



**Madera County CAL-Card Program
2016-2017
Madera County Grand Jury
Final Report 1617-06**

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Introduction:

The County of Madera utilizes the State's CAL-Card Program for some purchases. Under this program, Visa credit cards (the *card*) are issued to department heads and designated County employees. Cardholders can use the *card* at any merchant that accepts Visa cards for payment of purchases. The *card* provides a simple, expedient method for paying for approved travel expenses. It is used whenever possible in lieu of petty cash or small value purchase orders, thus avoiding paperwork and processing time required to use the Purchasing Department services. The County receives a rebate from the bank for all *card* purchases.

In its investigation of the County's use of the CAL-Card Program, the Grand Jury focused on the two year period from October 2014 through September 2016 and requested records from elected officials and County Administration. Seven interviews were conducted with County officials and staff. All monthly summary reports and selected transaction payment records were reviewed in addition to the program's policy and procedures manual.

Facts:

1. The Grand Jury's investigation was partially impeded by the failure of two departments to submit copies of records requested. None of the records requested from the Auditor-Controller were received. The Chief Clerk of the Board, after consulting County Counsel, provided approximately half of the records requested. These records were for the Board of Supervisors (BoS) and the Chief Clerk.
2. County Purchasing, which is overseen by the County Administrative Officer (CAO), administers the CAL-Card program.
 - a. A senior staff member in Purchasing is designated as the CAL-Card program administrator (administrator).
 - b. The *cards* are issued to department heads and select staff at the discretion of the administrator, with input from the department head or designated authority.
 - c. *Card* spending limits and single transaction limits are set by the administrator with input from the department head.
 - d. Purchasing provides CAL-Card program training for cardholders.
 - e. The administrator has the authority to suspend or revoke the use of the *card* at any time.
 - f. The administrator receives and reviews the monthly summary reports from the bank which outline all *card* purchases made by each cardholder during the previous billing cycle. The reports contain a very brief description of each purchase transaction.

- g. The County has two master accounts for the CAL-Card program. One account serves the Board of Supervisors, Chief Clerk of the Board, and County Administrative Office. All other departments of the County are included in the second master account.
 - h. When the balance due on a master account reaches a designated level and becomes delinquent for 30 days, the *cards* of all cardholders on that master account are frozen by the bank and all purchasing attempts are declined. The administrator facilitates payment of the delinquent accounts to restore the *cards* to active status.
3. Cardholders are responsible for the use of their *cards*. The cardholder is the only person authorized to use his/her *card*.
- a. Cardholders must comply with the CAL-Card program's policies and procedures.
 - b. The *card* is to be used for County business only; personal purchases and rentals are prohibited.
 - c. There is no County pre-approval required for *card* purchases.
 - d. Purchases cannot exceed the cardholder's transaction or spending limit.
 - e. The cardholder is responsible to verify that sufficient funds are available.
 - f. The *card* is used for convenience in making travel arrangements, saving time in making purchases, and taking advantage of short term sales discounts.
 - g. The *card* is used to purchase products from local merchants when inventories of supplies are low or exhausted.
 - h. Use of the *card* by County employees for entertainment purposes is prohibited.
 - i. Each cardholder receives directly from the bank the monthly statement which itemizes each transaction posted to his/her *card* during the past billing cycle. The statement always shows "previous balance \$0.00".
 - j. CAL-Card program policy requires that the cardholder reconciles the monthly statements and submits them with all supporting documents to the approving authority within five business days.
 - k. Upon issuance of a *card*, the cardholder signs an agreement to review and reconcile the monthly statement immediately upon receipt and forward it to the approving authority within seven business days.
 - l. Disciplinary action up to and including termination may be taken against a cardholder who violates any policy or procedure of the CAL-Card program.
4. The administrator has observed issues with cardholders' use of the CAL-Card program.
- a. Cardholders have attempted to make purchases which exceed their transaction or spending limit.
 - b. Some cardholder accounts have not been paid timely and have caused the master account to become delinquent and purchases to be declined.
 - c. *Cards* have been used by persons other than the designated cardholders.
 - d. The *card* has been misused for personal purchases.
 - e. Monthly summary reports show that approximately \$30,000 has been outstanding on cardholders' accounts since early in the program's operation. The County has not identified which accounts are involved. Review of the County's archived records has not been exhausted.

5. The Auditor-Controller asserts that the bank is holding payments totaling approximately \$30,000 which it has not applied to cardholder accounts.
6. The *card* was misused by a management level cardholder in the Auditor-Controller's Office.
 - a. The cardholder used the *card* to rent vehicles for personal use six times between March 29, 2015 and August 1, 2015.
 - b. The cardholder received the monthly statements containing the vehicle rental transactions directly from the bank.
 - c. The monthly statements were not processed through the County's payment system. The cardholder sent personal payments to the bank for the vehicle rentals upon receipt of the monthly statements. All vehicle rental costs were paid.
 - d. The misuse was uncovered by the administrator during review of a monthly summary report. A vehicle rental transaction was questioned, prompting review of other transactions.
 - e. The Auditor-Controller does not receive any statements or reports from the bank and was not aware of the vehicle rentals.
 - f. The cardholder is no longer employed by the County.
7. The CAO uses his *card* to host lunch meetings with County staff and local officials at local restaurants.
 - a. The CAO has quarterly meetings scheduled with groups of department heads and local officials.
 - b. The CAO stated that he hosts informal lunch meetings as a tool to promote team building and boost morale among management staff.
 - c. During the two-year period of review, 172 meetings were held, with 627 meals purchased for the attendees at a cost of \$13,498.
 - d. Seventy-eight percent (78%) of the meetings were held at local restaurant "A" with meal costs averaging \$22. Sixteen percent (16%) of the meetings were held at various other restaurants where meal costs averaged \$16. Delicatessen food was purchased for four meetings at an average cost of \$9 per attendee. The remaining meetings were held out of town. The cost of an individual meal ranged from \$9 to \$53 including gratuities.
 - e. The lunch reimbursement rate allowed by the out-of-county travel per diem is \$12.
 - f. The attendees at nine of the meetings held at restaurant "A" were CAO management staff.
 - g. Meal costs for the meetings were charged to the Administration budget account 00210-721900, Special Departmental Expense. The budgets adopted by the BoS for the review period show no appropriation of funds for that budget account.
 - h. The County Government Center houses five conference/meeting rooms as well as the offices of the CAO and most of the meeting attendees.

Findings:

1. There is no monitoring system in place to assure that CAL-Card program policies and procedures are followed.

2. The reports and information available to the administrator and Auditor-Controller are inadequate to support pro-active monitoring of the program's operations. There is no opportunity for reconciliation between individual account statements and monthly summary reports.
3. Cardholders are trusted to be prudent, honest, and ethical in their use of the *card*.
4. There is an inconsistency in the timeframe for submission of monthly statements, five days in the policy and procedures manual and seven days in the cardholder agreement.
5. The Grand Jury was unable to evaluate the use of the CAL-Card program by the BoS and Chief Clerk of the Board because they failed to provide all requested records.
6. Some cardholders are not aware of their spending limits and available fund balances.
7. The *card's* ease of use promotes lack of planning, resulting in higher costs for "emergency" purchases.
8. The origin and status of the \$30,000 in question has not been determined.
9. "Previous balance \$0.00" provides misinformation to the cardholder when a prior balance has not been paid, and the administrator is not alerted to a possible problem.
10. The County's CAL-Card program is susceptible to misuse.
11. The cost of meals provided at meetings is not limited. The average cost of most of the meals purchased exceeded the out-of-county lunch reimbursement rate by \$10.
12. Examination of the County's budget for the review period indicated that planning, approval, and budgeting for the provision of meals for meeting attendees was not included in the Administration budget.
13. Adequate and convenient meeting accommodations are available in the County Government Center.

Recommendations:

The Madera County Grand Jury recommends that:

1. The administrator immediately inform all cardholders of their spending and transaction limits.
2. County Purchasing provide refresher training to cardholders who violate program policies and procedures.
3. The administrator and Auditor-Controller work with the bank to institute program changes as follows:
 - a. The beginning balance on the cardholder account statement reflects the exact amount owed on the account.
 - b. The Auditor-Controller is provided with the monthly summary reports to ensure that all cardholder statements are submitted timely for payment.
 - c. The administrator receive copies of cardholder account statements to review for appropriateness of purchases.
4. The administrator and Auditor-Controller collaborate with the bank to determine the origin and appropriate disposition of the \$30,000 in question.
5. The policy and procedures manual be reviewed and updated annually to assure that operating practices are consistent with the manual.
6. The CAO reduce meal costs by changing the time and/or location for meetings.

7. The BoS and CAO provide transparency for the intended use of taxpayer funds for meal costs in the budget process.

Respondents:

Madera County Board of Supervisors
200 West 4th Street
Madera CA 93637

Madera County Auditor-Controller
200 West 4th Street
Madera CA 93637

Madera County Administrative Officer
200 West 4th Street
Madera CA 93637

Madera County CAL-Card Program Administrator
200 West 4th Street
Madera CA 93637

Information Only:

Madera County Chief Clerk of the Board
200 West 4th Street
Madera CA 93637