

**SAN BERNARDINO COUNTY  
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR  
INTERNAL AUDITS DIVISION**

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**AGING AND ADULT SERVICES – PUBLIC GUARDIAN:  
PREPAID CARD AUDIT**

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## **Aging and Adult Services – Public Guardian: Prepaid Card Audit**

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## San Bernardino County



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June 27, 2024

Sharon Nevins, Director  
Aging and Adult Services  
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San Bernardino, CA 92415-0640

RE: Aging and Adult Services – Public Guardian – Prepaid Card Audit

We have completed an audit of the Department of Aging and Adult Services – Public Guardian’s (Department) prepaid cards for the period of November 1, 2022, through the date of fieldwork, August 9, 2023. The primary objective of the audit was to determine if the internal controls over prepaid cards are effective and in compliance with the Internal Controls and Cash Manual (ICCM). We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

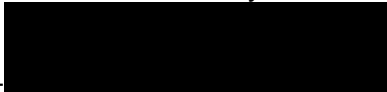
We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on June 12, 2024. 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 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, CFE  
Chief Deputy Auditor

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Date Report Distributed: 6/27/24

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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 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	<b>Prepaid cards were purchased prior to Auditor-Controller/Treasurer/Tax Collector - Internal Audits Division (ATC-IAD) authorization.</b>	8
	We recommend the Department create a timeline for the creation and submission of the annual Request to Distribute Prepaid Cards Interoffice Memo to ensure that ATC-IAD approval is received before purchasing prepaid cards. After receiving ATC-IAD approval of the request, we recommend the Department maintain the approved memo in a central location and require that staff who purchase prepaid cards verify the approved memo prior to each purchase of prepaid cards.	
2	<b>Controls over inventory of prepaid cards could be improved.</b>	9
	We recommend the Department review the ICCM chapters related to prepaid cards and train all staff on the requirements of the ICCM. We also recommend management update their inventory template to include the necessary information required by the ICCM and distribute the updated version to staff at the individual office locations. Additionally, we recommend the Department compare the physical inventory with the recorded inventory and research and resolve any differences.	
3	<b>The prepaid card reconciliation process could be improved.</b>	11
	We recommend the Department conduct a reconciliation on June 30 or the last business day prior to June 30. We also recommend that all reconciliations are performed or approved by an employee of a higher-ranking classification than the card custodian and that the approval is documented.	
4	<b>Procedures over safe combination changes could be improved.</b>	12

Finding No.	Findings and Recommendations	Page No.
	We recommend the Department change safe combinations in accordance with the ICCM. We also recommend the Department document when the safe combination is changed and include whether the change relates to the annual change or a change due to an employee with knowledge of the safe combination terminating, transferring, or being assigned other duties. We recommend that the Department maintain this documentation to provide an audit trail.	

### **Aging and Adult Services – Public Guardian Prepaid Card Audit**

#### **The Department**

The audit was of the Office of Aging and Office of the Public Guardian.

As the state-designated Area Agency on Aging (AAA) for San Bernardino County, administered under the direction of the California Department of Aging (CDA) the Department of Aging and Adult Services – Public Guardian (Department) Office on Aging (OOA) is responsible for administering programs under the Older Americans Act (OAA) and the Older Californians Act (OCA). Programs offered by the OOA include Family Caregiver Support Program (FCSP), Health Insurance Counseling and Advocacy Program (HICAP), Long-Term Care Ombudsman (LTCO), Multipurpose Senior Services Program (MSSP), Nutrition Services, Senior Affairs Commission (SAC), Senior Community Service Employment Program (SCSEP), and Senior Information and Assistance (SIA). The Department works to ensure services are easily accessible to all older individuals and to maintain a visible resource where seniors can access information.

The Office of the Public Guardian (OPG) manages the affairs of incompetent or gravely disabled individuals under the authority granted by the Superior Court through a conservatorship. OPG ensures the financial and physical safety of incompetent and mentally disabled individuals who meet the criteria for conservatorship, as required by law when there are no viable alternatives to public conservatorship. Programs administered by OPG include Age Wise, Lanterman-Petris-Short (LPS) conservatorship, and public Probate conservatorship.

#### **Prepaid Cards**

The Department assists older adults, at-risk individuals, and public conservatees to improve or maintain choice, independence, and quality of life. Their mission is to ensure that County residents may age in a place within the least restrictive environment. The issuance of bus passes and prepaid debit cards has been a long-standing practice for the Department in order to further its mission to assist County residents in improving or maintaining choice, independence, and quality of life.



The audit focused on prepaid cards associated with the OOA SIA and OPG Age Wise programs. The SIA program is managed by OOA and has six field office locations: San Bernardino (Hospitality Ln.), Victorville, Yucca Valley, Rancho Cucamonga, Needles, and Barstow. The Age Wise program is managed by OPG and has office locations in San Bernardino (Mill St.) and Hesperia (this location has since moved to Apple Valley). The audit team visited four of the SIA locations during fieldwork:

- Barstow
- Rancho Cucamonga
- Victorville
- San Bernardino (Hospitality Ln.)

### **Scope and Objective**

Our audit examined the controls over prepaid cards for the period November 1, 2022, through the date of fieldwork, August 9, 2023.

The objective of this audit was to determine if the internal controls over prepaid cards are effective and in compliance with the Internal Controls and Cash Manual.

### **Methodology**

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

- Review of the Internal Controls and Cash Manual Chapter 2-Internal Controls, Chapter 3-Cash Controls, and Chapter 19-Prepaid Debit Cards, Gift Cards and Gift Certifications, Vouchers, and Coupons
- Interviews of Department staff
- Review of Department policies and procedures
- Review of a sample of monthly inventory sheets, monthly reconciliations, prepaid card request forms, and card values

### **Finding 1: Prepaid cards were purchased prior to ATC-IAD authorization.**

The ICCM Chapter 19-4 "Request to Distribute Prepaid Cards" states that departments must obtain authorization from ATC-IAD to distribute prepaid cards prior to purchasing or distributing cards.

#### **OOA SIA**

Two invoices for prepaid cards were dated July 2022, however, ATC-IAD approval was not given to the Department until September 6, 2022.

The risk that prepaid cards may not be properly safeguarded increases when ATC-IAD authorization is not provided prior to the department purchasing prepaid cards. ATC-IAD reviews a department's notification memo and documentation to verify the department has sufficient internal controls in place to properly safeguard prepaid cards.

#### **Recommendation:**

We recommend the Department create a timeline for the creation and submission of the annual Request to Distribute Prepaid Cards Interoffice Memo to ensure that ATC-IAD approval is received before purchasing prepaid cards. After receiving ATC-IAD approval of the request, we recommend the Department maintain the approved memo in a central location and require that staff who purchase prepaid cards verify the approved memo prior to each purchase of prepaid cards.

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

Agree. The Department created a timeline for creation and submission of the annual *Request to Distribute Prepaid Cards Interoffice Memo*. OOA will contact ATC annually in May to confirm if revisions to the annual *Request to Distribute Prepaid Cards Interoffice Memo* will occur. This will ensure continuity in the distribution of prepaid cards to clients without disruption to vital services to this vulnerable population. The annual *Request to Distribute Prepaid Cards Interoffice Memo* will be stored in the central fiscal drive for review and verification prior to purchase.

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

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

**Finding 2:** Controls over inventory of prepaid cards could be improved.

The ICCM Chapter 19-9 "Inventory" states the following specific steps a department must complete when conducting an inventory of prepaid cards:

Employees other than the card custodian must complete the inventory, and an employee of a higher-ranking job classification must review and sign off on it.

1. Inventories must be conducted by at least two employees to record and verify individual counts and must be observed by the card custodian.
2. 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
3. Research and resolve any differences between the physical inventory and the department's recorded inventory.

### **OOA SIA**

The following conditions were identified during our testing of five months of inventory per location:

- The card custodian was the counter instead of the observer on:
  - One San Bernardino Safe #1 inventory sheet.
  - Five Needles inventory sheets.
- The card custodian was the logger instead of the observer on five Yucca Valley inventory sheets.
- Approval by a higher-ranking individual was not documented on:
  - One Rancho Cucamonga inventory sheet.
  - One Barstow inventory sheet.
- The grand total of cards on hand was not documented on:
  - Five San Bernardino-Safe #2 inventory sheets.
  - Five San Bernardino-Safe #3 inventory sheets.
  - Five Rancho Cucamonga inventory sheets.
  - Five Barstow inventory sheets.
  - Five Yucca Valley inventory sheets.
  - Five Needles inventory sheets.
- The grand total of cash value on hand was not documented on five Yucca Valley inventory sheets.

- There is no documentation of the comparison between the physical inventory amount and the department's recorded inventory for all locations. Therefore, we could not verify that differences were researched and resolved.

### **OPG Age Wise**

The following conditions were identified during our testing of five months of inventory:

- The card custodian was not documented on five inventory sheets.
- The grand total of cards on hand was not documented on five inventory sheets.

There is a higher risk that errors and omissions may not be discovered when the card custodian conducts the inventory count instead of acting as an observer, proper approval is not performed, information is not documented, and physical inventory is not compared to the recorded inventory.

### **Recommendation:**

We recommend the Department review the ICCM chapters related to prepaid cards and train all staff on the requirements of the ICCM. We also recommend management update their inventory template to include the necessary information required by the ICCM and distribute the updated version to staff at the individual office locations. Additionally, we recommend the Department compare the physical inventory with the recorded inventory and research and resolve any differences.

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

Agree. The Department reviewed the ICCM with Card Custodians and Supervisory staff to ensure the policy is understood and accurately implemented going forward. The Department will ensure all appropriate staff receive initial training upon hire and refresher training annually.

The Department is in the process of updating and standardizing all inventory templates to include the necessary information required by the ICCM, including but not limited to the total physical inventory count, total tangible value, and identification of the Card Custodian, Observer, and Reviewer of the tangibles audit.

Additionally, the Department will compare the physical inventory with the recorded inventory monthly to research and resolve any differences. This information will be added to the Department's inventory templates for documentation.



All updated Department templates will be made available to Card Custodian and Supervisory staff in hardcopy and softcopy formats.

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

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

### **Finding 3: The prepaid card reconciliation process could be improved.**

The ICCM Chapter 19-9 "Reconciliation" states that departments must ensure that reconciliations are done at least once per month and an additional reconciliation must be conducted on June 30 of each fiscal year, or the last business day prior to June 30 if that date falls on a weekend. Reconciling ensures that the amount of cards on hand, per inventory records, is the proper amount based on purchases and distributions and that no cards are missing. An employee other than the card custodian and of a higher-ranking job classification should complete the reconciliation. The card custodian may complete the reconciliation if it is reviewed and signed by an employee of a higher-ranking job classification. This independent review will help to ensure that transactions have been correctly recorded and all assets are accounted for.

### **OOA SIA**

All five monthly reconciliations and the annual reconciliation, for all locations, were completed by the card custodian and did not have documentation of a review by an employee of a higher-ranking job classification.

### **OPG Age Wise**

A reconciliation was not conducted on June 30 or the last business day prior to June 30.

There is a higher risk that prepaid cards could be lost or stolen when reconciliations are not performed timely or properly approved.

### **Recommendation:**

We recommend the Department conduct a reconciliation on June 30 or the last business day prior to June 30. We also recommend that all reconciliations are performed or approved by an employee of a higher-ranking classification than the card custodian, and that the approval is documented.

### Management's Response:

Agree. The Department will conduct annual reconciliation on June 30, or the last business day prior to June 30. Appropriate fields, in line with the ICCM requirements, will be added to the Department's inventory templates. All updated templates will be made available to Card Custodian and Supervisory staff in hardcopy and softcopy formats.

### Auditor's Response:

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

### Finding 4: Procedures over safe combination changes could be improved.

The ICCM Chapter 3-4 "Safeguarding Cash" states to change combinations to safes when an employee who has knowledge of the combination terminates County employment, is transferred to another County department, or is assigned other duties. Even if there are no staffing changes, combinations must be changed annually.

### OOA SIA

The following conditions were identified:

- Barstow-The key to the lockbox was not changed annually.
- Victorville and Rancho Cucamonga – Documentation was not available to confirm the safe combination was changed when staffing changes occurred, or annually.

Prepaid cards are susceptible to loss or theft if controls are not set in place to effectively safeguard the prepaid cards.

### Recommendation:

We recommend the Department change safe combinations in accordance with the ICCM. We also recommend the Department document when the safe combination is changed and include whether the change relates to the annual change or a change due to an employee with knowledge of the safe combination terminating, transferring, or being assigned other duties. We recommend that the Department maintain this documentation to provide an audit trail.

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

Agree. The Department reviewed the ICCM with Card Custodians and Supervisory staff to ensure the policy is understood and accurately implemented going forward. The Department will ensure all appropriate staff receive initial training upon hire and refresher training annually.

At the beginning of each fiscal year, the Department's Fiscal Unit will send a reminder to all DAAS-PG offices to change safe and/or lockbox combinations. Additionally, the Fiscal Unit will request and maintain documentation from each office to verify all safe combinations were changed at the start of the fiscal year and upon notice of any changes to card custodian staff.

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

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