



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

September 21, 2009

Barry Lipton, CPA, DABFA
Deputy City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of Workforce Development – Project QUEST contract

The Economic Development Department has reviewed the audit report and has developed the corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
A.	Controls over Payments to Project Quest		Accept	Mary Lara	Sept. 30, 2009
A.1 A.2	Funding in Excess of 65% Limitation Duplicate and Unsupported Invoices Recommendation: Request reimbursement from Project QUEST for the approximately \$88,000 overpayment made during fiscal years 2008 and 2009 or reduce future reimbursements to Project QUEST in an amount equal to the overpayment.	4			
<u>Action plan:</u>					
A.1: In FY 2008, Project Quest was required to provide match documentation totaling \$1,076,923 by December 31, 2007, to potentially receive the \$2,000,000 funding award from the City. Quest submitted match documentation totaling \$1,324,603 to the Department on December 31, 2007. The Department only accepted \$901,229 of the Quest documentation as qualifying match allowing the City to reimburse Quest up to \$1,673,711 out of the potential \$2,000,000. On April 11, 2008, the Department Director granted Quest an extension until June 30 to provide any additional qualifying match documentation recognizing Quest's continued efforts to secure more matching funds. On June 27, 2008, Quest did provide documentation for the remainder of the match requirement.					

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	<p><u>Action plan:</u></p> <p>A.1: (cont)</p> <p>While the Department remained flexible in allowing Quest additional time to meet their match requirement, staff continued to process Quest invoices for reimbursement to ensure they had sufficient funding to continue operating. During this period, staff was fully aware of the additional contractual requirement to ensure the City did not reimburse Quest more than 65% of their total FY 2008 expenditures. However, the delay experienced by Quest in securing, receiving and utilizing matching funds made it difficult for staff to maintain a balanced 65%/35% spend rate throughout the year without denying Quest needed funds for operational expenses. In summary, Quest eventually provided match documentation totaling \$1,081,869 which exceeded their match requirement of \$1,076,923. Based on invoices submitted, the City reimbursed Quest \$1,957,997 in FY 2008. This final amount, however, represented 68% of Quest's FY 2008 expenses of \$2,878,494 and exceeded the contractual requirement by 3%.</p> <p><u>Corrective Action:</u> To remedy this discrepancy, staff is recommending that the 3% over payment equating to approximately \$88,000 be subtracted from the total amount of \$2,000,000 appropriated for Quest in FY 2009 based on match documentation provided to the Department. City staff has discussed this remedy with Project Quest, and they are in agreement with this proposed corrective action. While the requirement upon which this finding is based no longer exists in the current FY 2009-2010 Funding Guide, staff is continuing to monitor the spend rate to ensure that Quest is utilizing their matching funds as they are received. In FY 2009 the spend rate is 75%-City to 25%-Quest based on the Council approved reduction in the match requirement from 35% to 25%.</p> <p>A2:</p> <p>Staff acknowledges that it reimbursed Quest \$3,648 for duplicate invoices processed out of a total amount of \$3,609,193 in reimbursements processed in FY 2008 and 2009. This represents an error rate of 00.1%.</p> <p><u>Corrective Action:</u> Staff is instituting additional procedures to separately log invoices by vendor as a measure to cross check potential duplicate invoices. Staff will be deducting this amount from FY 2009 Quest invoices as repayment to the City as part of the \$88,000 deduction under the A1 Audit Finding.</p>				
A.3	<p>Procedures for Providing Advance Payments</p> <p>Recommendation: Closely review requests for reimbursement from Project QUEST. Do not make advance payments unless Project QUEST has received appropriate approval from the EDD Director.</p>	4	Accept	Mary Lara	July 7, 2009

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	<p>Action plan: Quest had submitted invoices to the Department with copies of checks to vendors totaling \$39,000. Staff assumed these checks had been provided to the vendors and cleared the banking system. Therefore, staff reimbursed Quest for these qualifying expenses. The Audit review revealed that these checks had not yet been processed by Quest, and therefore should not have been reimbursed by the Department (i.e., advance payments).</p> <p>Corrective Action: On July 7, 2009, the Department advised all Workforce Delegate Agencies, including Project Quest, that they must now submit additional documentation verifying actual reimbursement to vendors to include providing evidence of cleared bank checks validating payments before reimbursement will be authorized by the City. If necessary, Quest can seek advance payment in accordance with provisions in the Contract.</p>				
A.4	<p>Costs related to Quest Center Services</p> <p>Recommendation: In the next contract cycle, clearly define reimbursable costs for the Quest Center.</p>	4	Partially Accept	Mary Lara	Sep 4, 2009
	<p>Action plan: As indicated in the Audit Report, the Quest Center was opened in April 2008 – six months into the contract cycle for FY 2008. The Department was fully aware that Quest was utilizing a portion of City funding to support the Quest Center and in fact determined such expenditures were justified. The Quest Center processes and assists clients who enter the Quest training program which is the program for which Council approved funding. Technically, however, Quest did not mention this program in their responses to the City's Requests for Proposals in FY 2007-2008 or FY 2009-2010, because the program did not yet exist. This type of workforce related assistance, however, would have qualified to compete for City funding under the RFPs, and staff subsequently considered it a part of the overall Quest training program.</p> <p>Corrective Action: As recommended, staff will clarify the requirement for all agencies to identify any potentially qualifying services eligible for funding in responses to the next RFP in 2010.</p>				
B.	<p>Monitoring Project QUEST Performance</p>				
B.1	<p>Performance Measures</p> <p>Recommendation: Review the accuracy of Project QUEST's reported performance results on a quarterly basis. In addition, follow up with Project QUEST to ensure complete and accurate reporting of performance to the City in accordance with the contract.</p>	5	Accept	Mary Lara	Oct 31, 2009

Recommendation					
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	<p>Action plan: Staff acknowledges it must do a more thorough job in monitoring and auditing performance reports submitted by Quest.</p> <p>Corrective Action: Staff will perform an onsite audit at the end of FY 2009 to check and validate the entire year's performance data.</p>				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



A.J. Rodriguez, Deputy City Manager
Interim Economic Development Director