



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

SAN BERNARDINO COUNTY

# **INDEPENDENCE OF THE AUDITOR FUNCTION**

## WITHIN THE OFFICE OF ATC



# INDEPENDENCE OF AUDITOR-CONTROLLER/TREASURER/ TAX COLLECTOR'S INTERNAL AUDITS SECTION

The County of San Bernardino is the fifth largest county in the State of California. Of the five largest counties, San Bernardino County is the only county that consolidates the functions of the Auditor, Controller, Treasurer, and Tax Collector into one county department, the Office of the Auditor-Controller/Treasurer/Tax Collector (ATC). ATC's management recognizes that a department which administers operations encompassing collections, disbursements, financial reporting, and internal audits requires a commitment to best practices and adherence to professional standards, which will both prevent inappropriate overlap of duties and responsibilities, as well as ensure operational independence among the related divisions of the Department.

The Auditor Division is one of nine divisions of the ATC. The executive management oversight structure of the ATC is as follows:

- The Treasurer Division reports to the elected ATC, Ensen Mason, CPA, CFA.
- The Auditor, SAP Center of Excellence, Disbursements, and Controller Divisions report to Assistant ATC, Tori Roberts, CPA.
- The Tax Collector, Property Tax, Information Technology, Central Collections Divisions, and the Administration Section report to Assistant ATC, Douglas R. Boyd, Sr., Esq.

## **Authority of Oversight of the County Auditor**

Government Code (GC) Sections 26881 and 26883, and the County Charter Article V, Section 6, give the county Auditor-Controller authority to audit the accounts and records of any department, office, board or institution under the board of supervisors' control. As authorized by GC Section 1236, the county internal audit activity follows the audit standards prescribed by The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing.

Because of the broad range of functions administered by ATC, the following safeguards have been put in place to maintain independence in accordance with professional standards:

### **1. External Assessments**

An external assessment of the Internal Audit Activity is conducted by a qualified external assessment team from outside of the County, as required by the International Professional Practices Framework (IPPF or the Standard).

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## **External Assessments (Continued)**

The most recent external assessment report, dated July 31, 2015, covered the five years ended June 30, 2014. The results of the external assessment found that the County's Internal Audits Section (IAS) within ATC had a charter, policies, and processes, which were considered to be in conformance with the Standards. Specifically, the external assessment report found conformance with both the independence and objectivity standards.

The next external assessment will cover the five years ended June 30, 2019. The anticipated completion and issuance of the external assessment report is June 2020.

## **2. Segregation of Monitoring Activities Within ATC**

IAS does not perform audits or monitoring of activities of functions within normal operations of ATC. For example, when independent monitoring or audits are required for any division of ATC, IAS will outsource the project to an independent third party, such as an external audit firm, to avoid auditing itself. In order to maintain independence, IAS will refrain from auditing organizational divisions within ATC. This includes the annual financial statement audit of the comprehensive annual financial report (CAFR), agreed upon procedures for the Certified Statement of Assets Transferred for the elected ATC (item 3 below), audits of the Treasurer Division, and internal control evaluation/assessments of any other division of ATC.

Additionally, ATC removed all non-audit related operational responsibilities from the Chief Deputy Auditor, and effective October 26, 2019, the Chief Deputy Auditor reports directly to the Assistant ATC.

## **3. Certified Statement of Assets Transferred for Elected Auditor-Controller/Treasurer/Tax Collector**

Article V, Sections 1 and 8, of the County of San Bernardino Charter require the elected ATC to file a Certified Statement of Assets Transferred upon assuming office. IAS engaged an independent third party to perform an Agreed Upon Procedures engagement to determine, principally, whether the Certified Statement of Assets Transferred was complete and accurate, and supported by appropriate underlying records. The agreed upon procedures were conducted most recently by an external audit firm, upon ATC Mason assuming office. The report is dated January 23, 2019. See Attachment A.

# INDEPENDENCE OF AUDITOR-CONTROLLER/TREASURER/ TAX COLLECTOR'S INTERNAL AUDITS SECTION

## **4. Fraud, Waste, and Abuse (FWA) Reports Investigation and Response**

Government Code Section 53087.6 authorizes an elected county Auditor or Controller to maintain a whistleblower hotline to receive calls from persons who have information regarding fraud, waste, and abuse.

The FWA Committee consists of members of ATC, including the elected ATC, the Assistant ATC, the Auditor Division Chief and Section Manager, and a representative of the County Human Resources (HR) Department. ATC has initiated the practice of including the HR Department on the Committee, as many reported cases involve County personnel. The County HR Department also directly receives all copies of fraud, waste, and abuse from the independent third-party fraud hotline provider. IAS coordinates the evaluation and/or investigation of all cases that are reported to the FWA hotline.

## **5. Periodic Communication with the Audit Committee**

The Audit Committee consists of the elected ATC, a representative appointed by the Chair of the Board of Supervisors, a representative appointed by the County Executive Officer, and two public members (one selected by the Chair of the Board of Supervisors and one selected by ATC).

IAS meets quarterly with the Audit Committee. The Audit Committee was established to facilitate communication among the Board of Supervisors, ATC, County administration, and external auditors of the County. The Audit Committee acts in an advisory capacity to ATC and the Board of Supervisors.

# INDEPENDENCE OF AUDITOR-CONTROLLER/TREASURER/ TAX COLLECTOR'S INTERNAL AUDITS SECTION

## Periodic Communication with the Audit Committee (Continued)

The Audit Committee, as an oversight body, enhances independence by:

- a) Reviewing and approving the Annual Audit Plan developed by IAS.
- b) Participating in the external auditor selection process for both the County CAFR Audit, as well as any external financial or operational audits of County departments.
- c) Evaluating the reports resulting from the Annual Audit Plan.
- d) Considering the response from management of departments to the findings and recommendations proposed by IAS.
- e) Reviewing reports on the implementation of prior audit recommendations and requesting reasons for delays in implementing corrective actions.

## 6. Confirmation of Organizational Independence

ATC confirms the organizational independence of IAS to the Audit Committee on an annual basis, in accordance with the Standards. Most recently, IAS confirmed its organizational independence during the Audit Committee meeting on June 20, 2019. See Attachment B.

## 7. Operational Transparency

All audit reports issued by IAS are publicly available on the [ATC website](#) and are separately distributed to the Board of Supervisors and the Grand Jury.

The combination of measures and precautions above enable ATC to provide adequate oversight of IAS, and enable the Auditor Division to remain organizationally independent, in accordance with professional standards.

# ATTACHMENT A – CERTIFIED STATEMENT OF ASSETS TRANSFERRED



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Supervisors  
County of San Bernardino, California

We have performed the procedures enumerated below, which were agreed to by the County of San Bernardino, California (County) (the specified party), related to the County's compliance with the requirements of Article V, Sections 1 and 8, of the County of San Bernardino Charter (Charter) as of December 31, 2018. The County's management is responsible for its compliance with those specified requirements. The sufficiency of these procedures is solely the responsibility of the specified party. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

In accordance with Article V, Section 1:

1. Procedure: Determine if the Auditor-Controller/Treasurer/Tax Collector made and filed with the County Auditor a detailed inventory of all property belonging or pertaining to his office, received from by his predecessor.

Finding: We noted that a detailed inventory was filed as of December 31, 2018. No exceptions were found as a result of this procedure.

2. Procedure: Determine if the County Auditor has maintained a property account for the Auditor-Controller/Treasurer/Tax Collector, who shall be charged with all property received by him from his predecessor and all property thereafter received.

Finding: We noted that the County Auditor maintained three separate property accounts for fixed assets, cash, and investments. No exceptions were found as a result of this procedure.

In accordance with Article V, Section 8:

3. Procedure: Determine if the cash accounts maintained by the Treasurer's Office are properly reconciled and that the reconciliations were prepared in a timely manner (within 30 days after the month end).

Finding: We noted the most recent reconciliation prepared for the consolidated banking account was dated July 2018. No other exceptions were found as a result of this procedure.

4. Procedure: Determine whether certain internal controls over the claims processing function are operating as designed by selecting a sample of 40 claim payments made between July 1, 2018 through December 31, 2018 and determine if each claim payment was properly authorized, supported by valid documentation and that the claim expenditure was properly recorded in the general ledger.

Finding: No exceptions were found as a result of this procedure.

5. Procedure: Determine that the fixed assets and cash, listed as part of the Certified Statement of Assets Transferred (CSAT) are adequately supported.

Finding: No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County of San Bernardino, and is not intended to be, and should not be, used by anyone other than this specified party.

*Vavrinek, Trine, Day & Co. LLP*

Rancho Cucamonga, California  
January 23, 2019

## ATTACHMENT B – CONFIRMATION OF ORGANIZATIONAL INDEPENDENCE

### Confirmation of Organizational Independence from Peer Review Report Read Into the Record at the Audit Committee Meeting of June 20<sup>th</sup>, 2019

To conform with International Standards 1110 for the Professional Practice of Internal Auditing, the CAE must confirm to the board at least annually the organizational independence of Internal Audits Activity.

We have safeguards to ensure independence and quality of the audit function and that various roles of the Auditor-Controller/Treasurer/Tax Collector (ATC) do not conflict.

- We have removed all other operational responsibilities from Internal Audits Section management, and the Chief Deputy Auditor reports directly to the ATC.
- A quality assessment review of the Internal Audit activity is conducted by a qualified external quality assessment team from outside of the County organization.
- The Internal Audits Section does not perform audits of any functions within the ATC span of control.
- An independent CPA firm performs an Agreed-Upon Procedures review of ATC when the Board of Supervisors appointed or elected a new ATC.
- The Internal Audit Activity meets quarterly with the audit committee to facilitate communication among County administration, external auditors of the County, the office of the Auditor-Controller/Treasurer/Tax Collector, and the Board of Supervisors. The Audit Committee acts in an advisory capacity to ATC and the Board of Supervisors.
- All audit reports issued by the Internal Audit Activity of the County are posted on our website and distributed to the Board of Supervisors and the Grand Jury.
- We confirm the organizational independence of the Internal Audit Activity as an annual agenda item at the audit committee meeting.