

County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section

Department of Behavioral Health: Prepaid Cards Follow-Up Audit



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SUBJECT: Prepaid Cards Follow-Up 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 a follow-up audit of the Department of Behavioral Health Prepaid Cards Audit for the period of February 25, 2015 through November 4, 2015. The objective of the audit was to determine if the Department implemented the recommendations from the prior report. 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 have provided a status of the audit findings identified in the original audit report, *Department of Behavioral Health Prepaid Cards Audit*, issued on February 25, 2015. Of the three recommendations from the original audit report, two have been implemented and one has been partially implemented.

We sent a draft report to the Department on August 25, 2016. The Department's response to the current status of our recommendations is included in this report.

We would like to express our appreciation to the personnel at the Department of Behavioral Health who assisted and cooperated with us during this engagement.

Respectfully submitted,

Oscar Valdez

Auditor-Controller/Treasurer/Tax Collector
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**Department of Behavioral Health:
Prepaid Cards Follow-Up Audit**

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Scope and Objective

Our audit examined the Department's prepaid card records for the period of February 25, 2015 through November 4, 2015.

The objective of this follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report, *Prepaid Cards Audit*, issued on February 25, 2015.

Methodology

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

- Reviewing a sample of monthly reconciliations, monthly inventories and continuous written logs.
- Reviewing a sample of prepaid card distributions.
- Interviewing Department staff regarding prepaid card management.



Prior Finding 1: Controls over safeguarding of prepaid cards need to be improved.

According to the County's Internal Control and Cash Manual (ICCM), Chapter 2, access to assets should be controlled in order to safeguard them. Chapter 3 indicates prepaid cards should be held overnight in a safe or a locked file cabinet located in a secure area away from the public. Safe combinations should be changed when an employee who has knowledge of the combination is terminated, transferred to another department, or is assigned other duties. Even if there are no staffing changes, the combination must be changed annually.

The following conditions were noted during our audit.

Cost Centers - Mesa Counseling (CVMESA-Rialto), Supervised Treatment After Release program and the Forensic part of Barstow Counseling (FORSTRD-Colton) and Victor Valley Clubhouse (CLBHSED- Victorville):

- Office furniture and lock boxes where the prepaid cards are stored have not been rekeyed annually.

Cost Center - CVMESA-Rialto:

- The key to the cabinet where the prepaid cards are stored is located in an unlocked cabinet behind the reception area and is accessible to staff.

Cost Center- FORSTRD-Colton:

- The key to the cabinet where the prepaid cards are stored was located in a mug on the fund custodian's desk.
- Prepaid cards are kept in a folder on top of the fund custodian's counter when a requestor will be by to pick up cards while the fund custodian is out of the office.

Management has not enforced ICCM procedures for controlling and safeguarding prepaid cards. The prepaid cards are susceptible to potential theft if controls are not in place to effectively safeguard the prepaid cards.



Recommendation:

We recommend Management refer to the County's Internal Controls and Cash Manual to establish necessary prepaid card controls to safeguard the prepaid cards. The furniture and lock boxes the prepaid cards are stored in should be rekeyed when an employee terminates county employment or at least annually if there are no staffing changes. The keys to the cabinets the prepaid cards are stored in should be secured and accessible to only authorized staff. Prepaid cards should be stored overnight in a safe or a locked file cabinet located in a secure area.

Current Status: Implemented

The Department's corrective actions are summarized by condition and location below.

Cost Centers – CVMESA-Rialto, FORSTRD-Colton, and Victor Valley DBH Center:

- The existing lockbox was replaced with a combination lockbox at the FORSTRD-Colton, and Victor Valley DBH centers. Prepaid cards are now stored in a combination lockbox at the CVMESA-Rialto clinic.

Cost Center – FORSTRD-Colton:

- The key to the cabinet where the lockbox is stored is now in the possession of the fund custodian at all times.
- Only fund custodians can distribute cards and cards are no longer distributed if a fund custodian is unavailable.

Prior Finding 2: The continuous written log needs to be properly maintained.

The County's ICCM, Chapter 20, requires the use of a continuous written log by the prepaid card fund custodian to document card receipts, distributions, and intradepartmental movement. It also states that at all times the card custodian must be able to account for all prepaid cards in



the form of cards on-hand, distributed cards, and cards on order from the vendor. The card custodian must also be able to account for the specific physical location(s) of all cards. When possession of a card transfers from the card custodian to the requestor, the written log must be signed by the requesting employee to document receipt of the cards.

The following conditions were noted during our audit:

- The fund custodian for cost center FORSTRD-Colton was not completing the log at the time possession of a card was transferred from the card custodian to the requestor. The log did not have signatures to document the transfer and did not accurately reflect the card recipient, the serial numbers of the cards issued or the number of cards the site had on hand. The card custodian was unable to determine which prepaid cards had been distributed to the recipients.
- The fund custodian for cost centers CVMESA-Rialto did not have the requestor sign the continuous written log at time of card distribution.

Management did not monitor staff to ensure the continuous written logs were properly maintained. Inadequate maintenance of the continuous written logs significantly increases the risk of potential theft of the prepaid cards.

Recommendation:

We recommend the Department monitor employees to ensure that continuous written logs are properly maintained by fund custodians. When possession of a card transfers from the card custodian to the requestor, the Department must ensure the continuous written log is completed and signed by the recipient.

Current Status: Implemented

A review of the continuous written logs at both FORSTRD-Colton and CVMESA-Rialto found they were completed in accordance with all the requirements stated in the Internal Controls and Cash Manual (ICCM).



Prior Finding 3: Prepaid card monthly inventories need to be improved.

The County's Internal Controls and Cash Manual, Chapter 20, states a critical step in properly accounting for prepaid cards is conducting a monthly inventory. Inventories must be conducted by at least two employees to record and verify individual counts and must be observed by the fund custodian. Employees other than the fund custodian must complete the inventory.

The following conditions were noted during our audit:

- The employees at CLBHSED-Victorville (Victor Valley DBH Center) were not physically counting the cards on hand.
- The fund custodian was conducting and signing as inventory conductor of the monthly inventories at FORSTRD-Colton.

Management has not enforced ICCM procedures for the conduct of the monthly inventory of prepaid cards. The risk of potential theft increases when an independent physical count of the cards is not performed each month.

Recommendation:

We recommend that physical inventories be conducted each month and reconciled to the log of purchases and issuances. The physical inventory should be conducted by at least two employees to record and verify individual counts and must be observed by the fund custodian. The inventory should be completed by employees other than the fund custodian.

Current Status: Partially Implemented

The Department's corrective actions are summarized by location below.

Cost Center – Victor Valley DBH Center:

- A review of the monthly inventories shows that the cards on hand are counted as part of the inventory process. However, upon further review, we noted that one of the employees who conducts the



monthly inventory also functioned as a fund custodian for this program by maintaining the continuous written log, storing the lock box, and distributing cards, though they were not officially authorized as the fund custodian.

Cost Center – FORSTRD-Colton:

- A review of the monthly inventories shows that two employees other than the prepaid card fund custodian conducted them. However, the fund custodian is not observing the inventory count.

Management's Response:

All designated Fund Custodian(s) and Inventory and Reconciliation staff must review the Internal Controls and Cash Manual as well as the DBH SPM Policy and Procedures for Prepaid Cards to ensure they understand the correct procedures to follow for all future month end and annual inventories.

Auditor's Response

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