

**SAN BERNARDINO COUNTY
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
INTERNAL AUDITS DIVISION**



**DEPARTMENT OF PUBLIC WORKS - SPECIAL DISTRICTS DIVISION:
CAL-CARD FOLLOW-UP AUDIT**

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Department of Public Works - Special Districts Division: Cal-Card Follow-up Audit

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February 10, 2022

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RE: Cal-Card Follow-up Audit

We have completed a follow-up audit of the Department of Public Works - Special Districts Division's (Department) Cal-Cards for the period of May 1, 2020, through December 31, 2020. The objective of the audit was to determine if the recommendations for the findings in the Special Districts Cal-Card Audit Report, dated April 21, 2020, have been implemented. 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 have provided a status of the audit findings identified in the original audit report issued on April 21, 2020. Of the five recommendations from the original audit report, two have been implemented, two have been partially implemented, and one has not been implemented.

We sent a draft report to the Department on December 22, 2021. The Department's responses to the current status of our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Department of Public Works - Special Districts Division, who assisted and cooperated with us during this engagement.

Respectfully submitted,

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Date Report Distributed: February 10, 2022

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Scope and Objective

Our audit examined the Department of Public Works - Special Districts Division's Cal-Card procedures for the period of May 1, 2020, through December 31, 2020.

The objective of this follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report, *Special Districts Cal-Card Audit*, issued on April 21, 2020.

Methodology

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

- Interview of Department staff
- Review of Department's Cal-Card procedures
- Sampling of Cal-Card transactions
- Examination of original source documents



Prior Finding 1: Cardholders are not adhering to County cardholder responsibilities.

The Procurement Card Program Procedures Manual "Cardholder Responsibilities" Section on page 19 states that the cardholder is responsible for sending the Cardholder Procurement Card Payment Package Cover Sheet, original signed Monthly Procurement Card Purchase Report, original detailed receipts and invoices on the Procurement Card Receipts Form(s) and necessary documentation to the Department's Approving Official by the 5th day each month, following the billing cycle.

The following conditions were identified during our testing of 30 Cal-Card packages:

- Three packages did not include a complete Monthly Procurement Card Purchase Report.
- 17 packages did not include original detailed receipts or support for prior balances being paid.
- 13 packages were submitted 2-63 days late to the Approving Official for review.

The missing and incomplete Monthly Procurement Card Purchase Reports were oversights by the cardholder and Department. The Department has not enforced the requirement to send detailed receipts or original invoices containing detailed support for prior balances being paid with current balances. Furthermore, the Department has not enforced submittal of the Cal-Card packages in a timely manner. When procurement card program guidelines are not followed, this can result in the suspension of Cal-Cards or other disciplinary actions. When support for prior balances is not included, the risk of paying unallowable, unauthorized, or duplicate amounts is increased.

Recommendation:

We recommended that management monitor Cal-Card packages for completeness, including the Monthly Procurement Card Purchase Report and original detailed receipts. We also recommended the Department pay invoices in full so balances are not rolled over and if a prior balance must be paid, we recommended that the original invoice containing detailed support for the prior balance is included in the package. We recommended cardholders submit their package to the Approving Official by the 5th day each month, following the billing cycle in accordance with the Procurement Card Program Procedures Manual.



Current Status: Partially Implemented

The Department implemented monitoring procedures for Cal-Card packages and paid the invoices in full for all transactions in the five Cal-Card packages that were tested. However, the following conditions were identified during the testing of five Cal-Card packages:

- Three packages were submitted 14-127 days late to the Approving Official for review.
- One package did not include a detailed receipt.

Management's Response:

Management is in the process of training and implementing enhanced procedures to have several staff review Cal Card packets for completeness. Management will also involve supervisors and appropriate management in notifications to Cal-Card holders of late or incomplete packets.

Auditor's Response:

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

Prior Finding 2: The Cal-Card procurement process could be improved.

The County of San Bernardino Policy 11-04 – Procurement of Goods, 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.” The Procurement Card Program Procedures Manual “Use Policies” Section on page 2 states that each single purchase may be composed of multiple items, but the total transaction cannot exceed the single purchase dollar limit up to \$3,000 on the Procurement Card. Any exception to the \$3,000 limit must be approved by the County Administrative Office (CAO) Analyst prior to the cardholder making the purchase. The “Emergency Purchases” Section on page 15 of the Purchasing Procurement Manual states that in the event of an emergency, the Departments should not procure items without the consent of Purchasing.



The following conditions were identified during our testing of 30 Cal-Card packages:

- 14 packages did not have supporting documentation of quotes or documentation of justification for non-competitive procurement for purchases ranging from \$1,054 to \$5,639.
- One package contained a transaction of \$3,200, which exceeded the single purchase dollar limit of \$3,000.

Transactions exceeding \$1,000 consisted partly of items for the Big Bear Alpine Zoo gift shop and supplies purchased in bulk. The Department did not obtain competitive bids for the gift shop items since they are unique and can only be bought with specific vendors. The Department experienced an emergency situation where services were needed immediately, however, the services purchased were over \$3,000 and were received before seeking approval from the CAO Analyst or Purchasing. When a comparison of costs is not obtained or properly documented, the County may not obtain the best value for each dollar expended. Purchases that exceed the approved transaction limit may not be authorized or allowed.

Recommendation:

We recommended the Department properly obtain and document competitive bids for transactions greater than \$1,000 or justification for non-competitive procurement. We also recommended that cardholders not exceed the \$3,000 single purchase dollar limit or their authorized single purchase dollar limit. In the event of an emergency, the Purchasing Department should be contacted before any purchases are made.

Current Status: Implemented

We reviewed five Cal-Card packages and found that the Department obtained and documented competitive bids for transactions that exceeded the \$1,000 threshold and provided justifications for non-competitive procurements. The Department did not exceed the \$3,000 single purchase dollar limit in the audit period.



Prior Finding 3: Controls over the usage of Cal-Cards could be improved.

The Procurement Card Program Procedures Manual “Violations Include” Section on page 5 states that allowing another person to use your card as a violation. The “Program Information” Section on page 1 also states that the cardholder is the only one authorized to use the card. No other staff member, family member, supervisor, or anyone else may use this card. The “Telephone, Internet, or Mail Ordering Procedures” Section on page 15 states that when the cardholder provides a delivery address, it must be the same as the official address of the card.

The following conditions were identified during our testing of 30 Cal-Card packages:

- Two packages had transactions being made by someone other than the cardholder, totaling \$2,898.
- One package had items that were shipped to the cardholder’s personal home address, totaling \$1,087.

The Big Bear Alpine Zoo address is not accepted by many delivery services, so items were mailed to the cardholder’s personal home address. Based on follow up procedures performed, the transactions were considered to be for legitimate County business. Although, when procurement card program guidelines are not followed this can result in the suspension of Cal-Cards or other disciplinary actions.

Recommendation:

We recommended that management monitor for potential violations listed in the Procurement Card Program Procedures Manual. We also recommended the Department have items shipped to a County building that is accepted by delivery services and ensure that the shipping address agreed to the address on the card.

Current Status: Partially Implemented

The Department implemented procedures to monitor for potential violations. However, of the five Cal-Card packages tested, one package included an item that was shipped to the cardholder’s personal home address, totaling \$54.

Management’s Response:

The Department will continue to look for ways to avoid using a personal address by using valid County addresses that are available.



Auditor's Response:

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

Prior Finding 4: Review of Procurement Card Payment Packages was not completed timely.

The Procurement Card Program Procedures Manual "Approving Official Responsibilities" Section on page 20 states that the approving official shall approve and forward the Cardholder's Statement of Account and all other documentation to the Departmental Accounting Office no later than the 10th day of each month, following the billing period.

Out of the 30 packages tested, 21 Cal-Card packages were reviewed and submitted 2-90 days late to the Departmental Accounting Office.

The Department has not enforced the requirement to send the procurement card payment packages to the Departmental Accounting Office no later than the 10th day of each month, following the billing period. When Cal-Card packages are not submitted by the due date, unauthorized purchases may not be detected in a timely manner.

Recommendation:

We recommended the Approving Official review and approve all charges and supporting documentation by the 10th day of each month, following the billing period in accordance with the Procurement Card Program Procedures Manual, and submit to the Departmental Accounting Office.

Current Status: Not Implemented

We reviewed five Cal-Card packages and found the Department did not review and approve all charges by the 10th day of each month, following the billing cycle. Four of the five Cal-Card packages tested were reviewed and submitted 17-122 days late to the Departmental Accounting Office.

Management's Response:

The Department is planning a training and will implement a process to have additional staff involved in the review of Cal-Card packets, along with having fiscal

management take a more active role in notifying Cal-Card holders that have not turned in packets timely, escalating continuing issues to higher levels of management as necessary.

Auditor's Response:

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

Prior Finding 5: Retention of Cal-Card packages could be improved.

The Procurement Card Program Procedures Manual "Department Accounting Office" Section on page 9 states that the Department is to maintain copies of all information submitted to the Auditor-Controller/Treasurer/Tax Collector's (ATC) Office for a minimum of two complete fiscal years.

The following conditions were identified during our testing of 30 Cal-Card packages:

- Four packages did not have a copy with the Approving Official's signature.
- Copies of two packages were not maintained at the Department after being submitted to ATC.

The Department did not maintain physical copies of packages on site. The Cal-Card packages were scanned and saved to the computer hard drive. When Cal-Card packages were submitted to ATC missing the Approving Official's signature, they were sent back to the Department. Once the Department obtained the Approving Official's signature, they immediately send it back to ATC, but did not retain the revised package. When copies of all information submitted to ATC are not kept for a minimum for two fiscal years, there is no audit trail of approvals. In addition, missing approvals can lead to inappropriate activity.

Recommendation:

We recommended the Department retain the most up-to-date Cal-Card packages submitted to the ATC for a minimum of two complete fiscal years as required by the County Procurement Card Program Manual. Cal-Card packages on file must contain evidence of approvals.



Current Status: Implemented

We reviewed five Cal-Card packages and found that the most up-to-date Cal-Card packages submitted to ATC were retained by the Department and contained evidence of approvals.