

# County of San Bernardino

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

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## **Transitional Assistance Department: Prepaid Cards Audit**



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# Auditor-Controller/Treasurer/Tax Collector

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**January 9, 2018**

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## **SUBJECT: Transitional Assistance Department 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 Transitional Assistance Department's prepaid cards for the period of July 1, 2016 through June 30, 2017. The primary objective of the audit was to determine if internal controls over prepaid cards are 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.

This report is a result of an audit that was conducted on the Department of Human Services – Auditing Division's prepaid cards. The Division procures and then transfers the prepaid cards to the Transitional Assistance Department, where the cards are ultimately issued to the recipients. The audit focuses on the entire prepaid card process from procurement to issuance at the Transitional Assistance Department. We identified a procedure and practice that could be improved. We have listed this area for improvement in the Audit Finding and Recommendation section of this report.

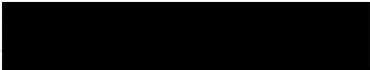
We sent a draft report to the Department on November 3, 2017 and discussed our observations with management on November 28, 2017. The Department's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Transitional Assistance Department 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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## **Transitional Assistance Department: Prepaid Cards Audit**

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## Summary of Audit Results

Our finding and recommendation is provided to assist management in strengthening internal controls and procedures relating to Transitional Assistance Department's prepaid cards.

The table below summarizes 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.
Unauthorized card custodians are maintaining custody of prepaid cards.	
We recommend that both Management and staff familiarize themselves with the County's ICCM. The Department should also establish and document prepaid card custodians at each location where cards are stored.	4



## Transitional Assistance Department Prepaid Cards Audit

The Human Services Administration's Auditing Division (Division) within the Human Services Group of San Bernardino County (County) provides the purchasing and transferring of prepaid cards for County departments within the Human Services Group. The Division does not issue or distribute prepaid cards directly to County residents. However, the Division transfers prepaid cards to the Transitional Assistance Department (TAD) and the Children and Family Services Department (CFS). TAD's prepaid card process was reviewed by the Internal Audits Section (IAS) auditors since the department issues and distributes these prepaid cards to County residents.

Authorized Issuance Office Assistants (AIOAs) in TAD offices issue controlled valuables as supportive services and ancillary services to CalWORKs customers in the following forms:

- Imprest Funds
- Valuables
- Warrants

TAD defines valuables as any item with a monetary value, such as bus passes, gas cards, vouchers, Electronic Benefit Transfer (EBT) cards and warrant stock that must be secured at all times. For the purpose of this audit, only valuables which include bus passes, gas cards, and any other prepaid debit/gift cards that are issued to customers were included in this audit since these all have existing value.



## Scope and Objective

Our audit examined the internal controls over prepaid cards for the period of July 1, 2016 through June 30, 2017. We conducted our fieldwork at the Del Rosa and Victorville TAD offices.

The objective of our audit was to determine if internal controls over prepaid cards are effective and in compliance with the Internal Controls and Cash Manual.

## Methodology

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

- Interviews of TAD staff
- Walk-through of activity
- Review of policies and procedures
- Examination of original source document



**Finding: Unauthorized card custodians are maintaining custody of prepaid cards.**

Chapter 19 of the Internal Controls and Cash Manual (ICCM) states that every department that distributes prepaid cards must designate an employee to be the custodian in charge of these cards. At all times, the card custodian must also be able to account for the specific physical location(s) of all cards. The ICCM further states that the Department must submit a "Signature/Fund Custodian Authorization" form for each card custodian and complete a "Questionnaire for Prepaid Debit and Gift Cards" form for each location the prepaid cards are stored. These forms are to be submitted to the Auditor-Controller/Treasurer/Tax Collector's Internal Audits Section for each fiscal year that the Department maintains and distributes prepaid cards.

The employees with access to the safes were acting as card custodians, but had not completed a Signature Fund Custodian Authorization Form or the Questionnaire for Prepaid Debit and Gift Cards.

The Department was not familiar with the card custodian requirements in the ICCM. The potential of misappropriation of the prepaid cards increases when they are not maintained by an authorized card custodian.

**Recommendation:**

We recommend that both Management and staff familiarize themselves with the County's ICCM. The Department should establish prepaid card custodians at each location where cards are stored. Each card custodian should complete a Signature Fund Custodian Authorization Form and a Questionnaire for Prepaid Debit and Gift Cards should be completed for each location where prepaid cards are stored.

**Management's Response:**

TAD Management is in agreement with the finding. TAD uses the Authorization of District Issuance/Receipt Office Assistants (HS 710), an internal form, to designate individuals who are authorized to issue/receipt valuables in the district office. The HS 710 is sent to Auditing at least yearly, but also when changes are made to the Authorized Issuance Office Assistants (AIOAs).

The TAD Office Procedures Handbook (TOPHB) will be updated to correspond with the Internal Controls & Cash Manual (ICCM) which specifies:



- A Signature/Fund Custodian Authorization form is on file at ATC for each Fund/Card Custodian (AIOA) and is updated any time there are changes to the custodians, and
- One Questionnaire for Prepaid Debit and Gift Cards is completed for each location.
- A flyer will be sent reminding staff of the above policy.

Program Development Division will request the above forms for each district office/AIOA not already on file to be completed and routed immediately, but no later than December 31, 2017.

**Auditor's Response:**

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