

# Kern County Administrative Office



## County Administrative Center

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JOHN NILON

County Administrative Officer

August 11, 2015

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

## **JUNE 30, 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 June 30, 2015 on departmental compliance issues for the period January 1, 2015 through June 30, 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 have submitted plans for internal audits as required for this report. However, five 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 June 30, 2015:

Department	Audit Report Date	Report Opinion	Corrective Action Plan Due Date
Treasurer-Tax Collector (TTC)	05/19/15	Unmodified	07/03/15
Parks and Recreation	06/02/15	Unmodified	07/17/15
Engineering, Surveying & Permit Services	06/02/15	Modified	07/17/15
Kern Medical Center (KMC) Operating Room Procurement	06/23/15	Modified	08/07/15
KMC Inpatient Pharmacy Pharmaceutical Procurement	06/23/15	Modified	08/07/15

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 Investment Policy Compliance*	12/02/14	Unmodified	Not Required
TTC Statement of Money in the County Treasury	12/02/14	Unmodified	Not Required
Agriculture and Measurement Standards	01/13/15	Modified	A-1
Solid Waste Management Enterprise Fund*	01/13/15	Unmodified	Not Required
Veterans Services	01/27/15	Unmodified	Not Required
Public Health Prop 10 Nurse Family Partnership*	01/27/15	Unmodified	Not Required
Public Health Prop 10 Successful Applications Stipend*	01/27/15	Unmodified	Not Required
Public Health Prop 10 Black Infant Health*	01/27/15	Unmodified	Not Required
KMC Financial Statements*	02/03/15	Modified	A-2
Personnel	02/03/15	Unmodified	Not Required
TTC Deferred Compensation Plans I and II*	02/03/15	Unmodified	Not Required
Kern County's Comprehensive Annual Financial Report*	02/10/15	Unmodified	Not Required
Probation	03/03/15	Unmodified	Not Required
Aging and Adult Services	03/10/15	Unmodified	Not Required
Library	03/10/15	Modified	A-3
KMC Pension Plan for Physician	03/10/15	Unmodified	Not Required
Public Defender	03/17/15	Unmodified	Not Required
Public Health Services	03/24/15	Modified	A-4
TTC Statement of Money in the County Treasury	03/24/15	Unmodified	Not Required
County's Single Audit*	04/14/15	Modified	A-6
Fire	04/14/15	Modified	A-7
Airports	04/14/15	Unmodified	Not Required
County Counsel	04/21/15	Unmodified	Not Required
Planning and Community Development	05/05/15	Modified	A-8
TTC Statement of Money in the County Treasury	05/12/15	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 June 30, 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 December 31, 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 December 31, 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 on December 31, 2015. 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 #
KMC Cash	05/22/12	Cash	B-1
KMC Accounts Payable	08/21/12	Accounts Payable	B-2
KMC Payroll	08/21/12	Payroll	B-2
District Attorney	02/25/14	Accounts Receivable	B-4
KMC Financial Statements*	02/25/14	Receivables and Related Revenues	B-4
County's Single Audit*	04/29/14	Receivables and Related Revenues	B-4

\* 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 June 30, 2015 Compliance and Accountability Report.

Sincerely,  


John Nilon  
 County Administrative Officer

Attachments

cc: All Department Heads

JUNE 30, 2015  
**COMPLIANCE AND ACCOUNTABILITY**  
**POST AUDIT REVIEW SUMMARY**

**Attachment A**

**Budget Unit: 2610**  
**Department: Agriculture and Measurement Standards**  
**Audit Issued: January 13, 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 6/30/2015	Estimated Date of Compliance
1 Internal Control Integrated Framework by COSO	Significant Deficiency  PARTIAL REPEAT	Billing Invoices - The following billing deficiencies were noted: a) 10 of 16 customer invoices tested incorrectly charged hours worked, miles driven, or shipping. b) Invoices were not approved by supervisor. c) Average lag time to invoice date was 101 days.	a-b) The department updated their written procedures and communicated it to their staff to uphold accurate billings. The department now requires actual shipping invoices to be included rather than an estimated cost. Staff, supervisor, and Deputy Director are now required to thoroughly review and initial approving its accuracy before sending to customers. Customer refunds were issued to customers overcharged and going forward invoices were accurate and supported by proper documentation. c) The department revised and communicated their written policy and guideline to emphasize timely billing within 30 days of final inspection for their staff to uphold. Deputy Director is monitoring the individual responsible and holding him accountable to the timely submission. All recent billings were submitted timely.	Achieved	Completed
2 Contractual Requirements	Significant Deficiency	Contracts - 12 of 15 invoices submitted did not meet the contract timely billing requirements. Lag time was 31 to 161 days.	To be in compliance with contract terms, the department updated their written procedures to eliminate any ambiguity and to communicate and uphold timely contract billings within 30 days of each month end or other billing period as specified in the contract. Except for seasonal work, all invoices are required each month regardless of whether work was performed. Duties were reassigned and standards set to allow Deputy Directors to hold responsible staff accountable. All recent contract billings were submitted timely in accordance with contract terms.	Achieved	Completed

**JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
POST AUDIT REVIEW SUMMARY**

**Attachment A**

**Budget Unit: 8997  
Department: Kern Medical Center (KMC) Financial Statements  
Audit Issued: February 3, 2015**

**Corrective Action Plan Received: Yes  
Audit Period: FYE June 30, 2014  
Issuing Agency: Brown Armstrong Accountancy Corporation**

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 6/30/2015	Estimated Date of Compliance
1 Internal Control Weakness	Material Weakness  PARTIAL REPEAT	State Receivables and Related Revenues - KMC did not assess and update their indigent receivable estimates at year end. Upon Auditor's review the following audit adjustments were needed: Decrease audit adjustments to the revenues and related receivables of MD SPA, IGT SPD, and Hospital Fee for \$8.1 million, \$1.3 million, and \$2.0 million, respectively. An increased audit adjustment to the revenues and related receivables of DSH SNCP for \$6.6 million.	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. KMC agreed to engage consultant on a more frequent quarterly basis to obtain reliable updated estimates of indigent receivables and related revenues.	In Progress	6/30/2016

**JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
POST AUDIT REVIEW SUMMARY**

**Attachment A**

**Budget Unit: 6210  
Department: Library  
Audit Issued: March 10, 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 6/30/2015	Estimated Date of Compliance
1 Internal Control Integrated Framework by COSO, Department Procedure Manual - Voided Receipt Guidelines	Significant Deficiency	Voided Receipts - 18 voided receipts did not contain reason, 26 were not signed by supervisor, and 2 did not have all copies intact.	The department communicated to staff the deficiencies and provided instructions to properly issue and void receipts. The department provided employees with a written manual of illustrative and thorough guidelines of voiding receipts. The guide for staff to follow are attached to each receipt book. The weekly Money Report was revised to require a signature indicating compliance verification. Failure to comply will be included in Employee Performance Reports. Additionally, the Director periodically spot checks the receipt books and her recent review indicates that compliance has been achieved.	Achieved	Completed

JUNE 30, 2015  
**COMPLIANCE AND ACCOUNTABILITY**  
**POST AUDIT REVIEW SUMMARY**

**Attachment A**

**Budget Unit: 4110, 4113, 4200, 4300**  
**Department: Public Health Services**  
**Audit Issued: March 24, 2015**

**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 6/30/2015	Estimated Date of Compliance
1 Senate Bill 946, California Department of Public Health Grant Agreement, Internal Control Integrated Framework by COSO	Significant Deficiency	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.	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 is holding the \$7,052.00 overpayment against prior outstanding balance owed to the department.	In Progress	12/31/2015
2 Internal Control Integrated Framework by COSO	Significant Deficiency	Grants - The following deficiencies were noted: a) Department included compensatory (comp) time earned that was not paid in cost allocation to Ryan White Human Immunodeficiency Virus 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 used a 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 costs.	a) Allocation is based on hours worked in each program. When an employee earns comp time, cost is allocated even though it will not be paid until taken because it would be difficult to later identify and allocate. Replacing comp time with paid overtime would make it easy to assign but at this time it is not budgeted. 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.	In Progress	6/30/2016

**JUNE 30, 2015**  
**COMPLIANCE AND ACCOUNTABILITY**  
**POST AUDIT REVIEW SUMMARY**

**Attachment A**

**Budget Unit: 4110, 4113, 4200, 4300**  
**Department: Public Health Services**  
**Audit Issued: March 24, 2015**

**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 6/30/2015	Estimated Date of Compliance
3 Contract Terms	Significant Deficiency	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.	a) The department's fiscal staff vacancies have been filled and rededicated to contract monitoring. The department re-implemented to upholds 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 is evaluating a process to copy the insurance certificates in a file to ensure that prior years can be accessed. c) Obtaining required financial statements is done through contract monitoring. The department's fiscal staff vacancies have been filled and rededicated to contract monitoring so all required financial statements have been obtained. 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.	In Progress	12/31/2015
4 Internal Control Integrated Framework by COSO, Kern County Administrative Policy and Procedure Manual (KCAPP) Section 406 - 409, KCAPP Chapter 8 and 9	Significant Deficiency	Equipment and Capital Assets - The following deficiencies were noted: a) Items in Capital Asset Program incorrectly grouped together at incorrect costs and classifications. 2 capital assets were overstated. b) 17 items in Capital Asset Program could not be located. 2 items located were not included in the Capital Asset Program. c) 14 items in Capital Asset Program did not have locations and 25 items did not indicate expense codes. d) Completion of some Inventory Adjustment Requests (IAR) were six months to three years.	a) Grouped transactions, proper classification of capital asset versus equipment, and entering items correctly was communicated to staff. Staff implementing additional reviews of all transactions monthly and annually to ensure that all inventory is in Capital Asset Program accurately. A recent review indicated that all identified transactions are correctly reported. b) Many unlocated items were old equipment that had previously been surplus, returned to vendor, or sent to auction, but not correctly IAR. Department implemented training and an annual inventory to identify items not processed correctly and has updated their records accordingly. c) The department updated the Capital Asset Program's missing location and expenditure code. Department implemented training and monthly and annual reviews of all newly entered items for accuracy and completeness. d) The department now runs a monthly report to search for any outstanding IARs needing final completion. The Department's review indicates all IARs are now processed timely.	Completed	Achieved



**JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
POST AUDIT REVIEW SUMMARY**

**Attachment A**

**Budget Unit: N/A  
Department: County Single Audit  
Audit Issued: April 14, 2015**

**Corrective Action Plan Received: Yes  
Audit Period: FYE June 30, 2014  
Issuing Agency: Brown Armstrong Accountancy Corporation**

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 6/30/2015	Estimated Date of Compliance
1 Internal Control Weakness	Material Weakness  PARTIAL REPEAT	State Receivables and Related Revenues - KMC did not assess and update their indigent receivable estimates at year end. Upon Auditor's review the following audit adjustments were needed: Decrease audit adjustments to the revenues and related receivables of MD SPA, IGT SPD, and Hospital Fee for \$8.1 million, \$1.3 million, and \$2.0 million, respectively. An increased audit adjustment to the revenues and related receivables of DSH SNCP for \$6.6 million.	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. KMC agreed to engage consultant on a more frequent quarterly basis to obtain reliable updated estimates of indigent receivables and related revenues.	In Progress	6/30/2016

**JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
POST AUDIT REVIEW SUMMARY**

**Budget Unit: 2415  
Department: Fire  
Audit Issued: April 14, 2015**

**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 6/30/2015	Estimated Date of Compliance
1 Kern County Administrative Policy and Procedure Manual (KCAPP) Section 1117.2, Internal Revenue Service Publication 15-B	Significant Deficiency	Home Retention Procedures - Department did not submit monthly Vehicle Mileage Logs for home retention vehicles.	The department was submitting monthly home retention vehicle logs for only four vehicles that they had determined to be non-exempt vehicles. Auditor-Controller's office determine that all general employees that have vehicle home retention must provide monthly reports regardless of the type of vehicle; therefore the department is now providing all as requested.	Achieved	Completed
2 Kern County Ordinance Code 3.24 Overtime Work, Fair Labor Standards Act (FLSA)	Significant Deficiency	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 and entered into the payroll system.	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) Currently in progress of considering revisions to the Memorandum of Understanding (MOU) that could change the way firefighters are paid and reduce manual labor intensive FLSA overtime adjustments. The department will continue to work with the Auditor's department on the implementation of a Telestaff and TRAC's interface to reduce the labor-intensive calculation of FLSA overtime.	In Progress	12/31/2015

**JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
POST AUDIT REVIEW SUMMARY**

**Attachment A**

**Budget Unit: 2730, 2750, 5940, 8920, 8921, 8925, 8931, 8932, 8933, 8934, 8936**  
**Department: Planning and Community Development**  
**Audit Issued: May 5, 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 6/30/2015	Estimated Date of Compliance
1 Internal Control Integrated Framework by COSO, Department's Administrative Bulletin #9, and Kern County Administrative Bulletin #39	Significant Deficiency	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.	a) Department plans to implement a new software program to streamline current processes and reassigned duties amongst the Planning division's limited staff. Meanwhile, an additional staff member will assume responsibilities of creating and monthly reconciling accounts. b) In progress of revising procedure to require the staff to compare the daily cash register printout with the check logs. Entering the appropriate receipt number on check log will ensure checks are deposited. Currently staff compares daily deposits and check log. c) The Planning division will review accounts regularly and send all past due accounts to the collection agency quarterly. d - e) Annually, department will more stringently review to ensure that accounts sent to Collection Agency and more than three years delinquent will be included in a request of Relief from Accountability.	In Progress	1/31/2016

JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/2015	Estimated Date of Compliance
1 8997 - Kern Medical Center (KMC) Cash	5/22/2012	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 unreplenished.	6/30/2015	The department assigned staff and management to implement internal control procedures and to monitor the activities over cash. Staff reassessed the purpose and locations of cash funds and updated the Auditor-Controller's official records. The staff implemented surprise quarterly cash counts and monthly reconciliations to determine and investigate any variances that may exist. In June 2015 the department provided staff involved with cash handling a written policy and procedure. The department is still in progress of replenishing all prior outstanding reconciling variances and decreasing cash on hand to a minimal level to reduce inherent risks of theft and loss.	In Progress	9/30/2015
2 8997 - KMC Cash	5/22/2012	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.	6/30/2015	The department has not provided a reconciliation to the authorized revolving fund amount or replenished the amount paid for credit card service fees.	In Progress	9/30/2015
3 8997 - KMC Cash	5/22/2012	Significant Deficiency	Kern County Administrative Policy and Procedures Manual (KCAPP) Section 523.3 and .4 / Petty Cash Fund - As of May 2011, petty cash log was not updated and fund was not reconciled monthly or replenished annually.	6/30/2015	Staff and management was assigned to implement internal controls and to monitor petty cash activities. The purpose and locations of cash funds was reassessed and the Auditor-Controller's official records updated. The staff implemented surprise quarterly cash counts and monthly reconciliations to determine and investigate any variances that may exist. In June 2015 the department provided staff involved with cash handling a written policy and procedure. The department is still in progress of replenishing all prior outstanding reconciling variances and decreasing cash on hand to a minimal level to reduce inherent risks of theft and loss.	In Progress	9/30/2015

JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/2015	Estimated Date of Compliance
4 8997 - KMC Accounts Payable	8/21/2012	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.	6/30/2015	In 2015 KMC 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. KMC's experienced management will be made available to assist, review, and analyze accruals to provide a rigorous cross check. KMC is in progress of getting all accrued liability accounts reconciled monthly.	In Progress	9/30/2015
5 8997 - KMC Accounts Payable	8/21/2012	Significant Deficiency	Internal Control Weakness / Late Payment - Cash flow didn't allow for accounts payable to be paid timely. As of April 2012, KMC had approximately \$26 million in accounts payable, of which \$12 million was for invoices received in 2011.	6/30/2015	In 2015 KMC 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, KMC's cash flow has improved and as a result KMC's credit line liability has significantly dropped. Despite the additional cash flow, insufficient appropriations to continue paying accounts payables continued to cause significant delays. An accountant was assigned to continually review and identify accrued invoices that are pending for a long period of time.	In Progress	6/30/2016
6 8997 - KMC Payroll	8/21/2012	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.	6/30/2015	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	12/31/2015

JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/2015	Estimated Date of Compliance
7 8997 - KMC Payroll	8/21/2012	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.	6/30/2015	The department implemented an attendance system which requires employees to scan their thumb in order to clock in and clock out. KMC has identified this as a desired feature. 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	12/31/2015
8 8997 - KMC Payroll	8/21/2012	Significant Deficiency  PARTIAL REPEAT	KCAPM Section 120.8 - The department does not keep records of vacation and sick leave for physician and residents in the County's Payroll system.	6/30/2015	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	12/31/2015
9 8997 - KMC Payroll	8/21/2012	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.	6/30/2015	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	12/31/2015

JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
FOLLOW-UP POST AUDIT REVIEW SUMMARY

	Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/2015	Estimated Date of Compliance
10	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.	6/30/2015	The department periodically updates their discovery account receivable list and sends 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	12/31/2015
11	8997 - KMC Financial Statements / County's Single Audit	2/25/2014 4/29/2014	Material Weakness  PARTIAL REPEAT	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.	6/30/2015	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	6/30/2016

JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
FOLLOW-UP POST AUDIT REVIEW SUMMARY

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1 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.	6/30/2015	The monitoring activities to track grant compliance was enhanced. The department has implemented a process to identify entities requiring a single audit report and to obtain when required. The department has also implemented a process to request monitoring letters and continue to follow up with entities until obtained.	Achieved	Completed
2 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.	6/30/2015	The department acknowledges the importance and necessity of providing employee EPRs. Staff has been advised to complete EPRs timely and to assist in this process, reviewers are provided with a list of outstanding EPRs. This was not considered a repeat finding in the subsequent audit.	Achieved	Completed
3 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.	6/30/2015	Staff was advised to acknowledge their receipt of goods and services and to promptly submit invoices for payment. When invoices are received much later than the invoice date, staff was advised to retain date stamps as evidence. If additional documentation is required to process the payment, staff was advised to keep copies of requests or other evidence. The department implemented a procedure to spot check and monitor the timeliness. The department's process and results have improved significantly. This was not considered a repeat finding in the subsequent audit.	Achieved	Completed



JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/15	Estimated Date of Compliance
4 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 Completion Bond Trust. Information wasn't readily available to determine if funds belonged to the department, customers, or State.	6/30/2015	The department went through many years of activity to research and determine the status of old permits. The department took the appropriate steps to disburse the funds so that only active permits remain in the trust. This was not considered a repeat finding in the subsequent audit.	Achieved	Completed
5 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.	6/30/2015	The department 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 department reconsidered their operations and as of March 2014 the Checkbusters program was disbanded resulting in an inactive trust fund that was eventually closed out in June 2015. Segregation of duties is no longer applicable.	Achieved	Completed

JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
FOLLOW-UP POST AUDIT REVIEW SUMMARY

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6 2210 - Sheriff-Coroner	9/23/2014	Significant Deficiency  PARTIAL REPEAT	Internal Control Integrated Framework by COSO / Lerdo Supplies Warehouse System and Procedures - 6 Warehouse Inventory Tracking System (WITS) items did not reconcile to physical inventory count. Some items had negative balances.	2/2/2015	The department developed and implemented a new web-based warehouse supply request and inventory tracking system (iOrder) to allow greater accountability and oversight. A training bulletin, user guide and employee hand book was distributed to instruct and train staff. To periodically verify the accuracy, the department is performing monthly spot-checks and a full physical count was performed on June 19, 2015	Achieved	Completed
7 2210 - Sheriff-Coroner	9/23/2014	Significant Deficiency  PARTIAL REPEAT	KCAPP Section 409.2, 406, 408.1 / Capital Asset Equipment Inventory and Records - The following deficiencies noted: a) No physical count to validate affidavit. b1) Capital Asset Program included 4 unlocated and 8 out of service assets. b2) No valuation or Board approval of 2 donated vehicles. b3) 8 ovens not in Capital Asset Program. b4) 3 vehicles in Capital Asset Program not in fleet inventory. b5) 13 vehicles not in Capital Asset Program.	12/31/2015	a) The department trained staff on proper inventory tracking procedures and performed physical inventories at all locations. All discrepancies noted at physical inventory were added, deleted, or adjusted in the Capital Asset Program and a corresponding memo dated June 18, 2015 was sent to the Auditor-Controller. 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 reconciled the internal Fleet Inventory List with the Capital Asset Program and as of June 30, 2015 there were no outstanding discrepancies. The department intends to continue conducting physical inventory bi-annually and to reconcile internal Fleet Inventory List and Capital Asset Program in future fiscal year-ends. The department will seek board approval for all donated assets and retain support of its basis.	Achieved	Completed

JUNE 30, 2015  
 COMPLIANCE AND ACCOUNTABILITY  
 FOLLOW-UP POST AUDIT REVIEW SUMMARY

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8 2210 - Sheriff-Coroner	9/23/2014	Significant Deficiency  PARTIAL REPEAT	KCAPP Section 110.2, Internal Control Integrated Framework by COSO / Payroll - Eleven Change of Employee Status (CES) sampled were not prepared timely.	2/28/2015	The department has improved EPR and CES oversight and accountability in an effort to decrease the average processing time of CESs. An EPR tracking and distribution log is posted on SheriffNet and available for the entire staff to monitor. Additional emails to management allows them to actively hold their supervisory staff accountable for outstanding EPRs. The department also utilizes the County's recently enhanced EPR program that provides reoccurring email notifications of all upcoming and outstanding EPRs. The recently hired Sheriff's Support Specialist provides additional oversight and checks and balances. Situations and justification of delays are noted on CES to explain and provide an audit trail. An independent review of the last 5 pay periods validated the improved processing time. All CESs in the last 3 pay periods were prepared timely.	Achieved	Completed
9 2760 - Animal Services	10/21/2014	Significant Deficiency	Internal Control Integrated Framework by COSO / Trust Fund Reconciliation - The department did not reconcile Trust Fund 22022 with the County's Financial Management System (FMS).	6/30/2015	The department performed a comprehensive reconciliation and determined that the entire fund belonged to the County. The department transferred the balance from the Trust Fund to the General Fund to close out. Reconciliations of the fund are no longer applicable.	Achieved	Completed

JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
FOLLOW-UP POST AUDIT REVIEW SUMMARY

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10 4210, 4123 - Mental Health Services	11/11/2014	Significant Deficiency	Internal Control Integrated Framework by COSO / Cost Report - The following Cost Report deficiencies were noted: a) Non-salary expenditures were indirectly allocated to programs rather than the actual. b) Incorrect units of service use to allocate Crisis Stabilization Day Services cost. c) Included reversal of contract accruals and abatements in administration cost center rather than the actual cost center. d) Incorrectly reported the indirect cost on forms MH1960 and MH1965. e) Final State settlement not reconciled with provider settlement.	6/30/2015	a) The department implemented Cost Time Reporting and Account Costing System (TRACS) and a new cost allocation plan that allows the department to account for its cost in a more precise manner. 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 errors. c) The department advised staff on the proper process for abatements and accruals when preparing the cost reports. The contractor accruals or corrections are identified on an individual provider basis which allows for proper categorization. d) The department implemented a new cost allocation plan that allows the department to account for its cost in a more precise manner on form MH1960 and MH1965. It segregates the administrative cost between direct and indirect costs as the form requires. e) The department amended their contract boilerplates to allow recapture from the already included State's preliminary cost settlement (reconciled cost report) to the State's final cost settlement (audit), if applicable.	Achieved	Completed

JUNE 30, 2015  
COMPLIANCE AND ACCOUNTABILITY  
FOLLOW-UP POST AUDIT REVIEW SUMMARY

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2014 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 6/30/15	Estimated Date of Compliance
11 4210, 4123 - Mental Health Services	11/11/2014	Significant Deficiency  REPEAT	Administrative Bulletin 2, Internal Control Integrated Framework by COSO / Employer's Benefit Cost - The following deficiencies of allocating costs to programs, grants, and 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 FMS.	6/30/2015	The department implemented TRACS and developed a new cost allocation system that allows the department to account for its cost in a more precise manner. Costs allocated are reconciled to FMS.	Achieved	Completed