

**INVESTIGATIVE AUDIT OF SELECTED RECORDS  
OF THE CITY OF BOLIVAR  
FOR THE PERIOD JULY 1, 2000, THROUGH MARCH 31, 2002**

**BACKGROUND AND CRITERIA**

In February 2002, this office received a request from District Attorney General Elizabeth Rice to audit travel reimbursements paid by the City of Bolivar to the city's elected officials and employees. Section 6-54-901, *Tennessee Code Annotated*, provides that a municipal legislative body:

. . . shall by ordinance determine whether or not to pay the expenses of the mayor or any member of the local governing body, and any board or committee member elected or appointed by the mayor or local governing body, and any official or employee of the municipality whose salary is set by charter or general law; and, if it is determined that the municipality will reimburse expenses, shall enact a written policy as to how expenses will be reimbursed and determine what expenses are reimbursable. . . . (c) In such municipality it is the duty of the chief administrative officer or such chief administrative officer's designee to prescribe forms on which expenses will be reported, and it is further made such chief administrative officer's duty to examine such expense report to determine if all expenses so listed as reimbursable are legally reimbursable expenditures within the schedule as determined by the municipal legislative body. . . .

To comply with this statute, on September 14, 1993, the Bolivar City Council passed Ordinance 93-024 to establish travel reimbursement regulations for city officials and city employees conducting official business. Because the city adopted the model travel policy prepared by Municipal Technical Advisory Service, the council was not required to file the policy with the Office of the Comptroller of the Treasury, State of Tennessee. We reviewed all travel documentation provided by the City of Bolivar for the period July 1, 2000, through March 31, 2002.

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## **FINDINGS AND RECOMMENDATIONS**

1. **FINDING:** **City of Bolivar officials failed to comply with or disregarded the city's travel and expense policy, resulting in the payment of apparently unallowable and/or inappropriate travel and other expenses totaling \$22,527.74 for the period July 1, 2000, through March 31, 2002**

We could not determine that expenses totaling at least \$22,527.74 paid on behalf of or reimbursed to city officials and employees by the City of Bolivar from July 1, 2000, through March 31, 2002, were appropriate municipal expenditures and/or allowable in accordance with the city's official travel and expense policy. Although the city's travel and expense policy outlined allowable expenses, some city officials did not comply with or apparently chose to disregard the policy's requirements. The vast majority of these unallowable/inappropriate expenses related to excess charges for lodging on trips taken by Mayor Charles Frost accompanied by other officials and department heads. Many of the unallowable/inappropriate expenses were charged on a credit card maintained by Mayor Frost and paid by the City of Bolivar.

A review of travel documentation provided by the City of Bolivar revealed that during the 21-month period from July 1, 2000, through March 31, 2002, the City of Bolivar paid travel and other expenses on behalf of officials and employees totaling at least \$92,754.56. Of this amount, over \$65,000 related to trips taken by Mayor Frost accompanied by other officials/department heads. (Refer to the following schedule.) As noted in Findings 2 and 3, some travel and other expenses paid by the City of Bolivar—many of which were charged on credit cards paid by the city—appeared extravagant and unreasonable. We also noted unallowable expenditures that did not appear to be for a municipal purpose, including payment by the city for spouses' airfare, meals, and activities. The chief administrative officer or his designee failed to require and maintain adequate supporting documentation for many of these expenses and failed to ensure that all travel expenses were reconciled and that reimbursements due the city were received timely. The investigative audit further revealed that Bolivar officials often failed to document compliance with procedures outlined in the city's official travel and expense policy.

As noted in Finding 2, the city's travel policy allows authorized travelers to stay at the officially designated hotel of the meeting, but sets forth certain requirements regarding lodging, including the requirement to request more moderately priced accommodations whenever possible. The city had no documentation that required procedures were followed. Therefore, excess lodging costs were calculated using allowable lodging rates set forth in IRS Publication 1542. To be conservative, excess per diem expenses for travel involving officials were determined using the same publication, even though the city actually reimbursed at a lower rate. Also, as noted in Finding 2, city personnel stated that some meals charged by the mayor also benefited other authorized travelers. Therefore, excess per diem expenses were determined by comparing combined total allowable

amounts for all authorized travelers on each trip with combined totals of related expenses actually paid/reimbursed by the City of Bolivar.

**RECOMMENDATION:**

Elected officials are placed in a position of public trust. They should be held accountable for any abuse of that trust. We recommend the city seek legal counsel to determine necessary action regarding repayment by applicable officials and employees or adjustments to amounts reported as compensation.

<b>Destination</b>	<b>Actual*</b>	<b>Allowable*</b>	<b>Over Allowable*</b>
Colorado Springs 7/29/00	\$ 4,871.56	\$ 4,111.96	\$ 759.60
Registration	1,280.00	1,180.00	100.00
Chicago 9/9/00	2,348.93	2,061.47	287.46
San Diego 11/11/00	8,697.79	5,256.48	3,441.31
Nashville 2/12/01	862.04	372.00	490.04
Washington, DC 3/9/01	7,710.51	6,162.85	1,547.66
Registration	1,590.00	1,490.00	100.00
Chicago 4/2/01	5,848.44	5,185.01	663.43
Registration	100.00	100.00	-
Nashville 6/11/01	5,247.70	2,332.94	2,914.76
Registration	1,235.00	1,235.00	-
Naples, FL 8/4/01	9,429.37	4,407.36	5,022.01
Registration	2,041.00	1,332.00	709.00
Biloxi, MS 9/25/01	2,379.31	1,870.83	508.48
Registration	940.00	700.00	240.00
Toronto, ON 10/27/01	7,369.58	4,324.16	3,045.42
Registration	960.00	700.00	260.00
Nashville 2/25/02	1,270.95	652.00	618.95
Registration	150.00	150.00	-
Other Mayoral Travel	712.97	614.60	98.37
Other City Travel	27,709.41	25,988.16	1,721.25
<b>Totals</b>	<u>\$92,754.56</u>	<u>\$70,226.82</u>	<u>\$22,527.74</u>

\*Amounts in U.S. Dollars

2. **FINDING: Certain travel policy procedures not followed and expenses charged on credit cards paid by city not adequately reconciled**

City officials failed to ensure that certain procedures required by the city's travel and expense policy were followed or that charges for expenses on credit card statements paid by the city were allowable under the city's policy. As a result, as discussed in the example below, in one trip alone, taken by four authorized travelers including the mayor, with a total cost of \$9,429.37, it appears that the city paid inappropriate and/or unallowable expenses totaling \$5,022.01.

**Lodging charges – payment for luxury suites costing \$322.15 per room per night**

Although the city failed to maintain sufficient documentation of conference hotel alternatives and rates, city personnel stated that in most instances, city officials stayed at the “officially designated hotel of the meeting.” The City of Bolivar’s travel and expense policy states:

To qualify for reimbursement, travel expenses, must be . . . actual, reasonable, and necessary under the circumstances. . . . **Expenses considered excessive won’t be allowed.** . . . the Federal Travel Register provides guidelines for determining the maximum that can be reimbursed for lodging. . . . If the best rate is secured, and it still exceeds the maximum lodging per diem, the CAO may authorize a higher amount. Even if it costs more, travelers may be allowed to stay at the officially designated hotel of the meeting; however, more moderately priced accommodations **must** be requested whenever possible. It will be the traveler’s responsibility to provide documentation of the “officially designated meeting site” room rates, if these rates are higher than the normal reimbursable amounts. (Emphasis added.)

City records indicated that for most travel by city officials, the lodging rates exceeded the maximum federal reimbursement rates. However, the city had no documentation indicating that more moderately priced accommodations were ever requested, as required, or that the “officially designated meeting site” had been selected after considering transportation or other related savings.

For instance, the mayor, a councilman, a utility board member, an employee, and at least three spouses attended an American Public Gas Association Conference in Naples, Florida, from August 4, 2001, through August 9, 2001. The conference brochure we obtained from the sponsoring organization offered rooms at the hotel of the meeting (which is where the Bolivar travelers stayed) for \$125 per room per night. According to the Federal Travel Register, the maximum that could be reimbursed for lodging in Naples, Florida, was \$69 plus tax. As noted, there was no documentation that city officials attempted to obtain lodging at the allowable rate, and no documentation that the \$125 rate offered was “the best rate.” In fact, our examination of city records revealed

that **the City of Bolivar actually paid \$332.15 per room, per night**, for lodging for the attendees at this conference. Conversation with hotel officials revealed that the rooms reserved by the Bolivar contingent and paid for by the City of Bolivar were actually luxury suites, which included a living room, dining area, wet bar, and whirlpool tub. (Refer to description in Exhibit 1.) The city paid an additional \$658.10 for rental of a 2001 Ford Expedition as well as \$226.68 additional rental charges to Hertz Car Rental during the stay, so transportation costs apparently were not saved by staying at this hotel. Based on available documentation, it appears that for the trip to Naples, Florida, alone, the City of Bolivar paid \$4,369.36 for lodging in excess of the amount allowed by the city's travel and expense policy.

Review of other conference brochures obtained from sponsoring organizations also revealed an apparent upgrade at the Crowne Plaza in Toronto, Canada, for an International Association of Chiefs of Police Conference from the conference offered room rate of \$186 USD per night to a room costing \$243.56 USD per night.

#### **Expenses charged on credit card paid by city**

The city's travel and expense policy authorizes city officials and employees to be reimbursed for:

. . . certain expenditures incurred while traveling on official business for the city. Reimbursable expenses shall include expenses for transportation; lodging; meals; registration fees for conferences, conventions, and seminars; and other actual and necessary expenses related to official business. . . .

The city's travel and expense policy further states that authorized travelers will be reimbursed at the federal travel regulation rates and provides that authorized travelers can either be reimbursed for applicable expenses, or request advance billing directly to the city.

Although not specifically provided for in the travel and expense policy, an American Express credit card issued in the name of Charles L Frost MD (mayor) was often used to charge expenses, including hotel/motel bills, airline tickets, rental cars, meals, etc., presumably related to city business. Related credit card statements were paid by the City of Bolivar. City travel and expense records did not include any documentation that the city administrator or his designee reconciled expenses charged on these cards with related travel claims or with reimbursable rate limits set forth in the city's travel and expense policy. In fact, there was no documentation that the sometimes extravagant hotel and restaurant credit card charges by the mayor were ever questioned or disallowed. (Credit cards issued in the name of former city administrator, Jimmy R. Sain, and current city administrator, James H. Lee, were also used to charge relatively minor amounts of travel and other expenses.)

**A. Meal charges in excess of allowable amounts paid by the City of Bolivar**

One meal apparently charged by the mayor on August 6, 2001, totaled \$468.41. Other restaurant charges apparently authorized by the mayor on the same day totaled \$48.03. In addition, the City of Bolivar paid \$85 for the mayor to participate in a golf tournament with lunch included. (Because the value of the lunch is not noted, we will not include any amount related to the golf tournament/lunch in this calculation.) The maximum allowable per diem for meals and incidentals at that location was \$38. Therefore, the mayor charged extra per diem expenses related to August 6, 2001, totaling at least \$478.44 (\$468.41 + \$48.03 - \$38). We examined the related travel expense form apparently submitted by the mayor to determine if these extra charges were reimbursed. The form indicated that the mayor actually claimed and received an additional \$10 for lunch related to that day, even though lunch was apparently provided at the golf tournament. Therefore, based on available documentation related to August 6, 2001, the City of Bolivar paid on behalf of the mayor per diem expenses totaling at least \$478.44 in excess of amounts allowed in the city's travel and expense policy.

Although no supporting documentation was available, city personnel suggested that the \$468.41 restaurant charge on August 6, 2001, was for a meal for all four city officials and employees attending the conference. Our examination of all other available documentation related to this trip indicated an additional \$50.82 for restaurant charges on other hotel bills on this date. In addition, each of the other officials claimed and received an additional \$10 lunch allowance. Therefore, even if allowable per diem expenses for all four officials attending this conference were considered, total excess per diem expenses paid by the City of Bolivar related to one day of this trip (August 6, 2001), would still be \$416.22. (Refer to Finding 3 for a list of similar meal charges.)

**B. Other expense charges paid by the City of Bolivar**

Documentation for the Naples, Florida, trip also showed charges for in-room movies and honor bar use, as well as \$472 paid for eight tickets for a half-day Everglades Excursion. Review of the travel policy indicates that these would not be allowable charges. However, we saw no indication that these expenses were reimbursed or included on applicable tax forms as compensation.

**RECOMMENDATION:**

The mayor and members of the city council should ensure that all procedures required by the travel and expense policy are followed. In addition, city officials should ensure that the chief administrative officer or his designee examine all expenses paid by the City of Bolivar on behalf of officials and employees. Expenses reported on the travel expense forms and expenses charged on the city's credit card should be reconciled to determine if the expenses are allowable in accordance with the City of Bolivar's travel and expense policy. Unallowable expenses should not be reimbursed or paid by the city. The city should request immediate reimbursement from applicable officials for unallowable expenses charged on the city's credit card.

3. **FINDING: Some expenses paid by city apparently not for municipal purpose and adequate supporting documentation for travel and other expenses not required and retained**

Some expenses paid by the city did not appear to be for a municipal purpose. In addition, the city failed to require and retain adequate supporting documentation to determine that some payments for expenses charged to credit cards paid by the city were for a municipal purpose.

**Expenses paid by city, including expenses for spouse travel, apparently not for municipal purpose**

In numerous instances, airline tickets for spouses or other family members were charged to a credit card paid by the city. Although, it appeared that airline ticket costs for spouses or other family members were generally reimbursed, we were unable to determine that three airline tickets for spouse travel to Toronto, Canada, and two airline tickets for spouse travel to San Diego, California, were reimbursed by applicable city officials/employees. The cost to the city for these five spouse tickets totaled \$1,583.75. As noted in Finding 4, when officials did reimburse the city, the reimbursement was sometimes not received for several months and in two instances, for over a year.

The examination of credit card charges also revealed a \$611.48 charge for a meal at Ruth's Chris Steakhouse during a TML Conference in Nashville, Tennessee, on February 25, 2002. Documentation consisted of a credit card charge slip. Seven names were listed on the back of the charge slip, including Mayor Frost and his wife, City Administrator Jim Lee, and his wife, and local state legislative representatives. According to the city administrator, the mayors from the City of Brownsville and the City of Piperton attended with their spouses as well as an aide for one of the representatives. We saw no documentation that the mayors or city administrator reimbursed the city for the cost of their spouses' meals.

The cost of meals and the number of airline tickets purchased indicated that the city paid for other meals and activities for spouses. However, prior to December 2001, we noted only one instance in which a city official reimbursed the city for spouse meals and only one trip for which officials reimbursed the city for spouse tours. Further, we noted charges for golf outings, poolside cookouts, and as mentioned previously, charges for in-room movies, honor bar use, and an Everglades Excursion. We saw no documentation that most of these charges were considered in the expense reconciliations or reimbursed.

Initially, this investigative audit was not intended to encompass registration fees for conferences and seminars. However, as a result of other audit procedures and tests, some of the registration documentation was examined. For those examined, we noted that in several instances, registration fees and some activity fees for spouses/guests were paid by the city. We saw no documentation that these fees were ever reimbursed by applicable city officials/employees.

The examination also revealed that the city issued a check dated July 31, 2001, in the amount of \$60 to American Express. A notation on the invoice indicated that the payment was made to “retrieve points lost because 4 mos. Am. Express for the city was late.” However, it appears that this payment was made to reinstate membership rewards points on the mayor’s **personal** credit card account, rather than a city-related credit card account.

In accordance with Article 2, Section 29, of the *Constitution of the State of Tennessee*, Section 6-56-112, *Tennessee Code Annotated*, requires that “All expenditures of money made by a municipality must be made for a lawful municipal purpose.”

Attorney General Opinion 90-12 states:

It is the opinion of this Office that the expenditure of municipal funds to pay the travel expenses for spouses of city officials and employees does not appear to further a valid municipal purpose.

### **Inadequate supporting documentation**

For three trips with a total cost of \$14,797.27, other than credit card charges and some registration forms, the city provided documentation for only one traveler. The city was unable to locate lodging invoices (which generally contained meal and other charges) and related travel expense forms for these trips. One of these trips with a total cost of at least \$5,854.44 was for four days and three nights in Chicago for a WasteExpo Conference. **However, registration documentation indicated that the four city officials/employees who attended registered for the exhibits only.** The city had no documentation that these officials/employees planned to attend or attended any conference activities on this trip. We also noted that these officials/employees traveled to Chicago on April 1, 2001, even though registration documentation indicated that the exhibits did not open until April 3, 2001.

Documentation for most restaurant charges consisted of a charge slip which did not detail the purchases made. As a result, we could not determine what food and beverages were purchased, or who or how many individuals participated in the meal, including spouses. As noted in Finding 2, many of these meals were charged by the mayor on a credit card paid by the city. A list of some of these meals (in U.S. dollars) is shown below:

Date	Vendor	Trip	Number of City Officials and Employees	Total Charge
07/30/00	Joseph's Hatch Cover	Colorado Springs	4	\$ 292.23
09/09/00	Lincolnshire Resort	Chicago	2	\$ 199.11
09/10/00	Lincolnshire Resort	Chicago	2	\$ 125.35
11/11/00	Red Tracton's	San Diego	4	\$ 406.17
11/13/00	Fish Market	San Diego	4	\$ 244.66
02/12/01	Stockyard	Nashville	3	\$ 405.36
06/10/01	Opryland Hotel	Nashville 6/2001	6	\$ 209.22
06/12/01	Morton's of Chicago	Nashville	6	\$1,143.01
08/06/01	The Registry Resort	Naples, FL	4	\$ 468.41
09/25/01	Mary Mahoneys	Biloxi	3	\$ 189.64
09/26/01	Beau Rivage Hotel	Biloxi	3	\$ 113.96
10/27/01	The Fish House	Toronto, ON	3	\$ 240.38
10/31/01	Ruth's Chris Steak House	Toronto, ON	3	\$ 343.91

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 2, Section 4, states, “. . . All disbursements, regardless of the accounting procedures, must be supported by invoices, cash tickets or other adequate supporting documentation.” Title 2, Chapter 2, Section 9, of the manual sets forth general requirements for travel disbursements.

**RECOMMENDATION:**

The mayor and members of the city council should ensure that city money is used only for a municipal purpose. City officials should prohibit the use of city credit cards or other city money to pay for expenses of spouses or other such guests, regardless of whether the expenses will be reimbursed. City officials should also ensure that city money is not used to pay personal expenses of any city employees or officials. In addition, city officials should ensure that the chief administrative officer or his designee requires and retains adequate supporting documentation for all expenses paid by the city, including actual travel expense forms for all authorized travelers. For meals charged on the city's credit card, documentation would include the guest check detailing the food and beverages purchased, the names of individuals participating in the meal, and the city business being conducted.

4. **FINDING: Incorrect reimbursement rate used and inadequate information required on actual travel and expense form**

Reimbursable amounts for meals printed on the actual travel expense form used by officials and employees of the City of Bolivar to “reconcile travel after return and actual amounts known” were not in accordance with the city's travel and expense policy. In

addition, travelers were not required to provide adequate information on the form in order to correctly reconcile expenses.

The city's travel and expense policy states that "Authorized travelers shall be reimbursed according to the Federal travel regulation rates. The city's travel reimbursement rates will automatically change when the Federal rates are adjusted."

Federal travel regulations set forth a per diem rate based on location of travel to cover meals and incidental expenses. However, the travel and expense form shows that officials and employees requested reimbursement using "per meal" rates preprinted on the forms.

In addition, travel expense forms did not require specific dates for meals and other expenses claimed/reported. Instead, the form requires travelers to complete the total number of meals claimed for breakfast, lunch, and dinner for each trip. As noted previously, credit cards paid by the city were used to charge some expenses, including meals. Because specific dates were not required and reported on the travel expense forms, responsible city personnel were unable to determine if meals claimed on the travel expense form as reimbursable coincided with meals charged on the credit card paid by the city. As noted in Finding 3, the city apparently failed to require and/or retain the actual travel expense form for some authorized travelers on some trips.

**RECOMMENDATION:**

The mayor and members of the city council should ensure that officials and employees are reimbursed for applicable expenses in accordance with the city's travel and expense policy. In addition, the chief administrative officer should ensure that the travel expense form is designed so that all necessary information is obtained to correctly and promptly reconcile expenses and also ensure that the forms are required and maintained for all applicable travel.

5. **FINDING:** **Travel expense forms not reconciled timely**

The chief administrative officer failed to ensure that "actual travel expense forms" were reconciled timely. The City of Bolivar travel and expense policy states:

Within 10 days of return from travel, or by the end of the month, the traveler is expected to complete and file the expense reimbursement form. . . . In the case of advances, the form should have a reconciliation summary, reflecting total claimed expenses with advances and city pre-payments indicated. . . . If the traveler received a travel advance and spent less than the advance, the traveler should attach a *check* made payable to the city for that difference.

Our examination revealed that in most instances related to city official travel, when the travel expense form indicated that a reimbursement was due from the official, the reimbursement often was not made for weeks, months, or in two instances, over a year. As noted previously, we could not determine that some reimbursements, including that for spouse airfare, were ever received by the city.

The following schedule shows some trips and related reimbursement dates:

Trip	Official	Return Date	Reimbursement Date	Number of Days
Colorado Springs	Frost	08/02/00	10/12/01	436
Colorado Springs	Dellinger	08/02/00	05/23/01	294
Chicago	Frost	09/12/00	10/12/01	395
Chicago	Dellinger	09/12/00	05/23/01	253
San Diego	Anthony	11/16/00	01/17/01	62
San Diego	Stevens	11/16/00	01/17/01	62
Washington, DC	Stevens	03/14/01	06/26/01	104
Washington, DC	Hicks	03/14/01	07/12/01	120
Washington, DC	Frost	03/14/01	10/12/01	212
Washington, DC	Baker	03/14/01	07/16/01	124
Toronto, ON	Frost	11/01/01	01/31/02	91
Toronto, ON	Stevens	11/01/01	12/27/01	56

Article II, Section 29, of the *Constitution of the State of Tennessee*, states:

But the credit of no County, City or Town shall be given or loaned to or in aid of any person, company, association or corporation, except upon an election to be first held by the qualified voters of such county, city or town, and the assent of three-fourths of the votes cast at said election.

**RECOMMENDATION:**

To avoid an unconstitutional lending of the city’s money, members of the mayor and city council should ensure that all officials and employees comply with the city’s travel and expense policy and reimburse the city for applicable amounts owed within 10 days or by the end of the month. As noted in Finding 3, city money and credit cards should not be used to pay airline, meals, activity fees, and other expenses of spouses/guests.

**DESCRIPTION OF ACCOMMODATIONS LOCATED IN NAPLES, FLORIDA,  
AS DESCRIBED ON YAHOO! TRAVEL**

Gulf View Tower

Suites, available on Floors 3-11, offer private balcony views of the lush tropical mangroves and Gulf of Mexico from their premier location on the west end of each floor in the Tower. The spacious living area is decorated with a full-size couch, love seat, easy chairs, executive desk, remote control TV/VCR and CD player. An adjoining dining area has full-size dining table and four chairs with room to add more. A separate bar area and bar stools provide a mini-bar, wet bar, coffee maker and ice machine. Suites have an extra half bath off the living room area. The bedroom features a king-size bed, armoire with remote control TV, an easy chair with dual closets. Adjoining the bedroom is a large dressing/bath area with a whirlpool tub. The bathroom is equipped with hair dryer, make-up mirror and telephone. Bathrobes, iron and ironing boards are provided in all suites.