

**SAN BERNARDINO COUNTY  
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR  
INTERNAL AUDITS DIVISION**

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**COUNTY FIRE PROTECTION DISTRICT:  
CASH CONTROLS AUDIT**

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*This office is committed to serving our customers by processing, safeguarding, and providing information regarding the finances and public records of the County. We perform these functions with integrity, independent judgment, and outstanding service. We are accurate, timely, courteous, innovative, and efficient because of our well-trained and accountable staff.*

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# **County Fire Protection District: Cash Controls Audit**

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# San Bernardino County



## Auditor–Controller/Treasurer/Tax Collector

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June 26, 2024

Dan Munsey, Fire Chief  
County Fire Protection District  
157 W. Fifth Street, 2<sup>nd</sup> Floor  
San Bernardino, CA 92415-0451

RE: County Fire Protection District Cash Controls Audit

We have completed an audit of the County Fire Protection District's (Department) cash controls for the period of July 1, 2022, through April 14, 2023. The primary objective of the audit was to determine if the Department is in compliance with the Internal Controls and Cash Manual (ICCM) in regard to the controls over their cash funds. 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 identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on May 23, 2024, and discussed our observations with management on May 29, 2024. The Department's responses to our recommendations are included in this report.

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

Respectfully submitted,

Ensen Mason CPA, CFA  
Auditor-Controller/Treasurer/Tax Collector  
San Bernardino County

By:   
Denise Mejico, CFE  
Chief Deputy Auditor

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- San Bernardino County Audit Committee

Date Report Distributed: 6/26/24

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## Summary of Audit Results

Our findings and recommendations are provided to assist management in strengthening internal controls and procedures relating to the Department's cash funds.

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to the *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
<b>Administration Office, Household Hazardous Waste, Office of the Fire Marshall</b>		
1	<p>Management of the change funds could be improved.</p> <p>We recommend that cash funds are reconciled monthly, and an employee other than the fund custodian and of a higher-ranking job classification. We also recommend that updated Signature/Fund Custodian Authorization forms are submitted to the Auditor-Controller/Treasurer/Tax Collector Internal Audits Division (ATC-IAD) when a cash fund is initially established, the fund custodian changes or there are any physical location changes of the cash fund. In addition, we recommend separating each cash fund and establishing a process for proper record-keeping for each one. Finally, we recommend the department review the ICCM chapters related to cash and train all staff on the requirements of the ICCM.</p>	8
<b>Administration Office, Household Hazardous Waste, Warehouse/Service Center, Hesperia Station (Caliente Road)</b>		
2	<p>Management of the petty cash funds could be improved.</p> <p>We recommend that cash funds are reconciled monthly, and an employee other than the fund custodian and of a higher-ranking job classification completes the fund reconciliation. We also recommend that updated Signature/Fund Custodian Authorization forms are submitted to ATC-IAD when a cash fund is initially established, the fund custodian changes or there are any physical location changes of the cash fund. We recommend that the ARFF Petty Cash fund be closed. We further recommend safe combinations are changed when an employee terminates County employment, is transferred to another County department, or is assigned other duties. If there are no staffing changes, combinations should be changed annually, and proper documentation should be</p>	10

Finding No.	Findings and Recommendations	Page No.
	maintained. In addition, we recommend separating each cash fund and establishing a process for proper record-keeping for each one. Finally, we recommend the department review the ICCM chapters related to cash and train all staff on the requirements of the ICCM.	
<b>Administration Office, Hesperia Station (Olive Street), Hesperia Station (Caliente Road)</b>		
3	Cash fund shortages were not reported to ATC-IAD.	12
	We recommend that the Department follow the proper steps to report cash shortages and losses in accordance with the ICCM guidelines.	
<b>Hesperia Station (Olive Street)</b>		
4	Controls over the receipting process could be improved.	14
	We recommend safe combinations are changed when an employee terminates County employment, is transferred to another County department, or is assigned other duties. If there are no staffing changes, combinations should be changed annually, and proper documentation should be maintained. We also recommend that management segregate duties for receipting payments, opening mail, depositing, and reviewing cash receipts, including a requirement that two or more employees are present when mail is opened. We further recommend that management immediately provide a restrictive endorsement stamp to the site to be used on all checks and money orders when received. Finally, we recommend the department review the ICCM chapters related to cash and train all staff on the requirements of the ICCM.	
<b>Administration Office</b>		
5	Depositing procedures could be improved.	15
	We recommend deposits are made by the next business day when the amount of receipts reaches \$1,000 in cash and coins. Checks and money order receipts should be deposited immediately. We also recommend department supervisors perform a documented review of deposits before the Brinks' deposit pickup to ensure accuracy and timeliness.	

### **County Fire Protection District Cash Controls Audit**

#### **The Department**

The San Bernardino County Fire Protection District (Department) is a community-based, all hazard emergency services organization committed to providing the highest level of service in the most efficient and cost-effective manner to citizens, visitors, and communities it serves. The Department is dedicated to the protection of the diverse community served, organizational sustainability, performance excellence, and safety. This is accomplished through a balance of regionalized service delivery and accountability to the local communities.

The Department provides services to more than 60 communities/cities and unincorporated areas within four Regional Service Zones (Mountain, North Desert, South Desert, and Valley), and contractually with the City of Adelanto and the City of Fontana. The Department responds to approximately 130,000 calls for service annually. Services include but are not limited to, emergency mitigation and management, fire suppression, emergency medical services, ambulance services, hazardous materials responses and household waste disposal, arson investigation, urban search and water-borne rescue, flooding and mudslide cleanup, winter rescue operations, and hazard abatement.

The Department's field functions are supported by a management system that includes organizational business practices, human resources, financial and accounting services, vehicle services and support, personal protective equipment (PPE)/supplies/equipment warehousing and distribution, fire prevention and arson investigation, building construction plans and permits, hazardous materials facility inspections, planning and engineering, and public education and outreach. Services and specialized programs include helicopter transport, dozer, fire/hazard abatement hand crews, medical transport, and the Honor Guard.

#### **Cash Funds**

The Board of Supervisors, by resolution, establishes cash funds for County departments to facilitate their operations. The Board has delegated to the County Auditor-Controller/Treasurer/Tax Collector (ATC) the authority to establish cash funds up to \$2,500. Several types of cash funds are used throughout the County, including petty cash funds, change funds, and cash difference funds. An authorized petty cash fund is used for payment of miscellaneous expenses or

## Audit Background



charges incurred while performing official County business. An authorized change fund is used exclusively by a cashier or clerk for making change while performing official County business.

Below are the cash funds that were selected to be counted during our fieldwork:

Description of Fund/Location	Petty Cash Fund	Change Fund
Administration Office	\$700	\$130
Warehouse / Service Center*	\$150	
Household Hazardous Waste*	\$100	\$300
Valley Regional Service Zone – Upland Station # 161*	\$500	
North Desert Regional Service Zone – Caliente Street, Hesperia Station #40*	\$200	
Office of the Fire Marshall – Hazardous Materials	\$100	\$100
Office of the Fire Marshall – Fire Prevention		\$25
North Desert Regional Service Zone – Olive Street, Hesperia Station #302		\$150
South Desert Regional Service Zone - Yucca Valley	Closed	

\* These funds were counted at the Fire Administration office because they had been transferred for closure.

### **Scope and Objective**

Our audit examined the Department's cash controls for the period of July 1, 2022, through April 14, 2023.

The following locations were selected for site visits for our fieldwork:

- Fire Administration
- Household Hazardous Waste
- Warehouse / Service Center
- Office of the Fire Marshall – Hazardous Materials and Fire Prevention
- Hesperia Fire Station – Olive Street
- Oak Hills/Hesperia Fire Station – Caliente Street
- Yucca Valley Fire Station

The objective of our audit was to determine if the Department is in compliance with the Internal Controls and Cash Manual in regard to the controls over their cash funds.

### **Methodology**

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

- Review of policies and procedures
- Performance of surprise cash counts of authorized cash funds
- Interviews of Department staff regarding cash fund management
- Observation of cash operations
- Review of cash deposits for the audit period
- Examination of original source documents and system-generated reports

## **Finding 1: Management of the change funds could be improved.**

The ICCM Chapter 4-7 “Reconcile Cash Funds” states that County departments must reconcile their cash funds at least once a month. An employee other than the fund custodian and of a higher-ranking job classification completes the fund reconciliation. The fund custodian may complete the reconciliation if it is reviewed and signed by an employee of a higher-ranking job classification. Chapter 4-4 “Fund Custodian” requires the department to submit a Signature/Fund Custodian Authorization form to ATC-IAD when the cash fund is initially established and/or the fund custodian changes. The department must also notify ATC-IAD of all changes in the physical location(s) where the fund assets reside. Chapter 4-10 states “Never commingle the petty cash fund with cash receipts or any other cash fund.” Chapter 2-3 “Recording” states that all transactions and pertinent events should be accurately and properly recorded on documents and records.

### **Administration Office**

The following conditions were identified:

- Reconciliations were not performed monthly. The last reconciliation was not dated so it was unclear when the reconciliation was performed.
- An updated Signature/Fund Custodian Authorization form was not filed with ATC-IAD to reflect the current custodian.

### **Household Hazardous Waste**

The following conditions were identified:

- Reconciliations were not performed monthly. The last reconciliation was dated March 30, 2023, and the prior reconciliation was dated June 17, 2020.
- The fund custodian completed the reconciliation, but it was not reviewed and signed by an employee of a higher-ranking job code.
- An updated Signature/Fund Custodian Authorization form was not filed with ATC-IAD to reflect the current custodian nor was ATC-IAD notified of the location change of the change fund.
- The change fund was commingled with the petty cash fund.

### **Office of the Fire Marshall**

The following conditions were identified:

- Although a Signature/Fund Custodian Authorization form was completed for the Fund Custodian, only the Petty Cash box was checked, and not the Change Funds box.
- One of the change funds was incorrectly labeled as a petty cash fund on all related documentation.

The Department was not aware of the ICCM requirement that monthly reconciliations should be performed or the staff that should be performing those reconciliations. They were also unaware that an updated Signature/Fund Custodian Authorization form had to be filed with ATC-IAD when custodians or locations changed. The misappropriation of cash assets is more likely to occur when the Department does not properly manage its cash funds.

### **Recommendation:**

We recommend that cash funds are reconciled monthly, by an employee other than the fund custodian and of a higher-ranking job classification. We also recommend that updated Signature/Fund Custodian Authorization forms are submitted to ATC when a cash fund is initially established, the fund custodian changes or there are any physical location changes of the cash fund. In addition, we recommend separating each cash fund and establishing a process for proper record-keeping for each one. Finally, we recommend the department review the ICCM chapters related to cash and train all staff on the requirements of the ICCM.

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

The District concurs with the recommendation for Finding 1. The District has undergone a large turnover of key staff positions prior to the audit period. New management has distributed the ICCM to all fiscal staff with the direction to review and become familiar with the information. Also, the District has implemented a monthly process to have all cash funds reconciled by a higher classification than the fund custodian.

The addition of the physical location information on the Signature/Fund Custodian Authorization form was new, as of June 3, 2024. The District appreciates the new revision, which provides clarity on the form distribution and identifying the location of cash funds and the new form will be completed going forward.

Additionally, in accordance with Chapter 5 of the ICCM, the District previously started the process to close all cash funds and the Board of Directors approved Board Agenda Item No. 64 on February 27, 2024, requesting Relief from Liability of cash shortages.

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

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

## **Finding 2: Management of the petty cash funds could be improved.**

The ICCM Chapter 4-7 “Reconcile Cash Funds” states that County departments must reconcile their cash funds at least once a month. An employee other than the fund custodian and of a higher-ranking job classification completes the fund reconciliation. The fund custodian may complete the reconciliation if it is reviewed and signed by an employee of a higher-ranking job classification. In addition, Chapter 4-4 “Fund Custodian” requires the department to submit a Signature/Fund Custodian Authorization form to ATC-IAD when the cash fund is initially established and/or the fund custodian changes. The department must also notify ATC-IAD of all changes in the physical location(s) where the fund assets reside. Chapter 4-5 “Establish Cash Funds” states that the ATC-IAD must approve or disapprove requests to establish cash funds. Chapter 3-4 “Safeguarding Cash” states that combinations to safes should be changed when an employee who has knowledge of the combination terminates County employment, is transferred to another County department, or is assigned other duties. Even if there are no staffing changes, combinations must be changed annually. Chapter 4-10 “Petty Cash – Limitations” states to never commingle the petty cash fund with cash receipts or any other cash fund. The department must also notify ATC-IAD of all changes in the physical location(s) where the fund assets reside.

### **Administration Office**

The following conditions were identified:

- Reconciliations were not performed monthly. The last reconciliation was not dated so it was unclear when the reconciliation was performed.
- Reconciliations were not completed by someone higher ranking than the fund custodian.
- An updated Signature/Fund Custodian Authorization form was not filed with ATC-IAD to reflect the current custodian.
- An unrecognized cash fund labeled ARFF Petty Cash Fund was kept in the safe and contained \$140.01. The Department does not have a record of the establishment of this fund and there is no record of this fund in ATC-IAD cash records.
- Although the most recent safe combination change was done in April 2023 due to a staffing change, the logs indicate that the combinations were not changed at least annually.

### **Household Hazardous Waste**

The following conditions were identified:

- Reconciliations were not performed monthly. The last reconciliation was dated March 30, 2023, and the prior reconciliation was dated June 17, 2020.

- The fund custodian completed the reconciliation, but it was not reviewed and signed by an employee of a higher-ranking job code.
- An updated Signature/Fund Custodian Authorization form was not filed with ATC-IAD to reflect the current custodian nor was ATC-IAD notified of the location change of the cash fund.
- The petty cash fund was commingled with the change fund.

### **Warehouse/Service Center**

The following conditions were identified:

- Reconciliations were not performed monthly. The last reconciliation was dated March 30, 2023, but there were no reconciliations performed prior to that date.
- Reconciliations were not completed by someone higher ranking than the fund custodian.
- An updated Signature/Fund Custodian Authorization form was not filed with ATC-IAD to reflect the current custodian, nor was ATC-IAD notified of the location change of the cash fund.

### **Hesperia Station (Caliente Road)**

The following conditions were identified:

- Reconciliations were not performed monthly. The last reconciliation was not dated so it was unclear when the reconciliation was performed.
- Reconciliations were not completed by someone higher-ranking than the fund custodian.
- An updated Signature/Fund Custodian Authorization form was not filed with ATC-IAD to reflect the current custodian, nor was ATC-IAD notified of the location change of the cash fund.

Staff was not familiar with the ICCM procedures regarding management of their petty cash funds. Also, management does not provide training to new officers and staff, prior to starting their current position. The misappropriation of cash assets is more likely to occur when the Department does not properly manage its cash funds.

### **Recommendation:**

We recommend that cash funds are reconciled monthly, by an employee other than the fund custodian and of a higher-ranking job classification completes the fund reconciliation. We also recommend that updated Signature/Fund Custodian Authorization forms are submitted to ATC-IAD when a cash fund is initially established, the fund custodian changes or there are any physical location changes of the cash fund. We recommend that the ARFF Petty Cash fund be

closed. We further recommend safe combinations are changed when an employee terminates County employment, is transferred to another County department, or is assigned other duties. If there are no staffing changes, combinations should be changed annually, and proper documentation should be maintained. In addition, we recommend separating each cash fund and establishing a process for proper record-keeping for each one. Finally, we recommend the department review the ICCM chapters related to cash and train all staff on the requirements of the ICCM.

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

The District concurs with the recommendation for Finding 2. The District has undergone a large turnover of key staff positions prior to the audit period. New management has distributed the ICCM to all fiscal staff with the direction to review and become familiar with the information. Also, the District has implemented a monthly process to have all cash funds reconciled by a higher classification than the fund custodian and to ensure the safe combination is changed annually or when a key employee leaves the District.

The addition of the physical location information on the Signature/Fund Custodian Authorization form was new, as of June 3, 2024. The District appreciates the new revision, which provides clarity on the form distribution and identifying the location of cash funds and the new form will be completed going forward.

Additionally, in accordance with Chapter 5 of the ICCM, the District previously started the process to close all cash funds and the Board of Directors approved Board Agenda Item No. 64 on February 27, 2024, requesting Relief from Liability of cash shortages. The District will return the ARFF Petty Cash to the San Bernardino Emergency Training Center.

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

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

### **Finding 3: Cash fund shortages were not reported to ATC-IAD.**

ICCM Chapter 5-2 states that every County department under the jurisdiction of the Board of Supervisors must report cash shortages to ATC. Chapter 5-4 "Shortage \$200 or Less" requires the Department to report the shortage to ATC-IAD with the "Request for Relief of Liability" memo for the amount of the shortage.

Chapter 5-5 “Shortage Exceeds \$200” states that the Department must submit an agenda item petitioning the Board of Supervisors for relief from liability for the shortage, after approval by ATC-IAD.

### **Administration Office**

The following conditions were identified:

- There was a shortage of \$677.71 out of the \$700 authorized amount for the petty cash fund. Although there were petty cash receipts issued totaling \$700, they were dated from 2005 and 2009 and it was unclear if they were authorized petty cash disbursements.
- There was a shortage of \$0.43 out of the \$130 authorized amount for the change fund.

### **Hesperia Station (Olive Street)**

The change fund that had been assigned to the location was transferred to the Administration Office, but the Department did not notify ATC of the location change. The location could not provide any documentation associated with the transfer. In addition, the change fund was not present to be counted at the Administration Office at the time of fieldwork.

### **Hesperia Station (Caliente Road)**

There was a shortage of \$115 out of the authorized amount of \$200 for the petty cash fund.

The Department did not perform periodic reconciliations of their cash funds. If assets are not periodically verified, the risk of embezzlement and misappropriation increases.

### **Recommendation:**

We recommend that the Department follow the proper steps to report cash shortages and losses in accordance with the ICCM guidelines.

### **Management’s Response:**

The District concurs with the recommendation for Finding 3. The District has undergone a large turnover of key staff positions prior to the audit period. In accordance with Chapter 5 of the ICCM, new management previously started the process to close all cash funds. On February 27, 2024, the District presented Board Agenda Item No. 64 to the Board of Directors requesting Relief from Liability of cash shortages.

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

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

### **Finding 4: Controls over the receipting process could be improved.**

The ICCM Chapter 3-4 "Safeguarding Cash" states that combinations to safes should be changed when an employee who has knowledge of the combination terminates County employment, is transferred to another County department, or is assigned other duties. Even if there are no staffing changes, combinations must be changed annually. Chapter 2-3 "Segregation of Duties" states that no one person should be assigned concurrent duties that would allow him/her complete control over a transaction or an asset. Chapter 6-7 "Mail Receipts" states that the receiving, opening, and distributing of incoming mail must be handled by, or under the supervision of, an employee other than the cashier, bookkeeper, or person preparing the deposits. Two or more employees should be present when mail is opened. The department may also choose to use video surveillance. Chapter 6-3 "Guidelines" requires the use of a restrictive endorsement stamp on all checks and money orders as soon as received.

#### **Hesperia Station – Olive Street**

The following conditions were identified:

- The safe combination has not been changed annually.
- Segregation of duties needs improvement. The Office Assistant can receive payments, open mail and review the deposit, while the Staff Analyst logs the payments and prepares the deposits.
- Two or more employees are not present when mail is being opened.
- The location does not have a restrictive endorsement stamp for their checks.

Staff was not aware of the ICCM guidelines requiring safe combinations to be changed at least annually, nor were they aware of the guidelines on segregating duties for receipting, depositing, and reviewing cash receipts. The staff was also not familiar with the mail receipting procedures in the ICCM. The staff has been requesting an endorsement stamp from the Administration office, but the request has been backlogged due to employee turnover at the office.

When safe combinations are not changed, cash may not be adequately safeguarded. There is an increased risk of undetected errors and potential theft when there is a lack of segregation of duties or when mail is opened by only one

employee. The risk increases further when checks and money orders are not stamped with a restrictive endorsement.

### **Recommendation:**

We recommend safe combinations are changed when an employee terminates County employment, is transferred to another County department, or is assigned other duties. If there are no staffing changes, combinations should be changed annually, and proper documentation should be maintained. We also recommend that management segregate duties for receipting payments, opening mail, depositing, and reviewing cash receipts, including a requirement that two or more employees are present when mail is opened. We further recommend that management immediately provide a restrictive endorsement stamp to the site to be used on all checks and money orders when received. Finally, we recommend the department review the ICCM chapters related to cash and train all staff on the requirements of the ICCM.

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

The District concurs with the recommendation for Finding 4. The District has undergone a large turnover of key staff positions prior to the audit period. New management has distributed the ICCM to all fiscal staff with the direction to review and become familiar with the information.

The District has also implemented a process to ensure the safe combination is changed annually or when a key employee leaves the District. Processes have been changed to provide for a segregation of duties in receipting payments, opening mail, depositing, and reviewing cash receipts. In addition, the District has sent a restrictive endorsement stamp to Hesperia to be used on all checks and money orders received.

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

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

### **Finding 5: Depositing procedures could be improved.**

The ICCM Chapter 9-4 "Bank Deposit Guidelines" states that deposits of cash must be made by the next business day when the amount of receipts reaches \$1,000 in cash and coin. For receipts of checks and money orders, deposits should

be processed immediately. Chapter 9-4 also states that supervisors must verify that deposits are intact and document evidence of review.

### **Administration Office**

The following conditions were identified when we tested 31 deposit transactions:

- 23 transactions (74%) were not deposited by the next business day when the amount of receipts reached \$1,000 in cash and coin or processed immediately for check and money order receipts.
- All 31 deposit transactions (100%) did not have documented supervisory review.

Although Brinks does daily pickups, there are times when staff responsible for preparing deposits are out of the office or deposits are not ready for pickup when Brinks arrives. The Department was not aware that receipts needed to be reviewed by a supervisor prior to being deposited. Holding onto deposits longer than the required guidelines increases the risk of misappropriation of assets. When an independent review is not performed by an employee of a higher-ranking job classification, transactions may not have been correctly recorded and accounted for.

### **Recommendation:**

We recommend deposits are made by the next business day when the amount of receipts reaches \$1,000 in cash and coin. Checks and money order receipts should be deposited immediately. We also recommend department supervisors perform a documented review of deposits before the Brinks' deposit pickup to ensure accuracy and timeliness.

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

The District concurs with the recommendation for Finding 5. A process has been implemented to ensure deposits are made by the next business day when the amount of receipts reaches \$1,000. Also, a new process has been implemented to have the Fiscal Services Staff Analyst II perform a documented review of deposits before the Brinks' deposit pickup to ensure accuracy and timeliness.

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

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