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January 29, 2008

Board of Supervisors
Kern County Administrative Center
1115 Truxtun Avenue
Bakersfield, CA 93301

RESPONSE TO BOARD OF SUPERVISORS' REFERRAL ON 12/04/07
CONCERNING MONITORING COMPLIANCE ISSUES
No Fiscal Impact

This is a response to your Board's referral on 12/4/07 concerning the monitoring of compliance issues and a request for this office to identify options for raising awareness and instituting immediate accountability among departments.

1. Monitoring of Compliance Issues

Following up on audit findings need not be overwhelming. A finding is always accompanied by a recommendation that is, at least from the Auditor's perspective, both reasonable and cost-effective. In addition, audit recommendations are usually straightforward. Using the Public Health Department audit, which was the impetus for the referral that we are addressing, the recommendations were explicit and fairly simple. None required a particular expertise that the department did not have. In the normal course of an audit, auditors should have ongoing communication with the department so that all findings and recommendations are clearly understood.

County policy requires that audited departments respond to audit findings in writing. The County Administrative Office is responsible for ensuring that "appropriate corrective action has been taken on audit recommendations including reviewing responses and taking necessary actions". If responses are timely, they will be included in, or will accompany the audit report. The initial follow-up could be as simple as electronic communication with the department head containing a list of recommendations and corresponding responses and a request for a status report on how the department has addressed each one.

In the rare event that the Auditor makes a recommendation in an area that the department has little or no ability to implement, the Auditor will provide to the department detailed explanations of the process needed to achieve the recommended result, but will not participate in the actual implementation.

2. Options for Raising Awareness and Instituting Immediate Accountability Among Departments

Like all other County departments, the Auditor is fully aware that, because of employee turnover, the level of understanding regarding County policy and procedures as well as what constitutes good internal controls may be lacking. In order to raise awareness, and prepare departments for what to expect in an audit, an electronic version of a standard internal control questionnaire has been forwarded to all departments.

In addition, with adequate staffing, the Auditor is willing to work with the CAO in establishing and implementing training in the following areas which could be made available on a regular basis or as needed to County management and staff:

- a. Ethics and Board expectations regarding management of resources
- b. Audit requirements/Internal Controls/Fraud Hotline
- c. Accounting systems and sub-systems
- d. Review of County policies

Aside from the findings related to grant compliance and contract monitoring, the bulk of the findings in the Public Health audit were related to compliance with County policy. Your Board has the option of adopting a policy requiring an annual certification of appropriate managers and department heads attesting to a review and understanding of the County Policy and Procedures Manual.

Included in today's agenda is a response to your Board's referral about identifying the need for additional audit resources. Included in the proposal to your Board are resources to perform biennial departmental audits, conduct annual risk assessments, and to provide training to County departments on audit requirements, accounting systems, internal controls, ethics and fraud prevention.

Therefore, **IT IS RECOMMENDED** that your Board receive and file this report.

Sincerely,



Ann K. Barnett
Auditor-Controller-County Clerk

cc: County Administrative Office