



PUBLIC INFORMATION

INTERNAL AUDIT DEPARTMENT



**First Follow-Up
Internal Control Audit:
Treasurer-Tax Collector Cash Receipts
As of September 23, 2025**

**Audit No. 2301-F1
Report Date: January 29, 2026**

Recommendation Status

1

Implemented

6

In Process

0

Not Implemented

0

Closed

OC Board of Supervisors

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4th DISTRICT

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3rd DISTRICT



INTERNAL AUDIT DEPARTMENT

Audit No. 2301-F1

January 29, 2026

To: Shari Freidenrich, CPA
Treasurer-Tax Collector

From: Aggie Alonso, CPA, CIA, CRMA
Internal Audit Department Director

Subject: First Follow-Up Internal Control Audit: Treasurer-Tax Collector Cash Receipts

We have completed a follow-up audit of Treasurer-Tax Collector (T-TC) Cash Receipts, original Audit No. 2301 dated September 30, 2024. Due to the sensitive nature of specific findings (restricted information), results are redacted from public release. Additional information, including background and our scope, is included in Appendix A.

Recipients of this restricted information must exercise due care in electronic and non-electronic storage, distribution/transportation, and retention/destruction of this report. Furthermore, the restricted information in this report IS NOT subject to disclosure under the California Public Records Act.

We followed up on the status of the seven recommendations from our original audit and concluded that T-TC implemented one recommendation and is in process of implementing six recommendations. A second follow-up audit will be performed in approximately six months and a follow-up audit report form will be provided to facilitate that audit. Any recommendations not fully implemented at that time will be brought to the attention of the Audit Oversight Committee at its next scheduled meeting.

We appreciate the assistance extended to us by T-TC personnel during our follow-up audit. If you have any questions, please contact me at (714) 834-5442 or Deputy Director Jose Olivo at (714) 834-5509.

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- County Executive Office Distribution
- Treasurer-Tax Collector Distribution
- Robin Stieler, Clerk of the Board
- Foreperson, Grand Jury
- Eide Bailly LLP, County External Auditor

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RESULTS

FINDING NO. 1	Content has been removed due to the sensitive nature of the finding.
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FINDING NO. 2	<p>Business Continuity Plan</p> <p>T-TC did not have an updated business continuity plan and lacked detailed procedures to follow should their cashiering system or remittance equipment become inoperable. This increased the risk of inconsistent procedures and potentially impacting business operations during an emergency or disruption.</p>
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CATEGORY	Control Finding
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RECOMMENDATION	T-TC management ensure the business continuity plan is updated and includes detailed written procedures for cashiering in the event of an emergency or other disruption.
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CURRENT STATUS & PLANNED ACTION	<p>In Process. T-TC indicated that they have requested to unfreeze their Assistant Tax Collection and Administrative Services position, with one of the first priority projects for this position being the update of the business continuity plan. T-TC anticipates implementing this recommendation by March 31, 2026.</p> <p>Based on the actions taken by T-TC, we consider this recommendation in process.</p>
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FINDING NO. 3	<p>Cash Pick-Ups</p> <p>T-TC scheduled armored car cash pick-ups in the morning during peak periods, which increased the risk of holding large sums of cash overnight, potentially leading to misappropriation or theft of County assets.</p>
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CATEGORY	Control Finding
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RECOMMENDATION	T-TC management implement later cash pick-ups during peak periods to minimize cash kept overnight.
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CURRENT STATUS	<p>Implemented. T-TC indicated that they were able to coordinate later pick-ups in the existing armored car contract at no cost for peak periods. We reviewed documentation and confirmed T-TC set yearly recurring calendar reminders for March and November to coordinate these late cash pick-ups with the armored car service. In addition, we reviewed the pick-up log generated by the armored car company, which included timestamps and service notes for early April 2025, supporting T-TC's request for later pick-ups. While the actual pick-up times were earlier than T-TC requested, we noted improvement. T-TC also indicated that they plan to negotiate end-of-day pick-ups for peak periods in the next armored car contract unless cost-prohibitive.</p> <p>Based on the actions taken by T-TC, we consider this recommendation implemented.</p>
FINDING NO. 4	<p>Monitoring Activities</p> <p>T-TC did not conduct internal compliance reviews related to cash receipts, as required by the Committee of Sponsoring Organizations of the Treadway Commission, the internal control framework adopted by the County. In addition, T-TC did not monitor compliance with their policy to adjust the cashing system cash limit during peak season, as evidenced by the lack of cash limit adjustments. This lack of ongoing and separate evaluations of internal controls increased the risk of undetected control weaknesses.</p>
CATEGORY	Control Finding
RECOMMENDATION	T-TC enhance monitoring activities by performing ongoing and separate evaluations of cash receipts controls, including reviewing the cashing system's cash limit.
CURRENT STATUS & PLANNED ACTION	<p>In Process. T-TC indicated that they expect to transfer at least one position to the Risk Management and Compliance unit by June 30, 2026, which will review internal controls under COSO related to incoming cash deposits and cash till limits. In the interim, T-TC indicated that staff hired to be in this compliance unit will be tasked with checking the cash limits during the upcoming peak seasons. T-TC should also ensure that monitoring activities are enhanced by performing ongoing and separate evaluations of cash receipts controls.</p> <p>Based on the actions taken by T-TC, we consider this recommendation in process.</p>

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FINDING NO. 5	Policies and Procedures T-TC had internal policies and procedures over the cash receipts process that were outdated or not finalized. Specifically, we identified three procedures that were last revised between 2007 to 2011, and three others were in the draft phase. This increased the risk of inconsistencies, potentially leading to errors or inefficiencies.
CATEGORY	Control Finding
RECOMMENDATION	T-TC management ensure policies and procedures are finalized/updated and reviewed periodically to ensure accurate and relevant information.
CURRENT STATUS & PLANNED ACTION	In Process. T-TC indicated that they have requested to unfreeze their Assistant Tax Collection and Administrative Services position, with one of the first priority projects for this position being the update of the cash receipts control procedures. T-TC anticipates implementing this recommendation by June 30, 2026. Based on the actions taken by T-TC, we consider this recommendation in process.

FINDING NO. 6	Inventory of Handwritten Cash Receipt Books T-TC maintained a log of its handwritten cash receipt books, but we were unable to verify when the last inventory of used and unused books was performed. Their receipt book log did not indicate the status of each booklet (e.g., pending return from staff, completed, etc.), or document the name of the person who conducted the inventory and completion date. This increased the risk of handwritten cash receipt books being used for theft by fraudulently processing cash receipts transactions when not stored and issued under dual custody.
CATEGORY	Control Finding
RECOMMENDATION	T-TC management ensure periodic documented inventories of handwritten cash receipt books are performed by an employee with no custodial or cashiering duties, or consider eliminating its handwritten receipt book inventory and implementing an alternative method for providing customer receipts in special circumstances.
CURRENT STATUS & PLANNED ACTION	In Process. T-TC indicated that they will order pre-printed cash receipts books for emergency use and plans to contact each department that has checked out a receipt book for an updated status. T-TC anticipates updating its inventory listing by June 30, 2026. T-TC should also ensure staff with no custodial or cashiering duties conduct periodic documented inventories of cash receipt books, including pre-printed cash receipts books, to ensure they are properly accounted for. Based on the actions taken by T-TC, we consider this recommendation in process.

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FINDING NO. 7	Physical Security of the Cashiering Area	
	T-TC's cashiering area was situated in a shared space with another County department. Although access to the area was restricted via badge access to authorized County employees, staff from the other department did not have a direct business need to enter the T-TC section. Since T-TC handles large amounts of cash and check payments, not limiting access to those with a direct business increased the risk of theft.	
CATEGORY	Control Finding	
RECOMMENDATION	T-TC management explore options to enhance the physical security of the cashiering area due to the large amount of incoming public funds.	
CURRENT STATUS & PLANNED ACTION	<p>In Process. T-TC indicated they are still exploring options to enhance the physical security of the cashiering area and plan to add periodic user-access reviews to ensure only authorized users have access to the cashiering area by February 28, 2026. In addition, T-TC indicated that due to the significant cash received, they will prioritize funding for related improvements in the FY26-27 budget.</p> <p>Based on the actions taken by T-TC, we consider this recommendation in process.</p>	
AUDIT TEAM	Alejandra Luna Elizabeth Cerda, CPA Gabriela Cabrera, CIA	Audit Manager Senior Auditor Administrative Services Manager

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APPENDIX A: ADDITIONAL INFORMATION

SCOPE	Our follow-up audit was limited to reviewing actions taken by T-TC as of September 23, 2025, to implement the seven recommendations from our original audit, dated September 30, 2024.
BACKGROUND	The original audit evaluated the operational effectiveness and efficiency of internal control over the cash receipts process. The original audit identified one Significant Control Weakness and six Control Findings.



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APPENDIX B: FOLLOW-UP AUDIT IMPLEMENTATION STATUS

Implemented	In Process	Not Implemented	Closed
The department has implemented our recommendation in all respects as verified by the follow-up audit. No further follow-up is required.	The department is in the process of implementing our recommendation. Additional follow-up may be required.	The department has taken no action to implement our recommendation. Additional follow-up may be required.	Circumstances have changed surrounding our original finding/ recommendation that: (1) make it no longer applicable or (2) the department has implemented and will only implement a portion of our recommendation. No further follow-up is required.