

CITY OF CALABASAS

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES
ON THE CITY OF CALABASAS MUNICIPAL CODE, CHAPTER 3.4, PURCHASING SYSTEM AND
STANDARD POLICY AND PROCEDURE 151-601 CREDIT CARD PROCESSING**

JUNE 30, 2020



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948



ROGERS, ANDERSON, MALODY & SCOTT, LLP
CERTIFIED PUBLIC ACCOUNTANTS, SINCE 1948

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscpa.net

**INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING
AGREED-UPON PROCEDURES**

PARTNERS

Brenda L. Odle, CPA, MST
Terry P. Shea, CPA
Scott W. Manno, CPA, CGMA
Leena Shanbhag, CPA, MST, CGMA
Bradferd A. Welebir, CPA, MBA, CGMA
Jenny W. Liu, CPA, MST

To the Honorable City Council
City of Calabasas
100 Civic Center Way
Calabasas, California 91302

MANAGERS / STAFF

Charles De Simoni, CPA
Gardenya Duran, CPA
Brianna Schultz, CPA
Jingjie Wu, CPA
Evelyn Morentin-Barcena, CPA
Veronica Hernandez, CPA
Tara R. Thorp, CPA, MSA
Laura Arvizu, CPA
Louis Fernandez, CPA
Abigail Hernandez Conde, CPA, MSA
Zoe Xinlu Zhang, CPA, MSA
John Maldonado, CPA, MSA

We have performed the procedures enumerated below, which were agreed to by management of the City of Calabasas (the City), solely to assist the Honorable City Council in evaluating the requirements of the City of Calabasas Municipal Code Chapter 3.4, Purchasing System and Standard Policy and Procedure (SPP) 151-601 Credit Card Processing as of and for the year ended June 30, 2020. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures performed and findings discovered are as follows:

1. Procedure Performed:

Obtained, reviewed, and gained an understanding of Calabasas Municipal Code, Chapter 3.4, Purchasing System and SPP 151-601 Credit Card Processing and identified any inconsistencies in the description of the policies and procedures.

Findings:

We obtained, reviewed, and gained an understanding of Calabasas Municipal Code, Chapter 3.4, Purchasing System and SPP 151-601 Credit Card Processing, and search for inconsistencies within. No inconsistencies were noted as a result of applying this procedure.

MEMBERS

American Institute of
Certified Public Accountants

*PCPS The AICPA Alliance
for CPA Firms*

*Governmental Audit
Quality Center*

*Employee Benefit Plan
Audit Quality Center*

California Society of
Certified Public Accountants



2. Procedure Performed:

Obtained a listing of active credit cards with holders' names, addresses, expiration dates, credit limits, and expenditure limits for the fiscal year ended June 30, 2020 and identified any inconsistencies when compared to personnel records and positions held by credit card holders.

Findings:

We obtained a listing of 47 total, active credit cards with credit limits ranging from \$500 to \$10,000, and compared the details of the listings to personnel records and positions held by credit cards holders. We noted the credit limits were not consistent across the same positions held, with Managers credit limits ranging from \$3,000 to \$5,000 and Directors from \$5,000 to \$10,000. We also noted the Library Department has 5 credit cards assigned. No other inconsistencies were noted as a result of applying the procedure.

3. Procedure Performed:

Obtained a listing of credit card charges for the fiscal year ended June 30, 2020, and on a sample basis, identified their compliance with the requirements of Calabasas Municipal Code, Chapter 3.4, Purchasing System and SPP 151-601 Credit Card Processing.

We verified the following attributes, as indicated in Calabasas Municipal Code, Chapter 3.4, Purchasing System and SPP 151-601 Credit Card Processing:

- A. A receipt was provided for each transaction.
- B. A note was present explaining the reason for the purchase.
- C. An account number was present on either the receipt or the statement for each transaction.

Findings:

Out of 84 selected and inspected transactions, 13 or 15% did not have a supporting receipt. Out of these 13 transactions, a substitute receipt form was provided for 7 of them, and 1 transaction had an incomplete receipt with only one page that did not show all items purchased. The remaining 5 transactions were related to disputed charges and refunds. From the same sample size of 84 selected and inspected transactions, 18 transactions did not have a note for the reason for the purchase as required, and 6 transactions did not have a ledger account number on the statement or the receipt.

4. Procedure Performed:

Obtained a listing of credit card charges for the fiscal year ended June 30, 2020, and on a sample basis, identified their compliance with the City's Municipal Code, Chapter 3.4, Purchasing System and SPP 151-602 General Purchasing and 151-604 Purchase Orders.

We verified the following attributes, as indicated in Calabasas Municipal Code, Chapter 3.4, Purchasing System, SPP 151-602 General Purchasing, and SPP 151-604 Purchase Orders:

- A. If a purchase was above \$1,000, a purchase order or professional service agreement was present with proper approvals.
- B. If the purchase was above \$10,000, informal bids from at least three vendors or a sole source waiver of bid with proper approvals was present.

4. Procedure Performed (continued)

Findings:

Out of 84 selected and inspected transactions, 33 transactions over \$1,000 were identified by the purchase order (PO) or professional service agreement (PSA) as required by the policies. Of these 84 transactions, 7 did not have a PO or PSA, and 1 transaction had a contract in lieu of a PO or PSA. Also, 1 transaction was identified being over \$10,000 for the informal bidding requirements of the Municipal Code. It was stated that this single transaction over \$10,000 was sole source, but there was no waiver of bid present and approved by both the Purchasing Officer and City Manager.

5. Procedure Performed:

Obtained the credit card statements for the fiscal year ended June 30, 2020 for all credit cards and on a sample basis, identified their compliance with the requirements of Calabasas Municipal Code, Chapter 3.4, Purchasing System and SPP 151-601 Credit Card Processing.

We verified the following attributes, as indicated in Calabasas Municipal Code, Chapter 3.4, Purchasing System and SPP 151-601 Credit Card Processing:

- A. Cardholder signature was present on the statement.
- B. Approving official signature was present on the statement.

Findings:

Out 178 selected and inspected statements, 5 statements did not have a cardholder signature. No exceptions were noted with regards to the approving official signature requirement.

6. Procedure Performed:

Totalled credit card transactions by vendor and identified the top 10 vendors used by the City's credit card purchases in the fiscal year ended June 30, 2020. The top 10 vendors identified are as follows:

Top 10 Vendors		
Apple	\$	29,498
The Home Depot		22,725
Costco		22,189
Life Storage		19,434
B&H Photo		15,988
Calabasas Self Storage		13,258
Superior Awning Inc		11,410
Bristol Farms Mulholland		9,429
CALACT		6,245
Otherworldcomacsales		6,196

Findings:

- A. *We noted several vendors that have purchases above \$10,000 that could be subject to the provisions of the municipal Code section 3.4. We recommend management to review the total annual purchases by vendor and consider, based on type and frequency of purchases, if any of the above identified vendors should be subject to informal bidding procedures for amounts greater than \$10,000, which is based on the Municipal Code section 3.4.*

7. Procedure Performed:

Provided City's management with recommendations, as needed, to improve the issuance, authorization to use, credit limits, authorized purchases, review processes, and financial reporting processes of credit card use in the City's operations.

Recommendations:

- A. *We recommend that the amount of credit cards issued be reduced to a more manageable number. This would minimize the risk of fraudulent transactions and facilitate tracking of purchases.*
- B. *We believe one card per department, with the department head assuming full responsibility for the use of the assigned credit card, could be sufficient and more efficient to control.*
- C. *We recommend the credit cards be stored in a secure area when not in use and that each employee check out the card before making a purchase with the pre-approval of the department head.*
- D. *We recommend the City to have consistency in credit limits in assigned credit cards. The combined credit limit for all employees is currently \$204,000. The total amount of credit card transactions in the current fiscal year was \$514,412.20. We believe the total credit limit can be reduced to reduce the risk of fraudulent transactions.*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and governance of the City and is not intended to be and should not be used by anyone other than the specified parties.

Rogers, Anderson, Malody & Scott, LLP.

January 27, 2021
San Bernardino, California