

Kern County Administrative Office



County Administrative Center

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JOHN NILON
County Administrative Officer

February 9, 2016

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

DECEMBER 31, 2015 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, 2015 on departmental compliance issues for the period July 1, 2015 through December 31, 2015.

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, except for Kern Medical Center, have submitted their required corrective action plans for their internal audits listed in this report. Kern Medical Center did not provide a sufficient correct action plan for the capital asset audit report dated October 27, 2015 that was due December 11, 2015.

The following four 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 as of December 31, 2015:

Department	Audit Report Date	Report Opinion	Corrective Action Plan Due Date
Treasurer-Tax Collector (TTC) Statement of Money in the County Treasury	11/17/15	Compliance	01/01/16
TTC Investment Policy Compliance*	12/08/15	Unmodified	01/22/16
Farm and Home Advisors	12/15/15	Unmodified	01/29/16
Department of Human Services Revenue Accruals Reconciliation	12/15/15	Adequate	01/29/16

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 #
TTC	05/19/15	Unmodified	Not Required
Parks and Recreation	06/02/15	Unmodified	Not Required
Public Works Department - Engineering, Surveying & Permit Services	06/02/15	Modified	A-1
Kern Medical Center Operating Room Procurement Process	06/23/15	Not Adequate	A-2
Kern Medical Center Inpatient Pharmaceutical Procurement Process	06/23/15	Adequate	A-3
District Attorney	07/14/15	Modified	A-5
Unemployment Internal Service Fund	07/14/15	Unmodified	Not Required
County Service Area*	07/14/15	Unmodified	Not Required
Department of Human Services	09/01/15	Modified	A-6
Kern Medical Center Relative Value Unit	09/01/15	Not Adequate	A-7
Group Health Self-Insurance Program and Retiree Group Health Program	09/01/15	Unmodified	Not Required
Ford City - Taft Heights Sanitation District*	09/15/15	Unmodified	Not Required
Kern Sanitation Authority*	09/15/15	Unmodified	Not Required
TTC Statement of Money in the County Treasury	10/06/15	Compliance	Not Required
Kern Medical Center Capital Assets	10/27/15	Modified	A-8
Liberty Dental Plan Corporation	10/27/15	No Exceptions	Not Required
District Attorney Automobile Insurance Fraud and Worker's Compensation Insurance Fraud Programs*	11/03/15	Unmodified	Not Required

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

Many of the departments have achieved compliance on some of the findings identified in the audit reports. If compliance was not achieved for a specific finding by December 31, 2015 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 will be provided in the June 30, 2016 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, 2015 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 on June 30, 2016. 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 Cash	05/22/12	Cash	B-1
Kern Medical Center Accounts Payable	08/21/12	Accounts Payable	B-1
Kern Medical Center Payroll	08/21/12	Payroll	B-2
District Attorney	02/25/14	Accounts Receivable	B-3
Kern Medical Center Financial Statements*	02/03/15	Receivables and Related Revenues	B-3
County's Single Audit*	04/14/15	Receivables and Related Revenues	B-3
Fire	04/14/15	Payroll	B-3

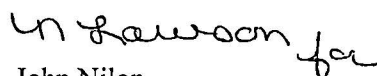
* Audit performed by Brown Armstrong Accountancy Corporation, not Kern County Auditor-Controller.

CONCLUSION

As required by County ordinance, this report provides your Board with an update on department's compliance 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, 2015 Compliance and Accountability Report.

Sincerely,


 John Nilon
 County Administrative Officer

**DECEMBER 31, 2015
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY**

Budget Unit: 1900, 2625, 2620

Department: Public Works Department - Engineering, Surveying and Permit Services

Audit Issued: June 2, 2015

Corrective Action Plan Received: Yes

Audit Period: FYE June 30, 2014 and 2013

Issuing Agency: Kern County Auditor-Controller

	Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/15	Estimated Date of Compliance
1	Kern County Resolution 2008-244 - Revision of Fees, Kern County Ordinance G-7113 Computation of Sewer Facility Impact Fee	Significant Deficiency	Revenue Collection - 18 building permits were issued without the full amount of permit fees collected. 5 permits were inaccurately assessed fees.	The department implemented a new software program in March 2014, which automated the permit payment process with direct interface to their cashier program and fee schedule to reduce human error processing. The system was subsequently enhanced to create a coordinated process of charging and verifying certain permits. The department will continue to monitor the success of the new processing program to ensure compliance with fee ordinances and the department's policy. The department's policy is to issue permits when all fees are collected and any variations require the supervisor's approval.	Achieved	Completed
2	Accounting Matching Principle	Significant Deficiency	Grant Expenditure Reimbursement - The department did not submit a request for reimbursement of grant funds in the amount of \$584,837 on a timely basis.	The grant funds are still available and the department is working with the Fire department on submitting the request for \$584,837. The department assigned additional staff to implement a more prompt submission of reimbursement for grant awards.	In Progress	06/30/16

**DECEMBER 31, 2015
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY**

Budget Unit: 8997

Department: Kern Medical Center Operating Room (OR) Procurement Process

Audit Issued: June 23, 2015

Corrective Action Plan Received: Yes

Audit Period: August 1, 2014 - September 30, 2014

Issuing Agency: Kern County Auditor-Controller

	Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/15	Estimated Date of Compliance
1	Kern Medical Center Internal Policies and Procedures	Areas of Concern Recommendation	Auditor recommended that the department's Policy ADM-LD-400 Equipment (Procurement and Lending and Supplies - Nursing) that was due for review in May of 2010 be updated.	The department's policy was reviewed and is in progress of being updated. The department is evaluating various software to enable automated tracking and notification of policies nearing expiration.	In Progress	06/31/16
2	Internal Control	Areas of Concern Recommendation	Auditor recommended a required supervisor review and initial all OR orders that are prepared and received as being authorized.	The department is in progress of updating their policy to include an OR management review and signature on all orders processed through Q-Sight.	In Progress	06/31/16
3	Internal Control	Areas of Concern Recommendation	Auditor recommended that each position of materials management staff and OR materials procurement staff document their job responsibilities and procedures in writing and make it accessible to all staff to improve the internal control process, and training for new-hires or coverage.	The department is in progress of documenting staff's job duties and making them readily available for staff.	In Progress	06/31/16
4	Internal Control	Areas of Concern Recommendation	Auditor recommended nurses that initiate a surgical procedure billing record be required to review and reconcile it to their notes and an OR nursing supervisor review the reconciliation in a timely manner to improve accuracy. Billings are initiated by a nurse scanning or noting surgical supply items and OR materials staff bills. In one instance a patient's billing record was not closed so the items appeared on the next patient's billing record.	The department's process is to have an OR nurse perform an initial review of supply charges at the close of each case. A second nurse is assigned to daily review and verify all encounters have been completed. Additionally, the OR material manager compares the encounter billing statement to delivery documents. The department is in progress of adding an additional step requiring each OR nurse to validate that they have opened a new encounter prior to starting each surgical procedure.	In Progress	06/31/16
5	Internal Control	Areas of Concern Recommendation	Auditor recommended a system upgrade to produce exceptions report of variances between billing records and final itemized statements to reduce manual reconciliation and ensure accuracy. It is difficult to locate, create, and utilize reports from various software systems to construct an audit trail to the final itemized statement.	The department is in process of evaluating a new electronic medical records systems.	In Progress	06/31/16
6	Internal Control	Areas of Concern Recommendation	Auditor recommended the department's accountants periodically audit the billing department's final itemized statements and the OR's billings records to ensure accuracy from system errors and manual human errors.	The department has performed billing audits on two separate occasions and plans to continue performing audits each quarter.	In Progress	06/31/16

**DECEMBER 31, 2015
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY**

Budget Unit: 8997

Department: Kern Medical Center Inpatient Pharmaceutical Procurement Process

Audit Issued: June 23, 2015

Corrective Action Plan Received: Yes

Audit Period: August 1, 2014 - September 30, 2014

Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/30/15	Estimated Date of Compliance
1 Internal Control and Agreement Terms	Areas of Concern Recommendation	Auditor recommended that the department evaluate the vendor agreement's process for validating supplier prices as they are not sufficiently validated to ensure appropriateness. The agreement only allows the department to verify pricing terms once a year with 60 days advance written notice. The 1999 agreement automatically renews for 1 year periods unless termination notice is provided within 60 days prior to expiration. Auditor recommended a contingency plan be developed to address risks of sourcing services from a single supplier. Risks include inventory control reliance from a vendor owned software/hardware lease that can be abruptly terminated, and potential inventory supply interruptions and abrupt termination.	The prices paid for products are not set by the supplier. Prices paid are set by the group purchasing organization (GPO). The GPO periodically verifies accurate prices based on contract and manufacturers pricing. Supplier software is web-based and accessible from any computer and is continuously updated. In the event of contract termination, the department could obtain services from other suppliers without a contract and possibly higher prices.	In Progress	06/30/16
2 Internal Control	Areas of Concern Recommendation	Auditor recommended an upgrade to software and hardware systems supplied by vendor in 2006 since it is difficult to produce audit support. Auditor recommended the department be able to produce and evaluate the services independently and rely less on supplier to provide information. The department has never been formally trained.	The software is web-based and continuously updated. The supplier will provide training to designated staff so that they can access and retrieve available reports. If a report is not retrievable, vendor will be asked to provide reports.	In Progress	06/30/16
3 Internal Control	Areas of Concern Recommendation	Auditor recommended that the inpatient pharmacy cross-train other staff to administer ordering, receiving, inventorying, and dispensing. Reliance of a single employee's expertise could potentially compromise the effectiveness and contractual obligations if employee was out for an extended period of time.	Two employees have completed hands-on, one-on-one training under the acting pharmacy buyer. The department is in progress of cross-training employees.	In Progress	06/30/16
4 Kern Medical Center Internal Policies and Procedures	Areas of Concern Recommendation	Auditor recommended that the department's Policy PCS-MM-101 (Controlled Substances - Nursing and Physicians Responsibilities Guidelines) and PHA-MN-230 (Controlled Substances - Inpatient Pharmacy Guidelines) that was due for review in April 2014 and May 2013, respectively, be updated.	The department reviewed the policies and procedures and is in progress of updating the policies.	In Progress	06/30/16

**DECEMBER 31, 2015
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY**

Budget Unit: 8997

Department: Kern Medical Center Inpatient Pharmaceutical Procurement Process

Audit Issued: June 23, 2015

Corrective Action Plan Received: Yes

Audit Period: August 1, 2014 - September 30, 2014

Issuing Agency: Kern County Auditor-Controller

	Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/30/15	Estimated Date of Compliance
5	Kern Medical Center Internal Policies and Procedures	Areas of Concern Recommendation	Auditor recommended that the department's Policy PCS-MM-720 (Automated Medication Dispensing System) and PHA-RI-100 (Pharmacy Compliance Process) that was due for review in May 2013 and April 2011, respectively, be updated.	The department reviewed the policies and procedures and is in progress of updating the policies.	In Progress	06/30/16
6	Internal Control	Areas of Concern Recommendation	Auditor recommended that each position of inpatient pharmacy staff document their job responsibilities and procedures in writing and make it accessible to all staff to improve the internal control process, and training for new-hires or coverage.	Job duties are readily accessible on the Kern County Employee Website and the assigned work-duties of technicians by shift and assignment are listed at workstation and checked off daily. The department is currently in progress of cross-training employees.	In Progress	06/30/16
7	Internal Control	Areas of Concern Recommendation	Auditor recommended cross-training employees to provide flexibility, coverage, and additional internal controls so that staff's responsibilities can be rotated.	Job duties are readily accessible on the Kern County Employee Website and the assigned work-duties of technicians by shift and assignment are listed at workstation and checked off daily. The department is currently in progress of cross-training employees.	In Progress	06/30/16

December 31, 2015
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Budget Unit: 2180, 2200
Department: District Attorney
Audit Issued: July 14, 2015

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2014 and 2013
Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/15	Estimated Date of Compliance
3 Internal Control Integrated Framework by COSO and Administrative Bulletin 9	Significant Deficiency REPEAT	Accounts Receivable - The following accounts receivable deficiencies were noted: a) The department's account receivable listing was not kept up-to-date and statements were not issued monthly. b) The department lacked proper segregation of duties over accounts receivable.	The department updated their account receivable listing and is evaluating other billing and cashiering systems that may provide better review and controls. A credit card/check processing system was purchased to eliminate the handling of cash and checks at the front desk. The department is in progress of evaluating options to adequately segregate duties.	In Progress	06/30/16
4 Kern County Administrative Policy and Procedure Manual (KCAPP) Section 1105-1106, 1117 and 1123	Significant Deficiency	County and Private Vehicle Use - The following deficiencies were noted: a) The department did not maintain up-to-date records of the DMV Pull Notice Program. Risk Management was not notified to remove two employees from the DMV Pull Notice Program upon their departure from department. b) The department did not submit 39 employee driver's licenses and authorizations to drive on County business to Risk Management. c) 2 of 41 employees authorized for Vehicle Home Retention (VHR) did not have authorization form on file. 6 VHR were not signed by the department head. 1 employee did not sign his monthly vehicle mileage log.	The department is in the process of providing Risk Management Division with an updated listing of employee driver's license information. The Administrative Services Officer will perform periodic audits of driver's license and insurance reports to remain compliant. On a monthly basis, a Fiscal Support Specialist will be completing VHR reports, and subsequently verified by ASO before submitting to the Auditor-Controller-County Clerk's Office.	In Progress	06/30/16
5 Internal Control Integrated Framework by COSO	Significant Deficiency	Cash Handling - The following deficiencies were noted: a) The department reimbursed the revolving fund for checks that were issued but had not cleared. b) Checks were not being endorsed upon receipt at front desk. c) 9 out of 27 checks examined were deposited 37 to 181 days from the date of receipt. e) 5 out of 48 checks were not recorded in the check log. f) The department was not reconciling the original records of cash and check receipts to the actual deposits. g) The department was not reconciling the \$2,000 revolving fund for Checkbusters' credit card charges.	To mitigate future findings, the department reviewed the findings with their existing staff and is evaluating options to alleviate duties. The department is in progress of updating their reconciliation process to avoid the reimbursement of checks that have not cleared the bank. A credit card/check processing system was purchased which would reduce the amount of checks requiring endorsement. The department is in progress of performing a reconciliation of their revolving fund.	In Progress	06/30/16

DECEMBER 31, 2015
 COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY

Budget Unit: 5120, 5220
 Department: Department of Human Services
 Audit Issued: September 1, 2015

Corrective Action Plan Received: Yes
 Audit Period: FYE June 30, 2014 and 2013
 Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/31/15	Estimated Date of Compliance
1 Contract Terms	Significant Deficiency	Contracts - The Department requested from a vendor but did not receive timely reimbursement of Wraparound Services cost savings of \$36,725.75 for the first quarter of 2014-15.	The department updated their written policy and procedures for the timely re-payment of Wraparound Services cost savings. The department pursued and received payment in July 2015 for the Wraparound Services cost savings for the first and second quarter of FY 2014-15.	Achieved	Completed

**DECEMBER 31, 2015
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY**

Budget Unit: 8997

Department: Kern Medical Center Relative Value Unit (RVU)

Audit Issued: September 1, 2015

Corrective Action Plan Received: Yes

Audit Period: October 1, 2014 to December 31, 2014

Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/30/15	Estimated Date of Compliance
1 Resolution No. 2011-017 Terms	Condition Recommendation	Auditor recommended the resolution that requires department to calculate and accordingly adjust RVU rates and payments within 30 days of the preceding quarter be revised to a more reasonable semiannual frequency. Initially each physician's base RVU compensation payment rate was properly established, however, the rate was not adjusted quarterly. 10 physician's RVU compensation rates were tested and all 10 were over or under compensated each quarter.	Administration is in the process of converting the physicians currently covered by the resolution to individual employment contracts. The estimated RVU compensation is reviewed monthly and adjusted upon individual requests.	In Progress	06/30/16
2 Resolution No. 2011-017 Terms	Condition Recommendation	Auditor recommended department adjust RVU compensation as soon as possible and then subsequently on a semi-annual basis. Since inception, March 2011, the department did not initiate regular adjustments (payment or collection) as resolution requires, only sporadically as individual physicians requested the funds due to them. As of 12/31/14, the department's records indicated the total amount of RVU underpayment due to physicians was \$1,032,690.36 and RVU overpayment due from 2 former physicians was \$576,319.24. No attempt has been made to settle all payments.	The estimated RVU compensation is reviewed monthly and adjusted upon individual requests. Some RVU compensations were requested and settled during the period July - December 2015. According to the department they settled approximately 43 RVU compensation requested.	In Progress	06/30/16
3 Resolution No. 2011-017	Condition Recommendation	Auditor recommended the department identify or contract differently the physicians not required to reimburse RVU overpayments. Auditor recommended that the department evaluate and substantiate the need to compensate and maintain certain physicians that have high RVU overpayments. 2 specialty area physicians were retained despite underachieving according to the RVU compensation model.	Administration is in the process of negotiating and converting the physicians currently covered by the resolution to individual employment contracts. The process includes identifying specialty physicians, adjusting salaries, and revising contractual language as needed.	In Progress	06/30/16
4 Financial Statement Reporting	Condition Recommendation	Auditor recommended that the department properly include the RVU liability or asset annually on department's financial statement. The RVU compensation liability has not been accounted for on previous financial statements.	The department is in progress of updating their written procedures. The department plans to include RVU compensation as part of the accrued payables reconciliation and include the liability in the department's general ledger. As a conservative approach, a corresponding receivable for potential physician overpayments due back to the department will not be recognized in the department's general ledger.	In Progress	06/30/16

**DECEMBER 31, 2015
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY**

**Budget Unit: 8997
Department: Kern Medical Center Capital Assets
Audit Issued: September 1, 2015**

**Corrective Action Plan Received: No
Audit Period: FYE June 30, 2015 and 2014
Issuing Agency: Kern County Auditor-Controller**

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 12/30/15	Estimated Date of Compliance
1 KCAPPM Section 406 and 408	Significant Deficiency	Capital Assets and Equipment - The following deficiencies were noted: a) 22 equipment items in department's list could not be located. 54 assets located did not have a County asset tag. 5 assets did not have a department inventory tag. 2 items located were not included in the County Capital Asset Program. 9 items were not located at specified location. 3 items located were not in operable condition. b) 17 items located were not in the County Capital Asset Program. c) 11 software items were not listed in the County Capital Asset Program and were purchased using a non-capital asset account.	A corrective action plan was not submitted for this issue but department stated that they are in progress of updating their written procedures to improve internal controls and monitoring capital asset and equipment items. In addition the department has engaged a third party consultant to review capital assets as part of the transition to a hospital authority. The department stated they will ensure an accurate equipment tracking system is maintained and communicated with the department's general accounting personnel.	In Progress	06/30/16
KCAPPM Section 407 Government Finance Officers Association	Significant Deficiency	Capital Asset Cost - The following deficiencies were noted: a) A training expense included in the purchase of 3 items was inaccurately capitalized. b) 15 items did not capitalize all applicable costs.	The department did not submit a corrective action plan for this issue but stated that they have reviewed capitalization policies and procedures in accordance with Generally Accepted Accounting Principles and will communicate with staff.	In Progress	06/30/16
KCAPPM Section 406 Department's Internal Policy	Significant Deficiency	Inventory Adjustment Reports - The following deficiencies were noted: a) Equipment Disposal Reports were not submitted for 16 of 22 items that were not located. b) Completion of Equipment Disposal Reports for 6 items were submitted between 90 to 152 days late.	The department did not submit a corrective action plan for this item but stated that they are in progress of reviewing its records and reconciling with the County capital asset program to ensure both inventory records are up-to-date.	In Progress	06/30/16

**DECEMBER 31, 2015
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY**

Budget Unit and Department	Audit Report Date	Finding Level	Violation/Finding	June 30, 2015 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/15	Estimated Date of Compliance
1 8997 - Kern Medical Center Cash	05/22/12	Significant Deficiency	Internal Control Weakness, Department Policy / Cash Count - Cash count of 22 locations revealed the following: 1) 2 shortages of \$30.00 and \$99.15. 2) 1 overage of \$1.25. 3) cash receipts used as a change fund. 4) 8 unauthorized locations, 1 approval, and un replenished.	09/30/15	Staff and management was assigned to implement internal controls and to monitor cash activities. Staff reassessed the purpose and locations of cash funds and updated the Auditor-Controller's official records. Staff implemented surprise quarterly cash counts and reconciliations to determine and investigate any variances that may exist. In June 2015 the department provided staff with a written cash handling policy and procedure. The department is in progress of replenishing all prior outstanding reconciling variances and decreasing cash on hand to minimal levels to reduce inherent risk of theft and loss.	In Progress	06/30/16
2 8997 - Kern Medical Center Cash	05/22/12	Significant Deficiency PARTIAL REPEAT	Internal Control Weakness, Department Policy / Bank Account - \$5,000 revolving fund for credit card service fees contained a shortage of \$31.59.	09/30/15	The department is in progress of providing an up-to-date reconciliation to the authorized revolving fund amount and working with the Auditor-Controller department to replenish the amount paid for credit card service fees.	In Progress	06/30/16
3 8997 - Kern Medical Center Cash	05/22/12	Significant Deficiency	Kern County Administrative Policy and Procedures Manual (KCAPP) Section 523.3 and .4 / Petty Cash Fund - The petty cash log was not updated and the fund was not reconciled monthly or replenished annually.	09/30/15	Staff and management was assigned to implement internal controls and to monitor cash activities. Staff reassessed the purpose and locations of cash funds and updated the Auditor-Controller's official records. Staff implemented surprise quarterly cash counts and reconciliations to determine and investigate any variances that may exist. In June 2015 the department provided staff with a written cash handling policy and procedure. The department is in progress of replenishing all prior outstanding reconciling variances and decreasing cash on hand to minimal levels to reduce inherent risks of theft and loss.	In Progress	06/30/16
4 8997 - Kern Medical Center Accounts Payable	08/21/12	Significant Deficiency PARTIAL REPEAT	Internal Control Weakness, Department Policy / Accuracy of Accruals - Accrual inaccuracies of duplication, period, incomplete, inaccurate, inappropriate, unsupported, exceeded and unadjusted balance.	09/30/15	In 2015 the department filled key management positions that reevaluated the accounts payable process and provided an updated corrective action plan. Staff responsibilities were realigned and additional policies and procedures were implemented for them to follow. The flow of invoices was revised to a more timely manner so that expenses can be properly reviewed and accrued. To ensure accuracy the department plans to have an Accountant perform monthly accounts payable reconciliations and the Accounting Manager review. All accruals are also analyzed, reviewed, and cross checked by the Director of Finance and Chief Financial Officer before they attest to the accuracy of the monthly financial statements that they prepare and present.	In Progress	06/30/16

**DECEMBER 31, 2015
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY**

Budget Unit and Department	Audit Report Date	Finding Level	Violation/Finding	June 30, 2015 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/15	Estimated Date of Compliance
5 8997 - Kern Medical Center Accounts Payable	08/21/12	Significant Deficiency	Internal Control Weakness / Late Payment - Cash flow didn't allow for accounts payable to be paid timely. As of April 2012, the department had approximately \$26 million in accounts payable, of which \$12 million was for invoices received in 2011.	06/30/16	In 2015 the department filled key management positions that reevaluated the accounts payable and revenue cycle process and they provided an updated corrective action plan. Daily cash collections and disbursement schedules and quarterly projections are monitored and analyzed by experienced management staff. Over the past year, the department's cash flow has improved and as a result the credit line liability has significantly dropped. Despite the additional cash flow, insufficient appropriations to continue paying accounts payables continued. An accountant was assigned to continually review and identify accrued invoices that are pending for a long period of time.	In Progress	06/30/16
6 8997 - Kern Medical Center Payroll	08/21/12	Material Weakness PARTIAL REPEAT	Internal Control Weakness / Banked Holidays - In the past the department allowed employees to bank holidays resulting in a liability estimated at \$3 million.	12/31/15	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	06/30/16
7 8997 - Kern Medical Center Payroll	08/21/12	Material Weakness PARTIAL REPEAT	Internal Control Weakness - The department implemented an attendance system that needs additional controls to prevent errors and create efficiencies in the payroll process.	12/31/15	The department implemented an attendance system which requires employees to scan their thumb in order to clock in and clock out. The implementation of 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	06/30/16
8 8997 - Kern Medical Center Payroll	08/21/12	Significant Deficiency PARTIAL REPEAT	KCAPP Section 120.8 - The department does not keep records of vacation and sick leave for physician and residents in the County's Payroll system.	12/31/15	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	06/30/16
9 8997 - Kern Medical Center Payroll	08/21/12	Significant Deficiency PARTIAL REPEAT	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.	12/31/15	The department is in progress of monitoring on-call activity to ensure that contracts are adjusted for those physician providing more than the anticipated on-call coverage.	In Progress	06/30/16

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Budget Unit and Department	Audit Report Date	Finding Level	Violation/Finding	June 30, 2015 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/15	Estimated Date of Compliance
10 2180, 2200 - District Attorney	02/25/14	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.	12/31/15	The department updated their discovery account receivable list and is in progress of sending out 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 automated systems that may provide better controls and efficiencies.	In Progress	06/30/16
11 8997 - Kern Medical Center Financial Statements / County's Single Audit	02/03/15 04/14/15	Material Weakness PARTIAL REPEAT	Internal Control Weakness / State Receivables and Related Revenues - The department did not assess and update their indigent receivable estimates at year end. Revenues and related receivables audit adjustments were needed to decrease MD SPA, IGT SPD, and Hospital Fee by \$8.1 million, \$1.3 million, and \$2.0 million, respectively, and increase DSH SNCP by \$6.6 million.	06/30/16	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. The department agreed to engage consultant on a more frequent quarterly basis to obtain reliable updated estimates of indigent receivables and related revenues.	In Progress	06/30/16
12 2415 - Fire	04/14/15	Significant Deficiency	Kern County Ordinance Code 3.24 Overtime Work, FLSA / Payroll - The following deficiencies were noted: a) The department's redefined workweek for their 12-hour general employee dispatchers resulted in employee FLSA underpayments. Since August 2013 the department has only corrected one employee's pay and has not completed the calculations and payments to the remaining other employees. b) The FLSA calculation to fire safety employees is a manual labor intensive calculation and only one employee in the department knows how to calculate. The FLSA calculation is not reviewed by management before it is sent to the Auditor-Controller's office for review into the payroll system.	12/31/15	a) The department has completed the retroactive payroll calculations for all active fire dispatchers and on June 2, 2015 the Board approved the retro-pay. b) Two employees are now able to perform the FLSA calculation. The department is also working with the Auditor-Controller office to implement a Telestaff and TRAC's interface that reduce the manual labor-intensive FLSA overtime calculation.	In Progress	06/30/16

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Budget Unit and Department	Audit Report Date	Finding Level	Violation/Finding	June 30, 2015 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/15	Estimated Date of Compliance
1 4110, 4113, 4200, 4300 - Public Health Services	03/24/15	Significant Deficiency	Internal Control Integrated Framework by COSO / Grants - The following deficiencies were noted: a) Department included compensatory (comp) time earned that was not paid in cost allocation to Ryan White HIV Care Program. b) Some AIDS Transitional Case Management Program operating costs from March 2013 were billed in February 2013. c) The Child Health and Disability Plan claim included incorrect salary cost for three employees and budgeted indirect rate instead of actual. d) The California Children's Services (CCS) claim included incorrect salaries and benefits costs, incorrect percentage rates, administrative expenditure errors, and budgeted benefit costs rather than actual.	06/30/16	a) Allocation was changed to only include hours worked and cost paid in a program. Comp time is only allocated when taken rather than when earned. b) Staff was retrained to review and only bill for expenses paid in the specific billing period. c) Department combined their time study with Auditor's TRACS system and uses quarterly average actual benefit cost to ensure accuracy. The department retrained staff to review and ensure data is correct. d) Fiscal functions of CCS were consolidated with Public Health so that invoices are now reviewed by program management and an Accountant to ensure accuracy.	Achieved	Completed
2 4110, 4113, 4200, 4300 - Public Health Services	03/24/15	Significant Deficiency	Contract Terms / Contracts - The following deficiencies were noted: a) 2 contracts were not monitored. b) 3 contracts did not have the insurance certificates on file. c) 3 contracts did not have financial statements on file. d) 1 contract was paid more than 60 days from invoice date.	12/31/15	a) The department's fiscal staff vacancies have been filled and rededicated to contract monitoring. The department re-implemented their written policy and procedures of fiscal and compliance contract monitoring. A schedule of agreements is reviewed every 6 months to ensure monitoring is up to date and at this time all 12 contracts are annually monitored. b) Department was made aware that insurance certificates are only maintained in the system for two years and cannot be accessed thereafter. The Department implemented a process to copy the insurance certificates in a file to ensure prior years accessibility. c) Obtaining required financial statements is done through contract monitoring. The department's fiscal staff vacancies have been filled and rededicated to contract monitoring which includes obtaining all required financial statements. d) Since the department has filled the vacant position dedicated to contract monitoring, all contract invoices are reviewed timely and paid in compliance with contractual terms. The department has also cross trained other staff in the event of future turnover.	Achieved	Completed

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Budget Unit and Department	Audit Report Date	Finding Level	Violation/Finding	June 30, 2015 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 12/31/15	Estimated Date of Compliance
3 4110, 4113, 4200, 4300 - Public Health Services	03/24/15	Significant Deficiency	California Public Health Grant Agreement, Internal Control Integrated Framework by COSO / Special Revenue Fund - The following deficiencies were noted: a) Department did not reconcile the Emergency Medical Service Fund's Annual Report to County's Financial Management System (FMS). Fund balance and expenditures reported did not match. b) Department did not transfer \$96,903.68 of allowed administration and discretionary funding from Emergency Medical Services Fund to General Fund. c) The department transferred \$7,052.00 more than actual cost incurred from Hospital Preparedness Fund to Public Health.	12/31/15	a) January 2015 the department reissued a revised Annual Report which reflected accurate expenditures and fund balance matching FMS. The department further implemented a more thorough review process. Annual Reports and monthly spreadsheets are now reconciled to FMS and reviewed for accuracy. b) February 2015 the department transferred the allowable funding to the General Fund. The department implemented weekly reviews of pending transfer logs to ensure complete and timely transfers. c) The department implemented a process to ensure that transactions are reconciled to FMS prior to invoice preparation. The department has submitted a government code refund claim to the California Department of Public Health for acceptance of \$7,052 from the Hospital Preparedness Fund.	Achieved	12/31/16
4 2730, 2750, 5940, 8920, 8921, 8925, 8931, 8932, 8933, 8934, 8936 - Planning and Community Development	05/05/15	Significant Deficiency	Internal Control Integrated Framework by COSO, Department's Administrative Bulletin #9, and Kern County Administrative Bulletin #39 / Accounts Receivable - The following deficiencies were noted: a) Inadequate segregation of duties in Planning division as an employee created, invoiced, adjusted, and posted payment to accounts. No other employee reconciled the actual payment received. b) 9 entries in Planning division's electronic check log did not indicate the receipt number or if deposited. c) Planning division sent accounts to California Services Bureau collections only twice during the audit period. d) An account inactive since 2002 was not included in the Planning division's Relief from Accountability requested in June 2014. e) Community Development division has not sought Relief from Accountability since 2003 although \$291,218 have been identified inactive since 2003.	01/31/16	a) The department segregated the duties of accounts receivable between a Fiscal Support Specialist, an Accountant, and the Planners. The Accountant performs an independent reconciliation of payments received. b) Procedures were revised to require staff to compare the daily cash register printout, check logs, and daily deposits. Entering the appropriate receipt number on check log will ensure checks are deposited. c) The Planning division reviews accounts regularly and sends statements for all past due accounts to applicants on a monthly basis. A list of past due accounts with a copy of statements are provided to Supervising Planners and Division Chiefs for further attempts at collection. After the department has exhausted all efforts to collect, the accounts which have been deemed uncollectible are sent to the collection agency. d - e) The department submitted a request for Relief from Accountability. The department will continue to stringently review accounts and seek Relief from Accountability on an annual basis.	Achieved	Completed