

OFFICE OF AUDITS & ADVISORY SERVICES

TREASURY OPERATIONS

FINAL REPORT



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JUAN R. PEREZ
CHIEF OF AUDITS

August 21, 2025

TO: Myrna Zambrano, Acting Treasurer-Tax Collector
Treasurer-Tax Collector's Office

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: TREASURY OPERATIONS AUDIT

Enclosed is our report on the Treasury Operations Audit. We have reviewed your response to our recommendations and have attached it to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. You or your designee will receive email notifications when these quarterly updates are due, and these notifications will continue until all actions have been implemented.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ
Chief of Audits

AUD:RC:nb

Enclosure

c: Brian Albright, Deputy Chief Administrative Officer, Finance and General Government Group
Carrie Hoff, Chief Operations Office, Finance and General Government Group
Joan Bracci, Chief Financial Officer, Finance and General Government Group
Tracy Drager, Auditor and Controller
Judy Ying, Group Finance Director, Finance and General Government Group

About the Office of Audits & Advisory Services

The mission of the Auditor and Controller's Office of Audits & Advisory Services (OAAS) is to provide independent, objective assurance and consulting services designed to add value and improve the County of San Diego's operations. OAAS helps the County accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Audit Authority

OAAS derives its authority to conduct audits of County departments and programs primarily from the County Charter, County Administrative Code, Board of Supervisors Policy Manual, and California Government Code.

Statement of Auditing Standards

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.



AUDIT OBJECTIVE & SCOPE

The Office of Audits & Advisory Services (OAAS) has completed an audit of the Treasury's operations. The objective of the audit was to determine whether the internal controls over Treasury operations were adequately designed and operating effectively to achieve the department's objectives.

The scope of the audit included a review of the business office's cash receipting process and accounting practices for the recording of accrued interest for the period of December 2023 to December 2024.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

AUDIT RESULTS

In our opinion, the internal controls over Treasury operations were generally appropriate to achieve the department's objectives. Treasury has documented year-end procedures to address properly calculating and recording accrued interest receivable. However, Treasury needs to make some improvements around depositing checks received in the business office in a timely manner. The following section lists the details as well as opportunities for improvements.

Finding I: Checks Were Not Deposited in Accordance with County Policy

During a review of the cash receipting process, OAAS observed that administrative staff were not consistently making daily deposits as required by policy. In accordance with the County Administrative Manual and Administrative Code, all cash collections must be deposited daily. Item 0030-24 of the Administrative Manual states, "Deposit daily into the bank account as required by section 91.7 of the County Administrative Code."¹ Adherence to this policy is critical for effective internal controls and compliance with best practices. OAAS' observation and subsequent review of deposit records revealed that staff held checks and made deposits every Friday instead of daily. Additionally, the checks were not restrictively endorsed in line with the Treasurer-Tax Collector's (TTC) check depositing procedures.

Discussions with TTC personnel indicated that this was primarily due to inadequate training after a period of recurring turnover of the office's administrative staff. Failure to deposit collections daily increases the risk of misappropriation, lost checks, and inadequate cash management. In addition, failure to restrictively endorse checks made payable to the County increases the risk of those checks being improperly transferred and cashed by unauthorized individuals.

¹ SEC. 91.7. DEPOSITS (a) Each officer of the County authorized to collect money shall deposit daily into the County treasury all money collected by or under control of that officer that is payable into the County treasury.

RECOMMENDATION:

Treasury management should:

1. Provide training for employees responsible for depositing business office checks in alignment with the department's check depositing procedure and County policy. The training should address:
 - a. Depositing checks timely; and
 - b. Restrictively endorsing checks upon receipt.

BACKGROUND

The mission of the San Diego County Treasurer is to provide residents, agencies and employees of San Diego County with timely and efficient financial services. Some of those services include managing the San Diego County Investment Pool, a large fund that holds assets of the County, school districts, community colleges, and other public agencies. Treasury receives monies for tax payments, lockbox receipts, state apportionment, and investment items that post to various bank accounts. These monies are received via cashier, credit cards, lock box, Electronic Funds Transfer (EFT), ZBA swept accounts, and mail payments, which may arrive as checks sent to the Treasury office. The Treasury office receives the following types of checks: (i) bonds cost of issuance; (ii) bond remaining funds; (iii) estates of deceased; (iv) abandoned properties; (v) symposium registration payments; and (vi) other miscellaneous. Checks received at the Treasury office are deposited in treasury, investment, and investment symposium accounts. Treasury Accounting deposits all checks received in the mail electronically and records them by preparing a Deposit, Accounts Receivable and Transfer (DART) deposit in Oracle. To ensure the reported numbers are accurate, complete, and discrepancies are investigated and resolved, the reconciliation team performs a reconciliation between the bank statement and Oracle monthly. Treasury accounting also records Accounts Receivable accrued interest. Treasury Accounting employees include seven Accountants, two Administrative Analysts, one Assistant Manager, and one Manager.

METHODOLOGY

OAAS made its conclusions based on the following methodology:

- Reviewed TTC policies and procedures for handling and depositing cash receipts to assess if they are comprehensive and address inherent risks.
- Interviewed key personnel involved in the cash receipt process to understand their roles, responsibilities and practices and observed cash handling procedures.
- On a sample basis, traced cash receipts to bank statements and Oracle, reviewed deposit information and documentation supporting cash receipts. Reviewed reconciliation of cash receipt records.

- Reviewed segregation of duties of receiving and depositing cash receipts, recording transactions in the system of record, and reconciliation of receipts and transactions.
- Reviewed year-end accrual process for interest receivable to assess the adequacy of internal controls.

DEPARTMENT'S RESPONSE
(TREASURER-TAX COLLECTOR)



TREASURER-TAX COLLECTOR SAN DIEGO COUNTY

sdttc.com



August 20, 2025

TO: Juan R. Perez
Chief of Audits

FROM: Myrna Zambrano
Acting Treasurer-Tax Collector

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS:

TREASURY OPERATIONS AUDIT

Finding I: Checks Were Not Deposited in Accordance with County Policy

OAAS Recommendation:

Treasury management should:

- 1) Provide training for employees responsible for depositing business office checks in alignment with the department's check depositing procedure and County policy. The training should address:
 - a) Depositing checks timely; and
 - b) Restrictively endorsing checks upon receipt.

Action Plan:

TTC management agrees with the audit recommendations. Management has updated and implemented the procedures for handling and depositing checks. These updates are in alignment with County policy. The updates to the procedures include specification that checks should be deposited daily. In addition, the procedures outline that checks are to be date-stamped and endorsed upon receipt before being deposited electronically to the County's bank. Training has been provided for new staff as well as the revised procedures and training have been provided for existing staff.

Planned Completion Date: Completed

Contact Information for Implementation: Chris Herrera, Chief Deputy Treasurer-Tax Collector

If you have any questions, please contact me at (619) 531-4961.



Myrna Zambrano
Acting Treasurer-Tax Collector