



Audit Title: AEDC Expense Audit

Identified Date: 9/11/2024

Audit Owner: COA Mayor and Council

Identified Issue:

The City of Amarillo (COA) Council has raised concerns regarding an AEDC approved budget line item of \$100,000 to The Range (formerly Amarillo Global Food Hub) and a \$750,000 subsequent expenditure payment.

Per AEDC management, The Range identified a need for additional capital and set its membership structure after AEDC's budget process for the year. The budget line item was updated to \$250,000 for three (3) years with a payment of \$750,000 made to The Range in 2022. AEDC recorded a prepaid expense item for \$500,000, for years two and three. The total payment was for a three (3) year membership.

The budget transfer and payment made were not approved through AEDC Board or the COA Council.

Scope:

COA Internal Audit (IA) was tasked by the Mayor and City Council to perform an audit of all AEDC expenditures greater than \$25,000 for the past three (3) fiscal years – 2024, 2023, and 2022.

Process: Examine actual expenditures to determine whether expenditures are within policy.

Detailed Description:

1. IA extracted expenditure data for all 3 years under review from our financial system.
2. Expenditures were validated against the most current trial balance for each year under review to ensure all data was captured. Year-end trail balances were for 2022, 2023. IA extracted the expenditures through the end of September 2024. Reviewed trail balance reports were through July 2024. August 2024 and September 2024 were not available at the time of our audit.
3. IA identified all transactions >\$25,000 and obtained supporting documentation for each. Included are all payment vouchers and journal entries. IA reviewed support for appropriateness.
4. IA reviewed any trends in approvals, entries, or deviations in processes.
5. IA obtained approved budgets for the years under review and validated any documented changes from approved budget.
6. IA reviewed and validated revenue sources to obtain an understanding of how revenues are applied to expenditures.

Internal Audit Approach:

During audit planning process, IA utilizes policies, procedures, control listings, and any other documents from the business units or area being audited to determine our approach or scope for the audit. Policies, procedures, and other documents will provide a backbone of items that IA can audit against.

During the audit IA identified the following items:

1. IA was unable to identify policy, procedures, or control documents that would provide a basis to document an exception for the related budget and expenditure process. Per review of the 2017 AEDC Policies and Procedures, and discussion with COA and AEDC management, no policy documentation was available to provide insight into the approval process for budget line transfers or the expenditures process.
2. IA noted that all payment vouchers follow an approval process where the invoicing or related support is approved through signatures and dates. There is no documented approval process indicating spend thresholds for approvals. Example being that for a \$50,000 payment, one invoice may have one approval and the next may have 3 approvals.
3. IA noted that wire transfers are requested by AEDC management through email request or payment vouchers, with the support attached. Note that wire payments are processed by the Finance Department and a journal entry created.
4. IA did identify the noted transaction for The Range; however, IA did not identify any additional line items or transactions that were treated in the manner as the activity recorded for the Range.

Conclusion:

IA conclusion based on our audit is that The Range transaction was an anomaly for the three (3) years of data reviewed.

Mitigating Controls:

- 1) IA did identify an approval process within AEDC; however, it is not documented. All expenditures reviewed had been signed by one or multiple senior staff members from the AEDC.
- 2) IA noted that all wire transfers have an approval and segregation of duties control: Wire transfers are initiated through a request from AEDC to the Finance department by email or payment voucher. One member of Finance team will create the wire, and the actual wire will be approved by another member of the Finance management team.

IA Recommendations:

- 1) COA and AEDC Management need to create Policies and procedure to document the process of paying any expenditures for AEDC.
- 2) All expenditures should have a dollar approval threshold set to create a consistent process flow. For example:
 - a. All expenditures under \$50,000 require one signature from AEDC management,

- b. All expenditures from \$50,000 to \$100,000 require two (2) signatures from AEDC Management,
 - c. All expenditures greater than \$100,000 require three (3) signatures,
 - d. Establish a dollar threshold for expenditures that require AEDC Board and COA Council approval,
- 3) Any budget transfers or changes must be approved by AEDC Board and COA Council. These transfer thresholds will need to be set by Council and/or COA, AEDC Board, AEDC Management.

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Audit Coverage:

Below summaries for each year under audit provides details of our audit coverage. Note that IA did not review expenditures related to Salaries, Wages, Fringes, Depreciation, or Amortization.

FY2022

Total Expenditures as of 9/30/2022	\$16,074,789.00	
Salaries, Wages & Fringes	1,386,573.00	
Depreciation	454,533.00	
Amortization	68,372.00	
	<u>14,165,311.00</u>	
Expenditures <25,000	1,468,723.12	
Expenditures/Journal Reviewed	<u>12,696,587.88</u>	90% Coverage

FY2023

Total Expenditures as of 9/30/2023	\$26,140,153.00	
Salaries, Wages & Fringes	1,486,413.00	
Depreciation	412,588.00	
Amortization	74,588.00	
	<u>24,166,564.00</u>	
Expenditures <25,000	1,463,598.22	
Expenditures/Journal Reviewed	<u>22,702,965.78</u>	94% Coverage

FY2024

Total Expenditures as of 7/31/2024	\$ 7,132,973.00	
Salaries, Wages & Fringes	1,227,112.00	
Depreciation	311,748.00	
Amortization	-	
	<u>5,594,113.00</u>	
Expenditures Aug/Sept 2024	1,202,878.77	
	<u>6,796,991.77</u>	
Expenditures <25,000	985,318.45	
Expenditures/Journal Reviewed	<u>5,811,673.32</u>	86% Coverage

Future Audits:

IA elected to extend our audit to include an audit of AEDC reimbursements to AEDC management and Vendors with annual expenditures >\$25,000. IA will present to COA Council upon completion.