

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Children and Family Services: Vehicle Follow-Up Audit



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Auditor-Controller/Treasurer/Tax Collector

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January 31, 2019

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SUBJECT: Department of Children and Family Services Vehicle Follow Up 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 a follow-up audit of the Department of Children and Family Services (Department) vehicles for the period of October 17, 2017 through August 14, 2018. The objective of the audit was to determine if the Department implemented the recommendations from the prior report. 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 October 17, 2017. The Department has partially implemented all three of the recommendations from the original audit report.

We sent a draft report to the Department on November 19, 2018 and discussed our observations with management on December 6, 2018. 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 Children and Family Services who assisted and cooperated with us during this engagement.

Respectfully submitted,

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By

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Scope and Objective

Our audit examined the Department's vehicle fleet and fuel usage activity for the period of October 17, 2017 through August 14, 2018. Our audit was primarily focused on the usage of the Department's light duty vehicles. We conducted our fieldwork at three different Children and Family Services (CFS) Locations.

The objective of this follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report, *Children and Family Services Department Vehicle Audit*, issued on October 17, 2017.

Methodology

In achieving the audit objective, the following evidence gathering and analysis techniques were used, including but not limited to:

- Interviewing Department management and other personnel that were involved with the Department's vehicle operations.
- Reviewing the Department's vehicle inventory listing generated by Fleet Management, the Take-Home Vehicle Report submitted to Central Payroll for taxable fringe benefit reporting and operation schedules related to take-home vehicles.
- Conducting an inventory of the light duty vehicles at various Department locations.
- Evaluating the monitoring of the Department's light duty vehicles.

We visited the following CFS Locations:

- CFS Central located at 1094 S. East Street, San Bernardino
- CFS Rancho located at 9518 9th Street, Rancho Cucamonga
- CFS San Bernardino located at 1504 S. Gifford Street, San Bernardino



Prior Finding 1: The monitoring controls over fuel usage need to be improved.

The HS Policy and Standard Practice Manual –Section 4-4 states that HS departments and divisions will monitor the fuel usage of County vehicles utilized by staff conducting County business.

The following conditions were noted:

- The Administration, Victorville, Rancho Cucamonga, and Central CFS locations do not monitor the fuel usage of County vehicles utilized by staff.
- Twenty-one CFS vehicles' fuel usage was 10% or higher than the estimated fuel usage threshold based on industry standard calculations.

Without adequate monitoring mechanisms in place, such as performing routine reviews of fuel usage reports, the likelihood that employees will misuse fuel and the misuse will go undetected by management is increased.

Recommendation:

We recommend that management establish and implement monitoring control procedures for the Department's fuel usage. These procedures should include requesting fuel usage reports from Fleet Management so that management can conduct monthly reviews of the Department's fuel purchase activities. Furthermore, these procedures will enable management to immediately investigate any anomalies identified in the fuel reporting.

Current Status: Partially Implemented

The Department has written draft policies and procedures. However, the Department has not requested fuel usage reports from Fleet Management or implemented monthly reviews of fuel usage.

Management's Response:

The Department has been working with Information Technology Services Division (ITSD) to develop a new database to track vehicle use, which will then be reconciled with the fuel usage reports. This database is scheduled to go live on 1/4/19, with the December 2018 vehicle data. The Department has worked with Fleet Management through Administrative Services Division (ASD) Finance



to receive the fuel usage reports, and will begin monthly reviews in January 2019 for December 2018 usage.

Auditor's Response:

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

Prior Finding 2: The monitoring controls over vehicle usage need to be improved.

The Internal Controls Cash Manual Chapter 2 – Safeguarding of Assets states that assets should be recorded and access to and use of valuable assets should be controlled. The Internal Controls and Cash Manual on page 2-2 states that the County managers are responsible for safeguarding assets, providing reliable records, and complying with applicable laws and regulations. By establishing internal controls, management is provided reasonable assurance that their objectives are being met in a supportive control environment. The control environment includes the existence of policies and procedures and the effective management of County resources. Effectively establishing internal controls includes the continuous monitoring of control related procedures to prevent the occurrence of errors.

The following control deficiencies were noted:

- The Department does not maintain accurate vehicle listings. Of the 299 CFS vehicle records compared to Fleet Management records:
 - 1 of the vehicles' County Identification Numbers did not agree to Fleet Management records.
 - 9 of the vehicles' license plate numbers did not agree to Fleet Management records.
 - 11 of the vehicles' Vehicle Identification Numbers (VIN) did not agree to Fleet Management records.
- During our field visit and review of GPS reports, there were 29 vehicles that were not found to be at County locations. The Department was not able to provide an explanation as to where the vehicles were located.
- Vehicle logs kept by CFS locations were not completely filled out. We noted logs missing Employee ID numbers, dates and times in and out, vehicle numbers and destinations. There was no evidence of supervisory review of mileage.



The risk of unauthorized usage of County vehicles increases without supervisory oversight of the Department vehicles, especially those without GPS tracking devices, and reliable and complete records.

Recommendation:

We recommend the Department update their vehicle records and compare department records to Fleet Management's records to ensure accuracy on a regular basis. We also recommend that supervisors regularly monitor their staff's vehicles usage to ensure they are only being used for business purposes. This review of vehicles should also be documented in writing.

Current Status: Partially Implemented

The Department has updated their vehicle records to agree to records kept by Fleet Management.

During our field visits and review of GPS Reports, there were 2 vehicles that were not found to be at County locations, but the Department was able to provide explanations as to where vehicles were located.

Even though the Department has written draft procedures that include monthly monitoring of vehicle usage, the Department has not implemented monthly reviews of vehicle usage.

Management's Response:

The Department has worked with ITSD to develop a new database to track vehicle usage. This database has been tested and is scheduled to go live 1/4/19, and will include December 2018 vehicle use data. Reports from this database will be reconciled to Fleet Management and ASD Finance records monthly by CFS Budget and Administrative Services, beginning in January 2019 for December 2018 data.

Auditor's Response:

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



Prior Finding 3: Employees' commuting days used to calculate the taxable fringe benefits were not reported to Central Payroll.

In order to properly report taxable benefits to the Internal Revenue Service (IRS), the Auditor-Controller/Treasurer/Tax Collector's Central Payroll Section (Central Payroll) requires each department to complete the Take-Home Vehicle Report. The Take-Home Vehicle Report includes all individuals who took home a Category V vehicle during the reporting period. According to the San Bernardino County Policy 03-10SP1: Vehicle Service Rules Procedures - Category V states that:

"Vehicles assigned to an individual on a full or part-time basis which the employee is required, for business purposes, to use for commuting to/from work. No personal use, other than commuting and de minimis (very limited) personal use, is permitted by the employee or any of the employee's dependents. The IRS-established value of this commuting use will be included in the employee's taxable income reported to the taxing authorities."

Commuting use of a vehicle is considered a taxable fringe benefit under IRS regulations. Although the Department authorized the use of County vehicles overnight, the use/benefit was not reported to Central Payroll for any CFS vehicles.

The Department was unaware that the IRS and County policy required employees that take home vehicles to report the use/benefit to Central Payroll. The employees' taxable income will not be accurately reported to the IRS if the employees' vehicle-related fringe benefits are not submitted to Central Payroll. Furthermore, employees may be subject to penalties, interest, and additional taxes if all of their income is not properly reported to the IRS. Additionally, the County may be subject to penalties and interest.

Recommendation:

We recommend management ensure that the use of all take-home vehicles is included in the semi-annual take-home vehicle reporting to Central Payroll so that the employee's W-2 can accurately reflect all taxable income. We further recommend that management educate the Department personnel on County Standards so that they fully understand their responsibilities for properly recording all vehicle usage activity.

Current Status: Partially Implemented

The Department has written draft policies and procedures. However, during our field visits and review of GPS Reports, there were 2 vehicles that were used to



commute without being reported to Central Payroll. Furthermore, the Department has not implemented a process to report take-home vehicles to Central Payroll.

Management's Response:

The Department began reporting take home vehicle usage to Central Payroll in October 2018 for the first quarter of fiscal year 2018/19. The Department is mining vehicle use data to create reporting for the second quarter of the fiscal year. Effective January 2019 for December 2018 data, regional offices will submit monthly reports to CFS Budget and Administrative Services of all take home vehicle use, which will be reconciled to the vehicle use database, and subsequently reported to Central Payroll.

Auditor's Response:

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