

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



**LAND USE SERVICES:
SHORT TERM RENTALS AUDIT**

BOARD OF SUPERVISORS

COL. PAUL COOK (RET.), VICE CHAIRMAN
FIRST DISTRICT

JESSE ARMENDAREZ
SECOND DISTRICT

DAWN ROWE, CHAIR
THIRD DISTRICT

CURT HAGMAN
FOURTH DISTRICT

JOE BACA, JR.
FIFTH DISTRICT

ENSEN MASON CPA, CFA
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
268 WEST HOSPITALITY LANE
SAN BERNARDINO, CA 92415-0018
(909) 382-3183
WEBSITE: WWW.SBCOUNTYATC.GOV/
FRAUD, WASTE, & ABUSE HOTLINE: (800) 547-9540



Mission Statement

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.

Audit Team

Denise Mejico, CFE
Chief Deputy Auditor

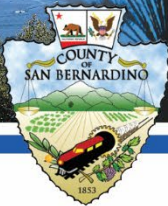
Menaka Burkitt, CFE
Internal Audits Manager

Carmel Manela, CIA, CFE
Senior Supervising Accountant/Auditor

Rayhan Rahman
Senior Accountant/Auditor

Land Use Services: Short Term Rentals Audit

Audit Report Letter	1
Executive Summary	3
Audit Background	4
Scope, Objective, and Methodology	6
Audit Findings and Recommendations	7



San Bernardino County



Auditor-Controller/Treasurer/Tax Collector

Ensen Mason CPA, CFA

Auditor-Controller/Treasurer/Tax Collector

John Johnson

Assistant Auditor-Controller/Treasurer/Tax Collector

Diana Atkeson

Assistant Auditor-Controller/Treasurer/Tax Collector

September 19, 2024

Mark Wardlaw, Director
Land Use Services
385 North Arrowhead Avenue, 1st Floor
San Bernardino, CA 92415

RE: Land Use Services Department - Short Term Rentals Audit

We have completed an audit of the Land Use Services Department's (Department) Short Term Rentals for the period of July 1, 2022, through June 30, 2023. The primary objective of the audit was to determine if controls over the short term rental complaint process were in place and effective. 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 August 16, 2024 and discussed our observations with management on August 20, 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

Distribution of Audit Report:

Col. Paul Cook (Ret.), Vice Chairman, 1st District Supervisor
Jesse Armendarez, 2nd District Supervisor
Dawn Rowe, Chair, 3rd District Supervisor
Curt Hagman, 4th District Supervisor
Joe Baca, Jr., 5th District Supervisor
Luther Snoke, Chief Executive Officer
Grand Jury
San Bernardino County Audit Committee

Date Report Distributed: 09/19/2024

EM:DLM:RR:bh

Summary of Audit Results

Our findings and recommendations are provided to assist management in improving internal controls relating to the short term rental complaint process.

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.
1	<p>Controls over the recording of short term rental complaints could be improved.</p> <p>We recommend that the Department develop and enforce written standardized procedures for recording complaints. We also recommend that the Department record all complaints according to their written standardized procedures. Additionally, we recommend the Department conduct staff training sessions to emphasize the importance of comprehensive documentation and adherence to procedures for recording complaints across relevant systems. We further recommend that Senior Code Enforcement Officers or the Administrative Supervisor periodically review documentation of complaints to ensure all complaints are recorded accurately and consistently.</p>	7
2	<p>Short term rental complaints were not always reviewed by a Senior Code Enforcement Officer or Administrative Supervisor.</p> <p>We recommend that the Senior Code Enforcement Officer and the Administrative Supervisor periodically review complaint logs to ensure all investigated cases are reviewed accordingly. We further recommend that management review complaint logs to check for any outstanding complaints.</p>	8

Land Use Services Department Short Term Rentals Audit

The Department

Land Use Services assists the public with balanced growth, development of housing, and business and recreational improvements through comprehensive regional planning; enforcement of County ordinances and state laws related to housing and property; environmental compliance; administration of construction; and occupancy standards.

Code Enforcement

Code Enforcement administers programs designed to protect the public's safety, welfare, and property by achieving compliance with County ordinances and state laws related to housing and property. The Fire Hazard Abatement unit within Code Enforcement enforces the Fire and Hazardous Trees Ordinance in the unincorporated portions of the County and provides contract services to specified cities and fire districts within the County.

Short Term Rentals Complaint Process

Short Term Rental (STR) complaints are accepted through the 24/7 STR Hotline or via online portals. All complaints are investigated by Code Enforcement which can include, research of the property, interviews with reporting parties/property managers, and an on-site inspection. A determination is made based on the facts collected during the investigation. If a complaint is verified, the responsible party may receive a Notice of Violation, administrative citation, or suspension/revocation of their permit. Citations may be issued to the STR tenant and/or property owner.

In addition to a local drive, the Department records and tracks all complaints in CityView360 (CV360) and Accela. CityView360 (CV360) by Agiline Software, is a comprehensive tool to collect, validate, transform, organize, present and act on information received from several data sources. CV360 makes it easy to connect and visualize information without code using aiWorks rapid application development. Accela's application for short term rentals is a cloud-based software designed to streamline the management of short term rental properties for government agencies. It simplifies the registration and licensing process by providing an online portal for property owners to register their rentals, submit



documents, and pay fees. The platform automates workflows to expedite permit processing and enhance compliance monitoring.

Scope and Objective

Our audit examined the Department's controls over their short term rental complaint process for the period of July 1, 2022, through June 30, 2023.

The objective of our audit was to determine if controls over short term rental requirements were in place and effective.

Methodology

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

- Interviews of Department staff regarding the complaints process
- Walk-through of the complaints process
- Review of Department policies and procedures
- Sample of logged complaints
- Examination and review of original source documents

Finding 1: Controls over the recording of short term rental complaints could be improved.

The Internal Controls and Cash Manual (ICCM) Chapter 2-3 Control Activities states that control activities are policies, procedures, and standards that are established so that management's directives and objectives are accomplished. In chapter 2-5, a method would be *Adequate Document and Record Retention* which states that all pertinent events should be accurately and properly recorded on documents and records. Sufficient and relevant data should be recorded to provide an audit trail and to document evidence that an event took place.

We identified the following conditions:

- The Department did not have written standardized policies and/or procedures as to where short term rental complaints should be recorded.
- When we tested 64 permitted short term rental complaints, 5 complaints (or 7.8%) were not recorded in all Department databases:
 - 3 complaints were recorded in CV360 and Accela, but not in the Department's shared drive.
 - 2 complaints were not recorded in CV360, Accela, or the Department's shared drive.

Staff relied on informal guidelines, such as Department PowerPoint presentations and emails, to record complaints, and could not provide a valid reason for why complaints were not recorded. If written policies and procedures are not made available to staff, they will not be aware of the proper procedures on where complaints should be recorded. When complaints are not recorded, this may result in staff not having access to all relevant information when needed.

Recommendation:

We recommend that the Department develop and enforce written standardized procedures for recording complaints. We also recommend that the Department record all complaints according to their written standardized procedures. Additionally, we recommend the Department conduct staff training sessions to emphasize the importance of comprehensive documentation and adherence to procedures for recording complaints across relevant systems. We further recommend that Senior Code Enforcement Officers or the Administrative Supervisor periodically review documentation of complaints to ensure all complaints are recorded accurately and consistently.

Management's Response:

A guideline has been established to standardize the cataloging, storage, and referencing of complaint documentation in case notes. This guideline will be reviewed with staff during the program unit's weekly meeting to ensure everyone understands and follows the procedure. Additionally, a checklist has been created for the senior officer to complete when reviewing complaint investigations. This checklist will ensure that the review is thoroughly documented. The form will also be used to track staff performance and maintain a consistent standard in complaint reviews.

Auditor's Response:

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

Finding 2: Short term rental complaints were not always reviewed by a Senior Code Enforcement Officer or an Administrative Supervisor.

The Internal Controls and Cash Manual (ICCM) Chapter 2-1 Control Environment states the control environment is made up of standards, processes, and structures that provide the basis for carrying out internal controls. It is management's responsibility to establish the correct "tone at the top," by implementing policies and procedures that meet a supportive control environment. In chapter 2-5, a method would be *Assignment of Authority and Responsibility* which states that all transactions should be properly authorized and approved, which in turn establishes responsibility.

When we tested 64 permitted short term rental complaints, 4 complaints (or 6.3%) should have been reviewed by a Senior Code Enforcement Officer or the Administrative Supervisor after the complaint investigation was complete, but remained open for review. These 4 complaints were received in 2022.

Complaints were not reviewed due to staff being unaware of open complaints, and staffing limitations. When complaints are not reviewed by a Senior Code Enforcement Officer or an Administrative Supervisor, this can create operational inefficiencies and lead to a risk of undetected errors.

Recommendation:

We recommend that the Senior Code Enforcement Officer or the Administrative Supervisor periodically review complaint logs to ensure all investigated cases are reviewed accordingly. We further recommend that management review complaint logs to check for any outstanding complaints.

Management's Response:

In line with the recommendation, the unit's Key Performance Indicators (KPI) have been updated to formalize the program unit's goal of having the unit's senior officer review every complaint investigation whenever possible. Exceptions to this goal will apply in cases where staffing is insufficient or when the volume of complaints is so high that it would negatively impact the senior officer's other responsibilities. Additionally, a guideline has been created to establish the complaint review process. This guideline will be reviewed with staff during the program unit's weekly meeting to ensure everyone understands and follows the procedure.

Auditor's Response:

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