

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Children and Family Services: Prepaid Cards Audit



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May 11, 2018

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SUBJECT: Department of Children and Family Services 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 Department of Children and Family Services' 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 Children and Family Services 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 Children and Family Services Department. We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

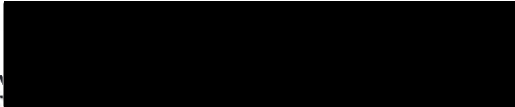
We sent a draft report to the Department on February 13, 2018 and discussed our observations with management on March 6, 2018. The Department's responses to our recommendations are included in this report.

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,

Oscar Valdez

Auditor-Controller/Treasurer/Tax Collector
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Date Report Distributed: May 11, 2018

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Department of Children and Family Services: Prepaid Cards Audit

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Summary of Audit Results

Our findings and recommendations are provided to assist management in strengthening internal controls and procedures relating to the Department of Children and Family Services prepaid cards.

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to the *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	The department does not perform a monthly inventory count for prepaid cards in accordance with the ICCM.	4
	We recommend management and staff 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, and grand total number of cards and cash value on hand.	
2	Payment vouchers for prepaid cards purchased were not sent to IAS for review and approval.	5
	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.	
3	Prepaid cards are distributed to clients by mail.	6
	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.	



Background

Children and Family Services 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). CFS's prepaid card process was reviewed by Internal Audits Section (IAS) auditors since the department issues and distributes these prepaid cards to County residents.

CFS provides transportation services to children and parents for the following but not limited to:

- Attending a Juvenile Court Hearing
- Required case plan activities such as visitation, court hearings, counseling and classes
- Attending college classes and/or commute to work

These transportation services are authorized and issued in the form of local bus passes, gas cards, or vouchers.



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 Gifford and Victorville CFS 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 CFS staff
- Walk-through of activity
- Review of policies and procedures
- Examination of original source documents



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.

Management's Response:

Children and Family Services will implement supplemental training of all issuance staff on the appropriate methodology for month end inventory. This training will be completed by June 30, 2018.

Auditor's Response:

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



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.

Management's Response:

Children and Family Services will immediately begin charging all purchases made for bus and train passes using Cal-Cards to GL Account #53003206. CFS will work with Human Services Administrative Resources Divisions to ensure appropriate monthly transfers are prepared to adjust these purchase to the correct GL code in a timely manner.



Auditor's Response:

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

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.

Management's Response:

Children and Family Services had discontinued the practice of sending prepaid cards through the mail. Cards are now sent via Federal Express, with addressee recipient signature required. Cards are returned to the agency if this signature is not available. This provides additional tracking to ensure appropriate distribution of the prepaid cards.

Some CFS clients do not have the means to travel to a County office to receive the prepaid negotiable, especially in the case of gas cards. Delivering cards to clients in remote areas require a large investment of staff resources, at additional cost to the County.

Children and Family Services is requesting authority to continuing sending prepaid cards via Federal Express, addressee signature required, in instances where the client is unable to travel to a county office to pick up the cards.



Auditor's Response:

Although Federal Express (FedEx) is still a form of mail delivery, ATC Internal Audits acknowledges that the Department has taken extra precaution by having a courier require a recipient signature prior to delivery of prepaid cards. The Department has assumed the potential risk involved and the final decision regarding the implementation of the recommendation remains with the Department.