

# County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector  
Internal Audits Section

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## Human Resources Department: Cal-Card Audit



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# Auditor-Controller/Treasurer/Tax Collector

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## *Mission Statement*

*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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**June 12, 2018**

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## **SUBJECT: CAL-CARD 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 Human Resources Department's Cal-Cards for the period of January 1, 2017 through September 30, 2017. The objectives of the audit were to determine whether the internal controls over the Department's Cal-Cards are adequate to effectively safeguard department resources and to determine whether Cal-Cards are being used in accordance with the Procurement Card Program Procedures Manual and department policies. 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 some 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 May 11, 2018 and discussed our observations with management on May 22, 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 Human Resources 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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# **Human Resources Department: Cal-Card 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 Cal-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	A restricted item was purchased using a Cal-Card.	4
	We recommend the Department review the Cal-Card Manual to ensure that items that are on the restricted list are not purchased with a Cal-Card.	
2	Controls over the usage of Cal-Cards could be improved.	4
	Management should monitor for potential violations of Procurement Card Program Procedures listed in the Cal-Card Manual including the sharing of Cal-Cards. Management should also consider issuing Cal-Cards to employees with job duties that require making purchases with Cal-Cards. We also recommend that when a Cal-Card is canceled, the Department should cut the card in half and send it or deliver it by hand, to the County Program Administrator, as stated in the Cal-Card Manual.	
3	Procurement Card Payment Packages were not submitted timely.	5
	We recommend Approving Officials ensure their staff submit Procurement Card Payment Packages by the fifth day of the month following the billing cycle in accordance with the Cal-Card Manual.	



## Background

The Human Resources Department (Department) is committed to providing effective customer service to all departments, employees, and constituents of San Bernardino County through timely delivery of innovative, quality human resources systems, programs, and services.

The Human Resources Department administers County human resources (personnel) management programs and activities. This includes Classification, Commuter Services, Employee Management and Compensation System (EMACS), Employee Relations, Employee Benefits and Services, Employment, Equal Employment Opportunity, and the Suggestion Award Program. The Human Resources Department also supports and provides oversight to the Equal Opportunity Commission and the Civil Service Commission.

The Procurement Card program is managed by the Purchasing Department. Procurement VISA Cards are issued by U.S. Bank. Procurement cards carry the cardholder's name and may be used for low value purchases of goods as defined in the County Procurement Manual (Cal-Card Manual). The Department primarily uses Cal-Cards to pay travel, lodging and other administrative expenses.



## Scope and Objectives

Our audit examined the controls over Cal-Cards for the period January 1, 2017 through September 30, 2017.

The objectives of our audit were to:

- Determine whether the internal controls over the Department's Cal-Cards are adequate to effectively safeguard department resources.
- Determine whether Cal-Cards are being used in accordance with the Procurement Card Program Manual and department policies.

## Methodology

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

- Interviews of Department staff
- Review of policies and procedures
- Sampling of Cal-Card transactions
- Examination and review of original source documents



### **Finding 1: A restricted item was purchased using a Cal-Card.**

The Cal-Card Manual "Program Information" Section on Page 3 states that the Procurement Card is intended to be used for small purchases and utility payments. The Procurement Card must not be used for general staff meetings, awards, and staff appreciation events.

We reviewed 115 Cal-Card transactions and found one transaction where an Employee Recognition Plaque and Name Plates were purchased using a Cal-Card.

The employee was unaware this item was included on the restricted uses list in the Cal-Card Manual. Any restricted items purchased with a Cal-Card could result in disallowed costs and the employee will be personally responsible for the charges.

### **Recommendation:**

We recommend the Department review the Cal-Card Manual to ensure that items that are on the restricted list are not purchased with a Cal-Card.

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

The Department met with Cal-Card holders and reminded them of the location of the Cal-Card Manual on the Purchasing website. In addition, staff were reminded to review the Cal-Card restricted list and to use alternate payment methods when necessary.

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

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

### **Finding 2: Controls over the usage of Cal-Cards could be improved.**

The Cal-Card Manual "Violations" section on Page 5 states that allowing another person to use your card is not allowed. In addition, the "Canceling a Card" section on Page 13 states that, upon notification from the County Program Administrator that the card has been canceled, the Department should cut the Procurement Card in half and return it to the County Program Administrator, either in person or through interoffice mail.

The following conditions were identified:



- A Cal-Card holder allowed other employees to use their Cal-Card to make preapproved purchases.
- Two canceled Cal-Cards were shredded by the Department.

Department staff responsible for making purchases are not issued their own Cal-Cards. At the time of fieldwork, the Department was unaware that canceled Cal-Cards needed to be cut in half and sent to the County Program Administrator. When program guidelines are not followed, this could result in the suspension of Cal-Cards. When canceled cards are not sent to the County Program Administrator, the Purchasing Department is not able to maintain documentation of all canceled Cal-Cards.

### **Recommendation:**

We recommend that management monitor for potential violations of Procurement Card Program Procedures listed in the Cal-Card Manual including the sharing of Cal-Cards. Management should also consider issuing Cal-Cards to employees with job duties that require making purchases with Cal-Cards. We also recommend that when a Cal-Card is canceled, the Department should cut the card in half and send it or deliver it by hand, to the County Program Administrator, as stated in the Cal-Card Manual.

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

The Department will issue Cal-Cards to staff members whose primary responsibility is to make purchases.

The Department is now delivering cancelled Cal-Cards to Purchasing as required by the manual.

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

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

### **Finding 3: Procurement Card Payment Packages were not submitted timely.**

The Cal-Card Manual "Reconciliation and Review" section for Cardholder Responsibilities on Page 19 indicates that the Procurement Card Payment Package Sheet and necessary documentation should be forwarded to the approving official by the fifth day of the month following the billing cycle.

Of the 10 Payment Packages tested, six were not prepared by the fifth day of the month following the statement date.



The Department does not enforce the due date for submitting Procurement Card Payment Packages to approving officials. Late submittals could delay payments and may result in late fees.

**Recommendation:**

We recommend Approving Officials ensure their staff submit Procurement Card Payment Packages by the fifth day of the month following the billing cycle in accordance with the Cal-Card Manual.

**Management's Response:**

The Department sent an email to all Cal-Card holders and their approving officials reminding them that payment packages must be completed and submitted for processing to the Departments Administrative Services Unit by the fifth day of every month.

**Auditor's Response:**

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