

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Department of Behavioral Health: Prepaid Cards Audit



Larry Walker
Auditor-Controller/Treasurer/Tax Collector
222 West Hospitality Lane
San Bernardino, CA 92415-0018
(909) 386-8821
Website: www.sbcounty.gov/atc
Fraud, Waste & Abuse Hotline: (800) 547-9540

Auditor-Controller/Treasurer/Tax Collector

Mission Statement

The San Bernardino County Auditor-Controller's Office is committed to serving our customers by processing, safeguarding, and providing information regarding the finances and public records of the County. We perform these functions with integrity, independent judgment, and outstanding service. We are accurate, timely, courteous, innovative, and efficient because of our well-trained and accountable staff.

Audit Team

Denise Mejico

Chief Deputy Auditor

Mary Barber, CPA

Internal Audits Manager

Menaka Burkitt

Internal Auditor IV

Deborah Buckingham, CPA

Internal Auditor III



LARRY WALKER
Auditor-Controller/
Treasurer/Tax Collector

222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

172 West Third Street, First Floor
San Bernardino, CA 92415-0360 • (909) 387-8308 • Fax (909) 387-6716

February 25, 2015

CaSonya Thomas, Director

Behavioral Health

268 W. Hospitality Lane, Suite 400

San Bernardino, CA 92451-0026

SUBJECT: DEPARTMENT OF BEHAVIORAL HEALTH PREPAID CARDS AUDIT

In compliance with Article V, Section 6, of the San Bernardino County Charter and County Policy 05-20 entitled Internal Operational Auditing, we have completed an audit of the Department of Behavioral Health for the period of June 1, 2013 through December 31, 2013. The primary objective of the audit was to determine whether the internal controls over prepaid cards were effective and in compliance with the Internal Controls and Cash Manual. 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 identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on January 8, 2015 and discussed our observations with management on January 22, 2015. The Department's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Department of Behavioral Health who assisted and cooperated with us during this engagement.

Respectfully submitted,

Larry Walker

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:



Denise Mejico

Chief Deputy Auditor

Enclosure

Distribution of Audit Report:

Robert Lovingood, Vice Chair, 1st District Supervisor
Janice Rutherford, 2nd District Supervisor
James Ramos, Chair, 3rd District Supervisor
Curt Hagman, 4th District Supervisor
Josie Gonzales, 5th District Supervisor
Gregory C. Devereaux, County Executive Officer
Grand Jury, Foreperson (2)
Auditor-Controller Audit Committee

Date Report Distributed: 2/25/2015

LDW:DLM:DMB:aoc



Department of Behavioral Health: Prepaid Cards Audit

Executive Summary	1
Audit Background, Scope, Objective, and Methodology	2
Audit Findings and Recommendations	3 - 6



Summary of Audit Results

Our findings and recommendations are provided to assist management in improving internal controls and procedures relating to the Department's prepaid cards.

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to our *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	<p>Finding: Controls over safeguarding of prepaid cards need to be improved.</p>	3
	<p>Recommendation: The furniture and lock boxes the prepaid cards are stored in should be re-keyed when an employee terminates county employment or at least annually if there are no staffing changes. The keys to cabinets the prepaid cards are stored in should be secured and accessible to only authorized staff. Prepaid cards should be stored overnight in a safe or locked file cabinet located in a secure area.</p>	
2	<p>Finding: The continuous written log needs to be properly maintained.</p>	4
	<p>Recommendation: The Department should monitor employees to ensure that continuous written logs are properly maintained by fund custodians.</p>	
3	<p>Finding: Prepaid card monthly inventories need to be improved.</p>	5
	<p>Recommendation: Physical inventories must be conducted each month by an employee other than the fund custodian. The physical inventory should be conducted by at least two employees to record and verify individual counts and must be observed by the fund custodian. The physical inventory should be reconciled to the log of purchases and issuances.</p>	



Background

The Department of Behavioral Health (Department) is responsible for providing mental health services to County residents who are either unable to afford treatment or do not live in proximity to private services. Treatment is provided to all age groups, with primary emphasis placed on treating children, families and chronically mentally ill adults. The Department also operates as a training setting by administering various internship programs and offering continuing education for licensed department and contractor staff.

The Department provides state mandated and court ordered support services to eligible clients. The Department utilizes prepaid negotiables in the form of bus passes and prepaid debit cards in order to maximize the client's cooperation and participation in Department programs. Bus passes are provided to clients to assist with their transportation needs, ensuring they are able to attend scheduled appointments with physicians and clinicians. Debit cards are used to purchase basic essentials, such as food, clothing, hygiene products, and for program participation incentives. For FY14 the Department anticipated distributing \$108,788 in prepaid cards.

Scope and Objective

Our audit examined the Department's prepaid card records for the period of June 1, 2013 through December 31, 2013.

Our overall objective was to determine whether the internal controls over prepaid cards were effective and in compliance with the Internal Controls and Cash Manual (ICCM).

Methodology

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

- Performing surprise prepaid card counts at three separate locations.
- Reviewing monthly reconciliations, monthly inventories and continuous written logs.
- Reviewing a sample of prepaid card distributions at each site.
- Reviewing a sample of prepaid card purchases.
- Interviewing Department staff regarding prepaid card management.
- Inquiry of management regarding the communication of policies and procedures to the staff members.



Finding 1: Controls over safeguarding of prepaid cards need to be improved.

According to the County's Internal Control and Cash Manual (ICCM), Chapter 2, access to assets should be controlled in order to safeguard them. Chapter 3 indicates prepaid cards should be held overnight in a safe or a locked file cabinet located in a secure area away from the public. Safe combinations should be changed when an employee who has knowledge of the combination is terminated, transferred to another department, or is assigned other duties. Even if there are no staffing changes, the combination must be changed annually.

The following conditions were noted during our audit:

Cost Centers - Mesa Counseling (CVMESA-Rialto), Supervised Treatment After Release program and the Forensic part of Barstow Counseling (FORSTRD-Colton) and Victor Valley Clubhouse (CLBHSED-Victorville)

- Office furniture and lock boxes where the prepaid cards are stored have not been rekeyed annually.

Cost Center - CVMESA-Rialto:

- The key to the cabinet where the prepaid cards are stored is located in an unlocked cabinet behind the reception area and is accessible to staff.

Cost Center – FORSTRD-Colton:

- The key to the cabinet where the prepaid cards are stored was located in a mug on the fund custodian's desk.
- Prepaid cards are kept in a folder on top of the fund custodian's counter when a requestor will be by to pick up cards while the fund custodian is out of the office.

Management has not enforced ICCM procedures for controlling and safeguarding prepaid cards. The prepaid cards are susceptible to potential theft if controls are not in place to effectively safeguard the prepaid cards.

Recommendation:

We recommend Management refer to the County's Internal Controls and Cash Manual to establish necessary prepaid card controls to safeguard the prepaid cards. The furniture and lock boxes the prepaid cards are stored in should be rekeyed when an employee terminates county employment or at least annually if there are no staffing changes. The keys to the cabinets the prepaid cards are stored in should be secured and accessible to only authorized staff. Prepaid cards should be stored overnight in a safe or a locked file cabinet located in a secure area.



Management's Response:

Furniture will be re-keyed and/or combinations for safes/lock boxes will be changed in accordance with the Internal Controls and Cash Manual requirements. If furniture cannot be rekeyed or if lockboxes do not have a combination, lock boxes will be purchased and will replace the existing one when staff leaves and/or annually. Staff will be reminded of correct procedures for storing prepaid items and limiting/safeguarding access to keys, combinations, storage locations. Fund custodians will be required to attend a mandatory training which will be held later this year. DBH Internal Audits staff is conducting surprise audits on randomly selected programs to identify and correct any issues that may be occurring.

Auditor's Response:

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

Finding 2: The continuous written log needs to be properly maintained.

The County's ICCM, Chapter 20, requires the use of a continuous written log by the prepaid card fund custodian to document card receipts, distributions, and intradepartmental movement. It also states that at all times the card custodian must be able to account for all prepaid cards in the form of cards on-hand, distributed cards, and cards on order from the vendor. The card custodian must also be able to account for the specific physical location(s) of all cards. When possession of a card transfers from the card custodian to the requestor, the written log must be signed by the requesting employee to document receipt of the cards.

The following conditions were noted during our audit:

- The fund custodian for cost center FORSTRD-Colton was not completing the log at the time possession of a card was transferred from the card custodian to the requestor. The log did not have signatures to document the transfer and did not accurately reflect the card recipient, the serial numbers of the cards issued, or the number of cards the site had on hand. The card custodian was unable to determine which prepaid cards had been distributed to the recipients.
- The fund custodian for cost centers CVMESA-Rialto did not have the requestor sign the continuous written log at time of card distribution.



Management did not monitor staff to ensure the continuous written logs were properly maintained. Inadequate maintenance of the continuous written logs significantly increases the risk of potential theft of the prepaid cards.

Recommendation:

We recommend the Department monitor employees to ensure that continuous written logs are properly maintained by fund custodians. When possession of a card transfers from the card custodian to the requestor, the Department must ensure the continuous written log is completed and signed by the recipient.

Management's Response:

Fund Custodians will be reminded of correct procedures for maintaining their continuous written log including correct procedures for recording prepaids, expectations for accuracy and verification that correct information is being recorded, maintaining chain of custody information and requiring signatures on the continuous written log from the person to whom the pass was given. Fund custodians will be required to attend a mandatory training which will be held later this year. DBH Internal Audits staff is conducting surprise audits on randomly selected programs to identify and correct any issues that may be occurring.

Auditor's Response:

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

Finding 3: Prepaid card monthly inventories need to be improved.

The County's Internal Controls and Cash Manual, Chapter 20, states a critical step in properly accounting for prepaid cards is conducting a monthly inventory. Inventories must be conducted by at least two employees to record and verify individual counts and must be observed by the fund custodian. Employees other than the fund custodian must complete the inventory.

The following conditions were noted during our audit:

- The employees at CLBHSED-Victorville were not physically counting the cards on hand.
- The fund custodian was conducting and signing as inventory conductor of the monthly inventories at FORSTRD-Colton.



Management has not enforced ICCM procedures for the conduct of the monthly inventory of prepaid cards. The risk of potential theft increases when an independent physical count of the cards is not performed each month.

Recommendation:

We recommend that physical inventories be conducted each month and reconciled to the log of purchases and issuances. The physical inventory should be conducted by at least two employees to record and verify individual counts and must be observed by the fund custodian. The inventory should be completed by employees other than the fund custodian.

Management's Response:

Designated inventory and fund custodian staff will be reminded of correct procedures for conducting monthly inventory and completion of inventory and reconciliation forms including physically counting prepaid items. DBH Fiscal staff will verify appropriate staff is completing and signing the inventory forms when the monthly reconciliations are reviewed and will bring any discrepancies to the programs attention and require corrections immediately. Fund custodians will be required to attend a mandatory training which will be held later this year. DBH Internal Audits staff is conducting surprise audits on randomly selected programs to identify and correct any issues that may be occurring.

Auditor's Response:

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