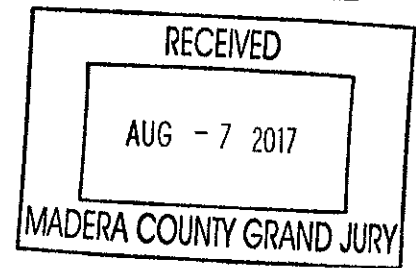




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Presiding Judge  
Madera County Superior Court  
219 West Yosemite Avenue  
Madera, CA 93637

Madera County Grand Jury  
PO Box 534  
Madera, CA 93639



RE: Responses to Grand Jury Findings and Recommendations  
Regarding the Audit of the County Cal Card Program

Itemized below are the Auditor-Controller responses to the Grand Jury Findings and Recommendations, as well as corrections to stated facts.

#### **CORRECTION TO FACTS:**

Generally the Grand Jury requires responses to Findings and Recommendations in their reports, In this case there are errors in the the Facts which need to be corrected:

**Stated Fact 1** – This “Fact” asserts that the Auditor-Controller impeded the Grand Jury investigation by not providing records requested.

**Correction** – The Grand Jury requested copies of all Cal-Card transactions covering a two year period. The Auditor-Controller located all requested documents and notified the Grand Jury, by letter, that all requested documents were available for their review. The Auditor-Controller received no response to the the letter. The Auditor-Controller determined that the information request was so broad that it would have taken approximtely 80 hours to locate and photocopy approximately 2,500 documents and was a poor use of County assets when all information could be inspected on site.

**Stated Fact 2g** – The County has two master accounts for the Cal Card program.

**Correction** – The County has FIVE master accounts.

**Stated Fact 2h** – Cal-Card charges are declined if the account is delinquent by 30 days.

**Correction** – Cal-Card charges MAY be declined if the account is delinquent by 90 days.

**Stated Fact 5** – The Auditor-Controller asserts that the bank is holding approximately \$30,000 which it has not applied to cardholder accounts.

**Correction** – The Auditor-Controller asserts that U.S. Bank mis-applied approximately \$30,000 to the wrong cardholder master accounts.

## Auditor-Controller Responses to Findings:

1. *There is no monitoring system in place to assure that Cal-Card program and procedures are followed.*  
**Response:** The Auditor-Controller office reviews all charges and related documentation for Cal-Card charges when submitted for payment. Unusual or inappropriate charges are questioned and resolved.
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.*  
**Response:** The information to pro-actively monitor the program's operation does exist and was provided to the Cal-Card Administrator. The Auditor-Controller was not involved nor provided information necessary to pro-actively monitor the program. The Cal-Card Administrator in the Purchasing Department was charged with that duty. The Auditor-Controller reviewed and paid bills when received from the Departments.
3. *Cardholders are trusted to be prudent, honest, and ethical in their use of the card*  
**Response:** All employees of the County are trusted to be prudent, honest and ethical in their Cal-Card use and in all other ways. The County has Internal Control procedures in place to monitor and locate behaviors which are less than prudent, honest and ethical.
4. *There is inconsistency in the time frame for submission of monthly statements, five days in the policy and procedures manual and seven days in the cardholder agreement.*  
**Response:** When writing the procedures manual the County elected a shorter timeframe for departments.
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.*  
**Response:** All requested records were made available to the Grand Jury. The Grand Jury was notified, in writing, that all records were available for inspection. No response was received by the Auditor-Controller.
6. *Some cardholders are not aware of their spending limits and available fund balances.*  
**Response:** The Auditor-Controller can not evaluate this statement since it was not the Cal-Card Administrator and did not issue cards.
7. *The card's ease of use promotes lack of planning, resulting in higher costs for "emergency" purchases.*  
**Response:** The Auditor Controller disagrees with the Finding that "the card's ease of use promotes lack of planning, resulting in higher costs for "emergency" purchases." The Auditor-Controller contends that card use expedites purchases and saves the County money. For example: it is almost impossible to make travel reservations without a Card; County maintenance personnel can pick up small repair items immediately without the need prepare a purchase order, wait for approval, wait for a check to be prepared (a process that could take two weeks); Public Safety personnel can immediately obtain necessary supplies or lodging in emergency situations. The "planning" is done through the budget process at the beginning of each year. Every department must adhere to their budget unless they obtain approval from the Board of Supervisors for a change in their budget. Use of the Cal-Card actually provided LOWER costs to the County. During the two years covered by the Grand Jury investigation the County received approximately \$20,000 in Cal-Card rebates.
8. *The origin and status of the \$30,000 in question has not been determined.*  
**Response:** The "origin" of the \$30,000 paid by the County on the Cal-Card was never in question. The "status" has been determined. The Bank had applied the payments to the wrong Master account. The Bank has now correctly applied the payments.

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.*  
**Response:** The Auditor-Controller is working with the Bank to change the wording on departmental statements and to educate departments of proper use of the statements.
10. *The County’s Cal-Card program is subject to misuse.*  
**Response:** All County assets are “subject” to misuse. The County has Internal Control procedures in place to minimize risk of misuse and an Internal Audit Division within the Auditor-Controller’s office to review and improve Internal Control procedures. Out of the 88 cards issued and thousands of transactions there are only two known individuals that misused their Cal-Card, both discovered through internal control checks and balances.
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.*  
**Response:** The out-of-County meal reimbursement policy covers just that – travel meals. Meals supplied at local meetings would not be covered under that policy. NOTE: The IRS travel meal policy also does not cover meeting meals.
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.*  
**Response:** This item is not within the purview of the Auditor-Controller’s office.
13. *Adequate and convenient meeting accommodations are available in the County Government Center.*  
**Response:** The Auditor-Controller agrees with this in most, but not all, situations. There are no meal facilities available at the Government Center.

**Responses to Recommendations:**

1. *The administrator immediately inform all cardholders of their spending and transactions limit.*  
**Response:** The Auditor-Controller agrees with this recommendation.
2. *County Purchasing provide refresher training to cardholders who violate program policies and procedures.*  
**Response:** There are only two known program violators. Both no longer work for the County.
3. *The Administrator and the 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.*  
**Response:** The Auditor-Controller has contacted the Bank to make this change.
  - b. *The Auditor-Controller is provided with the monthly summary reports to ensure that all cardholder statements are submitted timely for payment.*  
**Response:** The CAO has added the Auditor-Controller as an administrator and charged that department with reconciling the summary card billing with the departmental billings on a monthly basis.
  - c. *The administrator receive copies of cardholder account statements to review for appropriateness of purchases.*  
**Response:** The administrator already reviews monthly charges as does the staff in the Auditor-Controller’s office when bills are submitted for payment.
4. *The administrator and Auditor-Controller collaborate with the bank to determine the origin and appropriate disposition of the \$30,000 in question.*  
**Response:** The mis-applied payments have been located and properly applied by the Bank.

5. *The policy and procedures manual be reviewed and updated annually to assure that operating practices are consistent with the manual.*

The Auditor-Controller has begun work on this task and will submit an updated policy and procedures manual to the CAO and BOS for approval.

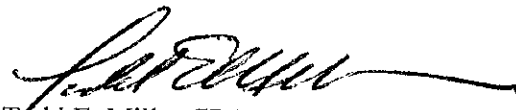
6. *The CAO reduce meal costs by changing the time and/or location for meetings.*

**Response:** The Auditor-Controller feels that lunch meetings can be beneficial by providing an extra hour of productive work time during the day at a minimal cost. In effect, the taxpayers are receiving hundreds of dollars of benefit at a nominal cost.

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

**Response:** The Auditor-Controller agrees with this item.

Respectfully submitted,



Todd E. Miller CPA  
Auditor-Controller