

# County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector  
Internal Audits Section

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## Children and Family Services: Prepaid Cards Follow-up Audit



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# Auditor-Controller/Treasurer/Tax Collector

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## Audit Team

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# Children and Family Services

## Prepaid Cards Follow-Up Audit

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**June 6, 2019**

**Marlene Hagen, Director**  
Children and Family Services  
150 S. Lena Road  
San Bernardino, CA 92415-0515

**SUBJECT: PREPAID CARDS 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 Children and Family Services Department (Department)'s prepaid cards. The objective of the audit was to determine if the recommendations for the findings in the Children and Family Service Prepaid Cards Audit, dated May 11, 2018, were 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 findings identified in the original audit report issued on May 11, 2018. Of the three recommendations from the original audit report, two have been partially implemented and one has not been implemented.

We sent a draft report to the Department on April 29, 2019 and discussed our observations with management on April 30, 2019. 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 Children and Family Services 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: \_\_\_\_\_  
**Denise Mejico**  
Chief Deputy Auditor

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Date Report Distributed: June 6, 2019

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## Scope and Objective

Our audit examined the Children and Family Services Department (Department)'s internal controls over prepaid cards as of August 1, 2018.

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 Prepaid Cards Audit*, issued on May 11, 2018.

## Methodology

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

- Interviews of Department staff
- Examination of original source documents
- Review of pertinent documents



### **Prior Finding 1: The department does not perform a monthly inventory count for prepaid cards in accordance with the ICCM.**

According to the Internal Controls and Cash Manual (ICCM) 19-9 "Inventory", a critical step in properly accounting for prepaid cards is conducting a monthly inventory count. There are specific steps a department must complete when conducting an inventory of prepaid cards. The department must determine actual cards on hand by making a list of:

- Merchant
- Card account number or ID
- Card denomination
- Quantity
- Total per merchant and card denomination
- Grand total of number of cards and cash value on hand

A monthly inventory count is not conducted to verify actual cards on hand at both the Victorville and Gifford locations.

The department was not aware of the ICCM guidelines regarding prepaid card inventory. The risk of potential theft increases when an independent physical count of the cards is not performed each month.

### **Recommendation:**

We recommend that the department conduct inventory counts as stated in the ICCM. Management and staff should determine actual cards on hand by making a list of merchants, card account numbers or IDs, card denomination, quantity, total per merchant and card denomination, and grand total number of cards and cash value on hand.

### **Current Status: Partially Implemented**

The Department conducted a training for regional fund custodians and clerical supervisors on their roles and responsibilities in regards to prepaid cards. However, the following conditions were identified when we reviewed the monthly inventory counts:

- Seven of the ten locations were unable to provide monthly inventory counts. The seven locations were Barstow, Needles, Systems Resources, Central Region, San Bernardino, Victorville and Yucca Valley.



- The Fontana location's monthly inventory counts were not conducted by two employees to record and verify individual counts. In addition, the count was not observed by the card custodian.
- The Initial Response Operations / Placement Resources location did not completely fill out the monthly inventory count to include the card account number or ID.

### **Management's Response:**

CFS is implementing supplemental negotiables training focusing on the reconciliation and inventory process. This training will be conducted by one of our Department Management Analyst IIs. In addition, copies of the monthly inventory counts and cash counts will be submitted to the Budget and Administrative Services Division monthly for review. This is expected to be completed by July 31, 2019.

### **Auditor's Response:**

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

### **Prior Finding 2: Payment vouchers for prepaid cards purchased were not sent to IAS for review and approval.**

According to the ICCM Chapter page 19-5 "Purchasing Prepaid Cards", the department must submit each payment document for the purchase of prepaid cards to the Auditor-Controller/Treasurer/Tax Collector's Internal Audits Section (ATC-IAS) regardless of the number of purchases made. After the purchase is made and the department completes the Request for Transfer for its Cal Card purchases, it must charge the prepaid cards purchased to object code 3206. If the department is using Cal Cards to purchase the prepaid cards, it must send a copy of the Request for Transfer for its Cal Card purchases to ATC's IAS when the document is prepared. ATC's IAS must review and approve the payment voucher and then forward the payment document to ATC Accounts Payable Section.

We noted that the department did not submit payment documents to IAS for 9 out of 10 purchases of prepaid cards for a total of \$3,135. Also, the prepaid cards purchased were incorrectly coded to object code 3205 instead of object code 3206 on the Request for Transfer.

The Department was not aware of the need to submit documentation to IAS prior to purchasing prepaid cards. There is an increased risk the



Department could purchase prepaid cards in excess of the amount that has been approved by the County's Board of Supervisors.

### **Recommendation:**

We recommend the Department submit the Request for Transfer documents to IAS for each prepaid cards purchase. We also recommend that Department code the prepaid card purchases to GL Account # 53003206. With the recent County-wide implementation of the new SAP Enterprise Financial Management System, the new object code used for prepaid cards has changed from 3206 to 53003206.

### **Current Status: Not Implemented**

The Department was not able to provide us with a list of prepaid cards purchased during the audit period. We ran a query on the SAP Enterprise Financial Management System to identify if transactions were coded correctly. However, we could not identify which transactions were for the Department since all transactions were posted as Human Services Auditing. Human Services Auditing does not specify purchases for a specific department within Human Services.

### **Management's Response:**

CFS is in collaboration with HS ASD Finance and HS Auditing and will prepare a monthly memo to ATC stating an estimated amount used to purchase emergency bus and train fares that are not held on hand prior to the purchase. Additionally, a memo will be sent to ATC each month detailing the amount of prepaid cards purchased, with copies of receipts attached. This will be fully implemented by June 30, 2019.

### **Auditor's Response:**

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

### **Prior Finding 3: Prepaid cards are distributed to clients by mail.**

According to the ICCM Chapter 19-2 under "Guidelines", distribution of prepaid cards must be strictly controlled. Prepaid cards must not be distributed to recipients through the mail.

Prepaid cards were distributed to a client by mail which ultimately resulted in a loss of \$105.



The Department is unaware of the guidelines in the ICCM pertaining to the distribution of prepaid cards. County assets are at risk when prepaid cards are not properly distributed.

### **Recommendation:**

We recommend that management and staff review the County's ICCM on how prepaid cards should be distributed. We also recommend that prepaid cards are not sent through mail.

### **Current Status: Partially Implemented**

The Department has discontinued the practice of sending prepaid cards through the mail. The Department now distributes prepaid cards via Federal Express (FedEx) and requires a signature from the recipient. However, there was no recipient signature for one out of the 23 distributions tested.

### **Management's Response:**

As stated, when it is necessary to send prepaid cards to clients, they are distributed via Federal Express with a signature required. In instances where Federal Express fails to obtain the required signature, CFS will:

- Submit a memo to HS Auditing noting that the signature was not obtained;
- Submit a memo requesting relief of liability, as appropriate; and
- Request ASD Finance contact Federal Express to provide a credit for the extra charges associated with signature required deliveries.

### **Auditor's Response:**

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