

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Public Defender: Cal-Card Follow-Up Audit



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Auditor-Controller/Treasurer/Tax Collector

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Public Defender

Cal-Card Follow-Up Audit

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June 12, 2020

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SUBJECT: CAL-CARD FOLLOW-UP AUDIT

In compliance with Article V, Section 6, of the San Bernardino County Charter, we have completed a follow-up audit of the Public Defender's (Department) Cal-Cards as of November 2019. The objective of the audit was to determine if the recommendations for the findings in the Public Defender Cal-Card audit report, issued May 30, 2019, 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 finding identified in the original audit report issued on May 30, 2019. The Department has implemented two of the recommendations and partially implemented one recommendation from the original audit report.

We sent a draft report to the Department on April 29, 2020, and discussed the results of the audit with management. The Department's response 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 who assisted and cooperated with us during this engagement.

Respectfully submitted,

Ensen Mason CPA, CFA

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By:

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Date Report Distributed: June 12, 2020

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Scope and Objective

Our audit examined the Public Defender's Cal-Card procedures for the period of July through November 2019.

The objective of this follow-up audit was to determine if the Department implemented the recommendations contained in the prior audit report, *Public Defender Cal-Card Audit*, issued on May 30, 2019.

Methodology

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

- Interviewing Department staff
- Reviewing Department's Cal-Card Procedures
- Sampling of Cal-Card transactions
- Examination of original source documents



Prior Finding 1: A restricted item was purchased using a Cal-Card.

The Procurement Card Program Procedures Manual "Program Information" section on page 3 states that the procurement card (Cal-Card) is intended to be used for small dollar purchases and utility payments. The procurement card must not be used for expert witness fees.

We reviewed 99 transactions, and found one transaction where an expert witness fee was paid using a Cal-Card.

The purchase was an oversight by the cardholder. Any restricted item purchased with a Cal-Card could result in an unauthorized or unallowable charge.

Recommendation:

We recommended the Department review and follow the Procurement Card Program Procedures Manual to ensure that items on the restricted list are not purchased with a Cal-Card. We further recommended that the Department's Approving Officials review purchases for unallowable charges during their monthly review.

Current Status: Implemented

The Department reviewed the Procurement Card Program Procedures manual to ensure items on the restricted list are not purchased. We examined the updated Department Fiscal Unit Procedures to ensure restricted item descriptions, specifically Expert Witness Fees, have been updated. Each package is reviewed monthly by management to ensure transactions are in compliance with Cal-Card procedures. Additionally, we reviewed 84 transactions and found all items were allowable purchases.



Prior Finding 2: Cal-Card payment packages were not submitted timely.

The Procurement Card Program Procedures Manual "Reconciliation and Review" section for Cardholder Responsibilities on page 19 indicates that the Cardholder Procurement Card Payment Package Cover Sheet and necessary documentation should be forwarded to the Approving Official by the 5th day of each month following the billing cycle. Furthermore, the Cal-Card payment package should be sent to the Office of the Auditor Controller/ Treasurer/Tax Collector (ATC), Accounts Payable Section by the 20th of each month following the billing cycle.

The following conditions were noted during our testing of 10 Cal-Card payment packages:

- Two packages were not submitted to the Department's Approving Official by the 5th day of the month following the statement date.
- Two packages were not prepared by the 20th day of the month following the statement date. In one instance, a payment package was 24 days past due.

Cardholders are not always submitting their packages to the Approving Official on time. When Cal-Card packages are not submitted by the due date, unauthorized purchases may not be identified in a timely manner.

Recommendation:

We recommended Approving Officials ensure their staff submit Cal-Card payment packages by the 5th day of the month following the billing cycle in accordance with the Procurement Card Program Procedures Manual. We further recommended the Department's Accounting Office submit the procurement card payment packages by the 20th day of the month following the billing cycle to ATC, Accounts Payable Section in accordance with the Procurement Card Program Procedures Manual.



Current Status: Partially Implemented

Each package is reviewed monthly by management to ensure submission dates are in compliance with Cal-Card policies and procedures. However, the following conditions were noted during our testing of 10 Cal-Card payment packages:

- Three packages were not submitted to the Department's Approving Official by the 5th day of the month following the statement date. The packages were submitted from one to 23 days after the required submission date.
- Six packages were not submitted to ATC Accounts Payable Section by the 20th day of the month following the statement date. The packages were submitted from five to 16 days after the required submission date.

Management's Response:

The Department agrees with the audit finding and accepts the Auditor's recommendation. A reminder will be sent to approving officials to ensure staff submit Cal-Card payment packages by the 5th day of the month following the billing cycle in accordance with the Procurement Card Program Procedures Manual. Additionally, the Fiscal Unit will receive guidance and direction to improve processing times to ensure that the procurement card payment packages are submitted to ATC, Accounts Payable Section, by the 20th day of the month following the billing cycle.

Auditor's Response:

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



Prior Finding 3: Competitive quotes were not obtained or properly documented.

County Policy 11-4 Procurement of Good, Supplies, Equipment and Services, page 3 states that the department must maintain documentation demonstrating that a competitive process was used. In addition, the Procurement Card Program Procedures Manual's "Use Policies" section on page 2 states that at least three competitive quotes should be obtained and a record of quotes should be maintained by the department. Also, the Department's Procurement Card Procedures require cardholders to obtain quotes for purchases over \$200.

The three quotes for recurring expenses are required to be obtained at least annually. Informal quotes can be obtained by telephone or in writing. Quotes should include the date, time, and contact name.

The following conditions were identified when we reviewed 99 transactions:

- There was one instance where the Department did not obtain three quotes for a \$1,400 training expenditure.
- There were two instances where the Department used informal quotes for recurring expenditures in the amount of \$710 and \$306, but did not include the date, time, or contact name in the quotes.

The Department reached out to Performance, Education and Resource Centers (PERC) for vendor recommendations and believed the vendor used by PERC was a countywide approved vendor and did not require quotes. However, the vendor was not on Purchasing's Countywide Approved Vendor List and quotes were still required. When a comparison of costs is not obtained or properly documented, the County may not obtain the best value for each dollar expended.

Recommendation:

We recommended management ensure staff follow County Policy 11-04 and the Department's Procurement Card Program Procedures by obtaining three quotes for Cal-Card purchases over \$200 or maintaining documentation of justification for non-competitive procurement. Further, we recommended that a record of quotes be maintained with the date, time, and contact name for recurring expenditures. These quotes should be updated within at least twelve months of the procurement.



Current Status: Implemented

Effective September 2019, the Department updated their policies to reflect a \$400 requirement for competitive bids, which is more restrictive than the County Procurement Policy. We reviewed 84 transactions and all items that required competitive bids were accompanied by documentation, which included the date, time, and contact name for recurring expenditures.