

# County of San Bernardino

Auditor-Controller/Treasurer/Tax Collector  
Internal Audits Section

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## Transitional Assistance

**Department:**

**CAL-Card Follow-up Audit**



**Oscar Valdez**

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# Auditor-Controller/Treasurer/Tax Collector

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**January 12, 2017**

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## **SUBJECT: CAL-Card 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 Transitional Assistance Department CAL-Card Audit for the period of January 1, 2015 through December 31, 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, *Transitional Assistance Department CalCard Compliance Audit*, issued on November 4, 2014. Of the three recommendations from the original audit report, one has been implemented and two have not been implemented.

We sent a draft report to the Department on October 28, 2016. The Department's responses to the current status of our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Transitional Assistance 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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# Transitional Assistance Department: CAL-Card Follow-Up Audit

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### **Scope and Objective**

Our audit examined the Department's CAL-Card records for the period of January 1, 2015 through December 31, 2015.

The objective of this follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report, *CalCard Compliance Audit*, issued on November 4, 2014.

### **Methodology**

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

- Examination of original source documents
- Testing a sample of CAL-Card transactions
- Interviewing Department staff regarding CAL-Card management



### **Prior Finding 1: The Department did not always use the least expensive mode of transportation.**

The HS Policy and Standard Practice Manual states in section 3-2 (page 2 of 7) and 3-2 SP (page 3 of 11) "All HS employees must read the HS Policy and Standard Practice Manual regarding travel. Travel arrangements are to be made at least one month in advance of travel whenever possible. The least expensive mode of travel is to be utilized... HS policy requires that the selected mode of transportation is the mode which represents the lowest cost to the County".

At least one employee routinely purchased Anytime and Business Select airline tickets through Southwest instead of the Wanna Get Away® fares. When purchased even a few days in advance, the Wanna Get Away® fares are a significant savings to the County. Purchasing the Anytime and Business Select instead of the Wanna Get Away® fares substantially increases the amount of reward points earned.

One employee had approximately \$4,788 in Anytime fares and \$4,881 in Business Select fares during the audit period. Based on the receipts, the employee is likely an A-List Preferred Member, and could have potentially earned 212,530 points. It would cost that same employee \$5,844 to purchase these points. The points earned by this employee qualified the employee to earn a Companion Member Pass, allowing them to name a companion to travel for an entire year for approximately \$5.60 per one-way flight, plus additional tax liability. Auditors did not find any evidence of Department staff using reward points to pay for County related travel.

Department staff has been instructed to purchase Anytime fares for some of the staff because they are refundable. In the case noted above, the employee travels frequently, and although the Wanna Get Away® would not be refundable, it could easily be transferred to another flight within 12 months of the original travel date. We also noted that there weren't any flights cancelled for the employee mentioned above during the audit period. The Anytime fares being purchased are more than twice the cost of the Wanna Get Away® fares.

The Department is not ensuring the best use of taxpayer funds when electing to purchase airline tickets at the Anytime rate.

**Recommendation:** We recommend that TAD ensures travel arrangements and purchases are selected based on what is the best value for the Department and County overall.



### **Current Status: Not Implemented**

We noted that three of the twenty-eight CAL-Card transactions had the mid-price level Anytime® airfare selected without providing either documentation that it was the lowest priced fare available, or documentation of reimbursement by employees for the additional costs.

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

The department will ensure to purchase travel at the most inexpensive airfare rate (Wanna Get Away) whenever available. If travel is purchased at a higher rate for airfare, the department will provide documentation and/or justification indicating why the next least expensive airfare was required.

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

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

### **Prior Finding 2: Procurement Processes when using CalCards should be improved.**

The Procurement Card Manual states on page 2 "As with any purchase, at least three (3) competitive quotes should be obtained. A record of the quotes should be maintained by the department."

We reviewed 92 procurement card transactions. The Department did not obtain three quotes for any of the transactions reviewed because they did not believe it was required for travel-related expenses. The risk of the County not obtaining the best value for each dollar expended is increased when Purchasing policies are not followed.

**Recommendation:** Management should ensure staff follows the policies within the Procurement Card Manual, specifically by obtaining three quotes for CalCard purchases, as appropriate, and maintaining justification for non-competitive procurements.





### **Current Status: Not Implemented**

There were three purchases in our sample for which three quotes or justification of non-competitiveness would have been appropriate. Two of these three purchases did not maintain the required documentation of at least three bids or justification for the non-competitive purchase.

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

The department will obtain 3 bids for all purchases. The department will include in the Cal Card packet justification and/or documentation for any purchase where 3 bids are not obtained.

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

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

### **Prior Finding 3: Credit card numbers were not safeguarded.**

The Procurement Card Manual states on page 8 that the cardholder is responsible to, "Ensure the card is secure from theft/misuse." The U.S. Bank CalCard Cardholder Guide, page 4 states, "Maintain card security to prevent unauthorized charges against your account." In an email from the Purchasing Department to Approving Officials, with the subject of: Attachment I, Procurement Card Receipts, dated March 15, 2013, the example self-inking stamp shows only the last 4 digits of the credit card. TAD employees include their whole Visa Card Number on the Cardholder Procurement Card Payment Package Cover Sheet. This sheet is stapled to the top of each statement. Additionally, TAD employees use a stamp with the full account number preprinted on it to stamp invoices paid with CalCards. The CalCard statements and related back up are kept on shelves in an open supply/file room giving staff access to card information and account numbers. By not safeguarding the credit card number, TAD runs the risk of unauthorized charges.

**Recommendation:** The Department should not use the full account number on documentation and should destroy and replace all self-inking stamps containing the full account number.



**Current Status: Implemented**

The Department now redacts the CAL-Card number on paperwork submitted for reimbursement.