

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



**ASSESSOR-RECORDER-COUNTY CLERK:
CASH CONTROLS AUDIT**

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Assessor-Recorder-County Clerk:

Cash Controls Audit

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San Bernardino County



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June 20, 2025

Josie Gonzales, Assessor-Recorder-County Clerk
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RE: Assessor-Recorder-County Clerk Cash Controls Audit

We have completed an audit of the Assessor-Recorder-County Clerk's (Department) for the period of January 1, 2024, through August 22, 2024. The primary objective of the 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. 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 27, 2025, and discussed our observations with management on May 28, 2025. 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
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By: [REDACTED]
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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.
1	Management of the change funds could be improved.	7
	We recommend that the unrecognized cash funds be closed. Cash funds should be reconciled monthly by an employee other than the fund custodian and of a higher-ranking job classification. Departments should place all cash overnight in a locked file cabinet located in a secure, limited-access area. Additionally, we recommend that receipts held for deposit be kept separately from the change fund. Finally, we recommend that the department review the ICCM chapters related to cash and train all staff on the requirements of the ICCM.	
2	Cash fund shortages were not reported to ATC-IAD.	9
	We recommend that the Department follow the proper steps to report cash shortages and losses in accordance with the ICCM guidelines.	
3	Controls over the receipting process could be improved.	10
	We recommend that management immediately provide a restrictive endorsement stamp to the site to be used on all checks and money orders when received.	

Assessor-Recorder-County Clerk (ARC) Cash Controls Audit

The Department

Under California law, the Assessor-Recorder-County Clerk (Department) establishes a value for all locally taxable property, including residential, commercial, business, and personal property. The Department maintains current records on approximately 819,993 parcels of real property, 26,217 business property accounts, and 25,091 other assessments, including boats, aircraft, and manufactured homes. The Department also administers property tax exemptions, including homeowners, veteran, disabled veteran, church, religious, and welfare exemptions, as well as exclusions, including parent-to-child and senior/disabled persons transfer of base year values. The Valuations Division is responsible for real, personal, business, and special property valuations and assessment appeals. District offices provide public assistance regarding questions of ownership, mailing addresses, parcel numbers, and assessed values. The Assessment Services Division provides mapping, change of ownership, change of address, data entry services, and public information services. The Recorder Services Division accepts all documents for recording that comply with applicable recording laws. Official records are maintained, evidencing ownership and encumbrances of real and personal property and other miscellaneous records.

The Department remains focused on improving business operations and enhancing customer service with existing resources such as the ARC Mobile Unit. The Department continues to benefit from a multi-year plan to fund the Assessor Division Property Information Management System (PIMS) Upgrade Project to enhance the property assessment process.

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 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	Change Fund
San Bernardino Office – Recorder/County Clerk	\$4,660
San Bernardino Office – Property Information	\$60
San Bernardino Assessor District Office	\$60
Hesperia Assessor District Office	\$60
High Desert Government Center	\$800
Fontana Assessor District Office	\$60
Ontario Assessor District Office	\$60

Scope and Objectives

Our audit examined the Department's cash controls for the period of January 1, 2024, through August 22, 2024.

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

- San Bernardino Office
- Hesperia Assessor District Office
- High Desert Government Center
- Fontana Assessor District Office
- Ontario Assessor District Office

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 Internal Controls and Cash Manual (ICCM) Chapter 4-4 "Establish Cash Funds" states that to establish a cash fund, the department must submit a memo to the Auditor-Controller/Treasurer/Tax Collector - Internal Audits Division (ATC-IAD) requesting authority to establish a cash fund. At all times, the fund custodian must be able to account for the fund in the form of cash, vouchers, and receipts. Chapter 4-7 "Reconcile Cash Funds" states that a critical step in properly maintaining a cash fund is periodic reconciliation. 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. This independent review will help to ensure that transactions have been correctly recorded and all assets are accounted for. Chapter 3-3 "Safeguarding Cash" states to place all cash held overnight in a safe or a locked file cabinet located in a secure area away from the public and limit access to areas where cash is handled. Additionally, Chapter 3-4 "Cash Handling Procedures" states not keeping excess cash in the cash drawer.

San Bernardino Office - Property Information

An unrecognized change fund of \$120 was kept in the safe. 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.

Hesperia Assessor District Office

The following conditions were identified:

- The key to access the cash drawer is not kept in a secure area.
- Reconciliations of the change fund are not reviewed.
- An unrecognized cash fund was kept in an unmarked envelope in the safe and contained \$1.26. 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.
- Excess cash is kept in the cash drawer with the change fund.

Fontana Assessor District Office

Monthly reconciliations of the change fund are not performed.

Ontario Assessor District Office

The following conditions were identified:

- The key to access the cash drawer is not kept in a secure area.

- Documentation for the monthly reconciliation of the change fund was not available. Staff stated that they perform monthly reconciliations; however, documentation of this reconciliation is not kept or reviewed. There was an overage of \$0.20 out of the authorized amount of \$60 for the change fund.
- Excess cash is kept in the cash drawer with the change fund.

Staff were not aware that the additional change funds were not established with ATC-IAD. The Department was not aware of the ICCM requirement that monthly reconciliations should be performed and reviewed by an employee of a higher-ranking job classification. Staff were unaware that funds must be locked in a secure area with limited access overnight. Finally, the staff was not aware that funds held for deposit need to be kept separately from the change fund. The misappropriation of cash assets is more likely to occur when the Department does not properly manage its cash funds. When an independent review is not conducted by an employee in a higher-ranking job classification, transactions may not be accurately recorded or properly accounted for.

Recommendation:

We recommend that the unrecognized cash funds be closed. Cash funds should be reconciled monthly by an employee other than the fund custodian and of a higher-ranking job classification. Departments should place all cash overnight in a locked file cabinet located in a secure, limited-access area. Additionally, we recommend that receipts held for deposit be kept separately from the change fund. Finally, we recommend that the department review the ICCM chapters related to cash and train all staff on the requirements of the ICCM.

Management's Response:

The unrecognized cash fund at the San Bernardino Property Information Office was closed on September 5, 2024, and the funds were deposited. The unrecognized cash fund at the Hesperia Assessor District Office was closed on December 12, 2024, and the funds were deposited.

ARC staff did a training in April 2025 to review the ICCM chapters related to cash controls, and plan on doing these trainings at least twice per year with staff to stay up-to-date on current ICCM procedures. During the training, District office staff were reminded that cash funds are to be reconciled monthly. At the District Offices, cash funds are reconciled by Office Assistants, and the fund custodian (or supervisor) reviews and verifies the reconciliation.

The Hesperia District Office has moved the key to a secure location and has taken steps to hold receipts and cash/checks for deposit separately from the change fund.

The San Bernardino District Office has moved the key to a secure location and has taken steps to hold receipts and cash/checks for deposit separately from the change fund. The \$0.20 overage was deposited on September 20, 2024.

Auditor's Response:

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

Finding 2: Cash fund shortages were not reported to ATC-IAD.

ICCM Chapter 5-2 "Cash Shortages" states that every County department under the jurisdiction of the Board of Supervisors must report cash shortages to ATC-IAD. 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.

San Bernardino Assessor District Office

The change fund was not counted toward the authorized amount of \$60; it was \$0.10 short. The change fund shortage has not been reported to ATC-IAD in the last 10 years.

Fontana Assessor District Office

The change fund was not counted toward the authorized amount of \$60; it was \$6.04 short. The change fund shortage has not been reported to ATC-IAD in the last 10 years.

The Department was not aware of the procedures for reporting shortages. 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:

ARC will follow the proper steps outlined in the ICCM guidelines to report the cash shortages and losses by submitting a Request for Relief of Liability memo to ATC for the amount of the shortages at the San Bernardino and Fontana Assessor Offices.

Auditor's Response:

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

Finding 3: Controls over the receipting process could be improved.

The ICCM Chapter 3-5 "Check Acceptance Precautions" states that checks must be immediately endorsed with a restrictive endorsement stamp when received.

San Bernardino Assessor District Office and Hesperia Assessor District Office

Checks and money orders are not stamped with a restrictive endorsement.

Staff were not aware of the ICCM guidelines requiring checks to be stamped with a restrictive endorsement. There is an increased risk of undetected errors and potential theft when checks and money orders are not stamped with a restrictive endorsement.

Recommendation:

We recommend that management immediately provide a restrictive endorsement stamp to the site to be used on all checks and money orders when received.

Management's Response:

New endorsement stamps were sent to the San Bernardino and Hesperia District Offices on June 10, 2025.

Auditor's Response:

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