

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Public Defender: Cal-Card Audit



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Auditor-Controller/Treasurer/Tax Collector

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Auditor-Controller/Treasurer/Tax Collector

Mission Statement

This 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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Public Defender: Cal-Card Audit

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May 30, 2019

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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 Public Defender for the period of January 1, 2018 through September 30, 2018. The primary 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, County Policy and department procedures. 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 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 May 2, 2019 and discussed our observations with management on May 6, 2019. The Department's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Public Defender who assisted and cooperated with us during this engagement.

Respectfully submitted,

Ensen Mason CPA, CFA

Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

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Date Report Distributed: May 30, 2019

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Summary of Audit Results

Our findings and recommendations are provided to assist management in improving internal controls and procedures relating to the Department's 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	<p>A restricted item was purchased using a Cal-Card.</p> <p>We recommend the Department review and follow the Procurement Card Program Procedures Manual to ensure that items on the restricted list are not purchased with a Cal-Card. We further recommend that the Department's Approving Officials review purchases for unallowable charges during their monthly review.</p>	7
2	<p>Cal-Card payment packages were not submitted timely.</p> <p>We recommend Approving Officials ensure their staff submit Cal-Card payment packages by the 5th day of the month following the billing cycle in accordance with the Procurement Card Program Procedures Manual. We further recommend the Department's Accounting Office submit the procurement card payment packages by the 20th day of the month following the billing cycle to ATC, Accounts Payable Section in accordance with the Procurement Card Program Procedures Manual.</p>	8
3	<p>Competitive quotes were not obtained or properly documented.</p> <p>We recommend management ensure staff follow County Policy 11-04 and the Department's Procurement Card Program Procedures by obtaining three quotes for Cal-Card purchases over \$200 or maintaining documentation of justification for non-competitive procurement. Further, we recommend that a record of quotes be maintained with the date, time, and contact name for recurring expenditures. These quotes should be updated within at least twelve months of the procurement.</p>	9



CAL-CARD AUDIT

The Department

The San Bernardino County Public Defender (Department) plays a key role in the administration of justice by providing constitutionally mandated legal services to indigent clients in misdemeanor, felony, juvenile delinquency and mental health civil commitment cases. By providing quality representation services to indigent clients, the Public Defender protects constitutional rights from overreaching and unlawful infringements. Services provided by the Department include performing legal research, writing briefs and writs, counseling clients regarding their legal rights and applicable procedures, investigating the underlying facts and circumstances for each case, negotiating with prosecuting authorities, final and litigating pre-trial motions and conducting bench and jury trials.

In addition to providing legal defense, the Department also seeks to arrange client access to social service programs, alcohol and drug rehabilitation services and counseling for mental health issues. Using a holistic approach, the Public Defender seeks to increase client opportunities for achieving self-sufficiency. The Department is a leader in innovation, developing and implementing programs to operate more efficiently and improving individual lives.

Cal-Cards

The Procurement Card Program is managed by the Purchasing Department. Procurement cards are part of the State of California's Purchasing Card Program that is used by the County of San Bernardino, which are referred to as Cal-Cards. The unique VISA card is received from U.S. Bank, and has the Cardholder's name embossed on it. The Cardholder is the only authorized user of the card. The Cal-Card is intended to streamline the purchasing process of small dollar purchases, enable vendors to be paid more quickly and eliminate individual payments to vendors. In addition, the Cal-Card will be used to make utility payments, replace assigned travel and airline cards, replace the Low Value purchasing process and reduce the use of petty cash.

Controls have been developed for the Procurement Card Program that do not exist in a traditional credit card environment. These controls help ensure that the card is only used for specific purchases and within specific dollar amounts. In



addition, certification of all purchases is required by each Cardholder with verification performed by the Approving Official and the final oversight by the Auditor-Controller/Treasurer/Tax Collector's Accounts Payable Section.



Scope and Objectives

Our audit examined the Public Defender's Cal-Cards for the period of January 1, 2018 through September 30, 2018.

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 Procedures Manual, County Policy and department procedures.

Methodology

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

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



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

The Procurement Card Program Procedures Manual "Program Information" section on page 3 states that the procurement card (Cal-Card) is intended to be used for small dollar purchases and utility payments. The procurement card must not be used for expert witness fees.

We reviewed 99 transactions, and found one transaction where an expert witness fee was paid using a Cal-Card.

The purchase was an oversight by the cardholder. Any restricted item purchased with a Cal-Card could result in an unauthorized or unallowable charge.

Recommendation:

We recommend the Department review and follow the Procurement Card Program Procedures Manual to ensure that items on the restricted list are not purchased with a Cal-Card. We further recommend that the Department's Approving Officials review purchases for unallowable charges during their monthly review.

Management's Response:

The Department agrees with the finding and will ensure that procurement cards are not used for restricted items. The Department's Fiscal Unit (Accounting Office) has reviewed the Procurement Card Program Procedures Manual and noted the restricted items. The Fiscal Unit Procedures Manual will be updated, by June 30, 2019, to reflect that an expert's verbal opinion and written reports falls under the expert witness fee restriction even if the expert does not testify in court.

Auditor's Response:

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



Finding 2: Cal-Card payment packages were not submitted timely.

The Procurement Card Program Procedures Manual "Reconciliation and Review" section for Cardholder Responsibilities on page 19 indicates that the Cardholder Procurement Card Payment Package Cover Sheet and necessary documentation should be forwarded to the Approving Official by the 5th day of each month following the billing cycle. Furthermore, the Cal-Card payment package should be sent to the Office of the Auditor Controller/ Treasurer/Tax Collector (ATC), Accounts Payable Section by the 20th of each month following the billing cycle.

The following conditions were noted during our testing of 10 Cal-Card payment packages:

- Two packages were not submitted to the Department's Approving Official by the 5th day of the month following the statement date.
- Two packages were not prepared by the 20th day of the month following the statement date. In one instance, a payment package was 24 days past due.

Cardholders are not always submitting their packages to the Approving Official on time. When Cal-Card packages are not submitted by the due date, unauthorized purchases may not be identified in a timely manner.

Recommendation:

We recommend Approving Officials ensure their staff submit Cal-Card payment packages by the 5th day of the month following the billing cycle in accordance with the Procurement Card Program Procedures Manual. We further recommend the Department's Accounting Office submit the procurement card payment packages by the 20th day of the month following the billing cycle to ATC, Accounts Payable Section in accordance with the Procurement Card Program Procedures Manual.

Management's Response:

The Department agrees with the audit finding and accepts the Auditor's recommendation. The Department's Fiscal Unit will prepare and complete a formal training for procurement staff and their Approving Officials by July 12, 2019. The training will include a review of County and Department procurement



procedures and emphasize the importance of timely submittals. Approving Officials will ensure that they receive their staff's card payment packages by the 5th of each month. Additionally, the Fiscal Unit will ensure that procurement card payment packages are submitted to ATC, Accounts Payable Section, by the 20th day of the month following the billing cycle.

Auditor's Response:

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

Finding 3: Competitive quotes were not obtained or properly documented.

County Policy 11-4 Procurement of Good, Supplies, Equipment and Services, page 3 states that the department must maintain documentation demonstrating that a competitive process was used. In addition, the Procurement Card Program Procedures Manual's "Use Policies" section on page 2 states that at least three competitive quotes should be obtained and a record of quotes should be maintained by the department. Also, the Department's Procurement Card Procedures require cardholders to obtain quotes for purchases over \$200. The three quotes for recurring expenses are required to be obtained at least annually. Informal quotes can be obtained by telephone or in writing. Quotes should include the date, time, and contact name.

The following conditions were identified when we reviewed 99 transactions:

- There was one instance where the Department did not obtain three quotes for a \$1,400 training expenditure.
- There were two instances where the Department used informal quotes for recurring expenditures in the amount of \$710 and \$306, but did not include the date, time, or contact name in the quotes.

The Department reached out to Performance, Education and Resource Centers (PERC) for vendor recommendations and believed the vendor used by PERC was a countywide approved vendor and did not require quotes. However, the vendor was not on Purchasing's Countywide Approved Vendor List and quotes were still required. When a comparison of costs is not obtained or properly documented, the County may not obtain the best value for each dollar expended.



Recommendation:

We recommend management ensure staff follow County Policy 11-04 and the Department's Procurement Card Program Procedures by obtaining three quotes for Cal-Card purchases over \$200 or maintaining documentation of justification for non-competitive procurement. Further, we recommend that a record of quotes be maintained with the date, time, and contact name for recurring expenditures. These quotes should be updated within at least twelve months of the procurement.

Management's Response:

The Department acknowledges that there was a deficiency in securing and maintaining proper documentation for competitive and non-competitive procurement. A formal training of procurement staff and Approving Officials, to be completed by July 12, 2019, ongoing follow-up and review will help ensure compliance with procurement policies.

Auditor's Response:

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