 a.m.<sup>114</sup> The Council meeting minutes recorded an adjournment for a ten-minute break at 10:10 p.m. and reconvened at 10:20 p.m. There were no other breaks

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<sup>113</sup> CLA used \$14.00 as the hourly rate based on the email Council Member Jones sent to Mr. Malin on June 7, 2017, in which she provided an estimated hourly rate for childcare costs. Refer to Exhibit 12 for this email.

<sup>114</sup> Recorded on page 7 of the Council meeting minutes is a motion by Council Member Pacheco, seconded by Council Member Jones, for the City Council to approve continuing the meeting past 10:30 p.m. The motion was approved.

after this time and it appears highly unlikely that a Council meeting would extend until noon of the next day without any additional breaks. Furthermore, CLA inquired of Ms. Hodgson whether she recalled if this Council meeting had adjourned at noon on the following day. She stated that although the meeting had been long and may have lasted past midnight, it certainly did not last until noon the next day.

CLA reviewed the *Family Care Reimbursement* support and noticed that there is no approval signature; however, the payment was processed. It is CLA's determination that the number of hours for family care included in this expense reimbursement for the performance of official duties should have been approximately nine hours for a total of \$126.00.<sup>115</sup> Therefore, CLA has determined the overpayment amount at \$114.00.<sup>116</sup>

- 2) For the date of August 16, 2018, Council Member Jones submitted a *Family Care Reimbursement* request for \$225.00, which at the hourly rate of \$14.00, calculates to a total of approximately 16 hours. The description listed on the document submitted by Council Member Jones was "August 16<sup>th</sup> council meeting \$225 (overnight care required, picked up at 9 am)." The *Family Care Reimbursement* request included a signature date by the caregiver, Bree Jones, of August 17, 2018. Exhibit 82 includes this *Family Care Reimbursement* request.

CLA reviewed the Council meeting minutes for August 16, 2018 and identified a start time of 5:30 for a special meeting and of 7:12 p.m. for the regular meeting. The end time recorded was 10:19 p.m., which would have required at most 7 hours of childcare.<sup>117</sup> Exhibit 83 includes the August 16, 2018 Council meeting minutes. Additionally, Council Member Jones submitted a second reimbursement request for this same Council meeting only this time the description stated, "August 16<sup>th</sup> council meeting \$75." The signature date by the caregiver, Bree Jones, was September 2, 2018. The second reimbursement request was not processed as the City had identified that this was a duplicate request of the first reimbursement on August 17, 2018.<sup>118</sup>

The expense reimbursement was not signed by anyone at the City for approval; however, the payment was processed. It is CLA's determination that the appropriate number of

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<sup>115</sup> Although the Council meeting lasted approximately seven hours, CLA calculated the estimated cost with additional time allocated for commuting time (one hour each way). The calculation is as follows: \$14.00 x 9 hours = \$126.00.

<sup>116</sup> CLA arrived at this calculation as follows: Total reimbursement of \$240.00 - \$126.00 = \$114.00.

<sup>117</sup> CLA calculated the estimated hours needed for childcare including commuting time (one hour each way), for a total of seven hours.

<sup>118</sup> Bree Jones (Council Member Jones's mother) signed, on two separate occasions, a request for reimbursement for three of the same events; however, the dollar amounts indicated on each request were different. This suggests that the *Family Care Reimbursement* requests submitted by Council Member Jones are unreliable as evidence for actual childcare payments made by Council Member Jones. This also calls into question whether Bree Jones, as a family member of Council Member Jones, was actually paid by Council Member Jones for providing childcare services because she signed to having received two different amounts.

hours needed for childcare services during Council Member Jones' performance of her official duties is approximately 7 hours for a total of \$98.00.<sup>119</sup> Therefore, CLA has determined the overpayment amount at \$127.00.<sup>120</sup>

### Results of Interviews

#### ***Kayla Jones***

During her interview, Council Member Jones stated that, when Council meetings went late into the night, her daughter slept at the childcare provider's home. She stated that her husband was not available to care for their daughter overnight, and Council Member Jones would pick up her daughter from the childcare providers' home the next day. She stated it was her understanding that she could request a reimbursement for overnight care if the Council meetings went late into the night.

CLA pointed out to Council Member Jones that she had submitted two requests for reimbursement for childcare provided for the August 16, 2018 Council meeting, and the amount included on each was different. The first reimbursement request indicated that overnight care was required; however, the second reimbursement request did not. CLA asked Council Member Jones about the reason for the discrepancy between the two requests. Council Member Jones stated that her daughter had spent the night at her mother's house; however, because she submitted the second, and duplicative, *Family Care Reimbursement* request in the subsequent month, she must not have recalled the actual hours of childcare. Because she submitted the first request on the day after the Council meeting, her recollection of the hours was more accurate at that time. She also stated that she had told Ms. Hodgson that she had made a mistake by submitting the second request.

#### ***Craig Malin***

CLA asked Mr. Malin whether he, at any point, discussed with Council Member Jones regarding her husband's availability to watch their daughter overnight. Mr. Malin stated that this was a question he did not think he could or should ask of Council Member Jones.

### Review of Council Meeting Recordings

Per review of City Council meeting recording for June 15, 2017, CLA identified at minute 00:21:35 Mr. Malin's explanation that the proposed budget included \$3,000.00 for "Council Member Child Care Reimbursement."<sup>121</sup> He stated this was being proposed for reimbursements to Council Members for childcare expenses that they may incur in the course of their official duties. It would work in the same way that the City reimbursed Council

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<sup>119</sup> Although the Council meeting was only three hours, CLA calculated the estimated cost with additional time allocated for commuting time (one hour each way). The calculation is as follows: \$14.00 x 7 hours = \$98.00

<sup>120</sup> CLA arrived at this calculation as follows: Total reimbursement of \$225.00 - \$98.00 = \$127.00

<sup>121</sup> Mr. Malin was providing information for each of the line items for programming enhancements, and "Council Member Child Care Reimbursements" was one of the line items.

Members for travel and training. He also explained the “Council Member Child Care Reimbursement” would have to be approved as a City policy in order to have it placed in the budget. He explained that the intent behind this proposed policy was to allow more people to participate in Council services. At minute 03:18:35, Council Member Campbell mentioned, during his time for questions on the proposed budget, that he received a comment from a constituent on the proposed “Council Member Child Care Reimbursement.” He briefly commented that it would be advisable to call it “Family Care” in order to make it more inclusive.

During the July 20, 2017, Council meeting, the City Council approved a resolution to modify the City’s *Expense and Use of Public Resources* policy to include *Section III K – Family Care Expenses*: “Reimbursement for actual family care expenses incurred in the performance of official duties.” When this policy was approved, there was no discussion by the City Council on what was specifically allowable under this policy or the intent by the Council regarding overnight care for Council meetings that extend late into the night.

### Conclusion

It is CLA’s conclusion that the portion of the childcare expenses reimbursed to Council Member Jones for overnight childcare on June 21, 2018 and August 16, 2018, totaling \$241.00, were questionable and possibly unnecessary as Council Member Jones’ official duties ended at the adjournment of the Council meetings. These reimbursements to Council Member Jones may be a violation of California Government Code § 36514.5 which provides that only “actual and necessary expenses incurred in the performance of official duties” [emphasis added] may be reimbursed to city officials. Similarly, these payments may also violate the City’s *Expense and Use of Public Resources* policy *Section III K*, which allows for “Reimbursement for actual family care expenses incurred in the performance of official duties” [emphasis added]. After the adjournment of the Council meeting, Council Member Jones was no longer acting in the performance of her official duties.

Based on the limited information included in the City’s *Expense and Use of Public Resources* policy, and the limited discussion by the City Council surrounding this addition to the policy, it is unknown if the City Council intended for this benefit to be used in instances when the overnight childcare was needed when Council meetings ran late into the evening.

CLA does not make a conclusion on whether Council Member Jones’ husband may have been available to provide the care for their daughter while Council Member Jones attended a Council meetings that extend late into the night.

## 9. Recommendations

The following recommendations are based on CLA's understanding of the processes and procedures relating to Council Member Travel Expenses as identified through this forensic accounting and investigative services engagement. These recommendations are for the City to consider and it is up to the City to determine whether the recommendations will be implemented, to what extent they will be implemented, and the process for implementation.

**1) Ensure that all expenses are posted to the appropriate accounts and for the correct amounts in the City's general ledger.**

As stated in Finding Number (1), CLA identified errors in posting expenses to the general ledger in the correct amounts or to the correct general ledger account. It is imperative that expenses be posted accurately to the general ledger so that an appropriate record exists for each expense.

**2) Establish a process to verify that the Council Member travel budget and *Family Care Reimbursement* budget have sufficient funds prior to incurring expenses for these accounts, and obtain approval from the City Council in a public meeting when the budgets must be exceeded.**

As stated in Finding Number (2), the Council Member travel expense budgets of one or more years for four Council Members was exceeded. Additionally, the *Family care Reimbursement* budget was exceeded in the two years that it existed. Establishing a process to verify sufficient funds are available prior to incurring the expense will help prevent these types of overages. The use of a checklist may be implemented to record this review. In accordance with the City's *Expense and Use of Public Resources* policy, if the requested expense appears to exceed the established budget, the request for the expense must be presented to the City Council for approval at a public meeting prior to the expense being incurred.

**3) Implement a procedure whereby anticipated Council Member travel outside of California are presented to the City Council for approval, along with an estimated total cost, prior to incurring any related expenses such as conference registration and travel reservations.**

As stated in Finding Number (3), one instance of travel for Mayor Rubio and six instances of travel for Council Member Jones were for travel outside of California that was not presented for approval by City Council at a public meeting. In order to implement this procedure, training must be provided to Council Members as well as to those individuals responsible for assisting the Council Members in making travel arrangements. If family care costs are anticipated as part of a Council Members' travel, the total cost presented to the City Council for approval should include the estimated family care costs. The checklist mentioned in recommendation 2 above should have an area to record whether the request includes out-of-state travel and the day it was approved by City Council at a public meeting. The support retained for such expenses should include this checklist.

**4) Establish a process whereby Council Members engaging in out-of-state travel report to the City Council at a public meeting about the meetings, conferences, and/or out-of-state travel attended by the Council Members at the City's expense.**

As stated in Finding Number (4), although Council Member Jones communicated to the City Council during a public meeting about taking a grant writing class, she did not state the location for travel or the associated cost. The City should implement a process to ensure that a report is given to the City Council of all travel related meetings (or conferences) attended at the City's expense, as required by *Section VII of the City's Expense and Use of Public Resources* policy. The report must be given at the following City Council meeting and should include all meetings and conferences attended at the City's expense. This report should include details related to the purpose of the event, location of the event, benefit to the City, and total related expense incurred by the City for the Council Member, including whether any family care costs were incurred.

**5) For Council Member travel expenses paid using a City-issued CAL-Card, require that Council Members turn in to the city a *Travel Reconciliation* form listing all of the expenses incurred for instances of travel along with the related conference itinerary and receipts.**

As stated in Finding Number (4), Council Member Jones made charges to her City-issued CAL-Card for expenses that represented personal expenses, as they were not incurred in the performance of her official duties as a Council Member. As stated in Finding Number (7), there were several instances where receipts were not turned into the City, the receipts turned in were not detailed receipts (Finding Number (12), or there was insufficient support to understand the purpose of the travel (i.e. conference flyer/itinerary; Finding Number (14)). To prevent such occurrences, whether Council Member expenses are incurred directly by a charge to a CAL-Card or requested through an expense reimbursement, Council Members must within ten days of their return, turn into the City a *Travel Reconciliation* form (required by the City's *Expense and Use of Public Resources* policy). This form should list each expense incurred and be supported by detailed receipts, and the conference itinerary. Prior to processing payment for expense reimbursements or payment for the CAL-Card charges, the finance department should review the completed form and the attached details and itinerary to verify that the listed expenses are consistent with the necessary travel costs based on the submitted conference itinerary. For example, the number of days should be reasonable based on the location and the beginning and ending dates of the conference. Meals charges should only be included if the meals were not provided by the conference. *The Travel Reconciliation* form can be used by the Council Members to identify the total expense related to the instance of travel in their presentation to the City Council as mentioned in Recommendation Number 4.<sup>122</sup>

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<sup>122</sup> If a similar process is not already in place for City employees engaging in travel at the City's expense, the City must consider implementing the same process of requiring that a form be completed providing the details of travel accompanied by the travel itinerary and related detailed receipts.

**6) Provide training to Council Members concerning the *City Expense and Use of Public Resources* policy.**

As stated in Finding Number (5), CLA identified instances where Council Member Jones charged to her City-issued CAL-Card for meals that exceeded the city-established limits of \$12.00 for breakfast, \$18.00 for lunch, and \$36.00 for dinner. CLA also identified three charges for Mayor Pro Tem Alexander and one charge for Council Member Campbell that was in excess of the City-established limits.<sup>123</sup> The City must provide appropriate training to Council Members during the onboarding process, and at least every two years thereafter, to inform them of City policies and procedures applicable to them. This training must include a discussion of the City's *Expense and Use of Public Resources* policy, and training on how to complete their expense reimbursement forms, so that they are aware of the types of expenses not allowed by City policy.<sup>124</sup>

**7) Consider reviewing and possibly updating the *City Expense and Use of Resource* policy for items within the policy that may be too difficult to comply with (for example, consider updating the \$1.00 maximum allowance for the airline bag check-in fee).**

As stated in Finding Number (5), there were seven instances Council Member Jones incurred a cost of \$25.00 per instance when she checked in a bag while traveling. The *City Expense and Use of Resources* policy provides for a \$1.00 allowance for bag check-in fees. However, the median cost for baggage check-in fees is approximately \$25.00 to \$30.00 per checked-in bag. The City may consider assessing whether this allowance is sufficient to reasonably cover the associated cost.

**8) Update the City's *Expense and Use of Public Resources* policy to provide guidance to City employees and Council Members regarding travel that must be canceled due to an emergency or sudden illness. Provide appropriate training to employees and Council Members, especially purchasing cardholders, regarding their duty of stewardship over the use of limited public resources.**

As stated in Finding Number (6), there were several instances in which Council Member Jones paid for airfare, car rental, lodging, and conference registrations with her City-issued CAL-Card and did not attend the related conference. It is imperative that City employees and Council Members understand their duty of stewardship over the City's funds, especially individuals that are issued purchasing cards. There will be occasions when an emergency or sudden illness prevents the person from traveling as scheduled; however, these instances should be rare. Recurring instances of canceled travel by the same individual should be further evaluated by City management and an assessment made regarding whether that individual should be authorized to travel in the future at a cost to the City.

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<sup>123</sup> Both Mayor Pro Tem Alexander and Council Member Campbell reimbursed the City on January 16, 2019, for the questioned cost related to their expenses in excess of the City policy limits.

<sup>124</sup> Other unallowed expenses include payment to a Political Action Committee as detailed in Finding Number (9) and reimbursement for gasoline as detailed in Finding Number (10).

- 9) Ensure that an accurate accounting is performed and reimbursements are obtained for instances in which the City incurs the cost of tickets purchased for a guest of a Council Member to attend an event.**

As stated in Finding Number (8), the City incurred a cost of \$800.00 for Mayor Rubio and \$150.00 for Mayor Pro Tem Alexander, for the purchase of tickets for their guests to accompany them to events. These amounts should have been reimbursed to the City because they represented a personal expense for which the City may not bear the cost.<sup>125</sup> If the City continues to purchase the tickets to events for the guests of Council Members, an appropriate accounting should be performed and the related amounts must be returned to the City in order to comply with established City policy.

- 10) Establish a procedure to ensure that only expense reimbursements submitted with the required *Travel Expense Report* form, that includes a description of the business purpose and detailed receipts, are processed for payment.**

As stated in Finding Number (13), out of 29 expense transactions submitted by Council Members for reimbursement, only nine were requested using the required *Travel Expense Report* form. Ensuring that a standard procedure is followed to process all requests for expense reimbursements will assist the City in ensuring that sufficient documentation is obtained for all expense reimbursements. Furthermore, the individual seeking the reimbursement should be the individual completing the expense reimbursement form to prevent errors in completing the form, such as double counting expenses when both a summary receipt and a detailed receipt is submitted for the same expense. If an individual requires assistance in completing the form, the individual must review the completed form and understand that his or her signature attests to the accuracy of the information included on the *Travel Expense Report* form. Next the signature line of the requester, the form should include a statement that the information included on the *Travel Expense Report* accurately reflects all travel costs incurred and are in accordance with the *City's Expense and Use of Public Resources* policy.

- 11) Ensure that appropriate support is retained for any reimbursements paid by Council Members to the City for personal expenses originally incurred by the City on their behalf.**

As stated in Finding Number (15), CLA identified eleven adjustments recorded to the Council Members' travel expense accounts for expenses originally incurred by the City for which Council Members appear to have reimbursed the City. However, the City could not locate the support for these reimbursements. If the City Council continues to allow the practice of incurring an expense for an unallowable cost with the intent that the Council Members will reimburse the City, a copy of the check issued by the Council Member to reimburse the City, along with a copy of the receipt issued, should be retained as support by the City for the payment received.

- 12) When the City pays for an unallowed cost on behalf of a Council Member that will later be reimbursed by that Council Member, the portion of the cost that will be reimbursed should be**

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<sup>125</sup> Both Mayor Rubio and Mayor Pro Tem Alexander reimbursed the City on January 15, 2019, and January 16, 2019, respectively, for the questioned costs identified in Finding Number (8).

recorded to a receivable (or due from) account and not the Council Member's travel expense account.

As stated in Finding Number (16), Mayor Rubio repaid the City through stipend deductions for twelve instances in which the City had paid for the event entrance fees for his wife to attend a City related event with him. The original cost of his wife's entrance fees were recorded to his travel expense account. When Mayor Rubio reimbursed the City through stipend deductions, his travel expense account was not adjusted to reflect the reimbursement, therefore overstating his expense account. If the City Council continues to allow the practice of incurring unallowable costs with the intent that the Council Members will reimburse the City, the portion of the cost that will be reimbursed by the Council Member should be recorded to a receivable (or due from account) and not the Council Member's travel expense account. Tracking these costs in a receivable account will allow the City to track these costs, ensure sufficient reimbursements are received, and will help prevent overstatement of expense accounts.

**13) Establish a process whereby the City obtains sufficient supporting documentation to verify that a family care expense has actually been incurred prior to processing any *Family Care Reimbursements*.**

As stated in Finding Number (17), the City paid Council Member Jones \$11,469.00 in *Family Care Reimbursements* based on a note provided by her to the City that listed dates, total amounts, and a brief description of the reason for the purported expense. However, the number of hours was not stated, the hourly rate was not stated, and no receipt existed to support the childcare payment made by Council Member Jones to the childcare provider. The City must require evidence that a family care expense was actually incurred prior to processing a reimbursement. This could include a receipt from a licensed childcare facility, a copy of a check, money order, or cashier's check made payable to the childcare provider, or a receipt from a third-party establishment or business documenting the services provided and cost incurred. Additionally, a request for childcare reimbursement, or other hourly services, should include the date, number of hours the service was provided, the hourly rate paid to the service provider, and a statement that the person providing the care (or other service) actually received the payment. Sufficient supporting documentation should also include a detailed description of the event the Council Member attended that required the family care costs to be incurred. For example, if a Council Member attends a conference, a copy of the conference flyer/itinerary and a detailed explanation justifying how the event was within the Council Member's "official duties" should be provided along with the request for reimbursement.

**14) Update the *Family Care Reimbursement* section contained in the City's *Expense and Use of Public Resources* policy to address the intent of the policy and provide guidelines for implementation. Develop a complementary procedure that provides sufficient details to allow management to effectively implement the use of this reimbursement benefit for Council Members.**

Although the City Council approved in its budget the *Family Care Reimbursement* policy, the City failed to establish appropriate complementary procedures to execute this policy. In order for this policy to be effectively implemented, detailed parameters (guidelines) should be

established that identify when a family care cost qualifies for reimbursement under the *Family Care Reimbursement* benefit. The detailed procedures must address the following areas:

- The types of city events that qualify for this expense reimbursement (Council meetings, non-city events attended by Council Members, conference attendance, etc.)
- The methods of payment that are acceptable for the Council Member incurring the expense in order to provide evidence of payment to the City (check, money order, smartphone-based payment applications) – CLA strongly recommends that cash not be an accepted form of payment unless the payment is being made to a licensed, third-party facility that can provide adequate receipts
- Any limits to the number of hours or dollar amounts that can be requested for reimbursement
  - If a Council meeting lasts past 10:30 p.m., will *Family Care Reimbursements* be approved for overnight care for next morning pick up?
  - If the Council Member is attending a conference that requires overnight travel, will a reimbursement be processed for 24-hour (overnight) care?
- Whether the care/service provider must be a third party, licensed facility or friends and family members can provide the care/service – If care/service can be provided by a related party, consider whether additional supporting documentation would be needed
- If the care provider is not a licensed facility, whether there is any liability to the City should there be any care-related issues arising from the family care provider
- If childcare is provided for the members of the community at City Hall, whether Council Members are required to utilize this service for their children as a first option
- Whether advance approval of the City Council is required for family care costs that will exceed a certain dollar threshold, such as \$500
- Whether the Council Member, or his/her household, must have personally paid the cost of the required family care – CLA defines “household” as someone living at the same physical address as the Council Member and/or that files a joint tax return with the Council Member (such as a spouse)

**15) Create a form to be used for requests of *Family Care Reimbursement* that contains sufficient fields to record the required information.**

The form must detail the name of the Council Member, the dates of care, the number of hours, the hourly rate paid, the name of the family care provider, the event requiring the incurrence of family care, and any other parameters or limitations established by City Council and/or City management pursuant to recommendation #14. This form must also record the support attached to describe the business reason for the expense (conference agenda, City Council

meeting agenda, etc.). The form should include a location for the Council Member to sign with a statement that the information included on the form is accurate and all family care costs were incurred by the Council Member or his/her immediate household.

- 16) Ensure that requests for *Family Care Reimbursements*, and the required support, are reviewed for compliance with the City's policy and are reasonable and appropriate. Require that the review be documented with an approval signature prior to processing the reimbursement.**

During the review of *Family Care Reimbursements* paid to Council Member Jones, CLA identified several reimbursement requests that did not contain an approval signature but were still process for payment. The City should require that all requests for *Family Care Reimbursements* be reviewed and an approval signature is documented on the request prior to processing the reimbursement for payment. The review of the request and supporting documentation should ensure that the request complies with the City's policy, including any updated made as a result of the recommendations made in this report.

## 10. List of Exhibits

**Table 19: List of Exhibits**

Exhibit Number	Exhibit Description
01	CLA Information
02	Bio: Rich Gonzalez
03	Bio: Jenny Dominguez
04	Bio: Ana Rodriguez
05	City of Seaside <i>Expense and Use of Public Resources</i> policy
06	Interview Transcripts: Craig Malin 11/28/18
07	Request for Interview- memorandum to Council Member Jones
08	Interview Transcripts: Kayla Jones 11/28/2018
09	12/4/2018 Email and letter from Council Member Jones' attorney
10	Interview Transcripts: Council Member Jones 12/11/2018
11	5/2/2017 Email - Family care
12	6/7/2017 Email - Family care
13	7/13/2017 Email - Family care
14	Family Care: Resolution, Staff report, and City Council meeting minutes for 7/20/2017
15	Issuance of CAL-Card to Council Member Jones: Memorandum, <i>Purchasing Cardholder Use Agreement</i> , and <i>Purchasing Card Policies and Procedures</i>
16	Council Member Jones' CAL-Card statements March 2018 to September 2018
17	10/19/2018 Email - CAL-Card return confirmation
18	5/24/2018 Email - CAL-Card available balance
19	Text communication between Mr. Malin and Council Member Jones re: hotel reservation
20	Council Member expenses reconciliation
21	Family care reimbursement coded to account 7177 instead of account 7176
22	Budgets for Council Member expenses 2015/16 to 2017/18
23	Budget for Council Member expenses 2018/19
24	California Government Code § 53232.2
25	Support for Mayor Rubio's travel to Harrisburg, Pennsylvania - include copy of reimbursement check from Mayor Rubio to city
26	Support for Council Member Jones' travel to Fort Worth Texas (Only family care reimbursement)
27	Support for Council Member Jones' travel to Atlanta, Georgia
28	Support for Council Member Jones' scheduled travel to Little Rock, Arkansas
29	Support for Council Member Jones' travel to Hilo, Hawaii
30	Support for Council Member Jones' travel to Seattle, Washington
31	California Government Code § 36514.5
32	Anaheim, California conference travel (2018 Women's Conference): Conference itinerary, listing of all costs incurred, corresponding CAL-Card statements, and hotel receipt
33	Anaheim, California conference travel (2018 Women's Conference): Listing of questioned cost incurred for personal expenses incurred and hotel receipt with relevant items highlighted
34	Atlanta, Georgia conference travel ( Women in Municipal Government): Conference itinerary, listing of all cost incurred, corresponding CAL-Card statements, and hotel receipts
35	Atlanta, Georgia conference travel ( Women in Municipal Government): Listing of questioned costs, Omni hotel receipt, and detailed meal receipts provided
36	Hilo, Hawaii (grant writing class): listing of all cost incurred, corresponding CAL-Card statement, and hotel receipt
37	Hilo, Hawaii (grant writing class): listing of questioned cost, and hotel receipt
38	Hilo, Hawaii (Grant writing class): schedule of available grant writing classes. Classes in California are highlighted in yellow
39	Seattle, Washington (YEO conference): listing of all cost incurred, corresponding CAL-Card statement, and hotel receipt
40	Seattle, Washington (YEO conference): listing of questioned cost, flight itinerary, and hotel receipts
41	Listing of all expenses that exceeded City policy limits

Exhibit Number	Exhibit Description
42	Listing of all expenses that exceeded City policy limits - Council Member Jones
43	Text communication between Mr. Malin and Council Member Jones re: charging in-town meal to CAL-Card
44	Travel reimbursement request completed by Council Member Jones
45	Listing of all expenses that exceeded City policy limits - Mayor Pro Tem Alexander
46	Listing of all expenses that exceeded City policy limits - Council Member Campbell
47	Support for car rental not used - Council Member Jones
48	Listing of Registration and Airfare not used - Council Member Jones
49	Support for airfare not used - Council Member Jones
50	Support for Airbnb and Airfare not used - Council Member Jones
51	Listing of transactions for which no receipt was provided - Council Member Jones
52	Listing of transactions for which no receipt was provided and no other documentation or explanation was provided- Council Member Jones
53	Emails - 5/1/18, 7/16/18, and 8/16/18 re: Ms. Hodgson's requests for Council Member Jones to provide receipts
54	Email: 10/19/18 re: Ms. Greathouse's request for Council Member Jones to provide receipts
55	Ms. Greathouse's email to CLA informing that Council Member Jones will attend 11/28/18 interview by phone
56	Listing of transactions without receipts sent to Council Member Jones by CLA
57	Expenses for which no receipt was provided - Mayor Rubio
58	Expenses for which no receipt was provided - Mayor Pro Tem Alexander
59	No reimbursement to the City for guest expense - Mayor Rubio
60	Copy of payment to the City by Mayor Rubio
61	No reimbursement to the City for guest expense - Mayor Pro Tem Alexander
62	Copy of payment to the City by Mayor Pro Tem Alexander
63	Support for payment to Political Action Committee
64	Support for unallowed expense - Gasoline
65	Support for unallowed expense - Insurance
66	Support for itemized receipts not provided - Council Member Jones
67	Support for itemized receipts not provided - Mayor Pro Tem Alexander
68	Example of expense reimbursement processed without the use of a standard <i>Travel Reimbursement</i> form
69	Example of - sufficient information was not included with travel expenses to allow easy identification of the business purpose
70	listing of reimbursements for which support was not retained for reimbursements by Council Members to the City
71	Listing of original expense and listing of stipend deductions for which no expense adjustment (abatement) was recorded for reimbursement to the City by Council Members
72	Listing of all Family Care Reimbursement to Council Member Jones - Includes copies of checks and related requests
73	Email - 6/12/18 re: receipts for childcare
74	Email - 12/3/18 - Council Member Jones email to CLA
75	Email - 12/4/18 - Mr. Malin emailed CLA the notes he took of the conversation with Council Member Jones on 12/3/18
76	Schedules provided to CLA by Council Member Jones related to Family Care Reimbursements
77	Email - 12/14/18 - Council Member Jones email to CLA re: using thousands of dollars from her family safe to pay for childcare
78	Email - 12/14/18 - Council Member Jones email to CLA re: receiving cash from Ms. Saleh and paying Ms. Saleh with a Venmo transaction
79	Email - 9/6/18 - Ms. Hodgson informed Council Member Jones that City cannot pay a duplicate <i>Family Care Reimbursement</i> request
80	6/21/18 <i>Family Care Reimbursement</i> request
81	6/21/18 City Council meeting minutes
82	8/16/18 <i>Family Care Reimbursement</i> request
83	8/16/18 City Council meeting minutes