

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

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**REGISTRAR OF VOTERS:  
CASH FUNDS FOLLOW-UP AUDIT**

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AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR  
268 WEST HOSPITALITY LANE  
SAN BERNARDINO, CA 92415-0018  
(909) 382-3183

WEBSITE: [WWW.SBCOUNTY.GOV/ATC](http://WWW.SBCOUNTY.GOV/ATC)  
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## **Audit Team**

**Denise Mejico, CFE**  
Chief Deputy Auditor

**Menaka Burkitt, CFE**  
Internal Audits Manager

**Steven Ems, CIA**  
Supervising Internal Auditor III



## **Registrar of Voters: Cash Funds Follow-up Audit**

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**Auditor–Controller/Treasurer/Tax Collector**

June 2, 2022

**Ensen Mason CPA, CFA**  
*Auditor–Controller/Treasurer/Tax Collector*

**Douglas R. Boyd Sr., ESQ.**  
*Assistant Auditor–Controller/Treasurer/Tax Collector*

**Tori Roberts CPA**  
*Assistant Auditor–Controller/Treasurer/Tax Collector*

Michael Jimenez, Deputy Executive Officer  
Registrar of Voters  
777 East Rialto Avenue  
San Bernardino, CA 92415-0770

RE: Cash Funds Follow-up Audit

We have completed a follow-up audit of the Registrar of Voters (Department)'s Cash Funds for the period of October 1, 2020, through June 7, 2021. The objective of the audit was to determine if the recommendations for the findings in the Registrar of Voters Cash Funds Audit issued on March 23, 2020, 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 a status of the audit findings identified in the original audit report issued on March 23, 2020. Of the six recommendations from the original audit report, one has been implemented, two have been partially implemented and three have not been implemented.

We sent a draft report to the Department on February 9, 2022. 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 Registrar of Voters 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: June 2, 2022

EM:DLM:SWE:oac

## Scope and Objective

Our audit examined the Registrar of Voters cash funds procedures for the period of October 1, 2020, through June 7, 2021.

The objective of this follow-up audit was to determine whether the Department implemented the recommendations contained in the prior audit report, Registrar of Voters Cash Funds Audit, issued on March 23, 2020.

## Methodology

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

- Interview of Department staff
- Performance of surprise cash counts of authorized funds
- Sampling of cash fund transactions
- Examination of original source documents



**Prior Finding 1: The use of the petty cash checking account fund is not in compliance with the Internal Controls and Cash Manual.**

The Internal Controls and Cash Manual (ICCM) Chapter 4-10 “Petty Cash – Limitations” states that an authorized petty cash fund is used for payment of miscellaneous expenses or charges incurred while performing official County business. Chapter 11-2 “Receipts-Credit Cards/Other Automated Payment Systems” states that the Auditor-Controller/Treasurer/Tax Collector (ATC) must review all plans to accept credit cards, debit cards, or other automated payment systems for payment of services and fees. In addition, Chapter 11-3 “Credit Card Bank Activity” states that when a department accepts payments via electronic credit card payments, it is standard practice to establish a clearing account (zero balance account or ZBA) with a bank to accommodate the department’s credit card related banking activity. Departments must contact ATC Management Services Section (MSS) to establish this account.

The following conditions were identified during our review of 8 out of 16 transactions totaling approximately \$106,170:

- The Department was using their petty cash checking account to accept credit card and debit card payments instead of a ZBA.
- All 8 transactions were for unallowable uses of the petty cash fund, such as transferring and refunding monies collected from credit card receipts.

The Department was not familiar with the ICCM procedures pertaining to petty cash limitations nor the procedures for credit card, debit card, and automated payment systems. Misappropriation of assets and errors in accounting records are more likely to occur when the Department does not properly administer oversight and monitoring of activity from its petty cash fund checking account as well as the use of unauthorized payment systems.

**Recommendation:**

We recommended that the Department familiarize themselves with the ICCM regarding petty cash and its limitations. We also recommended the Department follow the guidelines in the ICCM and obtain proper approval from ATC MSS to accept credit card and debit card payments. We further recommended the Department cease the use of the petty cash fund checking account to deposit credit card receipts. Additionally, we recommended the Department coordinate with ATC MSS to establish a ZBA in accordance with the ICCM.

### **Current Status: Partially Implemented**

The Department familiarized themselves with the ICCM regarding petty cash and its limitations. The Department also established a zero balance account for the credit card receipt deposits, however, approval to accept credit and debit card payments was not requested from ATC MSS. Additionally, the Department has not ceased the use of the petty cash fund checking account to deposit credit card receipts.

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

The Department has discontinued the use of the petty cash fund checking account to deposit credit card receipts. All deposits are being made directly into the zero balance account. The Department will work with ATC MSS for the necessary required approvals to accept credit and debit card payments going forward.

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

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

### **Prior Finding 2: Controls over the safeguarding of the change fund could be improved.**

The ICCM Chapter 4-4 "Fund Custodian" states that every department with a cash fund must designate an employee to be the fund custodian in charge of the fund. In addition, when a cash fund is initially established, the department must submit a Signature/Fund Custodian Authorization form to ATC Internal Audits Division (IAD). Chapter 3-2 "Guidelines" states that departments must assign duties so that no one individual has access to the entire cash process. Cash receipting, bank deposits, bank reconciliation, cash disbursements, and accounts receivable posting should be segregated. Chapter 3-3 "Safeguarding Cash" states that access to areas where cash is handled should be limited.

The following conditions were identified:

- There was no Signature/ Fund Custodian Authorization form on file for the change fund.
- The employee handling the change fund also received cash, counted the daily receipts, performed reconciliations, prepared and verified bank deposits, and entered and uploaded bank information into SAP.





- The key to the drawer that holds the change fund was kept in a central location that was accessible to all employees.

The Department was not familiar with the fund custodian procedures outlined in the ICCM. The Department was also unaware of ICCM guidelines regarding the safeguarding of cash. In addition, due to staffing limitations at the Department, there was inadequate segregation of duties, resulting in one employee having complete oversight of the change fund. When a fund custodian is not properly designated in accordance with ICCM requirements, there is no accountability of departmental change funds. The absence of effective segregation of duties increases the risk that any one person could perpetrate and conceal errors and irregularities in the normal course of their duties.

### **Recommendation:**

We recommended supervisory personnel provide training to staff to familiarize them with the ICCM's policies and procedures. The Department should have submitted a Signature/Fund Custodian Authorization form to ATC IAD immediately. We also recommended segregating duties for receiving cash, preparing deposits, and reconciling cash funds. We further recommended that access to the change fund be limited to as few employees as possible.

### **Current Status: Implemented**

The staff involved with the change fund familiarized themselves with the ICCM's policies and procedures. The Department submitted a Signature/Fund Custodian Authorization form to ATC IAD. The Department has segregated the duties for receiving cash, preparing deposits, and reconciling cash funds. The Department limited access to the change fund to as few employees as possible.

### **Prior Finding 3: Controls over the disbursements from the petty cash fund could be improved.**

The ICCM Chapter 4-10 "Petty Cash – Disbursements" states that a department employee completes a petty cash voucher stating the date, purpose of the expenditure, and the maximum amount expected to be expended. An authorized department employee approves the voucher. The authorizing employee must be of a higher-ranking job classification than the requestor. In addition, "Petty Cash – Limitations" states that an authorized petty cash fund is used for payment of miscellaneous expenses or charges incurred while performing official County

business. No disbursement from the petty cash is allowed, regardless of the amount, for employee travel, meals, or mileage expenses unless expressly authorized in writing by the ATC Accounts Payable Supervisor.

The following conditions were identified when we tested four transactions representing the entire population, totaling approximately \$150:

- All 4 transactions did not have a petty cash voucher.
- All 4 transactions did not have an approval from an employee of a higher classification.

The Department was not familiar with the ICCM guidelines for petty cash disbursements and its limitations. Unallowable petty cash fund expenditures could lead to an increased risk of misappropriation of assets.

### **Recommendation:**

We recommended the Department review and follow the ICCM's guidelines regarding the use of petty cash vouchers and documentation of proper approvals for petty cash disbursements.

### **Current Status: Not Implemented**

The Department did not implement the use of petty cash vouchers for the petty cash transactions. Therefore, the approval of the petty cash transactions by an employee of a higher ranking could not be determined.

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

Following this audit, the Department began using the appropriate petty cash vouchers. In addition, transactions are now approved by the Administrative Supervisor or Chief Deputy, as recommended. However, upon further review, the Department is beginning the process of dissolving the petty cash fund as there is currently no operational need to maintain this fund. The dissolution of this fund will follow the requirements outlined in the ICCM.

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

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

### **Prior Finding 4: 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. To facilitate this process, it is recommended that the department obtain a desktop scanner. It also states that supervisors must verify that deposits are intact and document evidence of review.

The following conditions were identified when we tested 149 deposit transactions totaling approximately \$431,290:

- 81 checks totaling approximately \$365,770 were not deposited immediately.
- All 149 deposit transactions tested did not have documented supervisory review.

Due to limited staffing, the Department allowed receipts to accumulate until staff was available to make a bank deposit. The Department was not aware of the requirement for a supervisory review prior to deposits being made. Maintaining checks longer than necessary increases the risk of loss, theft, or embezzlement. In addition, 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 checks and money orders are immediately deposited in accordance with ICCM guidelines. The Department should have worked with ATC MSS to implement the use of a deposit scanner to reduce the need to hold checks longer than necessary. In addition, we also recommended that Department supervisors perform a documented review for all deposits to ensure accuracy and timeliness.

### **Current Status: Not Implemented**

Checks and money orders are not deposited immediately. Of the 9 deposit transactions tested, 6 checks totaling \$212,859 were not deposited immediately. The Department did not work with ATC MSS to implement the use of a deposit scanner to reduce the need to hold checks longer than necessary. Additionally, of the 9 deposit transactions tested, 1 deposit transaction tested did not have a documented supervisory review.



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

During the time of this audit, the Department's fiscal staff were telecommuting, and checks were received when staff was not in the office. Procedures were in place for staff receiving checks to notify fiscal staff of the pending checks. Once notified, staff would arrive onsite the next business day to deposit checks. Going forward, fiscal staff will complete deposits and have the Administrative Supervisor or Chief Deputy review and approve the deposits in a timely manner following all deposit guidelines outlined in the ICCM.

Should telecommuting commence once again, staffing will be adjusted to ensure checks are deposited per ICCM guidelines. Appropriate level staff will be scheduled/present onsite daily for this critical function.

In addition, the Department is in the process of internal review/finalization of procedures for a deposit scanner. Once the Department management completes their review of these procedures, they will be forwarded to ATC MSS for approval.

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

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

### **Prior Finding 5: Segregation of duties over the petty cash funds could be improved.**

The ICCM Chapter 2-3 "Segregation of Duties" states that no one person should be assigned concurrent duties that would allow them complete control over a transaction or an asset. In addition, Chapter 4-7 "Reconcile Cash Funds" states that 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.

The following conditions were identified:

- The petty cash fund custodian solely issued cash, maintained records, and reconciled the fund.
- The petty cash checking fund custodian solely maintained records and reconciled the checking fund.

When there is inadequate segregation of duties, there is an increased risk that any one person could perpetrate and conceal errors and irregularities in the normal course of their duties.

### **Recommendation:**

We recommended the Department reorganize assignments with existing staff and segregate duties for issuing cash, maintaining records, and reconciling cash funds in accordance with ICCM guidelines.

### **Current Status: Partially Implemented**

The Department reorganized assignments with existing staff to segregate the duties of issuing cash, maintaining records, and reconciling cash funds. However, reconciliations prepared by the fund custodian are not reviewed by a higher-ranking employee.

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

The Department will continue to have duties segregated to ensure compliance with the ICCM. Since the audit, the Department has added an Administrative Supervisor I position that will allow for increased segregation of duties and the approval of a higher-ranking employee. The fund custodian and reconciliation duties will be transferred to the Staff Aide. The Administrative Supervisor I or the Staff Analyst II, as higher-level positions, will then approve the reconciliation documents.

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

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

### **Prior Finding 6: Petty cash funds are not reconciled to their authorized amounts.**

The ICCM Chapter 4-7 "Reconcile Cash Funds" states that County departments must reconcile their cash funds at least once per month and any differences should be researched and resolved. Chapter 6-8 "Remittance Overages" states that Departments should deposit all overages into the Cash Overage Fund (Fund 1046 – Dept 241) using the agency's Department's code (680) as the Org code and SAP



GL Account 40809970 – Other Revenue (California Government Code Section 29375).

The following conditions were identified:

- The \$500 petty cash fund had an overage of \$10 during our cash count.
- The \$1,000 petty cash checking fund reconciliation showed a balance of approximately \$35,440 as of May 20, 2019.

The \$10 overage was additional cash that was discovered when the Department replaced the old safe. The approximate excess of \$34,440 in the petty cash checking account is caused by the Department accepting credit card payments into the account. When funds are not reconciled to their authorized amounts, errors could remain undetected for a significant period of time.

### **Recommendation:**

We recommended that the petty cash fund and the petty cash checking fund are reconciled to \$500 and \$1,000, accordingly. If it was determined that the amounts cannot be reconciled, the Department should have followed the proper procedures in the ICCM related to overages.

### **Current Status: Not Implemented**

The Department has not reconciled the petty cash fund and petty cash checking fund to \$500 and \$1,000. The \$500 petty cash fund had an overage of \$14 during our cash count, and a reconciliation of the \$1,000 petty cash checking fund reconciliation indicated an overage of \$27,936 as of June 18, 2021. The Department did not follow the proper procedures in the ICCM related to overages.

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

Following the audit, the Department has begun to adhere to the guidelines outlined in the ICCM regarding petty cash. In addition, the Department has reconciled the petty cash checking account and addressed the overage of \$27,936 so that the balance reflects a \$1,000 balance.

As mentioned previously, the Department is beginning the process of dissolving the petty cash fund as there is currently no operational need to maintain this fund. The dissolution of this fund will follow the requirements outlined in the ICCM.



**Auditor's Response:**

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