

## RESOLUTION NO. 15-2019

### RESOLUTION

#### ADOPTION OF AN INTERNAL OPERATIONS POLICY ON COUNCIL PAY AND EXPENSES

**WHEREAS:** this Council humbly recognizes the funds of the City are entrusted to the highest and best use by the Citizens of this City; and

**WHEREAS:** in addition, internal controls and transparency are very important and highly regarded qualities of an effective financial management system; and

**WHEREAS:** an Internal Operations Policy was drafted with input from various City staff and elected officials for the purpose of outlining these policies and procedures and guiding the expenditures of the City Council.

**NOW THEREFORE, BE IT RESOLVED,** this 22nd day of July, 2019, by the City Council of the City of Rock Island, Illinois, that this Council hereby adopts an Internal Operations Policy.

Approved:



Mike Thoms, Mayor

Attest:



Judith Gilbert, City Clerk

**City of Rock Island**  
**General Administration/Mayor and Council/**  
**City Clerk and Finance Departments**  
**Internal Operations Policy**  
**Council Pay and Expenses**

**7/22/2019**

An essential element of an effective financial management system is maintaining adequate accounting records and source documents while ensuring compliance with federal regulations, state statutes, local ordinances, and City procedures and policies. There are a number of general and specific guidelines governing Council pay and expenditures.

**Definition**

Representation - Council spending is initially budgeted within the Representation object code of the City’s Chart of Accounts. The purpose of the Representation object code is to reflect expenditures that relate to representing the City as an elected official to various stakeholders, professional associations, etc.

**Compliance**

Several federal regulations, state statutes, ordinances and City policies apply to Council Pay and Expenses. Below is a list that is not intended to be exhaustive and are subject to change and updates:

Federal

Internal Revenue Service (IRS):

Publication 15-A Employer’s Supplemental Tax Guide <a href="https://www.irs.gov/pub/irs-pdf/p15a.pdf">https://www.irs.gov/pub/irs-pdf/p15a.pdf</a>	Publication 15-B Employer’s Tax Guide to Fringe Benefits <a href="https://www.irs.gov/pub/irs-pdf/p15b.pdf">https://www.irs.gov/pub/irs-pdf/p15b.pdf</a>
Publication 463 Travel, Entertainment, Gift and Car Expenses <a href="https://www.irs.gov/publications/p463">https://www.irs.gov/publications/p463</a>	Publication 5137 Fringe Benefit Guide – Office of Federal, State and Local Governments <a href="https://www.irs.gov/pub/irs-pdf/p5137.pdf">https://www.irs.gov/pub/irs-pdf/p5137.pdf</a>
Publication 5138 Quick Reference Guide for Public Employers – Office of Federal, State and Local Governments <a href="https://www.irs.gov/pub/irs-pdf/p5138.pdf">https://www.irs.gov/pub/irs-pdf/p5138.pdf</a>	

State

Illinois Compiled Statutes (All)  
<http://www.ilga.gov/legislation/ilcs/ilcs.asp>

In particular:

- |                  |  |
|------------------|--|
| 5 ILCS 120       | Open Meetings Act (OMA)                  |
| 5 ILCS 140       | Freedom of Information Act (FOIA)        |
| 5 ILCS 420       | Illinois Governmental Ethics Act         |
| 820 ILCS 115/9.5 | Illinois Wage Payment and Collection Act |
| 10 ILCS 5/9-25.1 | Election Interference                    |

Illinois Constitution (All)

<http://www.ilga.gov/commission/lrb/conmain.htm>

In particular:

Article VIII, Section 1 - Finance, General Provisions (public funds must be for a public purpose)

<http://www.ilga.gov/commission/lrb/con8.htm>

Local

City of Rock Island Ordinances (All)

<https://sterlingcodifiers.com/IL/Rock%20Island/index.htm>

In particular:

Chapter 2 Administration

City Policies

Purchasing Policy <a href="https://rigov.org/DocumentCenter/View/14874/533-Purchasing-Policies-REVISED-051911-final?bidId=">https://rigov.org/DocumentCenter/View/14874/533-Purchasing-Policies-REVISED-051911-final?bidId=</a>	Travel and Business Expense Policy (revised 08/24/2010) <a href="https://rigov.org/DocumentCenter/View/14875/Travel-Policy-updated-8-27-10?bidId=">https://rigov.org/DocumentCenter/View/14875/Travel-Policy-updated-8-27-10?bidId=</a>
Ethical Standards Policy (revised 08/09/2004) <a href="https://rigov.org/DocumentCenter/View/14879/Ethical-Standards-Policy?bidId=">https://rigov.org/DocumentCenter/View/14879/Ethical-Standards-Policy?bidId=</a>	Purchase Card Policy (revised 12/04/2012) <a href="https://rigov.org/DocumentCenter/View/14878/Purchase-Card-Policy-and-Signature?bidId=">https://rigov.org/DocumentCenter/View/14878/Purchase-Card-Policy-and-Signature?bidId=</a>

And various internal policies, guidance and directions that may be amended from time to time.

**Types of Expenditures**

The expenditure line items in each ward budget will be amended to \$2,000 to be used only for Professional Development (approved conferences and seminars) and \$1,000 for Representation (local civic events/organizations, ward meetings/functions, etc.) effective 8/1/2019. Use of these funds should be for the benefit of the citizens of the City and not for personal enrichment. Allowed expenses are:

1. Travel and meals for meetings more than 25 miles outside the region
2. Registration fees for conferences and local civic/community events
3. Food/Meals at ward meetings or certain local meetings\*
4. Supplies for community cleanups not to exceed \$100 per event
5. Ward newsletter expenses after the content and information in the newsletter has been reviewed and approved by the City Attorney. Efforts should be made to minimize expense

6. Membership dues for professional, civic and Rock Island community organizations (no political affiliations)
7. One city-logo clothing item annually not to exceed \$60 in value (and subject to taxable fringe benefit reporting)

*\*Guidance regarding meal receipts is provided in the FAQ. For a Local Meeting to qualify as an allowable expense, it should include a person that is not a City of Rock Island elected official or City employee to qualify as a City expenditure.*

## **Process**

- ) City Council members are eligible to have a Purchase card issued that may be used for travel and meals for meetings more than 25 miles outside the region (#1). All other expenditures will be on a reimbursement basis, or paid directly by a City employee.
- ) City Council purchase cards shall remain in the Finance department when not in use.
- ) Documentation: All documentation including receipts and forms shall be supplied and completed in accordance to department practices.
- ) If an expenditure is unapproved, there will be no reimbursement. If the unapproved expenditure is on the City's purchase card, the City must be reimbursed within 30 days of notification. If unapproved expenditures are not repaid within 30 days, the City Attorney will be notified for further action.
- ) Effective with August 2019 expenditures, a report titled "Council Expenditures" will be compiled monthly.
- ) Failure to comply with rules/regulations may result in suspension of purchasing card privileges.

## **Frequently Asked Questions**

### What kind of documentation do I have to provide for a meal receipt?

IRS guidelines outline the treatment of expenses related to meals. Meal expenses are deductible (not included in income) if a business trip is overnight or long enough that one needs to stop for substantial sleep or rest to properly perform duties. Meal expenses are also deductible (not included in income) if the meal is business-related entertainment and properly substantiated. ('Entertainment' is an IRS term and includes meals).

Meal Receipts should include the detail of the items purchased and the date and place of the meal. The tip that was added can be written on the detailed receipt or the employee can include both the credit card receipt and the detail of the items purchased. The IRS states that the records to prove the business purpose and the business relationship of the persons entertained must also be included for recordkeeping purposes. The specific business purpose of the meeting and those present can be written on the receipt.

The City reimburses actual costs using receipts but the total per day should not exceed the IRS per-diem rates as paid for meals which are set annually (depends on geographic region and ranges from \$55-\$76 per day). If an employee's expenses are not fully substantiated, the amount will be reported as wages on Form W-2 as a taxable fringe benefit.

How can use of a personal vehicle for a business purpose be reimbursed?

The City reimburses use of a personal vehicle for a business purpose using mileage reimbursement according to IRS' standard mileage rate which is published each calendar year. A log of business miles showing the date, miles driven and purpose should be kept and turned in with the request for reimbursement. The City issues checks each week.

Some City employees receive a vehicle allowance. No logs are required to be maintained by the IRS as this allowance is taxable as wages.

Why does documentation have to be provided for expenditures?

Each disbursement transaction must be supported by adequate documentation. This requirement is driven by accounting guidelines but even more basic than that it is just good business practice.

Auditors will examine and test accounting records and source documentation as part of the audit in order to substantiate the information that appears in the financial statements or other reports. Expenditures and other transactions that are not supported by adequate documentation may result in questioned and/or disallowed costs, exposing the City to various risks.

In addition, financial records are subject to FOIA and the Finance department should have complete records of transactions. FOIA response requirements are short and time is of the essence. Documentation is critical for third-party understanding of the transaction several years hence when the individuals involved may no longer be involved in the organization.

What happens if 100% of a budget is not spent?

It is the City's practice to only spend what is needed as opposed to viewing a budget as a requirement to spend each dollar. With that in mind, unspent general fund dollars are used to fund future operations and capital expenditures. Unspent funds in other funds remain in the fund balance.

What is a Taxable Fringe Benefit?

A "fringe benefit" is a form of pay other than money. Any fringe benefit provided is taxable income for that person unless the tax law specifically excludes it from taxation. Common fringe benefits which are taxable include moving expense reimbursement, clothing given that is suitable for street wear, education reimbursements that exceed the allowable IRS amounts, awards and prizes, and expense reimbursements without adequate accounting.