



Internal Audit Division

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

Cash Handling Controls

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TABLE OF CONTENTS

Executive Summary	1
Introduction & Background.....	2
Scope & Methodology.....	3
Results	4
Current Year Findings, Recommendations & Management Response.....	5
Prior Year Recommendations and Implementation Status	9
Priority Ratings and Definitions	13

Executive Summary

As part of the 2024/2025 Annual Audit Plan, the Internal Audit Division of the Auditor-Controller-Treasurer-Tax Collector (IA), conducted an audit of three Sonoma County's (County) departments' cash handling process, risks and controls over cash collections and deposits of cash.

The objectives of the audit were to determine whether:

1. Controls are operating effectively over physical custody of cash and checks, (specifically segregation of duties, collections and deposits), for Human Services Department (HSD), Sonoma Public Infrastructure (SPI) and Permit Sonoma (PS).
2. Follow up on the status of prior year Cash Handling audit recommendations (ACTTC, Regional Parks, Animal Services division of the Department of Health Services, and Probation).

Our report provides six findings in the County's cash collections and deposits processes. In accordance with our established procedures, we are bringing to management's attention our observations and applicable recommendations. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the findings and recommendations presented in this report may not be all-inclusive of areas where improvement may be needed.

Summary of Current Year Findings and Recommendations

Findings #1 - #6: Some controls are not operating effectively over physical custody of cash and checks, for departments selected for review. Opportunities exist to strengthen internal controls over deposits.

- Safe combinations have not been changed for long periods of time. Safes holding cash and checks are not capable of requiring two people to open the safes, they only require one combination or key.
- The selected departments do not make deposits to the Treasury or an authorized bank account within the next business day following the receipt of cash and checks, and no approved policy exception could be found for the selected departments.

Recommendations include strengthening internal controls over safe combinations, securing cash, and making daily cash deposits (see details of the findings, recommendations and management responses on pages 5-8). All recommendations are considered high priority 1 (as defined on page 13 and should be implemented within one to three months after this report has been issued.

Prior Year Recommendation Implementation Status by Department

Department	Implemented	In Process	Partially Implemented	Not Implemented
ACTTC		1a, 1b, 1c, 1d		
Probation	2a, 2d			
Animal Services	2a, 2b, 2c	2e		
Regional Parks	2f		2b, 2e	2a, 2d

* Additional details about the status of prior year recommendations are on pages 9-12.

Introduction

IA completed a compliance audit of the County's Cash Handling process. We reviewed the County department's cash handling procedures, compliance with Countywide Cash Handling Policy and controls over cash collections and deposits. We conducted our audit in accordance with the Global Internal Audit Standards (Standards). These Standards require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained provides a reasonable basis for the results contained in our report.

The purpose of this report is to furnish management with independent and objective analysis, recommendations and other information concerning the activities reviewed. The audit report is a tool to help management identify and implement improvements.

Background

The Sonoma County Auditor-Controller-Treasurer-Tax Collector (ACTTC) has governance and oversight responsibility for the County's cash and cash handling practices. This responsibility includes the design of controls to help ensure that cash is adequately managed, secured, deposited, and reconciled. Since the County's cash receipting activities are decentralized, the ACTTC has developed several mechanisms to help ensure that money received by County departments is handled and processed consistently and appropriately. These mechanisms include, but are not limited to, developing and implementing a Countywide Cash Handling Policy, a review of written cash handling procedures submitted by County departments, maintaining a record of all outside bank accounts, and reviewing and approving requests for exceptions from the Countywide Cash Handling policy.

California Government Code Section 26881 states, "..... the auditor-controller shall prescribe, and shall exercise a general supervision, including the ability to review departmental and countywide internal controls....."

The Countywide Cash Handling Policy defines cash as coin, currency, checks, wire transfers, electronic fund transfers, automatic bill pay systems, debit and credit card receipts, and lock box deposits. Although most transactions can be handled electronically, the County does conduct certain transactions with actual cash and checks. For purposes of this audit cash represents coins, currency, and checks. This audit focused on the handling of physical cash that departments receive from customers, as well as the change funds that departments use. To minimize the risk of theft and fraud associated with cash handling, it is essential that the County have appropriate controls in place.

Scope

The audit fieldwork was performed in May, June and August of 2025 and includes a review of HSD's, PS's and SPI's cash handling policies and procedures, compliance with policies over cash collections (collection and initial storage of cash and checks) and cash deposits. Our audit included a follow-up with the ACTTC, Probation, Animal Services division of the Department of Health Services, and Regional Parks, to determine the implementation status of prior year audit recommendations.

Methodology

- Reviewed written cash handling policies and procedures for the County and selected departments
- Interviewed department personnel regarding the procedures for collecting and handling cash
- Observed cash handling processes at selected departments
- Evaluated the design of cash handling controls
- Identified key risk areas to cash collection and deposit activities for selected departments

Results

Objective 1 Results:

Generally internal controls over cash collections are adequate, however some controls are not operating effectively over safes and making timely deposits of cash and checks. Safe combinations are not periodically changed, and safes are opened with one person present. The selected departments do not deposit cash and checks within one working day following collections in accordance with the Countywide Cash Handling Policy and they have not obtained an approved exception. Additional details are in the Findings, Recommendations and Management Responses section of the report on pages 5-8.

Without addressing compliance and internal control gaps noted in this report, there is an increased risk that cash handling errors or misappropriation of cash will go undetected and uncorrected. In the event of a loss, it would be difficult to establish responsibility.

Objective 2 Results:

As part of this audit, we conducted a follow-up of the Countywide Cash Handling Policy and Controls Compliance Audit dated June 26, 2024. The original report contained 15 recommendations across four departments, which were accepted by management.

Six prior year recommendations have been implemented, five are in process, two are partially implemented and two are not implemented. The status and details of the fifteen recommendations are included in this report beginning on page 9.

Current Year Findings, Recommendations & Management Response

No.	Criteria	Findings & Recommendations	Management Responses
1	Countywide Cash Handling Policy Attachment A: Cash Handling Guidelines Section VIII. Segregation of Duties Controls: Provide safe combinations only to employees who require access and change safe combinations periodically (such as when there is employee turnover of staff with safe combination). At least two staff should be present to open a safe.	Findings: The HSD safe combination has not been changed for extended periods of time. The safe does not have the capability for dual combinations or keys requiring two people to open a safe. In some instances, cash is stored in the locked cabinet instead of a safe. Recommendations: High / Priority One (1) HSD management should obtain the appropriate number of business safes capable of requiring two combinations to gain entry into the safe and periodically change the combinations.	HSD will obtain the appropriate number of business safes capable of requiring two combinations to gain access into the safe and periodic changes to the combinations.
2	Countywide Cash Handling Policy Section II. Policy: All cash collected or received by County departments shall be deposited, whenever practical, in the County Treasury or authorized outside bank account, no later than one working day following the date received except for Trust Fund monies, which according to law, should be deposited on the date received. If it is not practical to deposit cash by the next working day following the date received, then deposits should be made at least weekly or whenever \$500 is accumulated, whichever comes first.	Findings: HSD does not make deposits to the Treasury or authorized bank account within one working day and they do not have an approved daily cash deposit exception. Recommendations: High / Priority One (1) HSD should deposit cash/checks, whenever practical, in the County Treasury or authorized outside bank account, no later than one working day following the date received, unless an exception is approved by the Treasury Manager or the Assistant ACTTC.	HSD requested an exception from the County Treasury to allow HSD to continue with our current practice of processing deposits on a weekly basis. We are still waiting for approval from the County Treasury.

No.	Criteria	Findings & Recommendations	Management Responses
	Special circumstances, such as remote locations, may warrant a larger accumulation of monies before a deposit is practical; however, employee safety and guarding of the assets should be given first consideration in any of these decisions. In instances where it is not practical to deposit cash within the one-day time frame required, a policy exception should be requested and approved by the ACTTC Treasury Manager.		
3	Countywide Cash Handling Policy Attachment A: Cash Handling Guidelines Section VIII. Segregation of Duties Controls: Provide safe combinations only to employees who require access and change safe combinations periodically (such as when there is employee turnover of staff with safe combination). At least two staff should be present to open a safe.	Findings: The PS safe key can be accessed by unauthorized employees. Generally one person is present when opening the safe. The safe does not have the capability for dual combinations or keys requiring two people to open a safe. Recommendations: High / Priority One (1) PS should obtain the appropriate number of business safes capable of requiring two combinations to gain entry into the safe and periodically change the combinations.	Permit Sonoma (PS) will pursue options to identify an appropriate modernized business safe, establish quantity needed, and locate funding. PS will also establish opening procedures using two separate combinations to open the new model safe.
4	Countywide Cash Handling Policy Section II. Policy: All cash collected or received by County departments shall be deposited, whenever practical, in the County Treasury or authorized outside bank account, no later than one working day following the date received except for	Findings: PS does not make deposits to the Treasury or authorized bank account within one working day and they do not have an approved daily cash deposit exception.	PS will contact Treasury and request the exception noted in the audit recommendation.

No.	Criteria	Findings & Recommendations	Management Responses
	Trust Fund monies, which according to law, should be deposited on the date received. If it is not practical to deposit cash by the next working day following the date received, then deposits should be made at least weekly or whenever \$500 is accumulated, whichever comes first. Special circumstances, such as remote locations, may warrant a larger accumulation of monies before a deposit is practical; however, employee safety and guarding of the assets should be given first consideration in any of these decisions. In instances where it is not practical to deposit cash within the one-day time frame required, a policy exception should be requested and approved by the ACTTC Treasury Manager.	Recommendations: High / Priority One (1) PS should deposit cash/checks, whenever practical, in the County Treasury or authorized outside bank account, no later than one working day following the date received, unless an exception is approved by the Treasury Manager or the Assistant ACTTC.	
5	Countywide Cash Handling Policy Attachment A: Cash Handling Guidelines Section VIII. Segregation of Duties Controls: Provide safe combinations only to employees who require access and change safe combinations periodically (such as when there is employee turnover of staff with safe combination). At least two staff should be present to open a safe.	Findings: SPI has not changed combinations for safes at multiple locations for extended periods of time. The safes do not have the capability for dual combinations or keys requiring two people to open a safe. Recommendations: High / Priority One (1) SPI management should obtain the appropriate number of business safes capable of requiring two combinations to gain entry into the safe and periodically change the combinations.	SPI management will update our Department Cash Handling Policy to require a change of the safe combination when the accounting staff changes. In addition, SPI will explore the feasibility of installing video surveillance monitoring equipment in the main office where the safe is located.

No.	Criteria	Findings & Recommendations	Management Responses
6	Countywide Cash Handling Policy Section II. Policy: All cash collected or received by County departments shall be deposited, whenever practical, in the County Treasury or authorized outside bank account, no later than one working day following the date received except for Trust Fund monies, which according to law, should be deposited on the date received. If it is not practical to deposit cash by the next working day following the date received, then deposits should be made at least weekly or whenever \$500 is accumulated, whichever comes first. Special circumstances, such as remote locations, may warrant a larger accumulation of monies before a deposit is practical; however, employee safety and guarding of the assets should be given first consideration in any of these decisions. In instances where it is not practical to deposit cash within the one-day time frame required, a policy exception should be requested and approved by the ACTTC Treasury Manager.	Findings: SPI does not make deposits to the Treasury or authorized bank account within one working day and they do not have an approved daily cash deposit exception. Recommendations: High / Priority One (1) SPI should deposit cash/checks, whenever practical, in the County Treasury or authorized outside bank account, no later than one working day following the date received, unless an exception is approved by the Treasury Manager or the Assistant ACTTC.	SPI will contact Treasury and request the exception noted in the audit recommendation.

Prior Year Recommendations & Implementation Status

No.	Recommendations	Implementation Status
1a	Recommendation: High / Priority One (1) ACTTC management should request that the 17 departments with outdated procedures submit updated cash handling procedures which reflect current internal controls over cash handling.	<u>Status: In Process</u> The ACTTC General Accounting division is in the process of requesting updated cash handling procedures from departments with outdated procedures.
1b	Recommendation: High / Priority One (1) ACTTC management should perform outreach to departments and request that departments include the missing documentation (if applicable) in their cash handling procedures.	<u>Status: In Process</u> The ACTTC General Accounting division is planning to reach out to the departments with identified compliance gaps to make necessary updates to their cash handling procedures in order to bring them into compliance with the Countywide Cash Handling Policy.
1c	Recommendation: High / Priority One (1) ACTTC management should develop processes and assign staff to review departments' cash handling procedures for compliance with the Countywide Cash Handling Policy.	<u>Status: In Process</u> The ACTTC General Accounting division is in the process of identifying and assigning staff to review department's cash handling procedures for compliance with the Countywide Cash Handling Policy.
1d	Recommendation: High / Priority One (1): ACTTC management should periodically review the Countywide Cash Handling Policy and update it as necessary. ACTTC management should consider increasing the \$500 threshold related to the next business day cash deposit requirement in section II of the Countywide Cash Handling policy.	<u>Status: In Process</u> ACTTC executive management is in the process of reviewing the Countywide Cash Handling Policy and looking into the next business day threshold and other necessary updates.

No.	Recommendations	Implementation Status
2a	Recommendation: High / Priority One (1) Probation, Regional Parks, and DHS (Animal Services) department management should obtain the appropriate number of business safes capable of requiring two combinations to gain entry into the safe and periodic changes to the combinations.	<u>Probation:</u> <u>Status: Implemented</u> Probation department management purchased dual lock safe which requires two combinations to gain entry into the safe. Accounting division has one combination and Probation Supervisor has the other. Safe can be opened by the Supervisor only when accounting staff are present. <u>DHS (Animal Services):</u> <u>Status: Implemented</u> DHS and Animal Services management have determined that a new dual lock safe is not a feasible expense for Animal Services, instead they updated their cash handling policy, which now requires two customer service staff to be present when opening the safe. <u>Regional Parks:</u> <u>Status: Not Implemented</u> Regional Parks purchased two new safes with a drop slot, only authorized fiscal staff have access to open the safe. However, safes do not have dual combinations, as a result, risk remains that cash handling errors and or misappropriation of cash may go undetected and or uncorrected. In the event of a loss, it would be difficult to establish responsibility.
2b	Recommendation: High / Priority One (1): Regional Parks and DHS (Animal Services) department management should obtain or utilize an existing system that allows each cashier to have a separate cash drawer. If a system or cash register is used to collect cash by more than one individual, it	<u>DHS (Animal Services):</u> <u>Status: Implemented</u> Starting July 1, 2025, each cashier has an individual cash bag which is stored in the locked cabinet and cashiers are independently responsible for any cash shortages and overages.

No.	Recommendations	Implementation Status
	should allow individual users to input a unique log-in code when conducting a transaction.	<u>Regional Parks:</u> <u>Status: Partially Implemented</u> The new process allows individual users to input a unique log-in code when conducting a transaction at the front desk. The department moved to a new location which allows the cashier to have a segregated cash drawer, however during coverage for breaks and lunches the same cash drawer is used by the covered employee with the different POS system login credentials.
2c	Recommendation: High / Priority One (1) Animal Services (DHS) management should review change fund needs and establish the appropriate number of change funds and dollar value based on business need. Cash collected from previous days should be secured in a safe until transported for deposit.	<u>DHS (Animal Services):</u> <u>Status: Implemented</u> Animal Services management evaluated change fund needs and established the appropriate number of change funds for each cashier. Cash collected from previous days is secured in a safe until transported for deposit.
2d	Recommendation: High / Priority One (1) Probation and Regional Parks department management should update cash handling procedures and ensure supervisors verify each cashier's cash count for end-of-day balancing.	<u>Probation:</u> <u>Status: Implemented</u> The Probation Legal Processor Supervisor is verifying each cashier's cash count for end-of-day balancing. The cash handling policy has been updated to reflect the verification of cash by the supervisor. <u>Regional Parks:</u> <u>Status: Not Implemented</u> When staffing levels permit, the Marina Supervisor, Senior Marina Attendant, or Front Office Supervisor are present to verify the end-of-day balancing and cash count for the register. The new process includes daily review of sales sheets by Marina supervisor. Regional Parks management will continue to review staffing resources and explore opportunities to enhance coverage to ensure compliance with cash handling procedures. Without a daily supervisor verification of cash collections, risk remains that cash handling

No.	Recommendations	Implementation Status
		errors and or misappropriation of cash may go undetected and or uncorrected. In the event of a loss, it would be difficult to establish responsibility.
2e	Recommendation: Regional Parks and DHS departments should deposit cash/checks, whenever practical, in the County Treasury or authorized outside bank account, no later than one working day following the date received, unless an exception is approved by the Treasury Manager or the Assistant ACTTC.	<u>DHS (Animal Services):</u> <u>Status: In Process</u> DHS will request a policy exception from the Treasury Manager or the Assistant ACTTC. <u>Regional Parks:</u> <u>Status: Partially Implemented</u> Regional Parks accounting division deposits cash four days a week instead of five days a week.
2f	Recommendation: High / Priority One (1) Regional Parks department management should identify a non-public area for employees to count cash and consider installing protective shields/barrios in locations that collect cash.	<u>Regional Parks:</u> <u>Status: Implemented</u> Regional Parks moved to a new location, cash is now being counted in a non-public, segregated area.

Priority Ratings and Definitions

Priority Ratings	Definition of Priority Ratings and Suggested Implementation Timeframe
High / Priority One (1)	Priority One recommendations are assigned to the highest assessed level of risk. For these recommendations, internal controls are considered poor or insufficient, which results in the likelihood of financial loss, waste, misappropriation of assets, or errors for the area(s) evaluated. Priority One recommendations also include issues related to non-compliance with laws, regulations or policies and procedures. Management should urgently implement these recommendations within one to three months after issuance of the final audit report to avoid risk exposure.
Medium / Priority Two (2)	Priority Two recommendations are assigned to the moderately assessed level of risk. For these recommendations, internal controls provide reasonable assurance that the County program(s) or area(s) evaluated are protected from potential financial loss, waste, misappropriation of assets, or errors; however, additional action is needed to strengthen current practices. Management should promptly implement these recommendations within three to six months after issuance of the final audit report to improve internal control processes.
Low / Priority Three (3)	Priority Three recommendations are assigned to the lowest assessed level of risk. For these recommendations, internal controls are operating as designed to ensure the County program(s) or area(s) evaluated are protected from potential financial loss, waste, misappropriation of assets, or errors. These recommendations are desired actions to enhance current practices. Management should consider implementing these recommendations within six to 12 months after issuance of the final audit report to provide additional confidence in the internal control system.
Opportunity for improvement/ Priority Four (4)	Priority Four recommendations are assigned to matters which do not involve internal controls, they typically involve opportunities for improvement or efficiency/effectiveness issues that require management's consideration to implement or enhance processes.