

**Performance Audit:
Council Expense and Carry Forward Accounts**

February 2024

**City Auditor's Office
City of Atlanta**

File #23.12



CITY OF ATLANTA
City Auditor's Office
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February 2024

Performance Audit:

Council Expense and Carry Forward Accounts

What We Found

City Council members could improve controls over spending by developing policies and procedures, including documenting council member approval of expenditures. Council is not currently enforcing segregation of financial duties; for example, one council member staff created invoices on behalf of vendors. City Council should also develop a process for tracking computer equipment purchased for council members and their staff. Strengthening these controls could enhance accountability and prevent a loss of public trust.

Council members could also better safeguard assets and provide greater transparency by including descriptions on invoices with sufficient detail. When invoice descriptions are vague, expenditures could be perceived as campaign expenses, possibly inconsistent with the ethics code. Developing policies that specify expenses that are allowable could enhance consistency in expenditures.

City code provides for council members to make donations that benefit the public good but does not provide a definition of the term, so council members have discretion in how they interpret public good and associated donations. As a result, some council members' purchases reflected a narrow interpretation of the public good. Although council members made most donations through their carry forward accounts, which requires legislative approval, City Council has not developed a policy to designate a donation threshold that requires legislative approval. Without documented policies, expenses and donations may lack transparency, and funds could potentially be misused. In addition, without guidance from the Ethics Office and disclosure of personal and financial interests, council members' donations could present a conflict of interest.

Lastly, City Code Section 2-39 states that council members should transfer any unspent carry forward funds to the general fund when leaving office. City Council, however, generally kept the carry forward funds in the same district through legislation rather than transferring them to the general fund.

Why We Did This Audit

We undertook this audit to assess compliance of council expenses and donations with city charter and code provisions because council members' transactions undergo less scrutiny than those of executive branch departments.

What We Recommended

To strengthen controls and improve consistency with city code, the council director should request authorization from City Council to:

- enforce segregation of duties in all financial transactions
- develop a policy that defines expenditure approvals
- develop a process for documenting invoices with sufficient detail to describe public purpose
- provide ongoing training on procurement code requirements
- develop written procedures for tracking computer equipment
- develop procedures for making donations
- work with the Department of Law to define public good
- develop a policy to clearly specify the allowable expenses
- inform council members that they are required by code to disclose affiliations
- prepare for City Council consideration an amendment of city code to allow the practice of transferring the carry forward balances from the outgoing to incoming council member

For more information regarding this report, please use the "contact" link on our website at www.atlaudit.org

Management Responses to Audit Recommendations

Summary of Management Responses		
<p>Recommendation #1: We recommend that the council director request authorization from City Council to enforce segregation of duties in all financial transactions and require documented council member approval for all expenditures.</p>		
<p>Response: Partially Agree</p>	<p>Status: Not Started</p>	<p>Estimated Completion Date (M/Y): May 2024</p>
<p>Recommendation #2: We recommend that the council director request authorization from City Council to develop a documented policy that defines required expenditure approvals, which will help mitigate risks, ensure compliance, and strengthen financial controls.</p>		
<p>Response: Agree</p>	<p>Status: Not Started</p>	<p>Estimated Completion Date (M/Y): May 2024</p>
<p>Recommendation #3: We recommend that the council director request authorization from City Council to develop a process for documenting invoices with sufficient detail in ATCLCloud for transparency.</p>		
<p>Response: Agree</p>	<p>Status: Not Started</p>	<p>Estimated Completion Date (M/Y): June 2024</p>
<p>Recommendation #4: We recommend that the council director request authorization from City Council to develop an internal policy to more clearly specify the types of expenses that are allowed and not allowed from City Council expense accounts.</p>		
<p>Response: Agree</p>	<p>Status: Not Started</p>	<p>Estimated Completion Date (M/Y): June 2024</p>
<p>Recommendation #5: We recommend that the council director request authorization from City Council to provide ongoing training to council members and council member staff on procurement code requirements.</p>		
<p>Response: Agree</p>	<p>Status: Not Started</p>	<p>Estimated Completion Date (M/Y): June 2024</p>

<p>Recommendation #6:</p> <p>We recommend that the council director request authorization from City Council to develop written procedures for tracking computer equipment and create an inventory list of all computer equipment issued to council members and staff.</p>		
<p>Response: Agree</p>	<p>Status: Partly Implemented</p>	<p>Estimated Completion Date (M/Y): June 2024</p>
<p>Recommendation #7:</p> <p>We recommend that the council director request authorization from City Council to develop procedures for making donations, including what donations are allowable and thresholds for making donations from distribution and carry forward accounts, and provide training to council members and council member staff on these procedures.</p>		
<p>Response: Agree</p>	<p>Status: Not Started</p>	<p>Estimated Completion Date (M/Y): June 2024</p>
<p>Recommendation #8:</p> <p>We recommend that the council director request authorization from City Council to work with the Department of Law to define public good in city code and/or in internal City Council policy.</p>		
<p>Response: Agree</p>	<p>Status: Not Started</p>	<p>Estimated Completion Date (M/Y): June 2024</p>
<p>Recommendation #9:</p> <p>We recommend that the council director request authorization from City Council to inform council members that they are required by the city's Code of Ethics to disclose personal and business affiliations before voting on all legislation (including donation legislation) and seek advice from the Ethics Office when necessary.</p>		
<p>Response: Agree</p>	<p>Status: Not Started</p>	<p>Estimated Completion Date (M/Y): June 2024</p>
<p>Recommendation #10:</p> <p>We recommend that the council director request authorization from City Council to prepare for City Council consideration an amendment of city code to allow the practice of transferring the carry forward balances from the outgoing to incoming council member of the same district.</p>		
<p>Response: Agree</p>	<p>Status: Not Started</p>	<p>Estimated Completion Date (M/Y): June 2024</p>



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February 1, 2024

Honorable Mayor and Members of the City Council:

We conducted this audit to assess compliance of City Council expenditures and donations with city charter and code provisions. Because council members' transactions undergo less scrutiny than those of executive branch departments, there is a greater risk of error, wrongdoing, or the appearance of wrongdoing. We reviewed whether controls are in place to ensure that expenses and donations comply with applicable requirements, focusing on November 2021 through December 2022, and fiscal year 2023 for compliance with procurement code.

City Council could improve the transparency and compliance of its expenses and donations through documented policies. Our recommendations focus on the City Council director requesting authorization from City Council to develop policies and procedures for council member approval expenditures, documenting invoices, tracking computer equipment, allowable expenses, and making donations. We also recommended defining the public good associated with donations and preparing an amendment to city code for keeping carry forward funds in the district.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We sent a draft report to management on January 5, 2024, and received their response on January 29, 2024. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Rebecca Robinson, Imani Adams, and Neeka Benton.

Amanda Noble
City Auditor

Danielle Hampton
Chair, Audit Committee

Council Expense and Carry Forward Accounts

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Introduction

We undertook this audit to assess compliance of council expenditures and donations with city charter and code provisions. We last audited council expenditures in 2009 at the request of the City Council. Because council members' transactions undergo less scrutiny than those of executive branch departments, there is a greater risk of error, wrongdoing, or the appearance of wrongdoing. This audit assessed controls in place to ensure that transactions comply with applicable requirements and that the funds of outgoing council members are returned to the general fund as required by city code.

Background

Each City Council member has six accounts: two for salaries (full-time and part-time), one for staff benefits, one for expenses, one for distribution, and one to carry forward funds from previous years. City Code Section [2-39](#) authorizes City Council's expense account, which is intended for expenses related to official city business, such as business travel, trainings, newsletters and correspondence, office supplies, service contracts, and subscriptions to publications.

Council members, including the council president and those representing districts and at-large posts, may use a portion of their expense accounts to fund projects "for the public good" within their district or citywide. Council members have established a separate account, the distribution account, to fund projects that are outside the scope of regular office expenses; however, they can draw from or transfer funds among their expense, distribution, and carry forward accounts. Any remaining account balances at year end are moved to the carry forward account after the Department of Finance performs its annual reconciliation of council accounts.

City Council is the Lead Policy-Making Body for the City

City Council is the lead policy-making body for the city, and as a legislative body, its main role is to make laws. Legislation can be introduced by council members through personal papers or through a committee in the form of ordinances and resolutions. City Council's mission is to "ensure that the city is led by a groundbreaking, strong, and capable group of leaders that work for the good of all citizens

across the city,” and the goal of each council member is to improve the lives of citizens. Council members work with the mayor and the executive branch. Together, they play a key role in the budget process and the city’s financial welfare. Council members are elected to four-year terms.

City Council has a handbook that covers several topics but does not include allowable expenses for council members or to whom and how they should make donations. Council members and staff rely on City Code Section [2-39](#) for instructions on these areas. Additionally, City Code Sections [2-308](#) and [2-152](#) give the council president and council members the responsibility to certify that funds are expended for “public purposes,” which cannot include any campaign-related costs. Although city code does not define public purpose, according to a professor of Political Economy at Harvard University, it is defined as an essential good from which individuals or groups cannot be excluded and its use does not reduce its general availability. Exhibit 1 shows this definition, as well as examples.

Exhibit 1: Public Purpose Benefits the Community

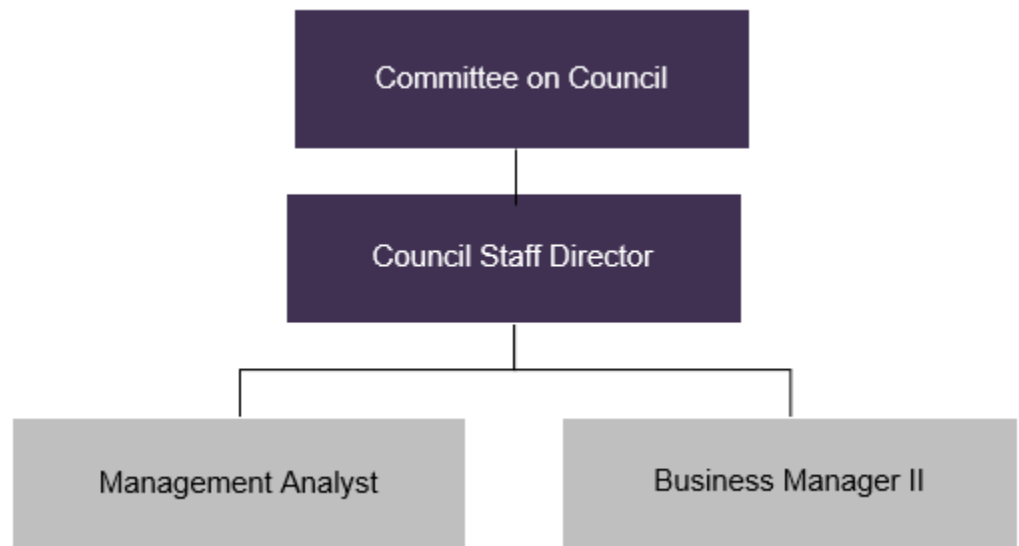
Public Goods	
Goods that are commonly available to all people within a society or community and that possess two specific qualities: they are non-excludable and non-rivalrous. Everyone has access to use them, and their use does not deplete their availability for future use.	
Qualities	Examples
<p>Non-excludability: individuals or groups of individuals cannot be specifically excluded from using the goods</p>	<ul style="list-style-type: none"> • Streetlighting: provided to communities, and its use does not prevent others from using it • Emergency services: available to and benefit communities (i.e., police and fire) • Warming Centers: open to the public on a first come first serve basis, give citizens shelter during inclement weather • Parks: anyone can access them, and their use does not reduce their availability to others
<p>Non-rivalrous: use of the goods by some individuals does not reduce availability to others, which would violate the first quality</p>	

Source: Harvard Law School and the Corporate Finance Institute websites (<https://scholar.harvard.edu/files/stantcheva/files/lecture8.pdf>; <https://corporatefinanceinstitute.com/resources/economics/public-goods/>)

Director Administers Transactions on Behalf of 15 Council Members

City Council comprises 15 council members, the council president, council director, and administrative staff. The 15 council members represent 12 districts and three at-large posts. The council director oversees the human resources, payroll, financial, procurement, office management, security, research, policy, legislation, and communications functions for City Council. In addition to the director, administrative employees include a management analyst, who processes all council invoices, and a business manager, who processes invoices in the management analyst's absence and sends paid invoice reports to council member staff monthly. Exhibit 2 shows a flowchart of the city's Committee on Council and council administration; importantly, City Council makes and approves the rules that govern its functions and empowers the director to provide oversight in accordance City Code Section [2-47](#) and [2-135\(a\)](#).

Exhibit 2: Committee on Council Oversees Council Administration



Source: Developed by auditors based on process interviews

Council members are department heads for budgetary purposes. The council member representing each district or post is considered the equivalent of a department head regarding the use of funds in their accounts. Appropriations for salaries and benefits can only be used for compensation and benefits for council assistants and cannot be transferred to any other account, although council members can transfer funds from their expense and salary accounts to operating departments. Exhibit 3 shows the number of filled and vacant positions for each council office.

Exhibit 3: Number of City Council Member Staff Varies by Office

Office	Council Member	Filled Staff Positions	Vacant Staff Positions	Total Positions
President	Doug Shipman	4	3	7
District 1	Jason Winston	2	1	3
District 2	Amir Farokhi	1	2	3
District 3	Byron Amos	3	0	3
District 4	Jason Dozier	3	6	9
District 5	Liliana Bakhtiari	4	2	6
District 6	Alex Wan	2	1	3
District 7	Howard Shook	3	0	3
District 8	Mary Norwood	2	0	2
District 9	Dustin Hillis	3	1	4
District 10	Andrea Boone	3	1	4
District 11	Marci Collier Overstreet	3	3	6
District 12	Antonio Lewis	7	0	7
Post 1	Michael Julian Bond	2	9	11
Post 2	Matt Westmoreland	1	4	5
Post 3	Keisha Sean Waites	4	2	6
Total staff		47	35	82

Note: Counts include full-time and part-time positions, but do not include council member or intern positions

Source: Developed by auditors based on Human Resources Department's position report (received on 6/6/023)

Council members can make donations, fund projects for the public good, expend funds in an official capacity, write legislation for donations and transferring funds, coordinate with donation recipients and vendors to receive and submit invoices, and manage their staff. Most council employees hold the position of council assistant. Council assistants provide constituent services (including newsletters, community events, and complaints), manage council members' scheduling, field donation requests, receive quotes for goods and services, coordinate with donation recipients and vendors to receive and submit invoices, and write legislation for donations and transferring funds.

Council Members Have Discretion Over Their Budgets

Council offices are allocated a specific budget for some accounts but have discretion regarding its use. Their budget comprises six accounts, shown in Exhibit 4. Each account has a designated purpose, outlined in city code.

Exhibit 4: Council Budget Encompass Six Accounts

Account Name	Account Number	Annual Budget Per Council District
Salaries, Regular	5111001	\$74,400 (Council President) \$72,360 (Council Member)
Benefits	Various	
Salaries, Permanent Part-Time	5111002	\$222,000
Councilmember Expense	5730004	\$61,000
Distribution	5730018	
Contingency	5790001	

Note: Finance refers to the carry forward accounts as contingency funds

Source: Ordinance No. 23-O-1549

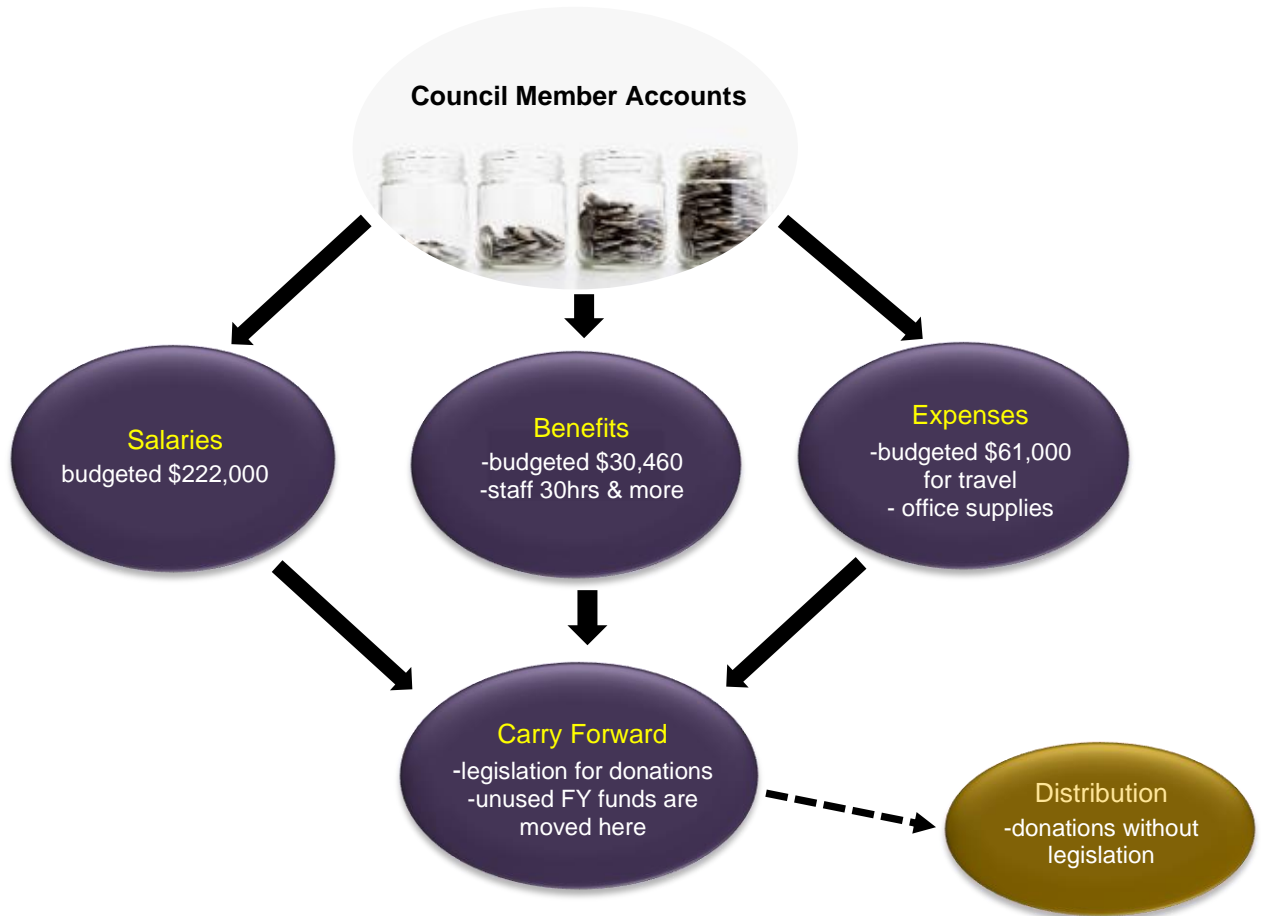
Council offices are allocated \$222,000 for council member staff salaries. Council member salaries are set by the Elected Officials Compensation Committee, and council members determine their staff salaries (see Exhibit 4). The council's budget in each district includes \$30,460 for insurance and benefits, and any council employee who works over 30 hours weekly is eligible.

The budget includes \$61,000 for council members' expenses. The expense account should be used for expenses related to official city business, including but not limited to business travel; conventions and trainings; newsletters and other publications or correspondence production and distribution; office and operating supplies, service, maintenance, or repair contracts; and subscriptions to publications. According to City Code Section [2-39](#), if council members desire to utilize a portion of their expense accounts to fund projects for the public good within their districts or citywide, they may make the donation through their distribution account.

According to City Code Section [2-39](#), Finance has determined that it is appropriate to fund projects for the public good and make donations to organizations for charitable purposes from the distribution account. The distribution account starts with a zero balance. Legislation is required to transfer funds to the distribution account from the carry forward account. The carry forward account, also known as the

contingency account, allows council members to transfer remaining funds from one fiscal year to the next. If a council member is not serving in the office from one term to the next, any unexpended funds from the carry forward account should be returned to the general fund. Exhibit 5 shows how the remaining balances of the six accounts can be transferred to the carry forward account.

Exhibit 5: Council Members Have Discretions to Move Funds Among Six Accounts



Source: Developed by auditors based on city code and interviews with city staff

Expenses Totaled \$1.87 Million from November 2021 to December 2022

Council administration makes donations, pays invoices, and submits expense reimbursement requests on the council members’ behalf. Council members can make donations in two ways: through their carry forward or distribution account. To make a donation, council member staff must first check that funds are available in the account, ensure the vendor is registered, request an invoice from the vendor, and send the invoice to the data management analyst for payment. Council

employees can draft legislation for the donation to be paid directly from the carry forward account, or to transfer funds from the carry forward account to the distribution account for donations from the distribution account. Legislation is not required if funds are already available in the distribution account, and council member staff can simply submit the invoice for processing.

To submit an expense reimbursement request, council member staff generally receives approval from the council member either verbally or through e-mail, then follows a sequence of steps, including logging in to ATLCLOUD, entering expense details, attaching receipts, and submitting the report.

To process invoices through direct payment, council administration staff verifies the vendor is registered with the city and submits the invoice to the Department of Finance. To process invoices for purchases made through the procurement process, council member staff must first request quotes from potential suppliers. During the scope of our audit, one quote was required for purchases up to \$5,000, and three quotes were required for purchases in excess of \$5,000. Council member staff submits the quote or quotes to the management analyst who creates a requisition. The quotes must have all necessary information, or they are sent back to the vendor for corrections. Upon requisition approval, Procurement staff creates a purchase order. Once a purchase order has been created, council member staff makes the purchase and scans and emails the invoice to the management analyst for processing.

Council administration processed 1,181 invoices, totaling \$1,897,470 from November 2021 through December 2022. Staff processed 922 expense invoices, totaling \$649,898. Another 259 invoices, totaling \$1,247,571 were processed for donations (see Exhibit 6). During the year, total expenses per council member ranged from \$4,487 in District 7 to \$318,579 for At Large Post 2. In some cases, the current council members' predecessor made significant donations at the end of 2021, and the expenditures do not reflect those of the current council members; for example, former Council President Moore donated \$266,000 to various organization through Ordinance No. [21-O-0428](#), and former Council Member Ide made donations of \$153,000 through Ordinance No. [21-O-0948](#).

Exhibit 6: Expenses Ranged from Just Under \$5,000 to \$319,000 Over A Year

Post/District	Name	Total Invoices	Total Expenses & Donations
President	Felicia Moore	20	\$270,441.56
	Doug Shipman	56	\$24,356.03
District 1	Carla Smith	8	\$20,609.01
	Jason Winston	36	\$17,606.83
District 2	Amir Farokhi	35	\$51,629.75
District 3	Antonio Brown	5	\$5,226.04
	Byron Amos	39	\$28,677.38
District 4	Cleta Winslow	20	\$64,726.88
	Jason Dozier	57	\$42,653.81
District 5	Natalyn Archibong	19	\$72,083.78
	Liliana Bakhtiari	49	\$69,873.57
District 6	Jennifer Ide	16	\$232,493.40
	Alex Wan	25	\$19,045.48
District 7	Howard Shook	16	\$4,488.90
District 8	JP Matzigkeit	11	\$72,731.35
	Mary Norwood	23	\$29,523.67
District 9	Dustin Hillis	53	\$40,977.66
District 10	Andrea Boone	213	\$167,462.59
District 11	Marci Collier Overstreet	53	\$47,896.70
District 12	Joyce Sheperd	44	\$88,434.18
	Antonio Lewis	101	\$56,327.91
Post 1	Michael Julian Bond	109	\$83,122.41
Post 2	Matt Westmoreland	87	\$318,579.47
Post 3	Andre Dickens	6	\$6,322.64
	Keisha Sean Waites	80	\$62,179.28
Total		1,181	\$1,897,470

Source: Developed by auditors based on ATLCLOUD Expenditure Details Report for November 2021 through December 2022

Audit Objectives

This report addresses the following objectives:

- Did council member expense account expenditures in fiscal year 2022 comply with the city charter and code?
- Were former council member carryover balances returned to the general fund in compliance with city code?

Scope and Methodology

We conducted this audit in accordance with generally accepted government auditing standards. We focused on City Council expense and carry forward account controls to ensure transactions comply with applicable requirements. Our scope was November 2021 through December 2022, but we also reviewed fiscal year 2023 transactions for compliance with procurement code.

Our audit methods included:

- reviewing the City Council handbook to understand procedures
- reviewing city code provisions related to council expenses to understand legal requirements
- researching definitions of “public good” to assess best practice in the context of council expenditures
- interviewing Department of Finance staff to determine migration of carry forward balances
- analyzing accounts in ATLCloud to determine whether carry forward balances were returned to the general fund
- interviewing City Council members and staff to understand expenditure processes and their understanding of the public good and allowable expenses
- analyzing invoices to understand the official purpose of the expense and request clarification for invoices with blank descriptions, identify donations, and identify potential conflicts of interest with vendors
- reviewing Council budgets, encumbrances, and paid amounts in ATLCloud to analyze financial information
- researching donation vendors to determine whether they were non-profit organizations
- reviewing procurement code and thresholds for micro and small purchases
- interviewing Ethics for clarification on the public good and conflicts of interest

Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Findings and Analysis

Additional Guidance Could Improve the Transparency and Consistency of Council Expenses

The lack of City Council financial controls and defined procedures could lead to decreased accountability and a loss of public trust. Council member approval of expenses is not always documented, and some financial transactions violated AIM policy because Council is not properly segregating financial duties. Other purchases violated or may have violated city code—five council members made purchases that appeared inconsistent with the procurement code, and we reviewed some invoices that could be perceived as campaign services, possibly inconsistent with the ethics code, because the invoices did not clearly detail the services rendered.

City Council has not developed procedures for making donations, which could result in conflicts of interest or donations and expenses without a clear public purpose. Council members are able to process donations from their distribution accounts by submitting an invoice. Invoice descriptions are sometimes vague, which could be attributed to poor recordkeeping or mask potential impropriety. City code provides for council members to make donations that benefit the public good but does not provide a definition of the term, so council members have discretion in how they interpret public good and associated donations.

Lastly, City Code Section [2-39](#) provides for remaining funds from council members' carry forward accounts to be returned to the general fund when they leave office. Council members typically, however, draft legislation to transfer the balance of their carry forward account to the incoming council member, but this practice is at their discretion.

We recommend that the council director request authorization from City Council to develop procedures for segregating financial duties, documenting the official purpose of expenses, making donations, and disclosing personal affiliations, and training council member staff on these procedures as well as citywide policies. We also recommend that the council director request authorization from City Council to work with the Department of Law to define the public good in city code and amend code to keep carry forward balances in the district after council members leave office.

Council Lacks Controls for Spending

Some City Council financial transactions violated AIM policy and may have been inconsistent with city code. Three council member staff logged into ATLCLOUD with council members' credentials to submit reimbursement requests, and one created the invoices she submitted for payment processing, instead of the vendors creating them. Of 16 council member staff we interviewed, 10 told us they received council member approval in writing before processing financial transactions. Five council members also exceeded the annual micro purchase limit per vendor, which was \$5,000 during our review period. The procurement rules are intended to increase competition and deter fraud, while maximizing value in the city's expenditures.

We identified several transactions that could be perceived as campaign expenses, possibly inconsistent with City Code Section [2-811](#). Without clear documentation of the official purpose of the expenses, invoices for community outreach or legislative and consulting services could be perceived as campaign services, contributing to a loss of public trust. We recommend that the council director request authorization from City Council to segregate duties for financial transactions, including documenting approval of expenses, develop procedures to enhance the transparency of expenses, and enforce the procurement code.

Council member employees do not always segregate financial duties. Council member employees were non-compliant with basic IT security controls and invoicing requirements, and it was unclear whether council members approved all expenses and donations before they were processed. We interviewed all 16 council members, and one staff person from each council member's office who processes transactions for the council member. Three council member employees told us that they log into ATLCLOUD with council members' credentials to submit expense reimbursement requests for the council member. According to AIM's (Atlanta Information Management) Universal Password Policy, passwords should not be shared or revealed to anyone except the authorized user. Although the City Council handbook offers instructions for delegating responsibilities in ATLCLOUD, some council member staff did not comply with these procedures.

One council member staff told us she creates invoices on the vendors' behalf and submits them for processing. Accounts Payable's policy states that a supplier invoice is required for payment processing. It is unclear why the employee was creating invoices on behalf of vendors but might have to do with inadequate training. Suppliers creating the invoice is an important element of segregating financial duties to avoid kickbacks and fraud.

These problems may be heightened by inconsistent council member approval of expenditures. Of 16 council employees we interviewed, 10 stated that they received written approval from council members to process expenses and donations, three stated that they received verbal or written approval, one stated that they received verbal approval, one was unsure, and one stated that the council member does not approve expenses. Council policy does not address council member approval of expenditures, which may explain the inconsistency in practice. Although council administration sends council members a monthly funds available report that shows the paid vendors, documenting approval could improve transparency and help to prevent fraudulent expenditures.

We recommend that the council director request authorization from City Council to enforce segregation of duties in all financial transactions and require documented council member approval for all expenditures. We also recommend that the council director seek approval from City Council to develop a documented policy that defines required expenditure approvals, which will help mitigate risks, ensure compliance, and strengthen financial controls.

Vague invoice descriptions make it difficult to distinguish official city business from campaign activities. We reviewed invoices for expenditures and asked for clarification on specific transactions based on two criteria: (1) whether we could determine the non-profit status of the vendor, which is usually associated with donations; and (2) whether the purpose of the expense (based on the invoice description field in the ATLCLOUD Expenditure Details report) was blank or unclear. We then asked council members about specific invoices paid to for-profit vendors for which we could not determine the public purpose or how they related to official city business based on the invoice description. One invoice, for example, stated that a \$500 charge was for community clean-up and de-littering, but when we asked the council member about it, she said that it was for community outreach. Two other council members also used this same vendor to provide services, and the charges for the same services varied between invoices. One of this vendor's invoices included an invoice line item of over \$100 for unloading boxes of vegetables.

City Code Section [2-39](#) authorizes council member expense accounts, which should be used for expenses related to official city business, including, but not limited to, business travel; conventions and trainings; newsletters and other publications; office supplies; service, maintenance or repair contracts; and subscriptions to publications. Ethics Office staff told us that council members have considerable discretion in how they use the funds, but it is beneficial if the invoices

for expenditures clearly articulate the purpose of the expenditure, to avoid any perception that funds are being used for purposes which may not comply with city code.

One council member used direct payments to pay a contractor for legislative consulting and other services in 2022. The first invoice description stated “policy legislation consulting services” but included “stakeholder outreach” in the invoice for \$7,000. The second invoice for this contractor was for \$2,400 for “constituent outreach” only. City Council lacks a process for documenting expenditures with sufficient detail to avoid the perception that funds might be used for purposes other than official city business. The absence of this process could result in the appearance of impropriety and a loss of public trust. Council members could also use funds for campaign services, possibly inconsistent with City Code Section [2-811](#).

We recommend that the council director request authorization from City Council to develop a process for documenting invoices with sufficient detail in ATLCLOUD for transparency. We also recommend that the council director seek approval from City Council to develop an internal policy to more clearly specify the types of expenses that are allowed and not allowed from City Council expense accounts.

Some expenses exceeded the micro purchase threshold. Of 16 council members, five exceeded the annual micro purchase threshold of \$5,000 per vendor. We reviewed the fiscal year 2023 ATLCLOUD Expenditure Details report for council members’ transactions over \$5,000, excluding donations. During our audit scope, City Code Section [2-1190.1](#) stated that micro purchases, which require one quote, should not exceed \$5,000 per vendor per fiscal year. In July 2023, City Council raised the threshold for micro purchases to \$25,000 per vendor per fiscal year.

Five council members exceeded the annual micro purchase limit for seven vendors: two instances in District 11, two instances in Post 3 At-Large, one instance each in Districts 5, 12 and Post 1 At-Large.

During our interviews, council members stated that they received training when they were first elected, but refresher training was not mandatory. The council director confirmed that additional training is optional. Council administration told us it is unable to track the micro purchase limit for expenses through the 16 Council offices, and council members may be unaware of the requirements. Additionally, council members may make purchases without checking with council administration first and could be favoring certain vendors. According to

Finance staff, council members not following the procurement code has been an ongoing problem.

We recommend that the council director request authorization from City Council to provide ongoing training to council members and council member staff on procurement code requirements.

Council administration has not tracked computer equipment purchased in fiscal year 2023. We randomly selected three invoices greater than \$1,500 from ten purchases made in fiscal year 2023 from two vendors that sell electronic equipment and asked council administration to provide its inventory list to verify that it was tracking the equipment. Council administration was initially unresponsive to the request. When we received the inventory list, it was incomplete and outdated, so we were unable to verify that council administration was tracking the equipment. Failure to track computer equipment could result in its theft or loss when employees separate from the city. We recommend that the council director request authorization from City Council to develop written procedures for tracking computer equipment and create and maintain an inventory list of all equipment issued to council members and staff.

More Advice on Donations Would Help Safeguard City Funds

City Council policy does not cover council members' donations; therefore, council members have considerable discretion in how they make donations, contributing to a lack of transparency and the risk of conflicts of interest. Council members are authorized to make donations from their distribution or carry forward accounts, but legislation is only required for donations from the carry forward account. Council members made the majority of their donations from their distribution accounts, although these donations accounted for about a quarter of the \$1.2 million in donated funds. We could not verify the non-profit status of some of the vendors who received donations, including sports instructors, industry associations, and churches and fellowship organizations. A council member also donated to an institution he previously attended, which could present a conflict of interest.

According to city code, council members' donations should benefit the public good, but council members did not share a uniform understanding of what the public good entails. Some council members' purchases, such as car window replacements, flowers, and catered events, reflect a narrow interpretation of the public good, which may be inconsistent with the Code of Ethics. We recommend that the council director request authorization from City Council to develop a policy regarding

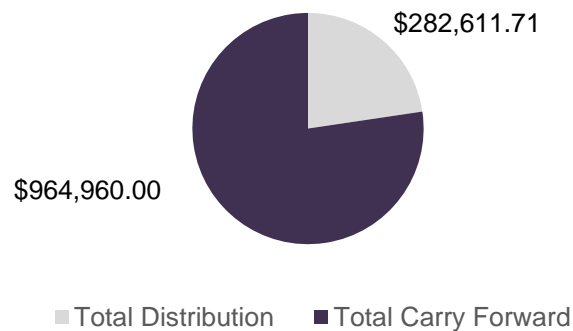
donations, including the dollar threshold that should require legislation, and work with the Department of Law to define public good in city code.

Council members do not have uniform practices for making donations. City Code Sections [2-39](#) allows council members to make donations from their carry forward or distribution accounts to fund projects for the public good and make donations for charitable purposes. Donations made from the carry forward account require legislation. Council members make donations through their distribution account by transferring money to it from the carry forward account through legislation. Once funds are transferred to the distribution account, legislation is not required to make donations from it.

During our interviews, 7 of 16 council members stated that they make donations from both their carry forward and distribution accounts. Five council members stated that they donate from their distribution account to expedite processing. Three council members said they prefer to make donations from their carry forward account to foster transparency through legislation. One council member stated that she was unsure of which account she used and generally deferred the decision to council administration.

We reviewed the ATCLCloud Expenditure Details report for November 2021 through December 2022 and separated invoices into expenses and donations. Although most donations (135 of 259) were made from the distribution account, which does not require legislation, 77% of the total \$1.2 million in donations (\$934,960) were made from the carry forward account. Exhibit 7 shows the total dollar value of donations made from each account type and Exhibit 8 shows the number of donations made and amounts for each council district within each account type.

Exhibit 7: Majority of \$1.2 Million in Donations Were Made from Carry Forward Account



Source: Developed by auditors based on ATCLCloud Expenditure Details report (November 2021 through December 2022)

Exhibit 8: Council Members Made Donation Transactions through the Distribution Account

Post/ District	Name	Number of Distribution Invoices	Total from Distribution	Carry Forward Invoices	Total from Carry Forward	Number of Total Donation Invoices	Total Donations Amount
President	Felicia Moore	0	\$0	14	\$268,000.00	14	\$268,000.00
	Doug Shipman	1	\$1,000.00	1	\$500.00	2	\$1,500.00
District 1	Carla Smith	2	\$7,352.71	0	\$0.00	2	\$7,352.71
	Jason Winston	10	\$10,000.00	1	\$500.00	11	\$10,500.00
District 2	Amir Farokhi	2	\$3,000.00	4	\$6,960.00	6	\$9,960.00
District 3	Antonio Brown	0	\$0.00	0	\$0.00	0	\$0.00
	Byron Amos	3	\$2,500.00	1	\$500.00	4	\$3,000.00
District 4	Cleta Winslow	1	\$25,000.00	1	\$1,000.00	2	\$26,000.00
	Jason Dozier	20	\$18,900.00	1	\$13,500.00	21	\$32,400.00
District 5	Natalyn Archibong	13	\$65,000.00	0	\$0.00	13	\$65,000.00
	Liliana Bakhtiari	20	\$53,009.00	4	\$7,500.00	24	\$60,509.00
District 6	Jennifer Ide	0	\$0.00	13	\$229,500.00	13	\$229,500.00
	Alex Wan	3	\$1,250.00	4	\$12,000.00	7	\$13,250.00
District 7	Howard Shook	0	\$0.00	1	\$500.00	1	\$500.00
District 8	JP Matzigkeit	0	\$0.00	8	\$70,000.00	8	\$70,000.00
	Mary Norwood	1	\$1,000.00	5	\$26,000.00	6	\$27,000.00
District 9	Dustin Hillis	5	\$3,250.00	4	\$13,500.00	9	\$16,750.00
District 10	Andrea Boone	6	\$4,050.00	4	\$10,500.00	10	\$14,550.00
District 11	Marci Collier Overstreet	1	\$1,000.00	4	\$8,000.00	5	\$9,000.00
District 12	Joyce Sheperd	19	\$49,500.00	1	\$2,000.00	20	\$51,500.00
	Antonio Lewis	10	\$19,750.00	1	\$1,000.00	11	\$20,750.00
Post 1	Michael Julian Bond	5	\$3,000.00	3	\$3,700.00	8	\$6,700.00
Post 2	Matt Westmoreland	6	\$8,300.00	37	\$272,300.00	43	\$280,600.00
Post 3	Andre Dickens	0	\$0.00	1	\$1,000.00	1	\$1,000.00
	Keisha Sean Waites	7	\$5,750.00	11	\$16,500.00	18	\$22,250.00
Totals		135	\$282,611.71	124	\$964,960.00	259	\$1,247,571.71

Source: Developed by auditors based on ATCLCloud Expenditure Details report (November 2021 through December 2022)

To receive a donation, a vendor must be registered with the city. We were able to substantiate the non-profit status of 116 of 138 vendors who received a donation. The vendors for which we were not able to substantiate non-profit status included sports instructors, industry associations, NPU/neighborhood/homeowner associations, churches and fellowship organizations, a labor union, a public health clinic, a marketing firm, a mural artist, a political community engagement firm, an organization that develops STEM toys, a realtor that sponsored a

charity run, and a theater group. Council members also made donations to two government agencies: the Atlanta Housing Authority and the City of Atlanta Office of Cultural Affairs.

Because City Council lacks internal policies and procedures related to donations, the donations made may lack transparency, and funds could potentially be misused. The council director told us that Law recently advised City Council that council members can make donations through resolutions, which have a shorter legislative turnaround. Some council members stated that they used their distribution account to expedite donations, but donations through the distribution account may lack documentation because only an invoice is required for payment. We recommend that the council director request authorization from City Council to develop procedures for making donations, including what donations are allowable and thresholds for making donations from distribution and carry forward accounts, and provide training to council members and council member staff on these procedures.

Council understanding of “public good” varied among council members. Council members told us that some of their expenses benefited specific people rather than the larger community in our interviews with them; examples of these purchases included car window replacements, flowers, and catered events. In addition to our interviews in which council members described their varying definitions of public good, we reviewed the ATLCLOUD AP Invoice Details with Distribution Analysis from November 2021 through December 2022. Of 922 paid invoices, 510 had blank invoice descriptions where the public purpose is normally documented. Many of these expense invoices are associated with annual contracts, for example, for office supplies, which is clearly official city business. Of 510 blank invoice descriptions, 64 were not associated with a purchase order; therefore, the public purpose is still unclear.

City Code Section [2-39](#) states that should council members desire to utilize a portion of their expense accounts to fund projects for the public good within their districts or city wide, or donate funds for charitable purposes, they may transfer funds from the expense account to the distribution account; these expenses are outside the scope of regular office expenses. City code, however, does not provide a definition of public good.

According to the Ethics Office, all expenditures of city funds, including spending by council members, are subject to Section [2-811](#) of the Code of Ethics, which generally prohibits the use of city property and services for the private advantage of city officials or employee or any other person or private entity; therefore, it is important that invoice

descriptions clearly outline the purpose of the expenditure to ensure compliance with city code and transparency to the public. If council administration has questions as to whether a particular expenditure would comply with ethics code, it should seek advice from the Ethics Office in advance of approval.

Due to the discretion council members have over their expenses, and the absence of a definition of public good in city code, these funds may not be benefiting the larger community, which could result in the loss of public trust. We recommend that the council director request authorization from City Council to work with the Department of Law to define public good in city code and/or in internal City Council policy.

Some council members' donations may present a conflict of interest. During our interviews, a council member told us that he received a donation request from an institution that he previously attended, but he checked with Ethics Office staff, who told him that he had too close of a personal relationship with the institution, so he decided not to make the donation. Another council member told us that he recently donated funds for a homecoming event at an institution that he previously attended.

According to City Code Section [2-814](#), council members should disclose personal and financial interests. During the audit, we learned that some council members and council member staff serve on boards and have other personal affiliations. If council members are voting on donations, it is important that they publicly disclose these affiliations, as required by City Code Section [2-813](#). In some cases, council members and their staff may not be aware of potential conflicts of interest based on personal or financial affiliation. Because not all council employees are required ethics disclosure filers, the Ethics Office is available to offer guidance before potential conflicts arise. Without proper guidance, council members may make donations that appear self-serving, contributing to the loss of public trust.

We recommend that the council director request authorization from City Council to inform the members that they are required by the city's Code of Ethics to disclose personal and business affiliations before voting on all legislation (including donation legislation) and seek advice from the Ethics Office when necessary.

Remaining Carry Forward Balances Were Not Returned to General Fund

Council members leaving office generally kept the remaining balances of their accounts in their district through legislation rather than

returning them to the general fund. The current practice of transferring funds to the incoming council member from the former council member's carry forward account through legislation is inconsistent with city code.

City Code Section [2-39](#) states that the mayor and chief operating officer are authorized to carry forward unspent council funds from one fiscal year to the next. It also states that if a council member is not serving in office from one term to the next, any unexpended funds should be returned to the general fund, and when a council member leaves office after an election, the new council members are allocated half the budget. According to the council director, prior to the term ending, legislation is adopted that transfers carry forward money to the incoming council member; if not, the carry forward funds are transferred to the general fund. Law staff confirmed that outgoing council members have historically transferred their carry forward balances to the incoming council member of their district.

Although outgoing council members generally prefer to keep funds in their district, because they are required to draft legislation to do so, it is at their discretion. Not only does the current practice appear to be inconsistent with city code, but an outgoing council member could also decide not to keep their carry forward balances in their district after a particularly heated election race with the incoming council member.

We recommend that the council director request authorization from City Council to prepare for City Council consideration an amendment of city code to allow the practice of transferring the carry forward balances from the outgoing to incoming council member of the same district.

Recommendations

To strengthen controls and improve consistency with city code, the council director should request authorization from City Council to:

1. enforce segregation of duties in all financial transactions and require documented council member approval for all expenditures
2. develop a documented policy that defines required expenditure approvals, which will help mitigate risks, ensure compliance, and strengthen financial controls
3. develop a process for documenting invoices with sufficient detail in ATLCLOUD for transparency
4. develop an internal policy to more clearly specify the types of expenses that are allowed and not allowed from City Council expense accounts
5. provide ongoing training to council members and council member staff on procurement code requirements
6. develop written procedures for tracking computer equipment and create and maintain an inventory list of all equipment issued to council members and staff
7. develop procedures for making donations, including what donations are allowable and thresholds for making donations from distribution and carry forward accounts, and provide training to council members and council member staff on these procedures
8. work with the Department of Law to define public good in city code and/or in internal City Council policy
9. inform council members that they are required by the city's Code of Ethics to disclose personal and business affiliations before voting on all legislation (including donation legislation) and seek advice from the Ethics Office when necessary
10. prepare for City Council consideration an amendment of city code to allow the practice of transferring the carry forward balances from the outgoing to incoming council member of the same district

Appendix

Appendix A: Management Review and Response to Audit Recommendations

Report # 23.12	Report Title: Council Expense and Carry Forward Accounts	Date: February 2024
<p>Recommendation 1: We recommend that the council director request authorization from City Council to enforce segregation of duties in all financial transactions and require documented council member approval for all expenditures.</p>		
<p>Risk Category: Safeguard Assets</p>		<p>Response: Partially Agree</p>
<p>Related Findings: 1. Council member employees do not always segregate financial duties.</p>		
<p>Proposed Action: Confer with City Council on suggested authorization procedure. Update <i>Atlanta City Council Handbook</i> to include procedure which will require each elected official's approval of any financial transactions for their office expenditures.</p>		<p>Current Status: Not Started</p>
<p>Business Owner: Santana Kempson Wright, Atlanta City Council</p>		<p>Estimated Implementation Date (M/Y): May 2024</p>
<p>Additional Comments: The elected official may designate a Chief of Staff with authority to approve financial transactions.</p>		

<p>Recommendation 2: We recommend that the council director request authorization from City Council to develop a documented policy that defines required expenditure approvals, which will help mitigate risks, ensure compliance, and strengthen financial controls.</p>		
<p>Risk Category: Safeguard Assets</p>		<p>Response: Agree</p>
<p>Related Findings: 1. Council member employees do not always segregate financial duties.</p>		
<p>Proposed Action: Confer with City Council on suggested authorization procedure. Update <i>Atlanta City Council Handbook</i> to include procedure which will require each elected official's approval of any financial transactions for their office expenditures.</p>		<p>Current Status: Not Started</p>
<p>Business Owner: Santana Kempson Wright, Atlanta City Council</p>		<p>Estimated Implementation Date (M/Y): May 2024</p>
<p>Additional Comments:</p>		

Recommendation 3: We recommend that the council director request authorization from City Council to develop a process for documenting invoices with sufficient detail in ATLCLOUD for transparency.	Risk Category: Monitoring and Reporting	Response: Agree
Related Findings: 1. Vague invoice description fields in ATLCLOUD make it difficult to distinguish official city business from campaign activities.		
Proposed Action: Confer with City Council on suggested authorization. The department will work with the Departments of Finance and Law to determine documentation/description requirements for invoices submitted. Once finalized, this process will be included in the <i>Atlanta City Council Handbook</i> .		Current Status: Not Started
Business Owner: Santana Kempson Wright, Atlanta City Council, Departments of Finance and Law		Estimated Implementation Date (M/Y): June 2024
Additional Comments:		

Recommendation 4: We recommend that the council director request authorization from City Council to develop an internal policy to more clearly specify the types of expenses that are allowed and not allowed from City Council expense accounts.	Risk Category: Safeguard Assets	Response: Agree
Related Findings: 1. Vague invoice description fields in ATLCLOUD make it difficult to distinguish official city business from campaign activities.		
Proposed Action: Confer with City Council on suggested authorization. The department will develop an internal policy to more clearly specify the types of expenses that are allowed and not allowed with assistance/review from the Law Department and Ethics Office. This policy will be included in the <i>Atlanta City Council Handbook</i> .		Current Status: Not Started
Business Owner: Santana Kempson Wright, Atlanta City Council, Law Department, Ethics Office		Estimated Implementation Date (M/Y): June 2024
Additional Comments: Is there a citywide policy that defines allowable expenses. What expenses are different from those of other City departments/agencies?		

Recommendation 5: We recommend that the council director request authorization from City Council to provide ongoing training to council members and council member staff on procurement code requirements.	Risk Category: Legal/Regulatory Compliance	Response: Agree
Related Findings: 1. Some expenses exceeded the micro purchase threshold.		
Proposed Action: Confer with City Council on suggested authorization. The department will work with the Department of Procurement to ensure the micro-purchase threshold is included in the annual training for all council members and council member staff. Procurement code requirements will also be added to the <i>Atlanta City Council Handbook</i> .		Current Status: Not Started
Business Owner: Santana Kempson Wright, Atlanta City Council, Department of Procurement		Estimated Implementation Date (M/Y): June 2024
Additional Comments: Council Administration conducts training annually.		

Recommendation 6: We recommend that the council director request authorization from City Council to develop written procedures for tracking computer equipment and create an inventory list of all computer equipment issued to council members and staff.	Risk Category: Safeguard Assets	Response: Agree
Related Findings: 1. Council was not tracking computer equipment purchased in fiscal year 2023.		
Proposed Action: The department will apply asset tags and update the Departmental Inventory List with all city issued equipment. Council Director will work with IT personnel to ensure tracking equipment is in compliance with AIM Standard Operating Procedures.		Current Status: Partly Implemented
Business Owner: Santana Kempson Wright, Atlanta City Council, AIM		Estimated Implementation Date (M/Y): June 2024
Additional Comments: An updated Inventory List was requested internally in July 2023 prior to the October 2023 request from the Audit Team. Council IT Staff		

<p>Recommendation 7:</p> <p>We recommend that the council director request authorization from City Council to develop procedures for making donations, including what donations are allowable and thresholds for making donations from distribution and carry forward accounts, and provide training to council members and council member staff on these procedures.</p>	<p>Risk Category:</p> <p>Safeguard Assets</p>	<p>Response:</p> <p>Agree</p>
<p>Related Findings:</p> <p>1. Council members do not have uniform practices for making donations.</p>		
<p>Proposed Action:</p> <p>Confer with City Council on suggested authorization. The department will request the Ethics Office provide a summary of examples of most common personal and business affiliation disclosures council members may encounter to include in the Atlanta City Council Handbook. Bi-annual training will also be provided to review this procedure.</p>		<p>Current Status:</p> <p>Not Started</p>
<p>Business Owner:</p> <p>Santana Kempson Wright, Atlanta City Council</p>		<p>Estimated Implementation Date (M/Y):</p> <p>June 2024</p>
<p>Additional Comments: The current procedure requires adoption of an Ordinance by the City Council for any donations utilizing the Carry Forward account. Many of these ordinances are under the dollar threshold that requires Council approval for other departments.</p>		

<p>Recommendation 8:</p> <p>We recommend that the council director request authorization from City Council to work with the Department of Law to define public good in city code and/or in internal City Council policy.</p>	<p>Risk Category:</p> <p>Safeguard Assets</p>	<p>Response:</p> <p>Agree</p>
<p>Related Findings:</p> <p>1. Council understanding of “public good” varied among council members.</p>		
<p>Proposed Action:</p> <p>Confer with City Council on suggested authorization. The department will request the Law Department define public good. The definition will be included in the <i>Atlanta City Council Handbook</i> and legislation may be drafted to amend the code based on recommendation received from the Law Department.</p>		<p>Current Status:</p> <p>Not Started</p>
<p>Business Owner:</p> <p>Santana Kempson Wright, Atlanta City Council, Law Department</p>		<p>Estimated Implementation Date (M/Y):</p> <p>June 2024</p>
<p>Additional Comments: Ordinance 14-O-1322 (adopted July 7, 2014) amended the Code of Ordinances to create the Distribution account in the City’s chart of accounts to fund projects for the public good and make donations to organizations for charitable purposes.</p>		

Recommendation 9: We recommend that the council director request authorization from City Council to inform council members that they are required by the city's Code of Ethics to disclose personal and business affiliations before voting on all legislation (including donation legislation) and seek advice from the Ethics Office when necessary.	Risk Category: Legal/Regulatory Compliance	Response: Agree
Related Findings: 1. Some council members' donations may present a conflict of interest.		
Proposed Action: Confer with City Council on suggested authorization. The department will request the Ethics Office provide a summary of examples of most common personal and business affiliation disclosures council members may encounter to include in the <i>Atlanta City Council Handbook</i> .	Current Status: Not Started	
Business Owner: Santana Kempson Wright, Atlanta City Council, Ethics Office	Estimated Implementation Date (M/Y): June 2024	
Additional Comments:		

Recommendation 10: We recommend that the council director request authorization from City Council to prepare for City Council consideration an amendment of city code to allow the practice of transferring the carry forward balances from the outgoing to incoming council member of the same district.	Risk Category: Legal/Regulatory Compliance	Response: Agree
Related Findings: 1. Remaining carry forward balances were not returned to the general fund as required by City Code Section 2-39.		
Proposed Action: Confer with City Council on suggested authorization. The department will work with the Law Department to draft legislation that will allow carry forward balances automatically remain with the incoming council member of the same district.	Current Status: Not Started	
Business Owner: Santana Kempson Wright, Atlanta City Council, Law Department	Estimated Implementation Date (M/Y): June 2024	
Additional Comments: There is nothing that prohibits an outgoing council member from transferring funds from their Carry Forward account to their Distribution/Expense accounts prior to the end of the term, which concludes in December.		