

Kern County Administrative Office



County Administrative Center

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JOHN NILON

County Administrative Officer

February 12, 2013

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

DECEMBER 31, 2012 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

The 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 reviewing audit findings with departments, ensuring procedures are documented and identifying probable solutions to the internal control weaknesses identified in the Auditor-Controller's departmental audit reports. The reviews represent the status of the departments' remediation efforts as of December 31, 2012.

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, three departments had audits completed at the end of the reporting period, but their corrective action plans were not due by the time of this report, so they will be included in the next compliance and accountability update.

Departments with Corrective Action Plans not yet due:

Department	Audit Report Date	Action Plan Due Date
Information Technology Services	12/04/2012	1/18/2013
Mental Health Services	12/11/2012	1/25/2013
Employers' Training Resource	12/18/2012	2/1/2013

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

Department	Audit Report Date	Report Opinion	Attachment A Page #
Board of Supervisors	12/18/2012	Unqualified	Not Required
Clerk of the Board	12/04/2012	Unqualified	Not Required
County Administrative Office	12/18/2012	Unqualified	Not Required
Group Health Self-Insurance and Retiree Group Health Program ISFs	12/18/2012	Unqualified	Not Required
Public Defender	12/11/2012	Unqualified	Not Required
Solid Waste Enterprise Fund	10/30/2012	Unqualified	Not Required
Unemployment ISF	12/18/2012	Unqualified	Not Required
Board of Trade	12/18/2012	Qualified	A-1
Farm and Home Advisor	12/18/2012	Qualified	A-2
General Services	10/30/2012	Qualified	A-3
KMC – Accounts Payable	8/21/2012	Qualified	A-5
KMC – Financial Statement Internal Control Report	7/17/2012	No Opinion	A-6
KMC – Payroll	8/21/2012	Adverse	A-8
Public Health Services	9/11/2012	Qualified	A-10
Roads	11/13/2012	Qualified	A-14
Sheriff	9/11/2012	Qualified	A-15

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 analyst will be following up on the status within 30 days. In addition, the analyst 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, 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 June 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. Analysts 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 he or she is 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	Date of Audit Report	Area of Concern
Human Services	6/07/2011	Contract Monitoring
Kern Medical Center	6/14/2011	Accounts Payable
District Attorney	6/28/2011	Expenditures, Payroll, Cell Phone Usage
Library	10/04/2011	Accounts Receivable
Fire	4/17/2012	Vehicle Home Retention
Kern Medical Center	5/22/2012	Cash Handling
Child Support Services	6/12/2012	Payroll – Tracking Time Off
Countywide Management Report	4/17/2012	Purchasing Policy

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 an Administrative Analyst 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 their Red Flags policy and has submitted their 2012 annual Red Flags report to the County Administrative Office. KMC saw a decline in identity theft in 2012, and has implemented additional measures to continue the trend.

ETHICS

CODE OF CONDUCT

The County Administrative Office is in the process of developing a Code of Conduct to be applicable to all County employees. The Code is a central guide and reference for users in support of day-to-day decision making. It is meant to clarify the County's mission, values and principles, linking them with standards of professional conduct. In practice, it is used interchangeably with a Code of Ethics.

In Section 406(c), the Sarbanes-Oxley Act defines "code of ethics" as such standards as are reasonably necessary to promote: 1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; 2) full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the issuer; and 3) compliance with applicable governmental rules and regulations.

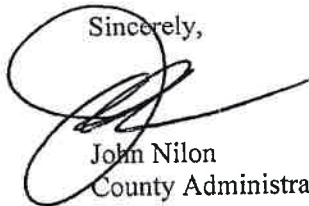
The proposed County of Kern Code of Conduct has been reviewed by County Counsel and will require meet-and-confer meetings with unions. The County Administrative Office anticipates presenting it to your Board this fiscal year.

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:NL:BUD_COMP Dec 2012 Report

Attachments

cc: All Departments

**DECEMBER 31, 2012
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY**

**Budget Unit: 1812
Department: Board of Trade
Audit Issued: December 18, 2012**

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

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
1 Department Internal Control Policy	Significant Deficiency	Department did not have adequate Cash Handling controls and Separation of Duties	In concurrence with the Auditor's recommendation, all deposits and voided receipts are now reviewed and signed by the Executive Director to have sufficient separation of duties. Department has written and distributed new internal procedures regarding cash handling, voids, and separation of duties.	Achieved	Completed

DECEMBER 31, 2012
 COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY

Budget Unit: 6310
 Department: Farm and Home Advisors
 Audit Issued: December 18, 2012

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 12/31/2012	Estimated Date of Compliance
1 Internal Control Weakness	Significant Deficiency	Equipment. The department did not keep inventory records up-to-date and did not consistently label items to distinguish UC property for inventory checks.	The department completed a thorough inventory and updated records in the County system. County items will all be labelled and amount and location tracked in order to distinguish from UC property. The department will annually perform a check that County items are labelled and properly recorded. An inventory of items will be performed every other year. Written internal procedures to address the finding have been received and reviewed by CAO.	Achieved	Completed
2 County Policy and Procedures, Chapter 11	Significant Deficiency	Fuel Usage. Review of fuel card use indicated that some purchases were not adequately justified under policy and some supporting documentation was not complete or was incorrect. Receipts were not reconciled to monthly statements.	The department has prepared a written internal procedure, which was distributed to staff. Receipts will be submitted by staff and reconciled monthly, with a spot check for appropriateness of charges per the department's Corrective Action Plan.	Achieved	Completed

DECEMBER 31, 2012
 COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY

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

Budget Unit: 1610, 1615, 1640, 1650, 1960, 8950 (and 1510)
 Department: General Services
 Audit Issued: October 30, 2012

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
1 County Policy and Procedures, Section 404	Significant Deficiency	Capital Assets. Department did not capitalize all applicable costs incurred in two land acquisitions.	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. CAO is awaiting written internal procedures from the department.	In Progress	3/31/2013
2 Office of Management and Budget, Circular A-87; State Controller's Cost Plan Procedures for Counties	Significant Deficiency REPEAT FINDING	Garage Net Assets. Garage Internal Service Fund had working capital in excess of two months' expenses.	The department continues to meet with Auditor staff and CAO to clarify methodology for calculating operating expenses and working capital. Although this finding has likely been addressed during the budget process for the current year, the department will also monitor expenses and reserves and adopt reasonable procedures to maintain proper balance during the year. CAO is awaiting final written internal procedures from the department.	In Progress	3/31/2013
3 Administrative Bulletin No. 2	Significant Deficiency REPEAT FINDING	Rates and Charges. Current direct and indirect rates were not properly used for all department charges.	The department's Corrective Action Plan provides that additional review both during annual rate calculation and review and revision during the fiscal year. CAO is awaiting written internal procedures from the department.	In Progress	3/31/2013
4 Internal Control Weakness	Significant Deficiency REPEAT FINDING	Depreciation. Department records not adequately reconciled to County records.	The department's Corrective Action Plan provides dates for completion of steps for annual reconciliations and provides for additional review prior to submission to the Auditor for year-end. CAO is awaiting written internal procedures from the department.	In Progress	3/31/2013
5 Internal Control Weakness	Significant Deficiency	Trust Funds. Department did not timely transfer deposits held in trust fund.	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. CAO is awaiting written internal procedures from the department.	In Progress	3/31/2013

DECEMBER 31, 2012
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Budget Unit: 1610, 1615, 1640, 1650, 1960, 8950 (and 1510) Corrective Action Plan Received: Yes
 Department: General Services Audit Period: FYE June 30, 2011 and 2010
 Audit Issued: October 30, 2012 Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
6 Office of Management and Budget, Circular A-87	Significant Deficiency	Grant. Department did not use correct methodology (actual cost) for seeking reimbursement under grant project.	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. CAO is awaiting written internal procedures from the department.	In Progress	3/31/2013

DECEMBER 31, 2012
 COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY

Budget Unit: 8997
 Department: Kern Medical Center's Accounts Payable
 Audit Issued: August 21, 2012

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

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
1 Internal Control Weakness	Significant Deficiency REPEAT FINDING	Department needs to improve accuracy of accounts payable accruals and ensure that accruals are recorded accurately and completely.	The department has implemented interface between accounts payable system and the Auditor's Claim system that will assist in reducing entry errors. 100% accuracy cannot be achieved in the accrual process due to the use of estimates when invoices are not available. Accuracy rate will be reviewed after closing of fiscal year 2012-2013 to ensure that the error rate has been reduced.	In Progress	9/30/2013
2 Internal Control Weakness	Significant Deficiency	Department needs to complete interface between accounts payable system and the Auditor's Claim system.	The department completed interface October 2012.	Achieved	Completed
3 County Policy and Procedures, Chapter 5	Significant Deficiency	Purchasing Cards. Certification and approval within 45 days and report unpaid sales tax to Auditor-Controller for payment.	Employees were trained in the process and the procedure changed to remove purchasing card if employee is not certifying purchasing card transactions timely.	In Progress	6/30/2013
4 Internal Control Weakness	Significant Deficiency	Department is not paying claims timely.	Due to cash flow issues, the department has been unable to implement recommendation.	In Progress	Unable to implement until cash flow improves

DECEMBER 31, 2012
 COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY

Budget Unit: 8997
 Department: Kern Medical Center's Financial Statements Internal Control Report
 Audit Issued: July 17, 2012
 Corrective Action Plan Received: Yes
 Audit Period: FYE June 30, 2011
 Issuing Agency: Brown Armstrong Accountancy Corporation

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
1 Internal Control Weakness	Payroll - 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.	The department implemented an attendance system that has reporting functions available to managers to ensure that time cards are completed correctly. At this time staffing issues at the Human Resources Department have prevented the department from fully complying with the Auditor's recommendations.	In Progress	Ongoing
2 Internal Control Weakness	Statement of Economic Interest - Internal Control Weakness	The department did not obtain Statement of Economic Interests form 700 for all employees required under the department's approved conflict of interest code.	The responsibility of tracking Statements of Economic Interest form 700 was reassigned to the Human Resources Department to ensure compliance. The department obtained all 2011 Statements and is in the process of compiling the Statements for 2012.	Achieved	Completed
3 Internal Control Weakness	Inventory - Internal Control Weakness	Exceptions during the physical inventory count at June 30, 2011 were observed in the pharmacy room and operating room.	The department's physical inventory count at June 30, 2012 was conducted and communication and education to the individuals conducting the count was provided. The County administrative office attended the count and although errors in the test counts were noted by the Auditors, the department made significant progress toward full compliance.	Achieved	Completed
4 Internal Control Weakness	Patient Billing - 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.	The department updated the process for turning accounts to collection agencies in August 2011. Corrective Action was requested from vendor coding services November 2011. The department is working on improving the collection process and has hired a revenue cycle consultant to assist in the process. Relief of accountability for uncollectable accounts from September 2011 through October 2012 was approved by the Board December 2012.	In Progress	6/30/2013
5 Internal Control Weakness	Accounts Payable - Internal Control Weakness	The department has a manual process to accrue accounts payable liabilities that is prone to errors.	The department has implemented an interface between hospital accounts payable system and the Auditor-Controller's claim system that will assist in reducing entry errors. The County Administrative Office facilitated a review of the process with the affected departments and the Fiscal Year Ended June 30, 2012 process was significantly improved.	In Progress	9/30/2013

DECEMBER 31, 2012
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Budget Unit: 8997 **Corrective Action Plan Received: Yes**
Department: Kern Medical Center's Financial Statements Internal Control Report **Audit Period: FYE June 30, 2011**
Audit Issued: July 17, 2012 **Issuing Agency: Brown Armstrong Accountancy Corporation**

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
6 Internal Control Weakness	Capital Assets - 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.	The department has reassigned inventory tracking in the operating room to the Accounting Department. The department will complete a physical inventory count and update the listing of serial numbers prior to the required certification in April 2013.	In Progress	4/30/2013

DECEMBER 31, 2012
 COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY

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

Budget Unit: 8997
 Department: Kern Medical Center's Payroll
 Audit Issued: August 21, 2012

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
1 Internal Control Weakness	Material Weakness	In the past the department allowed employees to bank holidays that have resulted in a liability estimated at \$3 million.	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
2 Internal Control Weakness	Material Weakness	The department implemented an attendance system that needs additional controls to prevent errors and create efficiencies in the payroll process.	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 have been identified and will require the department to update its pay rules. At this time, staffing issues have prevented the department from achieving this recommendation.	In Progress	5/31/2013
3 County Policy and Procedures, Chapter 1 Section 136 and Chapter 2 Section 203	Significant Deficiency	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.	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.	In Progress	Ongoing
4 County Policy and Procedures, Chapter 1 Section 120.8	Significant Deficiency	The department does not keep records of vacation and sick leave for physician and residents in the County's Payroll system.	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 will initiate 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	6/30/2013

DECEMBER 31, 2012
 COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY

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

Budget Unit: 8997
 Department: Kern Medical Center's Payroll
 Audit Issued: August 21, 2012

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Completion
5 County Policy and Procedures, Chapter 3 Sections 302.5 and 303.2	Significant Deficiency	The department did not provide supporting documentation to the Auditors for educational leave for one physician and did not keep supporting documentation for professional fees paid to six physicians.	The department had supporting documentation at a different location and did not provide it to the Auditor. In the future all documentation will be made available to auditors. In addition as part of the restricted travel, documentation is also maintained in an electronic format that will be available for future audits. The payment of professional fees has transitioned to the Physician Enterprise area. They are now responsible for maintaining all documentation prior to payment to physicians. Payment calculation was reviewed.	Achieved	Completed
6 Internal Control	Significant Deficiency	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.	The department is currently monitoring on-call to ensure that contracts are adjusted for those physician providing more than anticipated on-call coverage. The department has established procedures for review of on-call hours. The department continues to analyze ways to process payroll more efficiently.	In Progress	6/30/2013

DECEMBER 31, 2012
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

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

Budget Unit: 2760, 4110, 4113, 4200, 4300
Department: Public Health Services
Audit issued: September 11, 2012

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
1 Internal Departmental Policy	Significant Deficiency	Cash Operations. Restrictively endorse checks, sweep revenue into operating fund, and reconciliation of bank statements.	The department has implemented formal written policies addressing these weaknesses and has trained staff on the proper procedures. The department has provided the most recent bank reconciliation, which was current. The department has reimplemented the online payment mechanism for license purchases at Animal Control and regularly sweeps the revenue into the operating fund.	Achieved	Completed
2 Administrative Bulletin #6	REPEAT FINDING Significant Deficiency	Cash Operations. Account for funds and reimburse loss or theft in accordance with policy.	The department has implemented a formal written policy addressing this weakness and has trained staff on the proper procedures for handling cash shortages.	Achieved	Completed
3 Government Code Section 29370, Administrative Bulletin #1	REPEAT FINDING Significant Deficiency	Cash Operations. Make deposits whole and intact, use Cash Difference Fund for shortage reimbursement, and deposit overages into overage fund.	The department has implemented a formal written policy addressing this weakness and has trained staff on the proper procedures for handling cash shortages and overages.	Achieved	Completed
4 Ordinance Code Section 3.24.090	REPEAT FINDING Significant Deficiency	Payroll. Incorrect payment of call-back overtime.	This is a problem countywide, which requires "meet and confer" with employee unions. The department has implemented a written procedure to address proper payment and review of callback overtime, but cannot address paying callback overtime to employees on availability until the "meet and confer" has been finalized and the employee unions are in agreement.	In Progress	6/30/2013
5 County Policy and Procedures, Section 202.1 and 207	Significant Deficiency	Payroll. Maintain all required payroll forms and ensure payments are correct and proper.	The department has implemented formal written policies addressing the requirement for those divisions who have not begun utilizing the Auditor's new time entry system to utilize the Form 24 to record time off and overtime.	Achieved	Completed
6 Internal Departmental Policy	Significant Deficiency REPEAT FINDING	Contract Compliance. Establish and maintain procedures for monitoring and enforcing contractor compliance.	The department has implemented a formal written policy addressing proper monitoring of departmental contractors to obtain a DEA license, giving the contractor the ability to self-purchase the supplies that were previously provided by the department.	Achieved	Completed

DECEMBER 31, 2012
 COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY

Budget Unit: 2760, 4110, 4113, 4200, 4300
 Department: Public Health Services
 Audit Issued: September 11, 2012

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 12/31/2012	Estimated Date of Compliance
7 Internal Departmental Policy	Significant Deficiency	Revenue Reconciliation. Reconciliation of departmental revenue with County's financial system.	The department has implemented a formal written policy addressing the proper reconciliation process for departmental revenues and has provided the CAO with the most current reconciliation.	Achieved	Completed
8 Administrative Bulletin #2	REPEAT FINDING Significant Deficiency	Fees. Charge fees as approved by the Board and maintain supporting documentation for fee calculation.	This finding was a result of a programming error in the department's system. The department had caught and corrected the error prior to the audit. The department has reviewed and recalculated the indirect rate, and has received approval from the Auditor's Office on the rate. The department has maintained a file with all of the proper supporting documentation for the fee calculation.	Achieved	Completed
9 Administrative Bulletin #39	Significant Deficiency	Accounts Receivable. Maintain proper support for approval and adjustment of receivable amounts and develop procedures to follow up timely on unpaid accounts.	The department has implemented a formal written policy addressing accounts receivable. The department has developed a reconciliation process to review any changes to receivable accounts on a monthly basis and has implemented an email alert system. Any adjustments made to accounts within the system will automatically send an alert to the appropriate fiscal and management staff, which will flag management to review for appropriate supporting authorization materials. The department's procedures indicate a timeline for appropriate collection follow up on accounts, and governing the appropriateness for submitting accounts to collections.	Achieved	Completed
10 Internal Departmental Policy	REPEAT FINDING Significant Deficiency	Accounts Receivable. Reconcile County records with collection agency records and develop procedures to ensure amounts are properly posted.	The department has implemented a formal written policy addressing the maintenance of proper records of accounts sent to collections and a procedure governing the proper reconciliation process for use when the department begins utilizing a collection agency again.	Achieved	Completed
11 Internal Departmental Policy	REPEAT FINDING Significant Deficiency	Expenditure Reconciliation. Reconciliation of departmental expenditures with County's financial system.	The department has implemented a formal written policy addressing the proper reconciliation of departmental expenditures and has provided the most current completed reconciliation.	Achieved	Completed

DECEMBER 31, 2012
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Budget Unit: 2760, 4110, 4113, 4200, 4300
Department: Public Health Services
Audit Issued: September 11, 2012

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 12/31/2012	Estimated Date of Compliance
12 Health and Safety Code Section 25404.4	Significant Deficiency	Trust Fund. Submit quarterly payment and report for State surcharge.	The department has implemented a formal written policy addressing a regular reconciliation and quarterly payment process for this trust fund. The program was terminated as of June 30, 2012 and the department is in the process of closing the fund.	In Progress	2/28/2013
13 Internal Departmental Policy	Significant Deficiency	Trust Fund. Reconciliation of reports and transfer to operating funds regularly.	The department has implemented a formal written policy addressing a regular reconciliation and regular transfer process. The department has provided the most recent complete reconciliation, which was current.	Achieved	Completed
14 Internal Departmental Policy	REPEAT FINDING Significant Deficiency	Special Revenue Funds. Perform fund transfers regularly and reconcile departmental records with County's financial system.	The department has implemented formal written policies addressing the proper regular reconciliation of departmental trust funds and regulating the proper regular transfer of funds to the operating fund and has provided the CAO with the reconciliation through current.	Achieved	Completed
15 Internal Departmental Policy	REPEAT FINDING Significant Deficiency	Receipts. Maintain and enforce internal control policies for properly voiding receipts and maintain logs of all receipts, certificates, and permits.	The department has implemented formal written policies addressing the proper internal controls over voiding of receipts and maintenance of appropriate receipt documentation.	Achieved	Completed
16 Health and Safety Code Section 103526.5c	REPEAT FINDING Significant Deficiency	Receipts. Properly account for voided birth and death certificates and dispose of voided certificates in accordance with mandate.	The department has implemented formal written policies addressing the proper methods for voiding and disposing of certificates in compliance with the mandate.	Achieved	Completed
17 Internal Departmental Policy	REPEAT FINDING Significant Deficiency	Vaccine Inventory in Dispensary. Maintain updated records and ensure resale price is consistent with supplier's price.	The department has implemented formal written procedures addressing the proper vaccination inventory methods and has created a spreadsheet to properly calculate the current reseller's price for vaccinations.	Achieved	Completed
18 County Policy and Procedures, Chapter 5 and Purchasing Handbook	REPEAT FINDING Significant Deficiency	Purchasing Cards. Certification and approval within 45 days and report unpaid sales tax to Auditor-Controller for payment.	The department has implemented a formal written policy addressing the proper controls over purchasing card transactions and implementing a method to report sales tax required to the Auditor-Controller's Office.	Achieved	Completed

**DECEMBER 31, 2012
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY**

**Budget Unit: 2760, 4110, 4113, 4200, 4300
Department: Public Health Services
Audit Issued: September 11, 2012**

**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 12/31/2012	Estimated Date of Compliance
19 Internal Departmental Policy	Significant Deficiency	Interdepartmental Charges. Ensure charges are properly allocated and billed.	The department has implemented a formal written policy addressing the receipt of funding from other departments for services provided through MOUs, including a timeline of actions the department will take if there is a failure to receive the payment.	Achieved	Completed

DECEMBER 31, 2012
 COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY

Budget Unit: 3000
 Department: Roads
 Audit Issued: November 13, 2012

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

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
1 KCAPPM Ch 4 Section 409	Significant Deficiency	Materials and supplies Inventory not up-to-date in Cost Accounting Management System (CAMS)	Department is in process of implementing new internal procedures to reconcile inventory in May of each year, requires accountants to review inventory records monthly, and perform random physical inventory counts twice per year.	In Progress	3/1/2013
2 KCAPPM Ch 4 Sections 405, 406 & 407	Significant Deficiency	Capital asset inventory not properly maintained and information missing	Department has procedures for all new equipment being purchased to be entered and will estimate information for old items. Department is in process of developing internal procedures to address the Inventory Adjustment Request process.	In Progress	3/1/2013
3 KCAPPM Ch 11 Section 11.15.2	Significant Deficiency	Home Retention Vehicle assignments missing required documentation	Department is in the process of reviewing the department's Home Retention Program over the next 3-6 months. They are in the process of addressing their procedures on authorization and mileage use forms.	In Progress	6/1/2013
4 Department Internal Control Policy	Significant Deficiency	Voided receipts handling	Department has created and distributed new internal procedures, and now includes a copy of the procedures in all receipt books issued.	Achieved	Completed
5 Government Code 26220 Admin Bulletin #39	Significant Deficiency	Long-outstanding accounts receivable	Department is now reviewing accounts monthly. Relief from accountability will be sought on the Board agenda for 1/15/13.	In Progress	1/15/2013
6 KCAPPM Ch 5 Section 530	Significant Deficiency	Contract management and oversight	Department currently requires sufficient insurance coverage, and has staff person to review contracts to ensure compliance. All Kern Regional Transit fare rates have been reviewed, and the department is currently negotiating the one outstanding contract rate from the audit. Department is in process of developing internal procedures to ensure contracts are regularly reviewed and contract payments are made on time.	In Progress	3/1/2013

DECEMBER 31, 2012
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

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

Budget Unit: 2210
Department: Sheriff
Audit Issued: September 11, 2012

	Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
1	Kern County Policy & Procedures Manual, Chapter 1	Significant Deficiency REPEAT FINDING	Payroll	Department is coordinating with the Auditor's office to facilitate an earlier distribution of EPR paperwork. Payroll corrections have been made to correct CTE errors and shift differential pay errors.	In Progress	4/1/2013
2	Kern County Policy & Procedures Manual, Chapter 4	Significant Deficiency REPEAT FINDING	Equipment and Inventory	The department is in the process of writing a policy to address inventory of equipment and will start conducting random inventory checks. IARs have been completed on auctioned vehicles and one missing ice machine.	In Progress	4/1/2013
3	Kern County Policy & Procedures Manual, Chapter 4	Significant Deficiency	Warehouse Supplies and Procedures	The department had initiated a reconciliation process for control of warehouse inventory. Audits will be done on a weekly basis. Weaknesses in the current system have been identified and are being corrected. A written departmental policy was developed and reviewed by the CAO.	In Progress	4/1/2013
4	Kern County Policy & Procedures Manual, Chapter 5	Significant Deficiency	Fund Reconciliation	The QuickBooks system in use by the department has been abandoned in favor of an Excel spreadsheet. It was determined that the previous program was not being used correctly.	In Progress	3/1/2013
5	Kern County Policy & Procedures Manual, Chapter 5	Significant Deficiency REPEAT FINDING	Contracts	An overpayment to a vendor has been corrected with the department receiving credit from the vendor. Accounts payable staff are now reviewing insurance certificates to ensure compliance with the contract.	Achieved	Completed
6	Administration Bulletin No. 10	Significant Deficiency	Cell Phone Procedures and Compliance	The department is currently drafting a policy to address cell phone concerns.	In Progress	4/1/2013
7	KCAPP 519	Significant Deficiency REPEAT FINDING	Purchasing Cards	Purchasing provided training regarding limits and appropriate record keeping to all staff with purchase cards. A Fiscal Support Technician has been assigned the responsibility of reviewing all purchasing card transactions. A written departmental policy was developed and reviewed by the CAO.	Achieved	12/31/2012

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

Budget Unit: 2210
 Department: Sheriff
 Audit Issued: September 11, 2012

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
8 Kern County Policy & Procedures Manual, Chapter 4	Significant Deficiency REPEAT FINDING	Missing Weapons	The department continues to make progress in locating weapons missing and stolen. IAR's were requested for 47 of the 51 missing firearms. Leaving four still unresolved. The department is working to improve gun security/ storage areas and the cataloging process.	In Progress	12/1/2013
9 Kern County Policy & Procedures Manual, Chapter 5	Significant Deficiency	Accounts Receivable	The accounts receivable ledger has been corrected and the Accounts Receivable Supervisor has received additional training. Aging accounts receivables are now reviewed monthly. A written departmental policy was developed and reviewed by the CAO.	Achieved	Completed
10 Kern County Policy & Procedures Manual, Chapter 11	Significant Deficiency	Home Retention Vehicles	The department has modified its home retention form in order to achieve compliance with County policy.	Achieved	Completed
11 Internal Control Weakness	Significant Deficiency	Voided Receipts	A memo is now attached to and distributed with each receipt book as it is distributed to ensure receipts are properly voided.	Achieved	Completed

Attachment B

DECEMBER 31, 2012 COMPLIANCE AND ACCOUNTABILITY FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
1 15120 - Human Services	6/7/2011	Major	<i>Internal Departmental Policy</i> - Not currently providing onsite monitoring of contract providers	6/30/2013	Department has opted to postpone adoption of Auditor's recommendation of performing a risk assessment until after internal audit staff is hired. The department's fiscal year 2012-13 budget included two additional positions for internal audit. As of the date of this report, one position has been filled. The department is looking into contracting with outside auditors to perform on-site monitoring until the additional internal audit position is filled.	In Progress	6/30/2013
2 8997 - Kern Medical Center - Accounts Payable	6/14/2011	Major	<i>Internal Departmental Policy</i> - Review system for accruals and reverse accruals	12/31/2012	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 the use of estimates when invoices are not available. Accuracy rate will be reviewed after closing of Fiscal Year 2012-2013 to ensure that error rate has declined.	In Progress	Ongoing
3 8997 - Kern Medical Center - Accounts Payable	6/14/2011	Major	<i>Internal Departmental Policy</i> - Not paying claims timely	12/31/2012	Due to cash flow issues, the department has been unable to implement recommendation.	In Progress	Unable to achieve until cash flow improves 4/1/2013
4 2180 - District Attorney	6/28/2011	Major	<i>County Policy and Procedures, Chapter 5 - Expenditures</i>	10/31/2012	The department continues to develop a departmental procedures manual addressing a variety of issues contained in the audit findings.	In Progress	4/1/2013
5 2180 - District Attorney	6/28/2011	Minor	<i>County Policy and Procedures, Chapter 2 - Payroll</i>	9/30/2012	Calculations for two payroll errors have been completed. One will require payment to the employee.	In Progress	3/1/2013
6 2180 - District Attorney	6/28/2011	Major	<i>Administrative Bulletin No. 10 - Cell Phone usage</i>	Unknown	The department is in the process of selecting a new cell phone vendor. The new vendor should allow the department to be in compliance with Administrative Bulletin No. 10.	In Progress	4/1/2013

Attachment B

DECEMBER 31, 2012
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
7 6210 - Library	10/4/2011	Minor	<i>Internal Departmental Procedures</i> - Accounting controls over deposits and accounts receivable	Unknown	This finding centered on limitations of tracking monies due in the SIVLS Horizon library check-out software. The department does not track accounts receivable by patron in the current system and does not reconcile cash deposits to patron accounts. The department is unaware of alternative circulation software (like Horizon) that will provide this capability. The department is working with CAO in developing an alternative means to address this issue.	In Progress	6/30/2013
8 2415 - Fire	4/17/2012	Significant Deficiency	<i>County Policy and Procedures, Chapter 11</i> - No formal procedure for assigning and monitoring vehicle home retention	10/1/2012	The department has reviewed other departmental policies throughout the County regarding home retention and has drafted an internal policy that addresses their specific needs. They are in the process of finalizing the policy and will be bringing it to the Board for approval.	In Progress	4/1/2013
9 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency	<i>Internal Departmental Policy</i> - Cash count shortages	12/31/2012	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	3/31/2013
10 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency REPEAT FINDING	<i>Internal Departmental Policy</i> - Bank account reconciliation	12/31/2012	Reconciliations are prepared monthly. The most recent reconciliation was reviewed. 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	3/31/2013

DECEMBER 31, 2012
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
11 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency	County Policy and Procedures, Chapter 5, Section 523.3 and .4 - Replenishment of petty cash	12/31/2012	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. Department requested reclassification of a portion of the petty cash to revolving fund. 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	3/31/2013
12 2183 - Child Support Services	6/12/2012	Significant Deficiency	County Policy and Procedures, Chapter 2 - Form 24s not properly processed and inaccurate inclusion of employee costs in grant reimbursement	10/6/2012	Department is in the process of implementing the TRACS system. Features within the TRACS system, when used properly, will remedy findings. Department is currently phasing in groups of staff.	In Progress	3/9/2013
13 Countywide	4/17/2012	Internal Control	County Policy and Procedures, Chapter 5 - Clarification of purchasing card policy and enforcement of the policy on departments	8/15/2012	The County Administrative Office is finalizing proposed changes to the Administrative Policy that clarify the purchasing card policy.	In Progress	5/30/2013

DECEMBER 31, 2012
 COMPLIANCE AND ACCOUNTABILITY
 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
1 2730 - Development Services Agency	5/10/2011	Major	Internal Departmental Policy - No reconciliation of revenue and expenditures to County records	12/1/2012	The Planning Department hired a permanent accountant who has reconciled department records to the current month. The November 2012 reconciliations were obtained and reviewed.	Achieved	Completed
2 1900 - Engineering, Survey and Permit Services	5/24/2011	Major	Internal Departmental Policy - Improperly assessed late penalty	12/31/2013	The department has not assessed or collected penalties on accounts since January 2010. Department requested relief from accountability on Dec 4, 2012 for all remaining items identified in the audit and has issued credit memos that closed out the identified penalties from their cost accounting system.	Achieved	Completed
3 2750 - Planning and Community Development	6/7/2011	Major	Ordinance Code Section 17.90.030 - Not monitoring collection and disbursement of park development fees	12/31/2012	The department worked with County Counsel to revise the disbursement process prescribed in the ordinance, and the revised ordinance was approved by the Board on Aug 7, 2012.	Achieved	Completed
4 2750 - Planning and Community Development	6/7/2011	Major	Internal Departmental Policy - Trust and Special Revenue Funds	12/1/2012	The department hired a new permanent accountant that is responsible for reconciling according to the internal departmental policy. The November 2012 reconciliations were obtained and reviewed	Achieved	Completed
5 2750 - Planning and Community Development	6/7/2011	Major	Internal Departmental Policy - No reconciliation of revenue and expenditures to County records	12/1/2012	The department hired a new permanent accountant that is responsible for reconciling according to the internal departmental policy. The November 2012 reconciliations were obtained and reviewed	Achieved	Completed

Attachment C

DECEMBER 31, 2012 COMPLIANCE AND ACCOUNTABILITY FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
6 2180 - District Attorney	6/28/2011	Major	<i>Administrative Bulletin No. 4 - Cash Handling and Bank Reconciliation</i>	10/31/2012	As of December 1, 2012 the department provided reconciliations current through the month of October.	Achieved	Completed
7 2760 - Animal Control	8/9/2011	Major	<i>Internal Departmental Policy - Contract Compliance</i>	9/11/2012	The department has implemented a policy outlining specific procedures for invoicing revenues, processing payables, and monitoring compliance of vendors.	Achieved	Completed
8 8997 - Kern Medical Center - Inventory	2/14/2012	Significant Deficiency REPEAT FINDING	<i>Internal Departmental Policy - Annual physical inventory count at year-end or near year-end and adjustment of financial statement balance accordingly</i>	6/30/2013	The annual physical inventory count for fiscal year ended June 30, 2012 was performed. Adjustments to the sales-taxes was processed and procedures have been established.	Achieved	Completed
9 8997 - Kern Medical Center - Pension Plan for Physician Employees	2/14/2012	Material Weakness REPEAT FINDING	<i>Internal Revenue Code Section 414(d) - Loans from Fund B not permitted during previous audit are not resolved</i>	Unknown	Amendment No. 12 to the Pension Plan for Physicians was adopted April 17, 2012 allowing loans from Fund B. In addition, the Pension Plan was amended and restated as of January 1, 2013 addressing the loans as well as other issues identified in the Audit in one single document.	Achieved	Completed
10 2415 - Fire	4/17/2012	Significant Deficiency	<i>County Policy and Procedures, Chapter 4 - Vehicle spare parts, materials, warehouse materials, and supplies inventory not current</i>	9/30/2012	The department has hired a permanent Store Keeper to manage the warehouse. An ongoing inventory is now maintained the department.	Achieved	Completed

Attachment C

DECEMBER 31, 2012 COMPLIANCE AND ACCOUNTABILITY FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2012 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2012	Estimated Date of Compliance
11 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency	<i>Internal Departmental Policy</i> - Inadequate cash handling procedures	12/31/2012	The department implemented formal written policies for cash handling at various location. In addition, staff were instructed in polices for deposits, receiving payment from patient, issuing receipts and reimbursement from the Patient Trust.	Achieved	Completed
12 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency	<i>Administrative Bulletin #1</i> - Proper classification of petty cash, revolving fund, and cash difference fund	12/31/2012	The department has requested for the Auditor-Controller to reclassify the funds to match the current use of the funds.	Achieved	Completed