

# County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector  
Internal Audits Section

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## Special Districts: Cal-Card Audit



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# Auditor-Controller/Treasurer/Tax Collector

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## **Special Districts Cal-Card Audit**

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**April 21, 2020**

**Luther Snoke, Interim Director**

Special Districts

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**SUBJECT: CAL-CARD AUDIT**

In compliance with Article V, Section 6, of the San Bernardino County Charter we have completed an audit of the Special Districts Department's (Department) Cal-Cards for the period of January 1, 2018 through October 31, 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 and County 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 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 provided a draft report to the Department and discussed our observations with management on February 3, 2020. The Department's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Special Districts 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:



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Date Report Distributed: 4/21/2020

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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 Special Districts Department's (Department) 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           | Cardholders are not adhering to County cardholder responsibilities.  | 6        |
|             | We recommend that management monitor Cal-Card packages for the Monthly Procurement Card Purchase Report and original detailed receipts. We also recommend the Department pay invoices in full so balances are not rolled over. We recommend cardholders submit their package to the Approving Official by the 5th day of each month, following the billing cycle.            |          |
| 2           | The Cal-Card procurement process could be improved.  | 7        |
|             | We recommend that the Department properly obtain and document competitive bids for transactions greater than \$1,000 or justification for non-competitive procurement. We also recommend that cardholders not exceed the single purchase dollar limit of \$3,000. In the event of an emergency, the Purchasing Department should be contacted before any purchases are made. |          |
| 3           | Controls over the usage of Cal-Cards could be improved.  | 8        |
|             | We recommend that management monitor for potential violations listed in the Procurement Card Program Procedures Manual. We also recommend the Department have items shipped to a County building that is accepted by delivery services and ensure that the shipping address agrees to the address on the card.   |          |
| 4           | Procurement Card Payment Packages were not reviewed and submitted timely.  | 9        |
|             | We recommend the Approving Official review and approve all charges and supporting documentation by the 10 <sup>th</sup> day of each month, following the billing period in accordance with the Procurement Card Program Procedures Manual and submit to the Departmental Accounting Office.  |          |
| 5           | Retention of Cal-Card packages could be improved.  | 10       |
|             | We recommend the Department retain the most up-to-date Cal-Card package submitted to the ATC for a minimum of two complete fiscal years as required by the County Procurement Card Program Manual.   |          |



### **CAL-CARD AUDIT**

#### **The Department**

Special Districts Department (Department) works to ensure safe, healthy and enjoyable communities by providing customizable programs for those who work, play and stay in San Bernardino County. The Department provides management, administrative, municipal and business services and solutions to districts throughout the County of San Bernardino. These services are offered through three divisions: Board Governed County Service Areas, Big Bear Valley Recreation and Park Operations and Bloomington Recreation and Park Operations.

#### **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 Department's Cal-Cards for the period of January 1, 2018 through October 31, 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 and County policies.

### Methodology

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

- Interviews of Department staff
- Examination of procurement card authorizations
- Sampling of Cal-Card transactions
- Examination of source documents



### **Finding 1: Cardholders are not adhering to County cardholder responsibilities.**

The Procurement Card Program Procedures Manual "Cardholder Responsibilities" Section on page 19 states that the cardholder is responsible for sending the Cardholder Procurement Card Payment Package Cover Sheet, original signed Monthly Procurement Card Purchase Report, original detailed receipts and invoices on the Procurement Card Receipts Form(s) and necessary documentation to the Department's Approving Official by the 5<sup>th</sup> day of each month, following the billing cycle.

The following conditions were identified during our testing of 30 Cal-Card packages:

- Three packages did not include a complete Monthly Procurement Card Purchase Report.
- 17 packages did not include original detailed receipts or support for prior balances being paid.
- 13 packages were submitted 2-63 days late to the Approving Official for review.

The missing and incomplete Monthly Procurement Card Purchase Reports were oversights by the cardholder and Department. The Department has not enforced the requirement to send detailed receipts or original invoices containing detailed support for prior balances being paid with current balances. Furthermore, the Department has not enforced submittal of the Cal-Card packages in a timely manner. When procurement card program guidelines are not followed, this can result in the suspension of Cal-Cards or other disciplinary actions. When support for prior balances is not included, the risk of paying unallowable, unauthorized or duplicate amounts is increased.

### **Recommendation:**

We recommend that management monitor Cal-Card packages for completeness, including the Monthly Procurement Card Purchase Report and original detailed receipts. We also recommend the Department pay invoices in full so balances are not rolled over and if a prior balance must be paid, we recommend that the original invoice containing detailed support for the prior balance is included in the package. We recommend cardholders submit their package to the Approving Official by the 5<sup>th</sup> day of each month, following the billing cycle in accordance with the Procurement Card Program Procedures Manual.

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

Management agrees with the finding and will implement the recommendations above.



### Auditor's Response:

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

### Finding 2: The Cal-Card procurement process could be improved.

The County of San Bernardino Policy 11-04 – Procurement of Good, Supplies, Equipment and Services, page 3, states that “documentation demonstrating that a competitive process was used must be provided to the Purchasing Agent for all purchases of \$5,000 or more. Documentation for all purchases in an amount less than \$5,000, including purchases using procurement cards, must be maintained by the agency, department or Board-governed Special District. Purchases under \$1,000 do not require a competitive process.” The Procurement Card Program Procedures Manual “Use Policies” Section on page 2 states that each single purchase may be composed of multiple items but the total transaction cannot exceed the single purchase dollar limit up to \$3,000 on the Procurement Card. Any exception to the \$3,000 limit must be approved by the CAO Analyst prior to the cardholder making the purchase. The “Emergency Purchases” Section on page 15 of the Purchasing Procurement Manual states that in the event of an emergency, the Departments should not procure items without the consent of Purchasing.

The following conditions were identified during our testing of 30 Cal-Card packages:

- 14 packages did not have supporting documentation of quotes or documentation of justification for non-competitive procurement for purchases ranging from \$1,054 to \$5,639.
- One package contained a transaction of \$3,200, which exceeded the single purchase dollar limit of \$3,000.

Transactions exceeding \$1,000 consisted partly of items for the Big Bear Alpine Zoo gift shop and supplies purchased in bulk. The Department did not obtain competitive bids for the gift shop items since they are unique and can only be bought with specific vendors. The Department experienced an emergency situation where services were needed immediately, however the services purchased were over \$3,000 and were received before seeking approval from the CAO Analyst or Purchasing. When a comparison of costs is not obtained or properly documented, the County may not obtain the best value for each dollar expended. Purchases that exceed the approved transaction limit may not be authorized or allowed.



### **Recommendation:**

We recommend the Department properly obtain and document competitive bids for transactions greater than \$1,000 or justification for non-competitive procurement. We also recommend that cardholders not exceed the \$3,000 single dollar purchase limit or their authorized single dollar purchase limit. In the event of an emergency, the Purchasing Department should be contacted before any purchases are made.

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

Management agrees with the finding and will implement the recommendations above.

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

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

### **Finding 3: Controls over the usage of Cal-Cards could be improved.**

The Procurement Card Program Procedures Manual "Violations Include" Section on page 5 states that allowing another person to use your card as a violation. The "Program Information" Section on page 1 also states that the cardholder is the only one authorized to use the card. No other staff member, family member, supervisor, or anyone else may use this card. The "Telephone, Internet, or Mail Ordering Procedures" Section on page 15 states that when the cardholder provides a delivery address, it must be the same as the official address of the card.

The following conditions were identified during our testing of 30 Cal-Card packages:

- Two packages had transactions being made by someone other than the cardholder, totaling \$2,898.
- One package had items that were shipped to the cardholder's personal home address, totaling \$1,087.

The Big Bear Alpine Zoo address is not accepted by many delivery services so items were mailed to the cardholder's personal home address. Based on follow up procedures performed, the transactions were considered to be for legitimate County business. Although, when procurement card program guidelines are not followed this can result in the suspension of Cal-Cards or other disciplinary actions.



### **Recommendation:**

We recommend that management monitor for potential violations listed in the Procurement Card Program Procedures Manual. We also recommend the Department have items shipped to a County building that is accepted by delivery services and ensure that the shipping address agrees to the address on the card.

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

Management agrees with the finding and will implement the recommendations above.

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

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

### **Finding 4: Review of Procurement Card Payment Packages was not completed timely.**

The Procurement Card Program Procedures Manual "Approving Official Responsibilities" Section on page 20 states that they shall approve and forward the Cardholder's Statement of Account and all other documentation to the Departmental Accounting Office no later than the 10<sup>th</sup> day of each month, following the billing period.

Out of the 30 packages tested, 21 Cal-Card packages were reviewed and submitted 2-90 days late to the Departmental Accounting Office.

The Department has not enforced the requirement to send the procurement card payment packages to the Departmental Accounting Office no later than the 10<sup>th</sup> day of each month, following the billing period. When Cal-Card packages are not submitted by the due date, unauthorized purchases may not be detected in a timely manner.

### **Recommendation:**

We recommend the Approving Official review and approve all charges and supporting documentation by the 10<sup>th</sup> day of each month, following the billing period in accordance with the Procurement Card Program Procedures Manual, and submit to the Departmental Accounting Office.



### Management's Response:

Management agrees with the finding and will implement the recommendations above.

### Auditor's Response:

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

### Finding 5: Retention of Cal-Card packages could be improved.

The Procurement Card Program Procedures Manual "Department Accounting Office" Section on page 9 states that the Department is to maintain copies of all information submitted to the Auditor-Controller/Treasurer/Tax Collector's (ATC) Office for a minimum of two complete fiscal years.

The following conditions were identified during our testing of 30 Cal-Card packages:

- Four packages did not have a copy with the Approving Official's signature.
- Copies of two packages were not maintained at the Department after being submitted to ATC.

The Department does not maintain physical copies of packages on site. The Cal-Card packages are scanned and saved to the computer hard drive. When Cal-Card packages are submitted to ATC missing the Approving Official's signature, they are sent back to the Department. Once the Department obtains the Approving Official's signature, they immediately send it back to ATC, but do not retain the revised package. When copies of all information submitted to ATC is not kept for a minimum for two fiscal years, there is no audit trail of approvals. In addition, missing approvals can lead to inappropriate activity.

### Recommendation:

We recommend the Department retain the most up-to-date Cal-Card packages submitted to the ATC for a minimum of two complete fiscal years as required by the County Procurement Card Program Manual. Cal-Card packages on file must contain evidence of approvals.

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## Audit Findings and Recommendations

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

Management agrees with the finding and will implement the recommendations above.

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

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