

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



**COUNTY FIRE PROTECTION DISTRICT:
CASH CONTROLS FOLLOW-UP AUDIT**

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County Fire Protection District: Cash Controls Follow-up Audit

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San Bernardino County



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June 20, 2025

Dan Munsey, Fire Chief
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RE: County Fire Protection District Cash Controls Follow-up Audit

We have completed a follow-up audit of the County Fire Protection District's (Department) cash controls for the period of September 1, 2024, through January 31, 2025. The objective of the audit was to determine if the recommendations for the findings in the County Fire Protection District Cash Controls Audit report dated June 26, 2024, have been implemented. 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 have provided the status of the audit findings identified in the original audit report issued on June 26, 2024. Of the 5 recommendations from the original audit report, 3 have been implemented and 2 have been partially implemented.

We sent a draft report to the Department on May 29, 2025. The Department's responses to the current status of 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,

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By: 
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Scope and Objective

Our audit examined the Department's cash controls for the period of September 1, 2024, through January 31, 2025.

The objective of this follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report, *County Fire Protection District Cash Controls Audit*, issued on June 26, 2024.

Methodology

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

- Review of policies and procedures
- Interviews of Department staff regarding cash fund management
- Review of check deposits for the audit period
- Examination of original source documents and system-generated reports

Prior 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 the Auditor-Controller/Treasurer/Tax Collector – Internal Audits Division (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 who 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 recommended that cash funds be reconciled monthly by an employee other than the fund custodian and of a higher-ranking job classification. We also recommended that updated Signature/Fund Custodian Authorization forms be 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 recommended separating each cash fund and establishing a process for proper record-keeping for each one. Finally, we recommended that the department review the ICCM chapters related to cash and train all staff on the requirements of the ICCM.

Current Status: Implemented

The Department has closed all its cash funds in accordance with the ICCM guidelines. We examined the cash fund closure documents in SAP and confirmed that the funds were closed in accordance with the ICCM guidelines.

Furthermore, the Department reviewed the ICCM chapters related to cash and distributed copies to all fiscal staff, instructing them to familiarize themselves with the ICCM requirements.

Prior 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 were not familiar with the ICCM procedures regarding the 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 recommended that cash funds be reconciled monthly by an employee other than the fund custodian and of a higher-ranking job classification than the fund custodian. We also recommended that updated Signature/Fund Custodian Authorization forms be 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 recommended that the ARFF Petty Cash fund be closed. We further recommended that safe combinations be 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 recommended separating each cash fund and establishing a process for proper record-keeping for each one. Finally, we recommended that the department review the ICCM chapters related to cash and train all staff on the requirements of the ICCM.

Current Status: Implemented

The Department has closed all its cash funds, including the ARFF Petty Cash fund, in accordance with the ICCM guidelines. We examined the cash fund closure documents in SAP and confirmed that the funds were closed in accordance with the ICCM guidelines.

The Department has documented their safe combination changes in a log when an employee terminates County employment, is transferred to another County department, is assigned other duties, or at least annually.

Furthermore, the Department reviewed the ICCM chapters related to cash and distributed copies to all fiscal staff, instructing them to familiarize themselves with the ICCM requirements.

Prior 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 its cash funds. If assets are not periodically verified, the risk of embezzlement and misappropriation increases.

Recommendation:

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

Current Status: Implemented

Prior to closing its cash funds, the Department submitted a Request for Relief of Liability to ATC-IAD for the shortage in the cash funds. The Request for Relief of Liability was approved by ATC-IAD, and the Department subsequently submitted a Board Agenda Item for relief from liability of the shortage. The Board Agenda Item was approved on February 27, 2024.

We examined the cash fund closure documents in SAP and confirmed that the funds were closed in accordance with the ICCM guidelines.

Prior 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 its checks.

Staff were 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 recommended that safe combinations be 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 recommended 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

recommended that management immediately provide a restrictive endorsement stamp to the site to be used on all checks and money orders when received. Finally, we recommended that the department review the ICCM chapters related to cash and train all staff on the requirements of the ICCM.

Current Status: Partially Implemented

Safe combination changes were not properly documented, and the safe's combination has not been changed since September 2023. However, the Department has implemented segregation of duties in depositing and reviewing cash receipts. The employee who writes the receipt places the check in the safe before the Office Assistant II enters the check information in the station's deposit log. The Staff Analyst II reviews the deposit package and the log before signing off and placing it back into the safe. The station has not implemented a process for two employees to be present when opening mail.

The Department has provided the station with a restrictive endorsement stamp to be used on all checks and money orders when received.

Furthermore, the Department trained staff on the requirements of the ICCM by reviewing the chapters related to cash and distributing copies of the ICCM to all fiscal staff.

Management's Response:

The District acknowledges Finding 4 and will communicate with the staff in the Division 5/Hesperia office that they must comply with the ICCM by changing the safe combination when a key employee leaves, or annually, at a minimum. The Hesperia office staff will also be reminded that two employees should be present when opening the mail, per the ICCM.

Auditor's Response:

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

Prior 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 recommended that deposits be 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 recommended that department supervisors perform a documented review of deposits before the Brinks' deposit pickup to ensure accuracy and timeliness.

Current Status: Partially Implemented

The Department has implemented a process to deposit cash and coin by the next business day when the amount of receipts reaches \$1,000. The Department has also implemented a process to deposit checks immediately. Additionally, the Department has implemented a supervisory review process for deposits prior to being picked up by the Brinks deposit truck.

However, the following condition was identified when we tested 50 deposit transactions:

5 out of 50 transactions (10%) 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.

Management's Response:

The District acknowledges Finding 5 and is in the process of establishing a new remote deposit process using a desktop scanner. This will help ensure compliance with ICCM rules and will improve depositing procedures and timeliness.



Auditor's Response:

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