CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR

Audit of Economic Development Department

Project Quest Contract Administration

Project No. AU18-025

March 21, 2019

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Economic Development Department (EDD), specifically Project Quest and Cloud Academy Contract Administration. The audit objective and conclusions follow:

Determine if EDD adequately monitors Project Quest and Cloud Academy to include compliance with contract terms and program performance goals.

EDD is adequately monitoring Project Quest and Cloud Academy including compliance with contract terms and program performance goals. Project Quest and Cloud Academy expenditure reimbursement requests were adequately supported and approved. EDD adequately monitored contract compliance with program eligibility, proper insurance requirements, audited financial statements, performance reviews, appropriate administrative costs, and non-City funding source limitations.

Performance measure goals were met and adequately supported for Project Quest and Cloud Academy. Finally, Project Quest had proper user access controls in the Apricot system to ensure proper segregation of duties.

No findings were identified while conducting this audit. We make no recommendations to EDD; consequently, no management responses are required. EDD management acknowledgement of these results is in Appendix B on page 7.

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Background

The City of San Antonio, through the Economic Development Department (EDD), contracts with delegate agencies to promote long-term and short-term workforce development. Through the use of City funding, delegate agencies focus on:

- Targeting populations most in need of education/training,
- Assisting clientele seeking to enter the workforce, and
- Developing strategic alliances with businesses, industries, and academia.

Project QUEST Inc. is one of the workforce development agencies whom the City contracts with to perform workforce development. The Project QUEST mission is to strengthen the local economy with highly qualified employees for in-demand, living wage careers. Participants must have a high school diploma or GED, be at least 18 years old, and reside within Bexar County in order to qualify. Once eligibility has been confirmed, participants are provided with education, training, and counseling to maximize opportunities for long-term success. Additionally, qualifying participants may be eligible for support service assistance (i.e. childcare, food assistance, healthcare, housing assistance, transportation, etc.).

The City also has a contract with Cloud Academy. Cloud Academy facilitates a partnership with Rackspace for the use of Rackspace's Open Cloud Academy. Through this partnership with Rackspace, the program provides a training facility, utilities, computer equipment, IT infrastructure, training materials, and instructors to train Project QUEST program participants to meet the requirements for IT-specific certifications.

In addition to Cloud Academy, training is provided through partnerships with providers such as Alamo District Colleges, Baptist School of Health Professions, Codeup, and UT Health San Antonio. Refer to *Table 1* below for funding allocations for fiscal year 2018 and 2019.

Table 1 – FY 2018 and 2019 Funding Allocations

Program Name	FY18 Funding	FY19 Funding
Project QUEST	$2,300,000	$2,000,000
Cloud Academy	$200,000	$200,000
Total Funding	$2,500,000	$2,200,000

EDD is responsible for monitoring the Project Quest and Cloud Academy contracts. EDD performs programmatic, fiscal and contract compliance reviews as part of their monitoring of Project Quest. In addition, they are responsible for tracking administrative costs and reviewing reimbursement requests.

Audit Scope and Methodology

The audit scope was from October 2016 through September 2018. It included a review of the contract terms and performance goals outlined in the contracts between the City, Project Quest and Cloud Academy.

We interviewed staff from the Economic Development Department (EDD) and obtained an understanding of the controls in place to monitor the contract terms and performance goals for Project Quest. In addition, we interviewed Project Quest staff and obtained an understanding of controls in place over the expenditures incurred by Project Quest, participant eligibility process and monitoring of performance goals.

We reviewed the expenditure reimbursement process and the controls in place over the approval of allowable Project Quest and Cloud Academy expenditures. We tested a random sample of 25 expenditure reimbursements from fiscal year 2018 for proper support documentation, approval and allowability. Specifically, we reviewed 21 and 4 expenditure reimbursement requests from Project Quest and Cloud Academy, respectively.

We reviewed the controls in place at Project Quest over participant eligibility. We tested a random sample of 25 newly enrolled participants' case files in fiscal year 2018 to review proper support documentation to verify participant eligibility.

We reviewed Project Quest's controls in place over compliance with contract terms related to the following:
- Insurance Requirements,
- Audited Financial Statements,
- Programmatic, Fiscal and Compliance performance reviews,
- Administrative Costs thresholds, and
- Non-City funding source matching requirements.

We reviewed performance measures of Project Quest and Cloud Academy for fiscal year 2017 and 2018 to determine if they were properly supported and the measures were appropriate to access the performance of Project Quest.

Finally, we reviewed appropriateness of user access in the Apricot System.[1] We obtained a list of all Project Quest users and corresponding roles and authority to verify appropriate segregation of duties.

We relied on computer-processed data in the SAP to validate the reimbursement of expenditures to Project Quest. Our reliance was based on performing direct

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[1] The Apricot System is used by Project Quest to manage participant case files.

tests on the data rather than evaluating the system's general and application controls. Our direct testing included reviewing expenditure reimbursement documentation for adequacy and approval. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those 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.

Audit Results and Recommendations

A. Monitoring Contract Compliance

EDD is adequately monitoring Project Quest and Cloud Academy compliance with contract terms and program performance goals.

We reviewed contract compliance for eligibility, insurance requirements, audited financial statements, program reviews, administrative costs, and non-City source funding. We reviewed eligibility requirements for 25 new participants and determined that all participant case files contained proper documentation to verify eligibility. We reviewed insurance requirements and determined Project Quest maintained proper insurance deductibles in accordance with contract thresholds. We reviewed Project Quest financial statements and confirmed audited financial statements with positive results. We reviewed administrative costs and non-City source funding and determined Project Quest administrative costs were less than 20% of total costs per contract requirements and they secured more than 35% funding from non-City sources. Finally, we determined EDD adequately monitors Project Quest by performing programmatic, fiscal and compliance reviews.

EDD monitors performance measures goals adequately. Project Quest provides EDD with a Contract Monitoring Reports (CMR) on a monthly basis. The CMR includes performance measure goals with the projected and actual performance for the month. We reviewed the CMR for FY17 and FY18 and determined the goals were adequately supported for Project Quest and Cloud Academy.

Finally, we reviewed all Project Quest users of the Apricot system and determined there was proper user access controls to ensure proper segregation of duties.

Recommendation

None

B. Expenditure Reimbursements

EDD had proper controls over the expenditure reimbursement process. Project Quest and Cloud Academy expenditure reimbursement requests were adequately supported and approved. We reviewed 25 expenditure reimbursement requests submitted to EDD, valued at $730,612 and determined they were properly supported, approved and agreed to SAP.

Recommendation

None

Appendix A – Staff Acknowledgement

Buddy Vargas, CIA, CFE, Audit Manager
Danny Zuniga, CPA, CIA, Auditor in Charge
Abigail Medina, CPA, CIA, Auditor

Appendix B – Management Acknowledgement

CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

February 28, 2019

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgement of its Review of Audit of Economic Development Department Project Quest Contract Administration.

Economic Development Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Economic Development Department:

☒   Fully Agrees

EDD recognizes the importance of audits to ensure that processes are in place to monitor contracts and ensure compliance with the goal of being good stewards of public dollars. We acknowledge and appreciate the professionalism of the audit department and their thoroughness in going through this process.

☐   Does Not Agree (provide detailed comments)

Sincerely,

Rene Dominguez
Director
Economic Development Department

March 7, 19
Date

Carlos Contreras
Assistant City Manager
City Manager's Office

3/7/19
Date