

# Kern County Administrative Office



## County Administrative Center

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JOHN NILON  
County Administrative Officer

August 13, 2013

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

## JUNE 30, 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 June 30 on departmental compliance issues for the period January 1 through June 30.

### 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, four departments had audits 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. Departments with Corrective Action Plans not yet due:

Department	Audit Report Date	Report Opinion	Corrective Action Plan Due Date
Probation Department	05/21/2013	Qualified	07/05/2013
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	08/09/2013

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 #
Information Technology Services	12/04/2012	Qualified	A-1
Mental Health	12/11/2012	Qualified	A-2
Employers' Training Resource	12/18/2012	Qualified	A-3
Public Health Proposition 10 – Nurse Family Partnership*	01/08/2013	Unqualified	Not Required
Public Health Proposition 10 – Black Infant Health*	01/08/2013	Unqualified	Not Required
Public Health Proposition 10 – Successful Application Stipend Program*	01/08/2013	Unqualified	Not Required
Personnel Department	02/19/2013	Qualified	A-4
County Service Areas	03/05/2013	Adverse	A-5
Managed Care Systems	03/12/2013	No Opinion	Not Required
Statement of Money in the County Treasury	03/19/2013	No Opinion	Not Required
Kern Single Audit Report*	04/16/2013	Not Required	Not Required
County of Kern Solid Waste Management Enterprise Fund*	04/16/2013	Unqualified	Not Required
Kern Sanitation Authority	04/23/2013	Adverse	A-6
Ford City – Taft Heights Sanitation District	04/23/2013	Unqualified	Not Required

\* 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 June 30, it is indicated as “In Progress” and the County Compliance and Accountability Officer will be following up on the status within 30 days. 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 December 31, 2013 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 December 31, 2012 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 the 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 #
Department of Human Services	06/07/2011	Contract Monitoring	B-1
District Attorney	06/28/2011	Expenditures and Cell Phone	B-1
Kern County Library	10/04/2011	Accounts Receivable	B-2
Fire Department	04/17/2012	Vehicle Home Retention	B-2
Kern Medical Center	05/22/2012	Cash	B-3
Kern Medical Center*	07/17/2012	Payroll, Billing, Accounts Payable, and Capital Assets	B-4
Kern Medical Center	08/21/2012	Accounts Payable	B-5
Kern Medical Center	08/21/2012	Payroll	B-5
Public Health Services	09/11/2012	Payroll and Trust Fund	B-7
Sheriff-Coroner	09/11/2012	Revolving Fund	B-7
General Services	10/30/2012	Depreciation	B-7
Roads Department	11/13/2012	Materials and Supplies Inventory, Capital Assets, and Contracts	B-8

\* 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 2012 annual Red Flags report to the County Administrative Office. Kern Medical Center saw a decline in identity theft in 2012, and has implemented additional measures to continue the trend.

#### CODE OF CONDUCT

The County Administrative Office has developed a Code of Conduct that is anticipated to be presented to the unions and your Board soon. The Code of Conduct is intended to serve 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 will serve 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. The County Administrative Office looks forward to presenting to your Board the proposed Code of Conduct that strives to promote core practices of good government and key behaviors of trustworthy leaders.

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

Sincerely,



John Nilon  
County Administrative Officer

JN:KB:BUD\_COMP Jun 2013 Report

Attachments

cc: All Departments

JUNE 30, 2013  
**COMPLIANCE AND ACCOUNTABILITY  
 POST AUDIT REVIEW SUMMARY**

**Attachment A**

**Corrective Action Plan Received: Yes**  
**Audit Period: FYE June 30, 2011 and 2010**  
**Issuing Agency: Kern County Auditor-Controller**

**Budget Unit: 1160**  
**Department: Information Technology Services (ITS)**  
**Audit Issued: December 4, 2012**

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2013	Estimated Date of Completion
1 County Administrative Bulletin 2 and Office of Management and Budget (OMB) A-87	Significant Deficiency	ITS' special projects rates included indirect overhead of the entire administrative and management costs yet some of the costs were also charged out directly resulting in a cumulatively calculation exceeding 100%. The rates also included estimated time rather than actual time reports of personnel activity.	ITS has revised their fiscal year 2013/2014 special project rates and allocation method to only include administrative costs indirectly and management costs directly resulting in a cumulative calculation not to exceed 100%. ITS stopped using estimated time reports.	Achieved	Completed
2 Kern County Administrative Policy and Procedures Manual (KCAPPM), Chapter 4, Section 406 - Department Equipment Records	Significant Deficiency	The following equipment and capital asset 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.	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	9/30/2013

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COMPLIANCE AND ACCOUNTABILITY  
POST AUDIT REVIEW SUMMARY**

**Attachment A**

**Corrective Action Plan Received: Yes  
Audit Period: FYE June 30, 2011 and 2010  
Issuing Agency: Kern County Auditor-Controller**

**Budget Unit: 4210 and 4123  
Department: Mental Health Services  
Audit Issued: December 11, 2012**

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2013	Estimated Date of Compliance
1 County Ordinance Code 3.24.020 and Department's Policy number 3.1.3	Significant Deficiency	The following payroll inaccuracies were noted: a. An employee received additional compensation that was not periodically reviewed for applicability. b. One supervisor failed to maintain an approval of flexible work schedules and documentation of time made up within the same week. Timesheets were reported incorrectly. c. Six employees earned over 40 hours of compensatory time without approval. One compensatory time earned was overstated by 1.5 hours.	The department has developed new reports to closely monitor special pay allowances and compensatory time balances. The department is in progress of implementing Time, Reporting, and Account Costing System (TRACS) which will eliminate inaccuracies. The department is in progress of creating a written policy for flexible work schedules. The department is working with Auditor and CAO to identify the best reports available in County's Financial Management System (FMS) to reconcile salaries and benefits.	In Progress	10/1/2013
2 County Administrative Bulletin 2 and Office of Management and Budget (OMB) A-87	Significant Deficiency	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.	The department is in progress of developing a procedure for changes that are in accordance with OMB circular A-87 and County Administrative Bulletin 2.	In Progress	12/31/2013
3 Internal Controls	Significant Deficiency	The department's receivables contained the following deficiencies: a. Patient advances records did not match FMS. b. Receivables for settlement agreements were not established in FMS.	The department is reconciling patient advances to FMS on a monthly basis. The department is currently working with the Auditor-Controller office to establish accounts in FMS to record contractor repayment obligations.	In Progress	10/1/2013
4 Kern County Administrative Policy and Procedures Manual (KCAPPM), Chapter 4, Section 406 - Department Equipment Records	Significant Deficiency	The following equipment and capital asset inaccuracies were noted: a. Two assets could not be located. b. One asset was recorded in an incorrect account. c. 23 Inventory Adjustment Request (IAR) were not completed timely.	The department has reviewed and corrected the deficiencies noted to ensure that capital assets are accurate. The department is in progress of adopting a new departmental policy to ensure future compliance.	In Progress	10/1/2013
5 KCAPPM, Chapter 5 Section 519.14 - P-Card Payments/Certification, Chapter 11 Section 1107.2 - Credit Cards - Employee Responsibilities, Chapter 3 Section 310 - Reimbursement Request.	Significant Deficiency	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.	Corrective action and training has begun but department is currently still in progress of documenting a written policy or procedure. The department began requiring monthly submission of fuel receipts to accounts payable staff. All transactions reviewed for accuracies prior to claim submissions.	In Progress	10/1/2013

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**COMPLIANCE AND ACCOUNTABILITY**  
**POST AUDIT REVIEW SUMMARY**

**Attachment A**

**Corrective Action Plan Received: Yes**  
**Audit Period: FYE June 30, 2011 and 2010**  
**Issuing Agency: Kern County Auditor-Controller**

**Budget Unit: 5923**  
**Department: Employer's Training Resource**  
**Audit Issued: December 18, 2012**

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2012	Estimated Date of Completion
1 Grant Administration	Significant Deficiency	Department drew down funds from Workforce Investment Act grant that were not eligible for drawdown.	The department has updated it's procedures for making drawdowns against their grants. The procedure includes a secondary review of all drawdowns.	Achieved	Completed
2 Kern County Administrative Policy and Procedure Manual (KCAPPM) Chapter 4 Section 405	Significant Deficiency	Department's capital asset list did not reconcile to Auditor-Controller's Capital Asset Program list.	The department is working with the Auditor-Controller to reconcile its capital asset listings. Two items have been submitted but are still in progress of being adjusted on the capital asset listing.	In Progress	10/01/2013
3 KCAPPM Chapter 1 Section 136 and Chapter 2 Section 203.1	Significant Deficiency	Department is not submitting Employee Performance Reports (EPR), Changes in Employee Status (CES), and Notices of Employment (NOE) to Personnel in a timely manner.	The department is in the process of creating procedures for tracking when EPRs, CESs, and NOEs are due to Personnel to avoid late filings.	In Progress	12/31/2013

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Attachment A

Budget Unit: 1310  
 Department: Personnel  
 Audit Issued: February 19, 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 6/30/13	Estimated Date of Compliance Completed
Employment Terms and Internal Controls	Significant Deficiency	In fiscal year ended (FYE) June 30, 2011, several payroll corrections were required as a result of various departments and special districts creating Notice of Employment (NOE) and Change of Employment Status (CES) forms incorrectly and the Personnel department approving and not detecting the errors timely.	The Personnel department enhanced training and knowledge which resulted in errors significantly reduced during FYE June 30, 2012 and 2013. Most notably, Kern Medical Center's Resident Physician, which in previous years had contained the majority of the errors noted, were done correctly.	Achieved	

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JUNE 30, 2013  
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POST AUDIT REVIEW SUMMARY

Attachment A

Budget Unit: Approximately 140 Funds  
Department: County Service Areas (CSA)  
Audit Issued: March 5, 2013

Corrective Action Plan Received: Yes  
Audit Period: FYE June 30, 2011 and 2010  
Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2013	Estimated Date of Compliance
1 U.S. Generally Accepted Accounting Principles (GAAP)	Material Weakness	Financial misstatements of the following: a. Tax Receivable / Tax Revenue; b. Deferred Revenue / Tax Revenue; c. Services and Supplies Expenditure / Accounts Payable; d. Advances Payable / Loans Payable / Loans Receivable.	The financial misstatements in the fiscal years ended June 30, 2010 and 2011 were subsequently corrected on the audited financial statements for the periods reported and were properly reported on all subsequent Comprehensive Annual Financial Reports (CAFR). The tax receivable and deferred revenue is now reported based on actual balances generated from the Kern Integrated Property System (KIPS) rather than estimates that had previously been used and were determined to be incorrect. The department has implemented procedures to avoid future reoccurring misstatements.	Achieved	Completed
2 California Government Code 25210.7	Significant Deficiency	Incorrect assessment collections from incorporated parcels.	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	12/31/2013
3 California Proposition 4 - Gann Limit	Other Matter	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.	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 will be 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	12/31/2013

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**COMPLIANCE AND ACCOUNTABILITY  
 POST AUDIT REVIEW SUMMARY**

**Attachment A**

**Budget Unit: 9144**  
**Department: Kern Sanitation Authority**  
**Audit Issued: April 23, 2013**

**Corrective Action Plan Received: Yes**  
**Audit Period: FYE June 30, 2011 and 2010**  
**Issuing Agency: Kern County Auditor-Controller**

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2013	Estimated Date of Compliance Completed
U.S. Generally Accepted Accounting Principles (GAAP)	Material Weakness	Financial misstatement of taxes receivable and revenue. Taxes receivable and revenue were materially overstated by \$125,069, \$211,192 and \$235,693, in prior periods and fiscal years ended June 30, 2010 and 2011, respectively.	The misstatements were subsequently corrected on the audited financial statements for the periods reported and was properly reported on all subsequent Comprehensive Annual Financial Reports (CAFR). Balances are now reported based on actual balances generated from the Kern Integrated Property System (KIPS) rather than estimates that had previously been used and were determined to be materially incorrect. The department has implemented procedures to avoid a future reoccurring misstatement.	Achieved	Completed

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 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/2013	Estimated Date of Compliance
1 5120, 5220 - Human Services	6/7/2011	Major	Internal Control Weakness - Not providing onsite monitoring of contract providers.	6/30/2013	The department has assigned one of its two budgeted positions and has partially dedicated two existing staff members for onsite monitoring. The monitoring staff has some experience and/or started training to prepare. As of June 30, 2013 one onsite contract review had been completed. The department plans for several more onsite reviews this fiscal year, and will incorporate the Auditor's recommendation of performing a risk assessment as part of a comprehensive approach to contract reviews as their internal audit area becomes more established. In addition, the department continues their current process of fiscal and program desk reviews and onsite monitoring as dictated by these reviews. Also the department has recently requested an independent analysis to determine an appropriate level and method of monitoring.	In Progress	12/31/2013
2 2180, 2200 - District Attorney	6/28/2011	Major	KCAPPM Chapter 5. 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.	4/1/2013	Significant improvements reduced expenditure deficiencies. CAO is awaiting written internal procedures and documentation from the department addressing past expenditure deficiencies to prevent future reoccurrences.	In Progress	9/30/2013

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/2013	Estimated Date of Compliance
3 2180 - District Attorney	6/28/2011	Major	Administrative Bulletin 10. 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.	4/1/2013	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. The County Administrative Office will be evaluating changes to Administrative Bulletin 10 to clarify the certification and the reimbursement of personal phone call costs to resolve contention of compliance.	In Progress	9/30/2013
4 6210 - Library	10/4/2011	Minor	Internal Control Weakness - Accounting controls over accuracy of deposits and accounts receivable activity.	6/30/2013	The Horizon library check-out system was implemented to serve as an automated inventory of holdings and circulation and not to provide accounting controls such as reconciliations of accounts receivable collections and adjustments. Due to limitations, the department does not reconcile the activity in the Horizon system. The San Joaquin Valley Library System (SJVLS) is in the process of piloting a new integrated library system, Evergreen, that could potentially replace the Horizon system and provide more accounting controls such as reconciliations. In the meantime, the department has implemented some alternative controls and is working on developing more to mitigate risks.	In Progress	12/31/2013
5 2415 - Fire	4/17/2012	Significant Deficiency	KCAPP, Chapter 11, Section 1115 - Vehicle Home Retention - No formal procedure for assigning and monitoring vehicle home retention.	4/1/2013	The department is in the process of implementing formal vehicle home retention procedures. The department has drafted a policy and authorization form that will be finalized soon. The department is currently analyzing and reevaluating each individual home retention vehicle and will develop an electronic log to track and monitor.	In Progress	12/31/2013

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/2013	Estimated Date of Compliance
6 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency	Internal Departmental Policy - Cash count shortages.	3/31/2013	Shortages were identified by the department prior to the audit and documentation was prepared for replenishment. 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	10/31/2013
7 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency REPEAT FINDING	Internal Departmental Policy - Bank account reconciliation.	3/31/2013	Reconciliations are prepared monthly. 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	10/31/2013
8 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency	KCAPP, Chapter 5, Section 523.3 and .4 - Replenishment of petty cash.	3/31/2013	The department 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 finding ; until the policy is completed and disseminated to employees, the recommendation is not complete.	In Progress	10/31/2013

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2012. Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/2013	Estimated Date of Compliance
9 8997 - Kern Medical Center's Financial Statements Internal Control Report	7/17/2012	Payroll - Internal Control 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 added additional staff to fully complying with the Auditor's recommendations.	In Progress	Ongoing
10 8997 - Kern Medical Center's Financial Statements Internal Control Report	7/17/2012	Patient Billing - Internal Control 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.	6/30/2013	The department updated the process for turning accounts to collection agencies in August 2011 and it is currently in the process of evaluating Request for Proposals to engage several collection agencies. Coding of accounts continues to be an issue and although the department has engaged several consultants, progress has been limited.	In Progress	Ongoing

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2012 Reported Estimated Date of Compliance	Compliance Status at 6/30/2013	Estimated Date of Compliance
11 8997 - Kern Medical Center's Financial Statements Internal Control Report	7/17/2012	Capital Assets - Internal Control 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.	4/30/2013	In Progress	10/31/2013
12 8997 - Kern Medical Center's Financial Statements Internal Control Report	6/14/2011 7/17/2012 8/21/2012	Major Internal Control Weakness  REPEAT FINDING	Internal Departmental Policy - Review system for accruals and reverse accruals.	Ongoing	In Progress	Ongoing
13 8997 - Kern Medical Center - Accounts Payable	6/14/2011 8/21/2012	Major REPEAT FINDING	Internal Departmental Policy - Not paying claims timely.	Unable to achieve until cash flow improves	In Progress	Unable to achieve until cash flow improves
14 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	In Progress	Ongoing

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/2013	Estimated Date of Compliance
15 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.	5/31/2013	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. As part of the implementation corrections were identified and required the department to update the pay rules per classifications and assignments. Pay rules were updated and programmed in the system. Department will continue to monitor and correct errors identified.	In Progress	Ongoing
16 8997 - Kern Medical Center's Payroll	8/21/2012	Significant Deficiency	KCAPP, Chapter 1 Section 120.8 - The department does not keep records of vacation and sick leave for physician and residents in the County's Payroll system.	6/30/2013	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 initiated conversation with the County's Information Technology Department, Personnel Department and the Auditor-Controller to determine if programming changes can be made to accommodate the vacation and sick leave accrual of physician and residents.	In Progress	10/31/2013
17 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.	6/30/2013	The department is currently monitoring on-call to ensure that contracts are adjusted for those physician providing more than anticipated on-call coverage.	In Progress	Ongoing



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 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/2013	Estimated Date of Compliance
18 2760, 4110, 4113, 4200, 4300 - Public Health Services	9/11/2012	Significant Deficiency	Ordinance Code Section 3.24.090 - call-back overtime. Incorrect payment of call-back overtime.	6/30/2013	The department is awaiting clarification of the countywide ordinance and policy to record availability and call-back overtime properly. This is an issue that requires a "meet and confer" with employee unions. While currently in progress of "meet and confer", the department has implemented a written procedure indicating their process until it is complete to adopt and implement.	In Progress	12/31/2013
19 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 report for State surcharge fee of underground storage permits.	2/28/2013	The department implemented a formal written policy addressing regular reconciliations and payment process. The program was terminated as of June 30, 2012 and the department is in the process of closing the fund during the fiscal year 2013/2014 budget process.	In Progress	9/30/2013
20 2210 - Sheriff	9/11/2012	Significant Deficiency	KCAPP, Chapter 5 - Fund Reconciliation. The Public Administrator's Revolving Fund did not reconcile to the bank balance.	3/1/2013	Procedures for reconciling public administrator trust and revolving funds have been developed. The Public Administrator Revolving Fund was reconciled with a \$254.58 relief of accountability anticipated to take place August 2013.	In Progress	9/1/2013
21 1510, 1610, 1615, 1640, 1650, 1960, 8950 - General Services	10/30/2012	Significant Deficiency  REPEAT FINDING	Internal Control Weakness - Depreciation. Department records not adequately reconciled to County records.	3/31/2013	The department submitted depreciation records to the Auditor-Controller for year-end accounting. CAO is awaiting written internal procedures and documentation from the department regarding depreciation reconciliations.	In Progress	3/31/2013

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/2013	Estimated Date of Compliance
22 3000, 8998 - Roads	11/13/2012	Significant Deficiency	KCAPPM Chapter 4 Section 409 - Materials and supplies inventory not up-to-date in Cost Accounting Management System (CAMS) and discrepancies were noted.	3/1/2013	The department continues to strengthen internal controls through more stringent monitoring of inventories and investigation of discrepancies. The department is looking for a means to permanently correct problems or identify where process improvement is needed. Improvements have already been made to post transactions daily, review inventory records, stock minimum inventory levels, perform physical inventory counts, and reconcile records.	In Progress	10/1/2013
23 3000, 8998 - Roads	11/13/2012	Significant Deficiency	KCAPPM Chapter 4 Section 405, 406 and 407 - The following deficiencies of capital asset records were noted: a. Missing data of cost, date, and location of assets. b. Acquisitions paid from incorrect account. c. Four Inventory Adjustment Request (IAR) were not completed timely.	3/1/2013	The department's staff is now aware of the process to appropriately complete an IAR. They have reviewed all pending IARs and completed the process. The department is currently reviewing all capital assets for missing data and will update their records to appropriately reflect the historical data of items still in use.	In Progress	11/1/2013
24 3000, 8998 - Roads	11/13/2012	Significant Deficiency	KCAPPM Chapter 11 Section 1.115.2 - Vehicle home retention assignments were missing required documentation.	6/1/2013	Department is in the process of reviewing the department's Home Retention Program. They are in the process of addressing their procedures on authorizations.	In Progress	11/1/2013

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25 3000, 8998 - Roads Department	11/13/2012	Significant Deficiency	KCAPP Chapter 5 Section 530 - 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.	3/1/2013	The missing insurance certificate was subsequently received and is kept current on file. The department is in process of developing internal procedures to ensure contracts are regularly reviewed and payments are made timely. The department has reviewed all of its Kern Regional Transit agreements and is currently negotiating the one outstanding contract.	In Progress	10/1/2013

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/13	Estimated Date of Compliance
1 2180 - District Attorney	6/28/2011	Minor	KCAPP, Chapter 2 - Payroll. One employee did not get holiday pay and one overtime calculation was overstated by 0.8 hour.	3/1/2013	Both errors were appropriately resolved. The issues were brought to the attention of appropriate staff to prevent future reoccurrences.	Achieved	Completed
2 Countywide	4/17/2012	Internal Control	KCAPP, Chapter 5, Section 519 Purchasing Cards. The purchasing card policy needed clarification and enforcement.	5/30/2013	KCAPP Chapter 5 was revised to clarify the conditions of certifying the purchasing card transactions and the due dates. Departments have implemented the policy and its terms are being enforced.	Achieved	Completed
3 2183 - Child Support Services	6/12/2012	Significant Deficiency	KCAPP, Chapter 2 - Form 24s not properly processed and inaccurate inclusion of employee costs in grant reimbursement.	3/9/2013	The Department has implemented the Auditor-Controller's Time, Reporting, and Account Costing System (TRACS) which remedies the finding. TRACS replaced the use of Form 24s and tracks employee time to be used in cost calculations.	Achieved	Completed
4 8997 - Kern Medical Center's Accounts Payable	8/21/2012	Significant Deficiency	KCAPP, Chapter 5 - Purchasing Cards. Certification and approval within 45 days and report unpaid sales tax to Auditor-Controller for payment.	6/30/2013	Employees were trained in the process and the procedure changed to remove purchasing card if employee is not certifying purchasing card transactions timely.	Achieved	Completed

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/13	Estimated Date of Compliance
5 8997 - Kern Medical Center's Payroll	8/21/2012	Significant Deficiency	KCAPP, Chapter 1 Section 136 and Chapter 2 Section 203 - The department did not adhere to contract terms and required residents to pay social security and state disability insurance taxes. Change of employment status, and employee performance review forms were not prepared timely.	Ongoing	The department's trained employees in the process and changed procedure to help with accuracy and timeliness. The department conducted an audit of residents employment status to ensure the appropriate tax was included.	Achieved	Completed
6 2210 - Sheriff	9/11/2012	Significant Deficiency REPEAT FINDING	KCAPP, Chapter 1 - Payroll. Change of Employment Status (CES) documents were not done timely.	4/1/2013	The department began receiving and distributing Employee Performance Reports (EPR) earlier and began tracking the distribution log on Sheriff Net. This improved EPR process provides a more timely processing of EPR and CES documents.	Achieved	Completed
7 2210 - Sheriff	9/11/2012	Significant Deficiency REPEAT FINDING	KCAPP, Chapter 4 - Capital Assets. A physical inventory count was not conducted by the department to validate the physical existence of the capital assets. As a result, deficiencies were noted.	4/1/2013	Procedures have been implemented to follow KCAPP to ensure that the capital asset listing is updated and reconciled. In April 2013, the department conducted a physical inventory count and certified the inventory of County Property Affidavit.	Achieved	Completed

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/13	Estimated Date of Compliance
8 2210 - Sheriff	9/11/2012	Significant Deficiency	KCAPP, Chapter 4. The Warehouse Inventory Tracking System records did not match the physical inventory count. Unnecessary surpluses and obsolete inventory was maintained.	4/1/2013	Procedures have been implemented to better track inventory. An annual inventory count was completed May 2013 and audits are conducted on a monthly basis. The Warehouse Inventory Tracking System was enhanced to allow staff to run reports that identify discrepancies.	Achieved	Completed
9 2210 - Sheriff	9/11/2012	Significant Deficiency	Administrative Bulletin 10. Eight issued pagers were unreturned and four inactive cell phones were not deactivated. Cell phone listing was not updated.	4/1/2013	A separation of service policy was implemented in April 2013 to ensure all County issued property is returned and devices are deactivated. Inventory review was conducted and records were updated.	Achieved	Completed
10 2210 - Sheriff	9/11/2012	Significant Deficiency	KCAPP, Chapter 4. 51 weapons were missing.	12/1/2013	The department continues to make progress in locating weapons. Of the 51 missing firearms, 8 have been found and an Inventory Adjustment Request (IAR) was submitted to remove the remaining 43 from inventory. Each quarter the weapons are subject to a full audit and the last audit in August 2013 had no discrepancies. The department has implemented written policies and procedures that have significantly improved the security and cataloging process.	Achieved	Completed
11 1510, 1610, 1615, 1640, 1650, 1960, 8950 - General Services	10/30/2012	REPEAT FINDING Significant Deficiency	KCAPP, Section 404 - Capital Assets. Department did not capitalize all applicable costs incurred in two land acquisitions.	3/31/2013	The department has reviewed the two land acquisitions and made the appropriate adjustments to capitalize all applicable costs. The department's Corrective Action Plan provides that increased training and distribution of documentation to staff, along with additional review of the process, will aid in preventing future omissions in capitalizing expenses.	Achieved	Completed

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/13	Estimated Date of Compliance
12 1510, 1610, 1615, 1640, 1650, 1960, 8950 - General Services	10/30/2012	Significant Deficiency  REPEAT FINDING	Office of Management and Budget Circular A-87 and State Controller's Cost Plan Procedures for Counties - Garage Net Assets. Garage Internal Service Fund had working capital in excess of two months' expenses.	3/31/2013	The department worked with Auditor and CAO staff to adopt a methodology for calculating operating expenses and working capital. The calculation is being performed on a quarterly basis and the department is monitoring to maintain appropriate balances.	Achieved	Completed
13 1510, 1610, 1615, 1640, 1650, 1960, 8950 - General Services	10/30/2012	Significant Deficiency  REPEAT FINDING	Administrative Bulletin No. 2 - Rates and Charges. Current direct and indirect rates were not properly used for all department charges.	3/31/2013	The department provides additional review during annual rate calculation and revisions. Rates that were determined incorrect were corrected by including the appropriate actual cost incurred and applying appropriate overhead rates. The department reviewed rates to ensure that they are updated and maintained supporting documentation.	Achieved	Completed
14 1510, 1610, 1615, 1640, 1650, 1960, 8950 - General Services	10/30/2012	Significant Deficiency	Internal Control Weakness - Trust Funds. Department did not timely transfer deposits held in trust fund.	3/31/2013	Department no longer uses this trust fund as deposits from contractors are no longer required for building plans, which are available elsewhere. Department has closed the inactive fund and will annually review other trust funds for applicable transfers.	Achieved	Completed
15 1510, 1610, 1615, 1640, 1650, 1960, 8950 - General Services	10/30/2012	Significant Deficiency	Office of Management and Budget Circular A-87 - Grant. Department did not use correct methodology (actual cost) for seeking reimbursement under grant project.	3/31/2013	The department's Corrective Action Plan provides for additional review of grant requirements and additional review of expenses claimed prior to submission to the granting agency. The department corrected the original pay request by adjusting the costs to actual.	Achieved	Completed

# Attachment C

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16 3000, 8998 - Roads	11/13/2012	Significant Deficiency	Government Code 26220 and Administrative Bulletin No. 39 - Long-outstanding accounts receivable.	1/15/2013	The department reviews accounts receivable monthly and refers uncollected accounts to a collection agency. The department resolved all long outstanding and uncollectible accounts by filing relief of accountability through Board of Supervisors.	Achieved	Completed