

# County of San Bernardino

**Auditor-Controller/Treasurer/Tax Collector  
Internal Audits Section**

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## **District Financial Services: Payment Auditing Process**



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# Auditor-Controller/Treasurer/Tax Collector

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*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.*

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**October 6, 2017**

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## **SUBJECT: District Financial Services (Payment Auditing Process) FY15**

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 San Bernardino County Superintendent of Schools District Financial Services' (DFS) payment auditing process for the period of July 1, 2014 through June 30, 2015. The primary objective of the audit was to determine the effectiveness of the audit process in place over the processing of school districts' claims. 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 a practice that should be improved. We have listed this area for improvement in the Audit Finding and Recommendation section of this report.

We sent a draft report to the Department on May 31, 2017 and discussed our observations with management on July 20, 2017. The Department's response to our recommendation is included in this report.

We would like to express our appreciation to the personnel at the District Financial Services who assisted and cooperated with us during this engagement.

Respectfully submitted,

**Oscar Valdez**

Auditor-Controller/Treasurer/Tax Collector  
San Bernardino County

By:



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# District Financial Services: Payment Auditing Process

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The tables below summarize the audit finding and recommendation for this audit engagement.

For further discussion, refer to the *Audit Finding and Recommendation* section of this report.

| Finding and Recommendation   | Page No. |
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| School or district's name was not indicated on credit card statement.  | 3        |
| Do not process payment on bank statements if the school or district's name does not appear on the statement. |          |



## Background

District Financial Services (DFS) is an external services department of the San Bernardino County Superintendent of Schools responsible for the processing of financial transactions of K-12 school districts, community college districts, dependent charter schools, regional occupational program districts, joint powers authorities, and the County Schools' office. DFS audits and processes commercial vendor payments, payroll, interfund transfers, journal entries, public works payments, and other various transactions. DFS also performs statutory examination and approval functions on behalf of both the County Superintendent of Schools and the County Auditor-Controller.

DFS sets audit guidelines or levels for local educational agencies (LEA) in the County and performs audits of selected payments and contracts. DFS has created an audit manual to document the objectives and general audit procedures to be performed on warrant packages submitted to DFS by districts. DFS has also drafted public works audit guidelines to document standardized procedures for construction related transactions and bidding procedures.

## Scope and Objective

We audited school district transactions for the period of July 1, 2014 through June 30, 2015. The objective of the audit was to test and evaluate transactions to determine the operating effectiveness of DFS' audit process over the processing of the school districts' claims.

## Methodology

The audit included interviewing DFS staff directly involved in the payment auditing process to gain an overall understanding of the operation, reviewing DFS' policies and procedures, examining system generated reports, selecting a statistically selected sample of school districts' transactions, and examining original source documents maintained at DFS and the school districts.



### **Finding 1: School or district's name was not indicated on credit card statement.**

The San Bernardino County Superintendent of Schools' Audit Manual states the school or districts name must appear on the invoice before a warrant package is submitted for payment to DFS.

Our sample of 317 transactions identified an instance at a district where the school or district name was not on a Bank of America credit card statement.

Payments on unauthorized expenditures may be made if the school District's name does not appear on the statement. To ensure expenditures are allowed, a statement with the district or school's name must be attached to the warrant package submitted to DFS for payment.

### **Recommendation**

DFS should inform the District that they will not process payment on a credit card statement that does not have the school district's name on it. Ongoing, ensure credit card statements or invoices include the district or schools name along with the employee or cardholder's name before processing.

### **Management's Response**

DFS will continue to stress the importance of having the school district or school name on invoices and credit card statements, even if the employee name is included.

### **Auditor's Response**

DFS' response addresses planned action to prevent reoccurrence of this finding.