

Kern County Administrative Office



County Administrative Center

1115 Truxtun Avenue, Fifth Floor • Bakersfield, CA 93301-4639
Telephone 661-868-3198 • FAX 661-868-3190 • TTY Relay 800-735-2929

JOHN NILON
County Administrative Officer

February 10, 2015

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

DECEMBER 31, 2014 COMPLIANCE AND ACCOUNTABILITY REPORT **Fiscal Impact: None**

County Ordinance Code 2.01.010 requires the County Administrative Office to 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

Audit Requirements

Government Code Section 25250 requires the Board of Supervisors to at least biennially examine and audit, or cause to be audited, the financial accounts and records of all officers having responsibility for the care, management, collection, or disbursement of money belonging to the County or money received or disbursed by them under authority of law. The Board of Supervisors, by resolution dated June 13, 1956, adopted Government Code Section 26883 that gave the Board of Supervisors the power to require the Auditor-Controller to perform the audits of any department, office, board or institution under the Board of Supervisor's control including the requirement of Government Code Section 25250.

In general, an audit is an assessment of information aimed to determine the accuracy of information, provide insight and propose recommendations to improve. The audit scope depends on the focus, extent, and boundary of a particular engagement. Audits may be financial, compliance, or operational based and may vary significantly depending on the department and the objective. To fulfill biennial audit requirements, the Auditor-Controller's audit division primarily performed compliance audits for each County department. Compliance audits include assessing the adequacy of internal controls and examining, on a test basis, compliance with statutory requirements and the policy and procedures applicable to the department. On occasion, the Auditor-Controller audit division has performed additional auditing services such as financial statement audits and has performed other agreed upon procedures. The Auditor-Controller also contracts an independent certified public accountant (CPA) for specialized audits including those requiring an independent audit report and for audits they choose not to perform.

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 in which the Administrative Analysts and the County Compliance and Accountability Officer reviews audit findings with departments, ensures procedures are documented, and identifies 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 the County Administrative Office within 45 days of the audit report. All departments have submitted plans for internal audits as required for this report. However, two audits were completed during the reporting period, but their corrective action plans were not due, so they will be included in the next compliance and accountability update. Audits with corrective action plans not yet due as of December 31, 2014:

Department	Audit Report Date	Report Opinion	Corrective Action Plan Due Date
Treasurer-Tax Collector (TTC) Investment Policy Compliance*	12/02/14	Unmodified	01/16/15
TTC Statement of Money in the County Treasury	12/02/14	Unmodified	01/16/15

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

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

Department	Audit Report Date	Report Opinion	Attachment A Page #
Farm and Home Advisor	05/20/14	Modified	A-1
TTC Statement of Money in the County Treasury	06/03/14	Unmodified	Not Required
Roads and Kern Regional Transit	06/24/14	Modified	A-2
Board of Trade	06/24/14	Unmodified	Not Required
Waste Management	06/24/14	Unmodified	Not Required
California County Tobacco Securitization**	06/24/14	Unmodified	Not Required
General Services	07/22/14	Modified	A-3
Catamaran Prescription Claims	07/29/14	No Opinion	Not Required
TTC Statement of Money in the County Treasury	09/16/14	Unmodified	Not Required
Sheriff-Coroner	09/23/14	Modified	A-4
Child Support Services	09/30/14	Unmodified	Not Required
Information Technology Services	10/07/14	Unmodified	Not Required
Assessor-Recorder	10/07/14	Unmodified	Not Required
Board of Supervisors	10/21/14	Unmodified	Not Required
Animal Services	10/21/14	Modified	A-5
County Administrative Office	10/28/14	Unmodified	Not Required
Automobile Insurance Fraud and Workers' Compensation Insurance Fraud Programs*	10/28/14	Unmodified	Not Required
Clerk of the Board of Supervisors	11/04/14	Unmodified	Not Required
Mental Health Services	11/11/14	Modified	A-6
California Governor's Office of Emergency Services, California Board of State and Community Corrections, Office of Traffic Safety, and Department of Justice Grants*	11/11/14	Unmodified	Not Required

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

** Audit performed by Macias Gini and O'Connell LLP, not Kern County Auditor-Controller.

Many of the departments have achieved compliance on some of the findings identified in the audit reports. If compliance was not achieved for a specific finding by December 31, it is indicated as “In Progress” and the County Compliance and Accountability Officer will continue to work with the department to assist 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, 2015 Compliance and Accountability Report to your Board.

Follow-up Reviews on Previous Compliance Reports

In addition to the new audits that went to your Board in the past six months, a separate follow-up report on outstanding, unresolved audit findings from the June 30, 2014 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 help departments resolve these items by the next report due to your Board. It is imperative that department heads are proactive in this process, as they are ultimately responsible for the success of their department’s internal control processes. Follow-up findings that have been resolved during this reporting period are listed on Attachment C.

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

Department	Audit Report Date	Area of Concern	Attachment B Page #
Kern Medical Center	05/22/12	Cash	B-1
Kern Medical Center	08/21/12	Accounts Payable	B-1
Kern Medical Center	08/21/12	Payroll	B-2
Mental Health	12/11/12	Charges	B-3
Planning, Community Development, Development Services Agency	11/05/13	Grants, Employee Performance Review, Claims	B-4
Engineering, Surveying and Permit Services	02/25/14	Trust Fund	B-5
District Attorney	02/25/14	Checkbuster, Accounts Receivable	B-5
Kern Medical Center*	02/25/14	Receivables and Related Revenues	B-6
Kern Medical Center*	02/25/14	Receivables and Related Revenues	B-6
County's Single Audit*	04/29/14	Receivables and Related Revenues	B-6

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

CONCLUSION

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

Therefore, IT IS RECOMMENDED that your Board receive and file the December 31, 2014 Compliance and Accountability Report.

Sincerely,


for John Nilon
County Administrative Officer

JN:KB:BUD_COMP Dec 2014 Report

Attachments

cc: All Department Heads

COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Budget Unit: 6310

Department: Farm and Home Advisor

Audit Issued: May 20, 2014

Corrective Action Plan Received: Yes

Audit Period: FYE June 30, 2013 and 2012

Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2014	Estimated Date of Compliance
1 Kern County Administrative Policy and Procedure Manual (KCAPP) Section 1117.2 Vehicle Home Retention, Chapter 11 Exhibit A Policy for County Vehicle Use, Chapter 11 Section 1108 Credit Cards, Internal Control - Integrated Framework by COSO - Information and Communication and Monitoring Activities	Significant Deficiency	Capital Assets and Equipment - The following deficiencies were noted: a. A vehicle home retention assignment had no authorization or daily mileage records. b. Fourteen individuals did not sign the annual Policy for County Vehicle Use form. c. Daily mileage records were not kept and therefore unable to verify fuel usage. d. A lost fuel card was never cancelled.	The department obtained the required paperwork as recommended by the Auditors. They implemented additional controls by using the forms function in Time, Reporting, and Account Costing System (TRACS) to distribute, track, and maintain compliance. The department instituted procedures to track mileage of County vehicles to verify fuel usage. The lost fuel card was cancelled and all drivers were notified of proper protocols.	Achieved	Completed

COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Attachment A

Budget Unit: 3000, 8998

Department: Roads and Kern Regional Transit

Audit Issued: June 24, 2014

Corrective Action Plan Received: Yes

Audit Period: FYE June 30, 2013 and 2012

Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2014	Estimated Date of Compliance
1 Kern County Treasurer and Tax Collector Cash Management Handbook, Internal Control - Integrated Framework by COSO - Control Environment and Risk Assessment	Significant Deficiency	Lag Time of Deposit - Eleven checks totaling \$18,907 were deposited between four to 15 days after receipt.	Cash handling and deposit procedures were developed to process deposits daily. The department hired sufficient personnel and developed coverage assignments that ensure timely deposits. Recent review indicates that all deposits were made within the three day audit recommendation.	Achieved	Completed

COMPLIANCE AND ACCOUNTABILITY

POST AUDIT REVIEW SUMMARY

Budget Unit: 1610, 1615, 1640, 1650, 1960, 8950

Department: General Services

Audit Issued: July 22, 2014

Corrective Action Plan Received: Yes

Audit Period: FYE June 30, 2013 and 2012

Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2014	Estimated Date of Compliance
Kern County Administrative Policy and Procedures Manual (KCAPP) Section 136 Performance Evaluations, Section 110.2 Step Level Increments Procedure, Internal Control - Integrated Framework by COSO - Information and Communication	Significant Deficiency	Timely Employee Performance Review (EPR) and Change of Employment Status (CES) - The following EPR and CES deficiencies were noted: a. Seventeen CESs were done an average of 68 days after effective date. b. Nine EPRs were done an average of 72 days after due date. c. Two employees did not receive and EPR ranging approximately two to four years. d. Two employees received increment raises without an EPR.	The department has submitted all applicable outstanding EPRs and CESs as required and has significantly reduced their processing time. Internal processes and controls were enhanced to include an EPR tracking, frequent reviews, and followup to continually remain in compliance.	Achieved	Completed

COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Budget Unit: 2210
Department: Sheriff-Coroner
Audit Issued: September 23, 2014

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2013 and 2012
Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2014	Estimated Date of Compliance
1 Internal Control - Integrated Framework by COSO - Control Environment and Control Activities	Significant Deficiency PARTIAL REPEAT	Lerdo Supplies Warehouse System and Procedures - The Warehouse Inventory Tracking System (WITS) records for six items did not reconcile with the physical inventory count. WITS reported some items with negative balances.	The department is in progress of developing a new Warehouse Inventory System, I-Order, that will allow greater accountability and oversight. Once implemented the department plans to perform monthly spot-checks and full bi-annual physical counts to verify the accuracy.	In Progress	2/2/2015
2 Kern County Administrative Policy and Procedures Manual (KCAPPM) Section 409.2.2 Inventory Procedures and Section 406 Department Equipment Records and Section 408.1 Equipment Control Vehicles	Significant Deficiency PARTIAL REPEAT	Capital Asset Equipment Inventory and Records - The following equipment and capital asset deficiencies were noted: a. The department did not conduct a physical inventory count to validate the equipment list submitted with the inventory affidavit. b-1. The Capital Asset Program included four assets that were not located and eight assets that were no longer in-service. b-2. Two donated vehicles did not have records supporting valuation or Board approval of acceptance. b-3. Eight ovens were not included in the Capital Asset Program. b-4. Three vehicles included in Capital Asset Program were not included in the department's internal fleet inventory list. b-5. Thirteen vehicles were not included in the Capital Asset Program.	a. The department has begun training staff on proper inventory tracking procedures while performing physical inventories at their locations. The department has not completed all locations and staff, but intends to. b. Inventory Adjustment Requests were completed for items that were not located or no longer in service. Asset were added into the Capital Asset Program and the department's internal fleet inventory list. The department intends to verify equipment bi-annually and to reconcile the department's internal fleet inventory list with the Capital Asset Program.	In Progress	12/31/2015
3 KCAPPM Section 110.2 Step Level Increments Procedure, Internal Control - Integrated Framework by COSO - Information and Communication	Significant Deficiency PARTIAL REPEAT	Payroll - Eleven Change of Employee Status (CES) sampled were not prepared timely.	Sometimes unique situations occurred that prolonged the distribution and hindered the ability to timely prepare CES. The department has already started making improvements and plans to further increase oversight and accountability to continue to decrease the average processing time. Staff was advised and a tracking log implemented to provide updated information.	In Progress	2/28/2015

COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Budget Unit: 2760

Department: Animal Services

Audit Issued: October 21, 2014

Corrective Action Plan Received: Yes

Audit Period: FYE June 30, 2014, 2013 and 2012

Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2014	Estimated Date of Compliance
Internal Control - Integrated Framework by COSO - Control Activities	Significant Deficiency	Trust Fund Reconciliation - The department did not reconcile Trust Fund 22022 with the County's Financial Management System (FMS).	The department performed a comprehensive reconciliation and determined that all funds should be transferred to the department's operating fund. The department anticipates making the transfer from its trust fund to its operating fund and then subsequently closing the fund.	In Progress	6/30/2015

1

COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Budget Unit: 4210, 4123
Department: Mental Health Services
Audit Issued: November 11, 2014

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2013 and 2012
Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/2014	Estimated Date of Compliance
1 Administrative Bulletin No. 2, Internal Control - Integrated Framework by COSO - Control Environment - Control Activities and Information and Communication and Monitoring Activities	Significant Deficiency REPEAT	Employer's Benefit Cost - The following deficiencies were noted in the department's method of allocating costs to programs, grants and other County departments: a. Employees' benefit costs were indirectly allocated rather than the actual. b. Total salaries and benefits allocated to each program did not reconcile to County's Financial Management System (FMS).	The department has implemented the Auditor-Controller's Cost Time Reporting and Account Costing System (TRACS) and is in progress of developing a new cost allocation system that would allow department to account for cost in a more precise manner.	In Progress	6/30/2015
2 Internal Control - Integrated Framework by COSO - Control Environment and Control Activities and Information and Communication and Monitoring Activities	Significant Deficiency	Cost Report - The following deficiencies were noted in the department's Cost Report: a. Non-salary expenditure costs were indirectly allocated to programs rather than the actual. b. The department allocated cost for Crisis Stabilization Unit Day Services using incorrect units of service. c. The department included reversal of accruals and abatement of contract costs in the administration cost center rather than the actual cost center. d. The department did not correctly report the indirect cost on forms MH1960 and MH1965. e. The department did not reconcile cost settled with providers with the final settlement with the State.	a. The department is in the process of implementing their cost allocation plan that will eliminate the discrepancy in future years. b. The department made programming changes to their billing system (Anasazi) allowing for the use of reports that do not require additional data entry to reduce the likelihood of mathematical errors. c. The department advised staff on proper process for abatements and accruals and will categorize them appropriately when preparing the cost reports. d. The department is in the process of implementing their cost allocation plan which will allow for proper completion of form MH1960 and MH1965. e. The department is in process of expanding the contract boilerplate to allow recapture from the already included State's preliminary settlement (reconciled cost report) to the State's final settlement (audit), if applicable.	In Progress	6/30/2015

Attachment B

DECEMBER 31, 2014
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2014	Estimated Date of Compliance
1 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency	Internal Departmental Policy - Cash count shortages.	12/31/2014	The department conducted a surprise cash count and indicated that they are in the process of updating policy. At this time the department has not provided a written policy; until the policy is completed and disseminated to employees the recommendation is not complete. The County Administrative Office is awaiting documentation.	In Progress	6/30/2015
2 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency REPEAT	Internal Departmental Policy - Bank account reconciliation.	12/31/2014	The department completed reconciliations; however, they are not reconciling to the revolving fund authorized amount. Until reconciliation are complete and the department trains employees, the recommendation is not complete.	In Progress	6/30/2015
3 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency	KCAPPM Section 523.3 and .4 - Replenishment of petty cash.	12/31/2014	During the cash count, it was determined that petty cash usage was limited to small purchases by the Finance division. The Department is required to return the petty cash to the Auditor-Controller if the funds are not needed or to request a reclassification of the funds. This request was not completed and a policy was not implemented. At this time, the department is using the County policy and does not have a department specific policy that will address future deficiencies. Until the policy is completed and disseminated to employees, the recommendation is not complete.	In Progress	6/30/2015
4 8997 - Kern Medical Center - Accounts Payable	6/14/2011 8/21/2012	Major / Significant Deficiency REPEAT	Departmental Policy Internal Control Weakness - Review system for accruals and reverse accruals.	12/31/2014	Department has implemented interface between their accounts payable system and the Auditor's Claim system. This process will assist with the accrual process; however, 100% accuracy cannot be achieved in the accrual process due to the use of estimates when invoices are not available. The Department needs to evaluate the purchasing process from ordering to payment of invoices to determine if there is a better method of accruing.	In Progress	6/30/2015

Attachment B

DECEMBER 31, 2014
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2014	Estimated Date of Compliance
5 8997 - Kern Medical Center - Accounts Payable	6/14/2011 8/21/2012	Major / Significant Deficiency REPEAT	Internal Departmental Policy - Not paying claims timely.	12/31/2014	The new CFO continues to evaluate the cash flow to allow for timely payment to vendors.	In Progress	6/30/2015
6 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.	12/31/2014	The practice of banking holidays was discontinued in November 2010. Bank holidays are now a part of the compensatory time balance in the payroll system; with the exception of those employees with previous balances, and those with banked holidays that exceed the 120 hour policy. The department needs to obtain the Board of Supervisor's authorization in order for Auditor-Controller to upload into the County's payroll system.	In Progress	6/30/2015
7 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.	12/31/2014	The department implemented an attendance system which requires employees to scan their thumb in order to clock in and clock out. Kern Medical Center has identified this as a desired feature. The implementation corrections identified required the department to update the pay rules per classifications and assignments. Pay rules were updated and programmed in the system. The department will continue to monitor and correct errors identified.	In Progress	6/30/2015
8 8997 - Kern Medical Center's Payroll	8/21/2012	Significant Deficiency	KCAPPM Section 120.8 - The department does not keep records of vacation and sick leave for physician and residents in the County's Payroll system.	12/31/2014	The department has been keeping vacation and sick leave accruals off the system, since in the past they were told that the system cannot accommodate the physician and residents' accrual. The department is still reviewing to determine if the balances could be added to the system.	In Progress	6/30/2015

Attachment B

DECEMBER 31, 2014
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2014	Estimated Date of Compliance
9 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 on-call coverage. The calculation of availability requires payroll staff to manually adjust.	12/31/2014	The department is currently monitoring on-call activity to ensure that contracts are adjusted for those physician providing more than the anticipated on-call coverage.	In Progress	6/30/2015
10 4210, 4123 - Mental Health Services	12/11/2012	Significant Deficiency	Administrative Bulletin 2, Office of Management and Budget / Charges - The following deficiencies of allocating costs to programs, grants and other departments were noted: a. Employees' benefit costs were indirectly allocated rather than the actual. b. Total salaries and benefits allocated to each program did not reconcile to County's Financial Management System (FMS).	12/31/2014	The department has implemented the Auditor-Controller's Cost Time Reporting and Account Costing System (TRACS) and is in progress of developing a new cost allocation system that would allow department to account for cost in a more precise manner.	In Progress	6/30/2015

Attachment B

DECEMBER 31, 2014 COMPLIANCE AND ACCOUNTABILITY FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2014	Estimated Date of Compliance
11 2750, 5940, 2730 - Planning, Community Development, Development Services Agency	11/5/2013	Significant Deficiency	Single Audit Act / Grant Compliance - The department did not obtain monitoring letters, a required document describing the conditions of the project. The department did not obtain the required single audit reports.	12/31/2014	The department has identified the entities requiring a single audit report. None were required for fiscal year 2012/2013 and the two required for fiscal year 2013/2014 are due March 31, 2015 and have not yet been received. Monitoring letters were sent and most were received except for a few entities that have not responded despite numerous requests. The monitoring activities to track grant sub-recipients requirements were enhanced and the department is currently still in progress with enforcing.	In Progress	6/30/2015
12 2750, 5940, 2730 - Planning, Community Development, Development Services Agency	11/5/2013	Significant Deficiency	KCAPP Section 136 / Timely Employee Performance Review (EPR) - Twenty-three EPRs were done beyond thirty days from the due date.	12/31/2014	The department acknowledges the importance and necessity of providing employee EPRs. Staff has been advised to complete EPRs timely and to bring all outstanding EPRs current. To assist in this process, reviewers are provided with a list of outstanding EPRs.	In Progress	6/30/2015
13 2750, 5940, 2730 - Planning, Community Development, Development Services Agency	11/5/2013	Significant Deficiency	Internal Control Weakness / Claim Processing - Seven claims indicated that the approval for payment was made beyond thirty days from the invoice date.	12/31/2014	Staff was advised to acknowledge their receipt of goods and to promptly submit invoices for payment. Some invoices were received much later than the invoice date, so the department began date stamping when received. If additional documentation is required to process the payment, staff was advised to keep copies of requests and backup documents. Although the departments processes have improved, the department's constraints with staffing and more pressing issues has hindered their ability to completely meet the auditor's recommendations.	In Progress	6/30/2015

DECEMBER 31, 2014
 COMPLIANCE AND ACCOUNTABILITY
 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2014	Estimated Date of Compliance
14 1900, 2625, 2620 - Engineering, Surveying and Permit Services	2/25/2014	Significant Deficiency	Internal Control Weakness / Trust Fund - Automated trust system and general ledger were not reconciled for the Mobile Home Permanent Foundation and Building Inspection and Completion Bond Trust Funds. Information wasn't readily available to determine the department's operating funds and those owed to customers or the State.	12/31/2014	The department is still in progress of determining the status of older permits in the Mobile Home Permanent Foundation Trust. Due to the many years of activity, this is an intensive process requiring research. The department will continue to research the permits to determine the appropriate steps to disburse the funds so that only active permits remain in the trust. The department has exhausted all efforts to locate depositing parties of the Completion Bond Trust. County Counsel determined the funds of unlocated applicant should be transferred to the Building Inspection Fund.	In Progress	6/30/2015
15 2180, 2200 - District Attorney	2/25/2014	Material Weakness REPEAT	Internal Control weakness / Cash Handling Checkbusters - The trust fund was not reconciled to the revolving fund balance, which would have revealed an excessive balance. An employee was responsible for accepting cash payments, issuing receipts, preparing deposits, creating deposit, and reconciling.	12/31/2014	The department has determined that the remaining excess in the fund is the initial deposit, fees, and interest earnings and is confident that there are no customer or vendor dollars included. The department determined that all collections and payments were processed in synchronization where a deposit went into the fund by a customer only to be made with a corresponding payment to the vendor. The trust fund became inactive as the department reconsidered their operations and disbanded the Checkbuster unit. The auditor's recommendation to transfer the excess balance to the operating fund is scheduled to take place by the end of this fiscal year and subsequently the fund will be closed. Further performance of an analysis to segregate the duties is no longer applicable since the Checkbuster unit was disbanded.	In Progress	6/30/2015

Attachment B

**DECEMBER 31, 2014
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY**

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/2014	Estimated Date of Compliance
16 2180, 2200 - District Attorney	2/25/2014	Significant Deficiency PARTIAL REPEAT	Internal Control Weakness / Accounts Receivable - The department stopped updating the discovery accounts receivable list and sending billings for their outstanding balances.	12/31/2014	The department has updated their discovery account receivable list and has sent quarterly bills for outstanding balances. The department is in progress of reviewing their processes to evaluate an appropriate resolution for a prudent method of collection while also considering the staffing requirements. The department is in progress of evaluating other billing and cashing systems that may provide better controls and efficiencies.	In Progress	6/30/2015
17 8997 - Kern Medical Center	2/25/2014 4/29/2014	Material Weakness	Internal Control Weakness / Receivables and Related Revenues - Receivables and related revenues were not always supported. Upon further review some accounts were determined to need adjustments.	12/31/2014	As of July 2013, the department engaged an independent consulting firm with expertise in state indigent program revenue. The consulting firm identified prior year overstated receivables and provided a liability schedule. The consulting firm assists in reviewing the cost reports and training staff on implementing proper procedures to maintain adequate records and understanding funding models.	In Progress	6/30/2015

DECEMBER 31, 2014
 COMPLIANCE AND ACCOUNTABILITY
 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/14	Estimated Date of Compliance
1 2760 - Animal Services	9/11/2012	Significant Deficiency	Ordinance Code Section 3.24.090 / Payroll - Minimum two hour payment of call-back overtime while on previous advice of standby pay.	12/31/2014	A change of terms or conditions of employment requires a "meet and confer" process with employee unions. The process is beyond the control of the department and for that reason it was not considered a repeat finding in the subsequent audit. The department implemented a written procedure indicating their process until the Memorandum of Understanding (MOU) is amended or ordinance is clarified.	Achieved	Completed
2 Approximately 140 Funds - County Service Areas (CSA)	3/5/2013	Significant Deficiency	Government Code 25210.7 / Incorrect Assessment Charges - Incorrect assessment collections from incorporated parcels.	12/31/2014	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.	Achieved	Completed
3 Approximately 140 Funds - CSA	3/5/2013	Other Matter	Proposition 4 Gann Limit / Proposition 4 - Noncompliant with Proposition 4 Gann Limit: a. CSA 18 and 38 noncompliant during fiscal year ended June 30, 2010. b. CSA 25 noncompliant during fiscal year ended June 30, 2010 and 2011. c. Several CSA have material or excessive cash balances (reserve balances).	12/31/2014	County Counsel has reviewed this matter and determined that County CSAs are not subject to Proposition 4 limitations. The department will continue to annually review all CSA charges for appropriateness and rates will be adjusted if department determines any excess revenue. Cash reserves and designations for future major maintenance or improvements will continue to be monitored by the department each year as part of the budget process.	Achieved	Completed

DECEMBER 31, 2014
 COMPLIANCE AND ACCOUNTABILITY
 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/14	Estimated Date of Compliance
4 8995 - Airports	11/5/2013	Significant Deficiency	Internal Control Weakness / Trust Fund Maintenance - Fund 22017, Director of Airports Holding Fund, was not adequately maintained. The Automated Trust System was not reconciled to the County's Financial Management System (FMS) and the records of leaseholder security deposits was not accurate.	12/31/2014	The department reconciled the Automated Trust System to FMS and will continue to reconcile on a monthly basis. A better understanding of the system application and trust records were established and written procedures were developed. Procedures to immediately identify new leases and security deposit requirements were developed, including routing instructions on all lease documents to verify receipt and recording of the applicable deposits.	Achieved	Completed
5 8995 - Airports	11/5/2013	Significant Deficiency	Internal Control Weakness / Accounts Receivable Balance - The department did not adequately control accounts receivables. Three accounts were ninety days past due and credit balances indicated possible overpayments were outstanding for more than twenty-one months.	12/31/2014	A complete review of the accounts receivable balance was completed. The department resolved issues identified which included skipped payments and unidentified credits. The department enhanced their staffing and procedures to include monthly reviews of the account receivable report to ensure accuracy by researching anomalies.	Achieved	Completed

DECEMBER 31, 2014
 COMPLIANCE AND ACCOUNTABILITY
 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/14	Estimated Date of Compliance
6 7100, 8991 - Parks and Recreation Department	1/7/2014	Significant Deficiency PARTIAL REPEAT	Government Code 24051, Ordinance Code 4-08.020 inventories, Kern County Administrative Policy and Procedures Manual (KCAPP) Section 406 and 407 / Capital Assets - The department did not submit its certified inventory affidavit timely and the accuracy of the information included was not confirmed. The department's inventory records were not up-to-date, including 129 listed items that had been disposed, two acquired items that were not listed, seven acquired items added untimely in a subsequent fiscal year, one item removed untimely in a subsequent fiscal year of disposal, and four items listed at an incomplete cost.	12/31/2014	The department completed the verification process of the inventory items that were not previously confirmed at the time of the inventory affidavit certification. The Capital Asset Program was updated by removing items that were not located and adding items that were identified. The department implemented procedures to ensure inventory is maintained up to date. The department created inventory forms that now initiate adding, deleting, and changing the locations of assets. The department has trained staff and works with the field staff at various locations to continually verify the accuracy of the Capital Asset Program.	Achieved	Completed

Attachment C

DECEMBER 31, 2014
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/14	Estimated Date of Compliance
7 7100, 8991 - Parks and Recreation Department	1/7/2014	Significant Deficiency PARTIAL REPEAT	Government Code 24353, Internal Control Weakness / Cash Management - The following cash management deficiencies were noted: a. \$33,488 of collections from 2011 were not transferred to county treasury. b. Temporary unauthorized and unnumbered receipts were used when system was inoperable. c. A permit receipt location log was not maintained and seven boat permit books valued at \$5,250 could not be located. d. Nine voided receipts did not have either all copies retained, reason for void, or no supervisor approval. e. The department was not reconciling trust fund 22091 on a monthly basis since May 2012.	12/31/2014	a. Previous collections in the amount of \$33,558 was transferred to the County treasury on August 2, 2013. The department implemented monthly reconciliations and increased oversight for all bank accounts to identify and address variances timely. b. In the event of a power outage or system failure, the department now has an adequate inventoried supply of sequential pre-numbered triple copy receipt books, which are kept in a secure location and authorized for use. All locations have been restricted from using non-authorized receipts. c. Distribution forms were developed to track the chain of custody of boat permit books. All boat permits have been located and accounted for on a log that is continually updated. d. The department established and advised staff on void-handling procedure that requires retaining all voided receipt copies, supervisor approval, and reason for the void to ensure compliance and proper documentation. Void handling procedures were discussed at staff meetings, posted at each workstation that handles reservations, and posted inside the receipt and permit books. e. Security deposit trust fund has been reconciled to current records and maintained on a timely basis.	Achieved	Completed

DECEMBER 31, 2014
 COMPLIANCE AND ACCOUNTABILITY
 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/14	Estimated Date of Compliance
8 1900, 2625, 2620 - Engineering, Surveying and Permit Services	2/25/2014	Significant Deficiency	Internal Control Weakness / Indirect Cost Rate and Revenue - The following indirect allocations were noted: a. Indirect cost rate for all salaries and benefits were allocated despite some employees working directly to specific other tasks. b. Additional 6.25% for rest periods were allocated when break time was already included. c. Vacation, sick, and holiday were allocated twice.	12/31/2014	The department implemented TRACS on March 8, 2014 and the following progress was made: a. The implementation of TRACS allowed the department to calculate separate indirect cost rates for each division. The department developed a number of indirect cost rates to produce a more equitable allocation of the costs. b The implementation of TRACS resolved rest period rates since actual allocation rates per employee will be captured for departmental billing purposes. c. The department changed its allocation of vacation, sick, and holiday during FY 2012-13 to eliminate the additional 15% duplicated charge.	Achieved	Completed
9 2180, 2200 - District Attorney	2/25/2014	Significant Deficiency	Internal Control Weakness / Cash Handling - 19 voided receipts did not have supervisor's approval and reason. Two checks were not recorded in check log. Petty cash fund was used as a change fund and reconciliations were three months behind.	12/31/2014	The department discussed the deficiencies with their existing staff to mitigate the reoccurrence of a repeat finding. The petty cash fund is only being used for its intended purpose and is no longer being used as a change fund. Reconciliations were brought current and are now prepared monthly. The voided receipts and unlogged checks were determined to only pertain to the Checkbuster unit, which has been disbanded and therefore is no longer applicable.	Achieved	Completed

DECEMBER 31, 2014
 COMPLIANCE AND ACCOUNTABILITY
 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/14	Estimated Date of Compliance
10 8997 - Kern Medical Center	2/25/2014	Material Weakness	Internal Control Weakness / Payroll - Two holiday pay adjustments were made without documenting the reason. Six timecards incorrectly calculated overtime of which two were paid incorrectly.	12/31/2014	Official work schedule rules for some employees were changed to significantly reduce system issues and make more time available to resolve input issues. Employee profiles are entered, updated, edited, and disabled to reflect appropriate and accurate application. This was not considered a repeat finding in the subsequent audit.	Achieved	Completed
11 8997 - Kern Medical Center County Single Audit	2/25/2014 4/29/2014	Material Weakness	Internal Control Weakness / Payroll - One employee's overtime was not approved. One employee's hourly rate was not properly supported or approved. One employee's hours was charged to an incorrect category.	12/31/2014	The department has identified the cause of each finding and has attempted to implement additional controls to mitigate future reoccurrences. Controls added include restricting time card edits and approvals to only managers, improved communication, and improved payroll processing time. Effective January 2014, increments were restricted to only be given with accompanying performance evaluation. The department will track payroll corrections in order to hold managers accountable, provide training, and reemphasize appropriate processing. This was not considered a repeat finding in the subsequent audit.	Achieved	Completed
12 8997 - Kern Medical Center County Single Audit	2/25/2014 2/25/2014 4/29/2014	Material Weakness	Internal Control Weakness / Inventory - The inventory count performed by a third party was not accurate.	12/31/2014	Although the department communicated the inventory procedures, the third party was unfamiliar with the complex hospital practices and inventory storage. In fiscal year 2014-2015 the department plans to implement tools and methodology with KMC's knowledgeable staff in developing and conducting a better inventory process. This was not considered a repeat finding in the subsequent audit.	Achieved	Completed

Attachment C

DECEMBER 31, 2014
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/14	Estimated Date of Compliance
13 8997 - Kern Medical Center County Single Audit	2/25/2014 4/29/2014	Material Weakness	Internal Control Weakness / Patient Billing Pharmacy Error - On May 10, 2011 the department began implementing a new pharmaceutical system. The last stage of implementation contained a glitch, in which some billings were not syncing over into the billing system. This resulted in an understatement of accounts receivable and revenue in the amount of \$925,341, \$5,053,733, and \$2,840,785 for the years 2011, 2012, and 2013, respectively.	12/31/2014	The department determined the collectability to be very minimal and therefore the entire balance was written off. The department trained staff to develop a daily fail report to identify accounts that fail to cross over so that staff can back bill the missing items. An interface was established to allow accurate and automated billing . The department will also continue evaluating a fully integrated system. This was not considered a repeat finding in the subsequent audit.	Achieved	Completed

DECEMBER 31, 2014
 COMPLIANCE AND ACCOUNTABILITY
 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/14	Estimated Date of Compliance
14 8997 - Kern Medical Center County Single Audit	2/25/2014 4/29/2014	Material Weakness	Internal Control Weakness / Patient Billing SOC 1 Report - The department outsourced its patient billing. The SOC 1 report for this outsource, did not cover the entire audit period therefore a bridge letter was requested but upon several attempts it was never obtained.	12/31/2014	The bridge letter indicating that controls are properly designed and operating was not available until January 31, 2014 and they subsequently received. This was not considered a repeat finding in the subsequent audit.	Achieved	Completed
15 8997 - Kern Medical Center County Single Audit	2/25/2014 4/29/2014	Material Weakness	Internal Control Weakness / Capital Assets - Items on the Capital Asset list could not be located. Physical capital assets were disposed of, traded in, or sold without notification to the General Accounting department to properly record.	12/31/2014	Assets that could not be located were removed from the capital asset list and reflected in the financial statements. During fiscal year 2014-2015, the department plans to develop tools and methods that improve their processing of capital asset, including performing audits of their capital assets and educating their managers. Additionally, by September 2014, they plan to explore asset tracking tool options, such as a bar coding system.	Achieved	Completed

DECEMBER 31, 2014
 COMPLIANCE AND ACCOUNTABILITY
 FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	June 30, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/14	Estimated Date of Compliance
16 5120, 5220 - Department of Human Services	4/29/2014	Significant Deficiency	Internal Control Weakness, Kern County Administrative Bulletin 39, Collection of Receivables / Collection of Overpayments and Relief of Accountability - The department did not have an adequate process to follow up on overpayments, maximize the collection of overpayments, and identify overpayments eligible for relief of accountability. No relief of accountability was requested between October 2009 and November 2013.	12/31/2014	The department is not in concurrence with the Auditor's finding. To recognize the department's unique nature and requirements, the department collaborated with the County Administrative Office and County Counsel to request an exemption from Administrative Bulletin 39. Administrative Bulletin 39 was revised to include alternate procedures that the department will follow for receivables related to assistance payments in accordance with procedures approved by the Board of Supervisors on September 16, 2014. Although the department felt that their overpayment follow up process was adequate, they did further enhance this area with the addition of four positions to maintain adequate levels of supervision and accommodate increasing caseloads.	Achieved	Completed