



GENERAL SERVICES AGENCY

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July 24, 2000

TO: Harry L. Hufford, Interim CAO, L# 1940

FROM: John F. Johnston, GSA Director, L#1000

SUBJ: Response to FY 1999-2000 Grand Jury Report
Policy and Procedures for Use of Procurement Bank Card
(Recommendations 1 through 9)

The following is the General Services Agency's response to the 1999-00 Grand Jury Report on Procurement Cards. Each recommendation is addressed individually with our agreement indicated. The plan of action is also specified along with a timeline or an explanation, as appropriate.

(R-1) That the Procurement Bank Card Program be reviewed by the Director, General Services Agency, to ensure that records are kept current, that there are criteria for card limits, that there is effective compliance oversight by GSA, and that procedures are implemented to ensure effective follow-up in instances of misuse.

Response: We agree.
Plan: That the GSA Director will ensure the program is reviewed and that all program compliance and administrative functions are performed.
Timeline: November 30, 2000.

(R-2) That the manual entitled, "Procurement Bank Card Procedures" be reviewed and updated so that procedures accurately reflect the approved practice, with attention to ISD purchase of computers and the ability of Fleet Services and County Fire Department to procure automotive parts, repairs, or maintenance.

Response: We agree.
Plan: The procedure manual will be reviewed and updated to reflect all authorized uses. Procedures will be specifically revised to reflect the exception that allows GSA Fleet Services and County Fire to obtain automotive parts, repairs, or maintenance for vehicles. ISD will not be relieved of the restriction on the purchase of computers or peripheral equipment, however the procedures will be revised to reflect the



exception that allows ISD to purchase parts for repair or maintenance of computers and peripheral equipment.

Timeline: The Procurement Bank Card Procedures manual will be updated by November 2000. In the interim, addenda reflecting these revisions will be issued for inclusion in existing manuals by September 2000.

(R-3) That a single purchase limit of \$1000 apply to all Procurement Bank Cards used by Ventura County employees and that purchases in excess of \$1000 should be authorized by an approved purchase order.

Response: We disagree.

Explanation: A rigid approach may not always be the most effective method for business purposes. The basic level is set at \$1000 per purchase and \$5000 per month. The department can set different authorization levels with proper supporting documentation. Purchasing reviews the requests on a case-by-case basis. Cal-Card limits are \$15,000 per transaction.

(R-4) That written guidelines be established that tier dollar limitations on Procurement Bank Cards to supervisory level of cardholder.

Response: We disagree.

Explanation: A strictly hierarchical approach to setting purchase limits may often serve merely to reflect the bureaucratic structure rather than the requirements of business necessity. Our program allows the departments to choose the most effective and efficient way to use the cards. The following safeguards are built into the program: 1) each cardholder has a specific dollar limitation per transaction, per month; 2) to reduce the potential for fraud, there are three separate monthly billing statements for each card (one to the cardholder, one to the approving official, usually the cardholder's supervisor, and one to the cardholder's agency or department accounting office); 3) a summary billing is sent to the Auditor-Controller's office; and, finally 5) GSA Purchasing reviews a Quarterly Merchant Activity Report.

(R-5) That training be coordinated with oversight personnel in Accounts Payable to help avoid common misuse (services, incomplete documentation, detailed identification of purchase, not listing number of items purchased in a category, etc.)

Response: We agree.

Plan: Although the Auditor-Controller is responsible for conducting Accounts Payable training. We can provide support for this recommendation by inviting Auditor-Controller staff to all future Procurement Training sessions. We will also revise our PowerPoint training presentation and handout materials to place stronger emphasis on program commodity and purchase restrictions.

Timeline: Revised Procurement Card training material should be available in October.

(R-6) That General Services Agency incorporate as part of the exit procedure of all County departments and agencies, a document that will effectively track each procurement card and the employment status of approving officials in order to keep accurate up-to-date records of Procurement Bank Card holders and approving officials.

Response: We agree.

Plan: The program procedures will be revised so that departments will be responsible for notifying Purchasing Services when cardholders and approving officials leave County employment.

Timeline: The Procurement Bank Card Procedures manual will be updated by November 2000 to reflect this change. In the interim a notice will be sent to departments by August 2000 advising them to notify Purchasing of these changes as they occur rather than during the annual review as has been the practice.

(R-7) That, as previously agreed, General Services Agency work with Accounts Payable to establish and enforce a strong response policy to repeated misuse and/or insufficient documentation.

Response: We agree.

Plan: GSA Purchasing will work with the Auditor-Controller's office to review the current policy and amend it, if necessary.

Timeline: Policy review and discussion will begin by September 2000 and any revisions will be incorporated in the Procurement Bank Card Procedures manual which will be updated by November 2000.

(R-8) That support paperwork submitted to the approving official include a box to indicate if a discount to Ventura County was requested and/or received at the time of the purchase.

Response: We agree.

Plan: Column #12 of the cardholder log, which is submitted to the approving official, was revised to provide space to record whether or not a discount was requested.

Timeline: The revised form will be included in the Procurement Bank Card Procedures manual, which is scheduled for updating in November 2000.

(R-9) That the General Services Agency perform an annual comparative analysis of the Procurement Bank Card Program to ensure that the costs of the procurement process have been effectively reduced.

Response: We agree.

Plan: As part of the ISF rate development for the Materials Division, GSA will compare the current bank card program to other procurement methods.

Timeline: The ISF rate development process begins in September 2000.