

Kern County Administrative Office



County Administrative Center

1115 Truxtun Avenue, Fifth Floor • Bakersfield, CA 93301-4639

Telephone 661-868-3198 • FAX 661-868-3190 • TTY Relay 800-735-2929

JOHN NILON
County Administrative Officer

February 11, 2014

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

DECEMBER 31, 2013 COMPLIANCE AND ACCOUNTABILITY REPORT

Fiscal Impact: None

County Ordinance Code 2.01.010 requires that the County Administrative Office report on the Compliance and Accountability function no later than 45 days after December 31 on departmental compliance issues for the period July 1 through December 31.

COMPLIANCE

Post Audit Reviews

A responsibility of the County Administrative Office is to monitor and report to your Board the status of a department's compliance with policy and regulations after the issuance of an audit report. The County Administrative Office performs a post audit review process that includes the Administrative Analysts and the County Compliance and Accountability Officer reviewing audit findings with departments, ensuring procedures are documented, and identifying probable solutions to the weaknesses and deficiencies identified in the audit reports. As a result of the review process and the proactive and diligent efforts of the Board of Supervisors, County Administrative Office, Auditor-Controller, and each County department, there is a decreasing trend in the average number of findings reported, including repeat findings. The collaboration has been a vital part of providing transparent and accountable County operations.

Departments are required to provide written procedures that will help to improve the internal controls that contributed to the findings. While the department may have implemented a corrective process, if the procedure was not documented (for purposes of the post audit review), compliance was considered still in progress. Department heads are responsible for developing a corrective action plan and submitting it to our office within 45 days of the audit report. All departments have submitted plans for internal audits as required for this report. However, two audits were completed during the reporting period, but their corrective action plans were not due, so they will be included in the next compliance and accountability update. Audits with corrective action plans not yet due:

Department	Audit Report Date	Report Opinion	Corrective Action Plan Due Date
Treasurer-Tax Collector - Investment Policy Compliance*	12/17/2013	Unqualified	Not Required
Treasurer-Tax Collector - Deferred Compensation Plans I and II*	12/17/2013	Unqualified	Not Required

* Audits were performed by Brown-Armstrong Accountancy Corporation, not Kern County Auditor-Controller.

The post audit review summaries are provided in Attachment A for the following departments that had audit reports issued and/or corrective action plans due during this reporting period:

Department	Audit Report Date	Report Opinion	Attachment A Page #
Probation Department	05/21/2013	Qualified	A-1
Aging and Adult Services Department	06/18/2013	Unqualified	Not Required
Veterans Service Department	06/18/2013	Unqualified	Not Required
Agriculture and Measurement Standards	06/25/2013	Qualified	A-2
County Counsel	07/16/2013	Unqualified	Not Required
Treasurer-Tax Collector – Statement of Money in the Treasury	07/16/2013	No Opinion	Not Required
Treasurer-Tax Collector	08/06/2013	Qualified	A-3
Treasurer-Tax Collector – Statement of Money in the Treasury	09/10/2013	No Opinion	Not Required
Report of Claims Processed by Kaiser	10/01/2013	No Opinion	Not Required
Library	10/08/2013	Unqualified	Not Required
Automobile Insurance Fraud and Workers' Compensation Insurance Fraud*	10/22/2013	Unqualified	Not Required
Planning, Community Development, and Development Services Agency	11/05/2013	Qualified	A-4
Airports	11/05/2013	Qualified	A-5

* Audits were performed by Brown-Armstrong Accountancy Corporation, not Kern County Auditor-Controller.

Many of the departments have achieved compliance on some of the findings identified in the audit reports. If compliance was not achieved for a specific finding by December 31, it is indicated as "In Progress" and the County Compliance and Accountability Officer will be following up on the status. In addition, the County Compliance and Accountability Officer will strive to assist the department with remediation by the anticipated date of compliance indicated on the summary. An update on "In Progress" items for all departments will be provided in the June 30, 2014 Compliance and Accountability Report to your Board.

Follow-up Reviews on Previous Compliance Reports

In addition to the new audits that went to your Board in the past six months, a separate follow-up report on outstanding, unresolved audit findings from the June 30, 2013 Compliance and Accountability Report has been provided as Attachments B and C. Findings that continue to be "In Progress" on Attachment B are a concern and may be indicative that the department will receive repeat findings in these areas if not resolved soon. The County Compliance and Accountability Officer will continue to pursue adequate documentation and remedial proof on these items and will strive to assist departments with resolution by the next report due to your Board. It is imperative that department heads are proactive in this process, as ultimately they are responsible for the success of their department's internal control processes. Follow-up findings that have been resolved during this reporting period are listed on Attachment C.

The following departments have outstanding issues over six months old (Attachment B):

Department	Audit Report Date	Area of Concern	Attachment B Page #
Fire Department	04/17/2012	Vehicle Home Retention	B-1
Kern Medical Center	05/22/2012	Cash	B-1
Kern Medical Center*	07/17/2012	Payroll, Billing, Accounts Payable, and Capital Assets	B-2
Kern Medical Center	08/21/2012	Accounts Payable	B-3
Kern Medical Center	08/21/2012	Payroll	B-4
Animal Services	09/11/2012	Payroll	B-5
Roads Department	11/13/2012	Capital Assets	B-6
Information Technology Services	12/04/2012	Capital Assets	B-6
Mental Health	12/11/2012	Payroll, Charges, Receivables, Capital Assets, and Accounts Payable	B-7
County Service Areas	03/05/2013	Assessment Charges and Prop. 4	B-10

* Audits were performed by Brown-Armstrong Accountancy Corporation, not Kern County Auditor-Controller.

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)

The Health Insurance Portability and Accountability Act (HIPAA) of 1996 applies to all entities that use, generate or process health information and includes rules to assure that patient information remains private. All covered entities must comply with the regulations regarding protection of personal health information. Kern Medical Center, Mental Health and Public Health Services Departments are covered by HIPAA. As the administrator of the County health plan, the County Administrative Office also comes under the jurisdiction of HIPAA. While each of the covered County departments has privacy officials, the law requires one central public contact for HIPAA-related privacy issues. Your Board designated the County Compliance and Accountability Officer as the County Privacy Officer. The County Privacy Officer will continue to work with the departments to coordinate information and assist in resolving any complaints that have been identified to the Officer.

RED FLAGS

The Fair and Accurate Credit Transactions Act of 2003 requirements, also known as the "Identity Theft Red Flags Rule", became effective November 1, 2009, and is enforced by the Federal Trade Commission (FTC). This federal program is designed to protect and provide awareness to the public regarding the requirements of creditors with accounts covered by these rules that are now required to do more than just provide data security. Red Flags rules and programs are designed to detect when stolen information has been used to purchase goods or services.

On August 18, 2009, your Board was apprised that Kern Medical Center, Mental Health Services, and Public Health Services Departments were identified as requiring implementation of a Red Flags program under the guidelines established by the FTC. Each department created a Red Flags written policy and training program, which was presented to and approved by your Board on December 15, 2009.

In 2010, the "Red Flags Clarification Act" was published, which narrowed the term "creditor" to exempt those situations where the provider performs the services and thereafter bills the recipient of the service and does not use consumer reports, furnish information to consumer reporting agencies, or those that extend the credit. Although this currently exempts both Mental Health and Public Health Departments from program requirements, future actions such as using a collection agency for outstanding balances would, in fact, define the departments in question as "creditors" and would then require the departments to re-implement the Red Flags program. Kern Medical Center, however, does enforce its Red Flags policy and has submitted its 2013 annual Red Flags report to the County Administrative Office. Kern Medical Center saw a decline in claims in 2013, and has implemented additional measures to continue the trend.

CODE OF CONDUCT

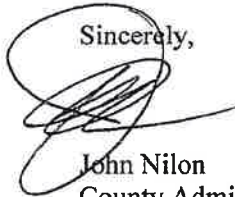
The County Administrative Office has developed a Code of Conduct that was presented to the unions and approved by your Board on October 15, 2013. The Code of Conduct serves as both a pledge and a guide for all County employees. These standards of conduct are founded on basic principles of ethical behavior and are consistent with the County's mission and vision as illustrated in the Kern County Civil Service Rules, Administrative Policy and Procedures Manual, Administrative Bulletins, Ordinances, and Strategic Plan. The code serves as a fair notice of the expected professional and ethical obligations.

CONCLUSION

As required by County ordinance, this report provides your Board with an update on departments' compliance with County policies and procedures as identified through the audit process. This office will continue to assist departments in reaching resolution of the audit findings.

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

Sincerely,



John Nilon
County Administrative Officer

JN:KB:BLD_COMP Dec 2013 Report

Attachments

CC: All Department Heads

DECEMBER 31, 2013
 COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY

Attachment A

Budget Unit: 2340
 Department: Probation
 Audit Issued: May 21, 2013

Corrective Action Plan Received: Yes
 Audit Period: FYE June 30, 2012 and 2011
 Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
1 Kern County Administrative Policy and Procedures Manual (KCAPP) Section 406 Department Equipment Records, Section 407.9 Intra-Department Transfers, Section 408 Equipment Control, and Section 407.4 Acquisition by Discovery.	Significant Deficiency	Capital Asset and Equipment Inventory - The following deficiencies were noted: a. Fifty-one equipment items were posted to an incorrect expenditure code. b. Fifteen equipment items did not have inventory tag numbers attached and therefore could not be identified on the list. c. Two items listed were not found and two items found were not on the list. d. Five items were listed at an incorrect location.	The department has taken a complete inventory and adjusted records accordingly, except for those combined in a construction project. The department has enhanced their procedures which include instituting an inventory transfer form for all equipment movement, instructing staff, and providing increased monitoring. To ensure that records are maintained accurately, spot checks are performed annually and a complete inventory prior to the required inventory certification.	In Progress	6/30/2014

**DECEMBER 31, 2013
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY**

Attachment A

**Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2012 and 2011
Issuing Agency: Kern County Auditor-Controller**

**Budget Unit: Z610
Department: Agriculture and Measurement Standards
Audit Issued: June 25, 2013**

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
1 Kern County Administrative Policy and Procedures Manual (KCAPPM) 406 Department Equipment Records	Significant Deficiency	Capital Assets - One item purchase in June 2011 for \$51,750.69 was not included in the capital asset program.	The asset was added to the capital asset program.	Achieved	Completed
2 Internal Control Weakness	Significant Deficiency	Billing Invoices and Claims Payment - A \$2,439.57 inspection report was not billed and another customer was overcharged \$513.30. The department overpaid \$517.51 resulting from a discount not taken.	Procedures were enhanced to ensure that billing invoices are accurate and complete, and that discounts are taken by providing a more timely process and review. The County Administrative Office (CAO) is awaiting written internal procedures and documentation from the department.	In Progress	6/30/2014
3 Internal Control Weakness	Significant Deficiency	Travel Claim Process - Department failed to request a \$343.71 reimbursement for the cost incurred for the State. Three travel claims were not properly approved by individuals with proper segregation of duties. One per diem reimbursement lacked supporting documentation.	The reimbursement opportunity was a rare isolated occurrence that is not anticipated to happen again. The department has enhanced their process to only pay claims that have proper segregation of duties and contain all necessary documentation. The CAO is awaiting written internal procedures and documentation from the department.	In Progress	6/30/2014
4 California Government Code Section 87200 - 87210 Article 2, KCAPPM 709 Electronic Usage Policy, KCAPPM 142 Conflict of Interest	Significant Deficiency	Conflict of Interest and Electronic Communication Policy - Thirteen employees filed Form 700 late. The required Electronic Communication Usage Policy and Conflict of Interest Policy was not filed annually.	The department enhanced their procedures to obtain all required annual forms timely. Notification will be made to all employee to complete timely. The CAO is awaiting written internal procedures and documentation from the department.	In Progress	6/30/2014

DECEMBER 31, 2013

Attachment A

**COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY**

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2012 and 2011
Issuing Agency: Kern County Auditor-Controller

Budget Unit: 1120
Department: Treasurer-Tax Collector
Audit Issued: August 6, 2013

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
1 Internal Control Weakness	Significant Deficiency REPEAT	Improperly Voided Receipts - During the infrequent occasions when technical problems are encountered, the department issued manual receipts to acknowledge payments received. The following deficiencies were noted: a. Ten did not indicate reason for void. b. Eight were not approved by supervisor. c. One did not have the date of the void.	The department updated and implemented procedures to properly void receipts. The procedures were attached to each receipt book for quick reference. Meeting have been held, and will continue to be scheduled, to provide additional training and to remind cashiering staff and supervisors. The review of receipts indicated no repeat findings.	Achieved	Completed

DECEMBER 31, 2013
 COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY

Attachment A

Corrective Action Plan Received: Yes
 Audit Period: FYE June 30, 2012 and 2011
 Issuing Agency: Kern County Auditor-Controller

Budget Unit: 2750, 5940, 2730
 Department: Planning, Community Development, Development Services Agency
 Audit Issued: November 5, 2013

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
1 Internal Control Weakness	Significant Deficiency	Accounts Receivable - Six long-term deferred loans made between January 2011 and October 2012 by Community Development were not recorded in the department's accounts receivable system. Three accounts receivables were overstated. There were poor segregation of duties.	The long-term deferred loans were posted to the department's internal expenditure ledgers and project loan list. The department has revised their procedures to ensure that future loan adjustments are communicated and documented to eliminate overstatements resulting from spreadsheets not updated. New accountants are working diligently to address issues that will streamline processes and provide opportunity for workload to be distributed. Meanwhile additional oversight is provided.	In Progress	6/30/2014
2 Single Audit Act	Significant Deficiency	Grant Compliance - The department did not obtain Monitoring Letters, a required document that describes the required conditions of the related project. The department did not obtain the required single audit reports.	Monitoring Letters will be sent by June 30th of each year, requesting a written description of the condition of the project, any maintenance performed, and any proposed changes. Most contracts are with developers and not subrecipients, therefore they will not be subject to single audit act. The agreements were revised to add "as applicable" to the relevant section, to avoid any misperception about the requirement.	In Progress	6/30/2014
3 Kern County Administrative Policy and Procedures Manual (KCAPP) Section 136 Performance Evaluations	Significant Deficiency	Timely Employee Performance Review (EPR) - Twenty-three EPRs were done beyond thirty days from the due date.	Department acknowledges the importance and necessity of providing regular feedback to employees via the EPR process. Department reviewers will be provided with a list of outstanding EPRs and the process will be emphasized.	In Progress	6/30/2014
4 Internal Control Weakness	Significant Deficiency	Claim Processing - Seven claims indicated that the approval for payment was made beyond thirty days from the invoice date.	Staff was advised to acknowledge their receipt of goods and provide claims timely. Reason for delays and the actions taken will be documented to indicate exceptions.	In Progress	6/30/2014

DECEMBER 31, 2013
 COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY

Attachment A

Budget Unit: 8955
 Department: Airports
 Audit Issued: November 5, 2013

Corrective Action Plan Received: Yes
 Audit Period: FYE June 30, 2012 and 2011
 Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
1 Internal Control Weakness	Significant Deficiency	Trust Fund Maintenance - Fund 22017, Director of Airports Holding Fund, was not adequately maintained. The Automated Trust System was not reconciled to the County's Financial Management System (FMS) and the records of leaseholder security deposits was not accurate.	The department reconciled the Automated Trust System to FMS and will continue to reconcile on a monthly basis. A better understanding of the system application and trust records were established and written procedures were developed. The department is in progress of identifying all leaseholder security deposits received in order to accurately record. Procedures to immediately identify new leases and security deposit requirements were developed, including routing instructions on all lease documents to verify receipt and recording of the applicable deposits.	In Progress	5/4/2014
2 Internal Control Weakness	Significant Deficiency	Revenue Contract Compliance - The department did not exercise adequate controls of accounts receivables. The following deficiencies were noted: a. Invoices were prepared untimely. b. Late payment penalties were not applied. c. Required insurance certificates were not obtained.	The department enhanced their staffing and procedures to prepare recurring invoices and monthly reviews that ensure invoices are sent timely. The department reviewed and identified contracts that contained an unreasonable turnaround time for payments and will be amending them or creating new contracts. The department will begin assessing late fees once they amend and provide notification that they will begin enforcing. The department's staff was trained and a matrix of all leaseholders and their insurance information was created to assist in maintaining current and adequate insurance coverage. Expired and deficient notices are sent to the leaseholders on a monthly basis.	In Progress	6/30/2014
3 Internal Control Weakness	Significant Deficiency	Accounts Receivable Balance - The department did not adequately control accounts receivables. Three accounts were ninety days past due and credit balances indicated possible overpayments were outstanding for more than twenty-one months.	A complete review of the accounts receivable balance was completed. The department resolved more than half of the issues identified which included skipped payments and unidentified credits. The department enhanced their staffing and procedures to include monthly reviews of the account receivable report to ensure accuracy by researching anomalies.	In Progress	6/30/2014
4 Internal Control Weakness	Significant Deficiency	Revenue and Cash Handling - The department did not adequately control revenue and cash handling. Four checks were not on the mail log. Ten payments from the Sheriff's department were incorrect.	Staff was reminded and cross trained to include all checks received by mail onto the mail log and to reconcile the mail log with the deposits monthly. Procedures were also enhanced to include a monthly review of journal voucher transfers for accuracy.	Achieved	Completed

DECEMBER 31, 2013
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Attachment A

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2012 and 2011
Issuing Agency: Kern County Auditor-Controller

Budget Unit: 8995
Department: Airports
Audit Issued: November 5, 2013

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
5 Internal Control Weakness	Significant Deficiency REPEAT	Travel and Auto - The department did not adequately control travel and auto claims. The following deficiencies were noted: a. An extra day of reimbursement. b. An employee over calculated mileage. c. An unsigned travel claim. d. Six expired insurances were on file. e. No explanation of additional Vehicle Home Retention (VHR) mileage.	Under the new director and fiscal staff, the department has changed procedures and controls to mitigate deficiencies. a - b. The deficiencies were isolated occurrences and are no longer applicable. Travel reimbursements are based upon documentation, analysis, and justification. c. The deficiency is not longer applicable as employees enter their own claim, eliminating need for signatures of claims. d. Auto insurances were updated for all drivers and are reviewed monthly for completeness. e. Staff with VHR was advised of proper use, reporting, and provided mileage documentation forms in accordance with	Achieved	Completed

Attachment B

DECEMBER 31, 2013
 COMPLIANCE AND ACCOUNTABILITY
 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
1 2415 - Fire	4/17/2012	Significant Deficiency	Kern County Administrative Policy and Procedures Manual (KCAPPAM) Section 1115 - Home Retention Procedures - No formal procedure for assigning and monitoring vehicle home retention.	12/31/2013	The department has formalized a written vehicle home retention policy and authorization form. The department is currently in progress of reevaluating each vehicle home retention assignment and completing the required paperwork.	In Progress	3/1/2014
2 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency	Internal Departmental Policy - Cash count shortages.	10/31/2013	On August 1, 2013, KMC hired a new Chief Financial Officer (CFO) that is currently reviewing the deficiency and preparing the appropriate corrective action plan. At this time the department does not have a written policy, until the policy is completed and disseminated to employees the recommendation is not complete. The County Administrative Office is awaiting documentation.	In Progress	5/31/2014
3 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency REPEAT	Internal Departmental Policy - Bank account reconciliation.	10/31/2013	On August 1, 2013, KMC hired a new CFO that is currently reviewing the deficiency and preparing the appropriate corrective action plan. At this time the department does not have a written policy, until the policy is completed and disseminated to employees, the recommendation is not complete.	In Progress	5/31/2014

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DECEMBER 31, 2013
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
4 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency	KCAPPM Section 523.3 and .4 - Replenishment of petty cash.	10/31/2013	On August 1, 2013, KMC hired a new CFO that is currently reviewing the deficiency and preparing the appropriate corrective action plan. The department initially conducted a review of the use of all funds including petty cash. It was determined that petty cash usage was limited to small purchases by the Finance division. The Department is required to return the petty cash to the Auditor-Controller if the funds are not needed or to request a reclassification of the funds. This request was not completed and a policy was not implemented. At this time, the department is using the County policy and does not have a department specific policy that will address future deficiencies. Until the policy is completed and disseminated to employees, the recommendation is not complete.	In Progress	5/31/2014
5 8997 - Kern Medical Center's Financial Statements Internal Control Report	7/17/2012	Material Weakness	Internal Control Weakness - The department changed the compensated absence category during the payroll process without indicating the change in time card for one employee. Due to the timecard system error, overtime hours for one employee were not recorded in the time keeping system. Change of Employee status forms lacked employee's signature.	Ongoing	The department implemented an attendance system that has reporting functions available to managers to ensure that time cards are completed correctly. The Department has restructured the Human Resources Department and payroll responsibility was transferred to the finance section.	In Progress	Ongoing

Attachment B

DECEMBER 31, 2013
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
6 8997 - Kern Medical Center's Financial Statements Internal Control Report	7/17/2012	Material Weakness	Internal Control Weakness - Exceptions were noted in the accounts receivable process in a sample of 60 accounts. Delays in coding were identified, no follow up documentation was found for some accounts, some accounts are not being written off timely.	Ongoing	On August 1, 2013, KMC hired a new CFO and on December 16, 2013 KMC transitioned to a new management company that is reviewing the entire revenue cycle process.	In Progress	Ongoing
7 8997 - Kern Medical Center's Financial Statements Internal Control Report	7/17/2012	Material Weakness	Internal Control Weakness - Operating Room equipment was missing identification tags. The department does not include the serial number in the inventory listing and the Auditor was unable to verify physical asset additions.	10/31/2013	The department has reassigned inventory tracking in the operating room to the Accounting Department. The BioMed Department at KMC is tracking all medical equipment. The new CFO is currently reviewing the inventory listing, associated weakness, and recommendation to implement an appropriate corrective action plan.	In Progress	5/31/2014
8 8997 - Kern Medical Center's Financial Statements Internal Control Report 8997 - Kern Medical Center - Accounts Payable	6/14/2011 7/17/2012 8/21/2012	Major / Material Weakness / Significant Deficiency REPEAT	Departmental Policy Internal Control Weakness - Review system for accruals and reverse accruals.	Ongoing	Department has implemented interface between their accounts payable system and the Auditor's Claim system. This process will assist with the accrual process; however, 100% accuracy cannot be achieved in the accrual process due to the use of estimates when invoices are not available. The Department needs to evaluate the purchasing process from ordering to payment of invoices to determine if there is a better method of accruing.	In Progress	Ongoing

Attachment B

DECEMBER 31, 2013
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
9 8997 - Kern Medical Center - Accounts Payable	6/14/2011 8/21/2012	Major / Significant Deficiency REPEAT	Internal Departmental Policy - Not paying claims timely.	Unable to achieve until cash flow improves	On August 1, 2013, KMC hired a new CFO. The new CFO evaluates the cash flow to allow for timely payment to vendors.	In Progress	Ongoing
10 8997 - Kern Medical Center's Payroll	8/21/2012	Material Weakness	Internal Control Weakness - In the past the department allowed employees to bank holidays that have resulted in a liability estimated at \$3 million.	Ongoing	The practice of banking holidays was discontinued in November 2010. The department has been reducing the liability as employees take time off or retire.	In Progress	Ongoing
11 8997 - Kern Medical Center's Payroll	8/21/2012	Material Weakness	Internal Control Weakness - The department implemented an attendance system that needs additional controls to prevent errors and create efficiencies in the payroll process.	Ongoing	The department implemented an attendance system which requires employees to scan their thumb in order to clock in and clock out. Kern Medical Center has identified this as a desired feature. The implementation corrections identified required the department to update the pay rules per classifications and assignments. Pay rules were updated and programmed in the system. The department will continue to monitor and correct errors identified.	In Progress	Ongoing
12 8997 - Kern Medical Center's Payroll	8/21/2012	Significant Deficiency	KCAPPM Section 120.8 - The department does not keep records of vacation and sick leave for physician and residents in the County's Payroll system.	10/31/2013	The department has been keeping vacation and sick leave accruals off the system, since in the past they were told that the system cannot accommodate the physician and residents' accrual. The department is still reviewing to determine if the balances could be added to the system.	In Progress	5/31/2014

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
13 8997 - Kern Medical Center's Payroll	8/21/2012	Significant Deficiency	Internal Control Weakness - The department did not request amendment to a contract timely for one physician that provided more than anticipated on-call coverage. The calculation of availability is a manual process that requires manual adjustment by payroll staff.	Ongoing	The department is currently monitoring on-call activity to ensure that contracts are adjusted for those physician providing more than the anticipated on-call coverage.	In Progress	Ongoing
14 2760 - Animal Services	9/11/2012	Significant Deficiency	Ordinance Code Section 3-24.090 / Payroll - Incorrect payment of call-back overtime.	12/31/2013	This is a "meet and confer" issue with employee union that is currently in progress. The department has implemented a written procedure indicating their process until the Memorandum of Understanding (MOU) is amended or ordinance is clarified.	In Progress	6/30/2014

Attachment B

DECEMBER 31, 2013
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
15 3000, 8998 - Roads	11/13/2012	Significant Deficiency	KCAPPM Chapter 4 Section 405, 406 and 407, 1115.2 / Capital Assets - The following deficiencies were noted: a. Missing cost, date, and location of assets. b. Acquisitions paid from incorrect account. c. Four Inventory Adjustment Request (IAR) were not completed timely. d. Vehicle home retention assignments were missing required documentation.	11/1/2013	The department is currently reviewing all capital assets for missing data and developing an acceptable method of maintaining historical data of old assets previously added into capital asset program. The department's process of acquiring assets from a correct expenditure code has significantly been improved. All pending IARs were reviewed and completed. The department has adopted a written policy and procedure for approval and documentation of vehicle home retention. The department has improved the process of assigning, maintaining records, and monitoring all vehicle home retentions.	In Progress	6/30/2014
16 1160 - Information Technology Services	12/4/2012	Significant Deficiency	KCAPPM Chapter 4 and 5 / Capital Asset Inventory - The following inaccuracies were noted: a. Seven items did not list a correct cost. b. Thirty items were not added timely. c. Forty-two items did not list a location. d. Three Inventory Adjustment Requests (IAR) were not processed timely.	9/30/2013	Most of the items identified in the audit have been corrected and the department is currently in progress of reviewing all other items in the Capital Asset Program for similar inaccuracies that were not identified. ITS staff will evaluate and monitor their process to improve their records.	In Progress	6/30/2014

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DECEMBER 31, 2013
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 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2013	Estimated Date of Compliance
17 4210, 4123 - Mental Health Services	12/11/2012	Significant Deficiency	Ordinance 3.24.020; Department Policy 3.1.3 / Payroll - The following inaccuracies were noted: a. An employee received additional compensation that was not periodically reviewed for applicability. b. A supervisor failed to maintain flexible work schedule documentation, allowed time to be made up within a pay period, and reported timesheets inaccurately. c. Six employees exceeded maximum compensatory time (40 hours). Compensatory time earned was overstated by 1.5 hours.	10/1/2013	a. The department improved their process by distributing bi-weekly reports that identify all employees receiving additional compensation. The Management team monitors for appropriateness and accuracy. Any compensation determined to no longer be applicable was discontinued. b. The department is in progress of implementing Time, Reporting, and Account Costing System (TRACS), 43.4% of staff have implemented, which can eliminate the inaccuracies. In the meantime, the department has communicated in writing and via training with all supervisors the proper method for flexing time and documenting. The department is in progress of creating a written policy for flexible work schedules to assist with consistent application of the rule. c. A compensatory time balance summary is reviewed every pay period. Employees with large balances are flagged and the supervisor is informed to ensure balances do not exceed 40 hours. The report process also allows the department head to approve any excess in accordance with policy.	In Progress	6/1/2014

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18 4210, 4123 - Mental Health Services	12/11/2012	Significant Deficiency	Administrative Bulletin 2 and Office of Management and Budget (OMB) A-87 / Charges - The following deficiencies were noted in the department's method of allocating costs to programs, grants and other County departments: a. Actual cost of employee salaries and benefits were not used. b. Total salaries and benefits allocated to each program did not reconcile to FMS.	12/31/2013	Although the department feels that they are consistently applying cost, the department will implement the TRACS system to provide a far more precise allocation. The department is in progress of implementing TRACS, 43.4% of staff have implemented. The department is also reconciling the allocated salary and benefit cost to FMS.	In Progress	6/1/2014
19 4210, 4123 - Mental Health Services	12/11/2012	Significant Deficiency	Internal Controls / Receivables - The department contained the following deficiencies: a. Patient advance records did not match FMS. b. Receivables for settlement agreements were not established in FMS and revenue was not recognized in the correct period.	10/1/2013	a. The department is reconciling patient advances records to FMS on a monthly basis. The department requested relief of accountability from the Board of Supervisors for accounts that are deemed uncollectible and provided government code refunds for all outstanding credit balances. b. The department is currently working with the Auditor-Controller office to establish accounts in FMS to record contractor repayment obligations and to properly recognize revenue in the correct period.	In Progress	6/30/2014

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20 4210, 4123 - Mental Health Services	12/11/2012	Significant Deficiency	KCAPPM Section 406 / Capital Assets - The following inaccuracies were noted: a. Two assets could not be located. b. One asset was recorded in an incorrect account. c. Twenty-three IARS were not completed timely.	10/1/2013	The department has corrected the deficiencies noted to ensure that capital asset records are accurate. To ensure future compliance, the department is in progress of adopting a new departmental policy to identify the assigned location of assets, inventory reconciliation procedure, and the disposal of equipment.	In Progress	6/30/2014
21 4210, 4123 - Mental Health Services	12/11/2012	Significant Deficiency	KCAPPM 519, 14, 1107.2, and 310 / Payables - The department's payables contained the following deficiencies: a. One purchase card transaction was not supported by an invoice, four sales tax transaction were incorrect, and five transactions were certified late. b. Fuel credit card statements were not supported by actual receipts. c. Three travel claims were incorrect.	10/1/2013	Corrective action and training was implemented but department is in progress of documenting a written policy or procedure. The department began requiring monthly submission of fuel receipts to accounts payable staff. All transactions are reviewed for accuracies prior to claim submissions.	In Progress	6/30/2014

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22 Approximately 140 Funds - County Service Areas	3/5/2013	Significant Deficiency	California Government Code 25210.7 / Incorrect Assessment Charges - Incorrect assessment collections from incorporated parcels.	12/31/2013	All incorporated parcels that were incorrectly charged for CSA services in the total amount of \$2,451 during the fiscal year ended June 30, 2010 were subsequently removed from the billing list and were no longer incorrectly charged in the fiscal year ended June 30, 2011. The department is working with Local Agency Formation Commission (LAFCo), County Counsel, and Auditor-Controller to determine the appropriate method to dissolve and disburse funds collected.	In Progress	6/30/2014
23 Approximately 140 Funds - County Service Areas	3/5/2013	Other Matter	California Proposition 4 Gann Limit / Proposition 4 Compliance - Noncompliant with Proposition 4 Gann Limit: a. CSA 18 and 38 noncompliant during the fiscal year ended June 30, 2010. b. CSA 25 noncompliant during the fiscal year ended June 30, 2010 and 2011. c. Several CSA have material or excessive cash balances (reserve balances) indicating revenue in excess of reasonable and essential costs.	12/31/2013	a. The department became compliant during the fiscal years ended June 30, 2011 and 2012 by reducing excess revenue from subsequent tax rate fees. b. The department stopped assessing a tax rate for this CSA since it is still noncompliant and it has been annexed into the city. The department is working with LAFCo, County Counsel, and Auditor-Controller to determine the appropriate method to dissolve and disburse funds. c. The department has reviewed each CSA. During the fiscal year 2013/2014 budget process, specific designations were established for anticipated future major maintenance or improvements, if applicable. The department is also working with LAFCo, County Counsel, and Auditor-Controller to determine the appropriate method to dissolve and disburse funds that were determined to have been annexed into the city or are no longer receiving services.	In Progress	6/30/2014

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/13	Estimated Date of Compliance
1 5120, 5220 - Human Services	6/7/2011	Major	Internal Control Weakness / Contracts - The department not providing onsite monitoring of contract providers.	12/31/2013	The department dedicated and filled two budgeted positions for internal audit. Three onsite contract reviews were completed as of December 31, 2013. The department incorporated the Auditor's recommendation of performing a risk assessment as part of a comprehensive approach to select and perform the onsite reviews. In addition to the onsite contract reviews, the department performed fiscal and program desk reviews.	Achieved	Completed
2 2180, 2200 - District Attorney	6/28/2011	Major	Kern County Administrative Policy and Procedures Manual (KCAPP) Chapter 5 / Expenditures - Expenditure deficiencies of storage fees, lag time, lack of documentation, authorization, sales tax, unauthorized card holder, price split, unallowed expense, unusual travel, insurance certificates, and contract services.	9/30/2013	The department has written internal procedures and documentation addressing past expenditure deficiencies to prevent future reoccurrences. Expenditure deficiencies have been significantly reduced.	Achieved	Completed

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3 2180, 2200 - District Attorney	6/28/2011	Major	Administrative Bulletin 10 / Cell Phone Certification - The department uses a different cellular phone carrier that did not provide the most economical use. Employees did not certify on a monthly basis the cost for any personal phone calls.	9/30/2013	The department ensured the most economical use of cellular phones, as the average cost did not exceed the average rates of the County's provider. A recent switch in cell phone providers allowed the employees to begin electronically certifying the calls on a monthly basis.	Achieved	Completed
4 6210 - Library	10/4/2011	Minor REPEAT	Internal Control Weakness / Accounts Receivable - No accounting controls to reconcile accounts receivable in Horizon Integrated Library System.	12/31/2013	The Horizon library check-out system serves as an automated inventory of holdings and circulation and not to provide accounting controls such as reconciliations of accounts receivable collections and adjustments. The San Joaquin Valley Library System is piloting a new integrated library system, Evergreen, to potentially replace the Horizon system and provide more accounting controls and reports. In the meantime, the department has implemented alternative controls to mitigate the risks to an acceptable level. It was not considered a repeat finding in the current audit.	Achieved	Completed

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5 2760, 4110, 4113, 4200, 4300 - Public Health Services	9/11/2012	Significant Deficiency	Health and Safety Code Section 25404.4 / Trust Fund - The department had not submitted the quarterly payment and surcharge fee of underground storage permits.	9/30/2013	The department implemented a formal written policy addressing regular reconciliations and payment process. The fund was closed since the program was terminated as of June 30, 2012.	Achieved	Completed
6 2210 - Sheriff	9/11/2012	Significant Deficiency	KCAPPM, Chapter 5 / Fund Reconciliation - The Public Administrator's Revolving Fund did not reconcile to the bank balance.	9/1/2013	The department conducted a thorough review of all available revolving fund records. Discrepancies were relieved in accordance with County Administrative Bulletin 6 and the fund was reconciled. The department made enhancements which included personnel changes, new policies and procedures, increased fiscal oversight, monthly reconciliations, and timely information.	Achieved	Completed
7 1510, 1610, 1615, 1640, 1650, 1960, 8950 - General Services	10/30/2012	Significant Deficiency REPEAT	Internal Control Weakness / Depreciation - The department records were not adequately reconciled to County records.	3/31/2013	The department has reconciled their depreciation records and submitted the adjustments to the Auditor-Controller for year-end accounting at June 30, 2013.	Achieved	Completed

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8 3000, 8998 - Roads	11/13/2012	Significant Deficiency	KCAPPM Section 409 / Materials and Supplies Inventory - Inventory was not up to date in Cost Accounting Management System (CAMS) and discrepancies were noted.	10/1/2013	The department strengthened internal controls through more stringent monitoring of inventories and investigation of discrepancies. Improvements were made to post transactions daily, stock minimum inventory levels, limit access, assign responsibility, record returns, physical inventory counts, review high turnover items, reconcile records, and continuously seeking improvements.	Achieved	Completed
9 3000, 8998 - Roads	11/13/2012	Significant Deficiency	KCAPPM Section 530 / Contract Compliance - The following contract deficiencies were noted: a. Two contracts did not have required insurance certificates on file. B. One contract had not been amended to reflect current rates. c. One contract payment wasn't made timely.	10/1/2013	The missing insurance certificate was subsequently received and is kept current. The department has improved their process by developing procedures to ensure contracts are regularly reviewed and payments are made timely. The department has reviewed all of its Kern Regional Transit agreements and amended agreements to reflect the current rates.	Achieved	Completed
10 5923 - Employer's Training Resource	12/18/2012	Significant Deficiency	KCAPPM Section 406 / Equipment Inventory - The department's capital asset list did not reconcile to Auditor-Controller's Capital Asset program.	10/1/2013	The department identified the discrepancies and worked with the Auditor-Controller to reconcile their capital asset listings.	Achieved	Completed

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11 5923 - Employer's Training Resource	12/18/2012	Significant Deficiency	KCAPPM Section 136 and Section 203.1 / Delayed Preparation of Employee Performance Review (EPR) and Change of Employee Status (CES) - Department is not submitting EPRs, CESs, and Notices of Employment (NOE) to Personnel in a timely manner.	12/31/2013	The department created procedures for tracking EPRs, CESs, and NOEs for timely submission. More stringent processes have been established to include frequent reviews and reminders of outstanding items. All EPRs are current.	Achieved	Completed