

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Economic Development Agency: Cal-Card Audit



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June 12, 2018

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SUBJECT: Economic Development Agency Cal-Card Audit

In compliance with Article V, Section 6, of the San Bernardino County Charter and County Policy 05-20 entitled Internal Operational Auditing, we have completed an audit of the Economic Development Agency's Cal-Cards for the period of January 1, 2017 through June 30, 2017. The primary objectives of the audit were to determine whether the internal controls over the Agency's Cal-Cards are adequate to effectively safeguard department resources and to determine whether Cal-Cards are being used in accordance with the Procurement Card Program Procedures Manual and department policies. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified a procedure that could be improved. We have listed this area for improvement in the Audit Finding and Recommendation section of this report.

We sent a draft report to the Department on May 10, 2018 and discussed our observations with management on May 16, 2018. The Department's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Economic Development Agency who assisted and cooperated with us during this engagement.

Respectfully submitted,

Oscar Valdez

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:



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Economic Development Agency: Cal-Card Audit

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Summary of Audit Results

Our finding and recommendation is provided to assist management in strengthening internal controls and procedures relating to the Economic Development Agency's Cal-Cards.

The table below summarizes the audit finding and recommendation for this audit engagement. For further discussion, refer to the *Audit Finding and Recommendation* section of this report.

Finding and Recommendation	Page No.
Cal-Card procurement processes could be improved. We recommend that management ensure staff follow the Procurement Card Program Procedures Manual by obtaining three quotes for Cal-Card purchases over \$1000 or maintaining documentation of justification for non-competitive procurement.	5



Cal-Card Audit

Economic Development Agency

The County of San Bernardino Economic Development Agency's (Agency) mission is to create, maintain and grow the economic value of the County. The Agency focuses on:

- Utilizing County resources to spur private investment
- Assisting companies with site selection, expansion and relocation needs
- Developing an educated and high-skilled workforce and
- Elevating the quality of life for residents

The Economic Development Agency is comprised of two departments which include the Economic Development Department (EDD) and the Workforce Development Department (WDD).

The Department of Economic Development's (EDD) primary focuses are to maximize the standard of living for the County's residents, provide economic opportunities for the County's businesses, promote a competitive business-friendly environment and position the county as a highly competitive region for business opportunities. The department emphasizes working with industry sectors of high-growth potential which can offer high-skilled, high-paying jobs and executes a comprehensive media/marketing strategy to raise awareness and showcase the County and its assets.

The Workforce Development Department (WDD) provides training and employment services to job seekers and incumbent workers through America's Job Centers of California and youth through a network of providers and businesses through a Business Services Unit which serves the local business community to support the retention of jobs and maintains employment opportunities for customers on behalf of the Workforce Development Board (WDB). The WDB is composed of private business representatives, labor organizations, and public sector partners who have been appointed by the Board of Supervisors.

The Procurement Card program is managed by the Purchasing Department. Procurement VISA Cards are issued by U.S. Bank. Procurement cards carry the cardholder's name and may be used for low value purchases of goods as defined



in the County Procurement Manual. EDD and WDD primarily use Cal-Cards for county business purposes including travel, lodging, dining and other administrative expenses.



Scope and Objectives

Our audit examined the controls over Cal-Cards for the period of January 1, 2017 through June 30, 2017.

The objectives of our audit were to:

- Determine whether the internal controls over the Agency's Cal-Cards are adequate to effectively safeguard department resources.
- Determine whether Cal-Cards are being used in accordance with the Procurement Card Program Procedures Manual and department policies.

Methodology

In achieving the audit objectives, the following audit procedures were performed, including but not limited to:

- Interviews of agency staff
- Walk-through of activity
- Review of policies and procedures
- Examination of original source documents



Finding: Cal-Card procurement processes could be improved.

County Policy 11-04 – Procurement of Good, Supplies, Equipment and Services, page 3, states that “Documentation demonstrating that a competitive process was used must be provided to the Purchasing Agent for all purchases of \$5,000 or more. Documentation for all purchases in an amount less than \$5,000, including purchases using procurement cards, must be maintained by the agency, department or Board-governed Special District. Purchases under \$1,000 do not require a competitive process.”

There was a transaction for \$7,084.28 for which there was no supporting documentation of quotes or documentation of justification for non-competitive procurement.

The department was not able to obtain the quotes due to the need to find a vendor in a short time frame. The County may not obtain the best value for each dollar expended when Purchasing policies are not followed.

Recommendation:

We recommend that management ensure staff follow the Procurement Card Program Procedures Manual by obtaining three quotes for Cal-Card purchases over \$1000 or maintaining documentation of justification for non-competitive procurement.

Management’s Response:

While there was not supporting documentation for three (3) quotes, the Department conducted outreach to multiple vendors requesting for in-kind sponsorship, where the agreeable vendor would provide the necessary furniture for the event. This process would have resulted in no payment from the County for the necessary furniture.

Unfortunately, vendor outreach yielded no commitments leaving the Department with less than 2 weeks to find an alternative. Given the limited timeframe and circumstances, the Department selected a vendor who was able to provide the necessary furniture and who was familiar with the venue (Citizens Business Bank Arena).

Moving forward, the Department will ensure it has sufficient time to procure furniture rentals by limiting outreach commitments to no less than 45 days in advance of the event.



Auditor's Response:

The Department's planned actions will correct the deficiencies noted in the finding.