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July 24, 2017

Presiding Judge, Madera County Grand Jury
Madera, County Superior Court
200 S. G Street
Madera, CA 93637

Subject: Response to the 2016-17 Grand Jury Report entitled "Madera County CAL-Card Program"

Honorable Presiding Judge:

In accordance with California Penal Code § 933.5(a) and (b), this letter addresses all Findings and Recommendations contained in the above-referenced Grand Jury report.

The following are the Grand Jury's findings and recommendations, followed by the responses of the County Administrative Officer:

Finding 1:

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

Response

Respondent disagrees with the finding per California Penal Code 933.05 (a) (2). The Grand Jury's assertion that there is no monitoring system in place to assure that CAL-Card policies and procedures are followed is not supported by the facts presented. In particular, the facts as presented state that the administrator has the authority to suspend or revoke the use of the card at any time (See Fact 2 e) and the administrator receives and reviews the monthly summary reports from the bank which outline all card purchases made by each cardholder (See Fact 2 f). Furthermore, the facts point to observations made by the administrator regarding "issues" with cardholder's use. These "issues" include attempts to make purchases which exceed transaction or spending limits, cards used by persons other than the designated cardholder and cards misused for personal purchases (See Facts 4 a, c, d). Additionally, the report highlights a specific instance of misuse within the Auditor-Controller's office (See Fact 6). The Grand Jury report credits discovery of this misuse to the administrator "during review of a monthly summary

report.” These instances cited within the report are a result of monitoring of the program performed by the administrator.

Finding 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

Respondent agrees with the finding per California Penal Code 933.05 (a) (1).

Finding 3:

Cardholders are trusted to be prudent, honest, and ethical in their use of the card.

Response

Respondent agrees with the finding per California Penal Code 933.05 (a) (1).

Finding 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.

Response

Respondent agrees with the finding per California Penal Code 933.05 (a) (1).

Finding 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 provided all requested records.

Response

Respondent partially disagrees with the finding per California Penal Code 933.05 (a) (2). The Auditor-Controller has reported that he communicated with the Grand Jury via letter and informed the Grand Jury that copying the requested records would place too great a burden on his department; however, all records were available for review by the Grand Jury. According to the Auditor-Controller there was no response from the Grand Jury to his letter inviting review of the requested records.

Finding 6:

Some cardholders are not aware of their spending limits and available fund balances.

Response

Respondent partially disagrees with the finding per California Penal Code 933.05 (a) (1). The Grand Jury report provides no facts to support this finding. The Grand Jury’s assertion that “some” cardholders are unaware of their limits or balances is so vague that it is impossible to truly assess the seriousness of the finding.

Finding 7:

The card's ease of use promotes lack of planning, resulting in higher costs for "emergency" purchases.

Response

Respondent disagrees with the finding per California Penal Code 933.05 (a) (2). The Grand Jury fails to present even a single fact in support of this vague assertion. To the contrary, the introduction to the report highlights some of the virtues of the program. As the Grand Jury itself states,

"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 received a rebate from the bank for all card purchases."

Finding 8:

The origin and status of the \$30,000 question has not been determined.

Response

Respondent disagrees with the finding per California Penal Code 933.05 (a) (1). According to the Auditor-Controller, the \$30,000 in question was the result of payments misapplied by U.S. Bank.

Finding 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

Respondent agrees with the finding per California Penal Code 933.05 (a) (1)

Finding 10:

The County's CAL-Card program is susceptible to misuse.

Response

Respondent partially disagrees with the finding per California Penal Code 933.05 (a) (2). All County programs are susceptible to misuse to some degree whether it be welfare fraud or a breach of the County's computer system or even misuse of a County vehicle. As identified in the report, the CAL-Card administrator has discovered instances of misuse and the County has taken appropriate action in response.

Finding 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

Respondent disagrees with the finding per California Penal Code 933.05 (a) (2). Working lunches with members of the County's Management Team are not subject to the out-of county travel policy and meal reimbursement limits. As has been publicly stated, these meetings

balance productivity with cost. The advantages of bringing management of functional areas together for focused sessions of discussion and strategy around specific issues far outweighs the cost. Casting these costs against the County travel policy is not the proper context for any meaningful consideration.

Finding 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

Respondent partially disagrees with the finding per California Penal Code 933.05 (a) (2). These expenses are included in the Administration budget as a Special Departmental Expense.

Finding 13:

Adequate and convenient meeting accommodations are available in the County Government Center.

Response

Respondent disagrees with the finding per California Penal Code 933.05 (a) (2). Adequacy of accommodations or the lack thereof, is not a significant consideration with respect to working lunch meetings scheduled by the CAO. As previously stated, the purpose of these meetings is to promote meaningful discussion and planning concerning issues of countywide importance.

Recommendation 1:

The administrator immediately inform all cardholders of their spending and transaction limits.

Response

The recommendation has not yet been implemented, but will be implemented in the near future. Prior to the issuance of the Grand Jury's report, the Internal Audit Division of the County's Auditor-Controller Office conducted a complete audit of the CAL-Card program and issued a report detailing its own findings and recommendations. Among the recommendations was ensuring that all cardholders have access to the U.S. Bank online system which will allow all cardholders to access detailed information about the status of their accounts including their limits and available balances. The Purchasing Department has begun the process of providing access and all cardholders should have access in the next 60-90 days.

Recommendation 2:

County Purchasing provide refresher training to cardholders who violate program policies and procedures.

Response

The recommendation has not yet been implemented, but will be implemented in the near future. As part of the implementation of the recommendations following the internal audit of the CAL-Card program, a complete review of the program policies, including refresher trainings, will be performed by a committee whose members shall include representatives from County Administration, Purchasing, Accounts Payable, Internal Audit and other interested departments. It is anticipated that the review and revision of the policies will be complete in the next 6 months.

Recommendation 3:

The administrator and Auditor-Controller work with the bank to institute program changes as follows:

- a. The beginning balance on the cardholder account statements reflects the exact amount owed on the account.
- b. The Auditor-Controller is provided with monthly summary reports to ensure that all cardholder statements are submitted timely for payment.
- c. The administrator receives copies of cardholder account statements to review for appropriateness of purchases.

Response

The recommendations have been implemented. The Auditor-Controller has been given administrative rights over all accounts and is currently working with U.S. Bank to address the deficiencies in the account statements. As an additional Account Administrator, the Auditor-Controller has access to all summary reports and has always reviewed statements and purchases as part of the normal accounts payable process.

Recommendation 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 recommendation has been implemented. The Auditor-Controller has worked with U.S. Bank to correct payments that were misapplied by the bank.

Recommendation 5:

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

Response

The recommendation has not yet been implemented but will be implemented in the future. As previously discussed the review and revision of the CAL-Card policy and procedures will be addressed by a committee in the next 6 months. The committee will assess whether an annual update is necessary or practical.

Recommendation 6:

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

Response

The recommendation will not be implemented because it is not warranted. As previously discussed, working lunch meetings of the County's Management Team provide value in terms of balancing productivity with cost.

Recommendation 7:

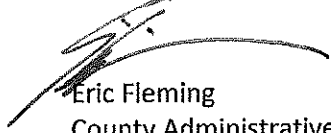
The BoS and CAO provide transparency for the intended use of taxpayer funds for meal costs in the budget process.

Response

The recommendation has not yet been implemented, but will be implemented in the near future. Although these costs are included in the budget process as a special departmental expense, we will seek to clarify these expenditures during the preparation of the 2018-19 budget.

I wish to acknowledge the Grand Jury's review and time involved in this matter, and I appreciate the opportunity to respond to the findings and recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Fleming", with a long, sweeping horizontal stroke extending to the right.

Eric Fleming
County Administrative Officer

Cc: County Counsel
Board of Supervisors