

# Kern County Administrative Office



## County Administrative Center

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RYAN J. ALSOP  
County Administrative Officer

February 13, 2018

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

## DECEMBER 31, 2017 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, 2017 on departmental compliance issues for the period July 1, 2017 through December 31, 2017.

### COMPLIANCE REQUIREMENTS AND RESPONSIBILITIES

#### Board of Supervisors' 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 has selected to have the Auditor-Controller perform some of those audits on its behalf, and also considers the engagements performed by others such as independent Certified Public Accountants (CPA), Grand Jury, Information Security Officer, and other agencies to fulfill the requirements. In general, they aim to determine the accuracy of information, provide insight and propose recommendations to improve. The scope depends on the focus and extent of a particular engagement that may be based on financial, compliance, operational, or investigative and may vary significantly depending on the department.

#### County Department's Response and Corrective Action Plan

County departments are responsible for responding directly to auditors and developing a corrective action plan to mitigate findings and attain the recommendations. The corrective action plan is required to be submitted to the County Administrative Office within 45 days of an audit report. All departments submitted their required corrective action plans for their internal audits listed in this report. Additionally, the departments must also provide documentation including written procedures that will help to improve the internal controls that contributed to the findings.

#### County Administrative Office's 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 after the issuance of an audit report. The County Compliance and Accountability Officer reviews audit findings and recommendations with departments, ensures procedures are documented, and identifies probable solutions to the weaknesses and deficiencies identified in the audit reports. Most departments achieve compliance on findings identified in the audit reports within the first six months. If a specific finding is not completely achieved or documented it is indicated as "In Progress" and the County Compliance and Accountability Officer continues to work with the department to assist with remediation. The County Administrative Office performs follow-up reviews and provides an update on "In Progress" items on the next Compliance and Accountability Report to your Board.

**AUDIT, REVIEW, ASSESSMENT, AGREED UPON PROCEDURE, MONITORING, AND OTHER ENGAGEMENTS**

Auditor-Controller

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.

To fulfill the Government Code requirements and provide additional fiscal oversight, the Auditor-Controller primarily performs compliance audits of each County department based on an audit plan approved by the Board of Supervisors. The compliance audits include assessing the adequacy of internal controls and examining, on a test basis, compliance with statutory requirements and the policies and procedures applicable to the department. Audits were conducted in accordance with Generally Accepted Auditing Standards as prescribed by the American Institute of Certified Public Accountants, and set further by the General Accounting Office’s Standards and pursuant to the Government Code. On April 2017, the Auditor-Controller transitioned to audits of compliance and internal controls in conformance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. The standards require that they perform their engagements with proficiency and due professional care; that the internal audit function is subject to a program of quality assurance; and that the results of engagements are communicated. On occasion, the Auditor-Controller’s audit division has performed additional auditing services such as financial statement audits and has performed other agreed upon procedures.

The Auditor-Controller develops the audit plan to ensure there is a process for evaluating potential risks that may be involved with a specific department. The Auditor-Controller has indicated that the Fiscal Year 2017-18 audit plan approved by the Board of Supervisors was created assuming four auditor positions would perform the work. However, the actual staffing for the year has fluctuated between 2.5 and 3 full time equivalent auditors. Due to the reduced staffing, the Auditor-Controller indicated that the audit plan for Fiscal Year 2017-18 is being scaled back, so that generally, only the highest risk areas in departments will be audited during the current year. The Auditor-Controller has indicated that, in the short term, this should not pose an undue risk to the County, since all departments have been audited within the past two years.

The post audit review summaries, if required, are provided in Attachment A for the following audits that had audit reports issued by the Auditor-Controller and/or corrective action plans due by the department during this reporting period:

<b>Report</b>	<b>Board Date</b>	<b>Plan Due Date</b>	<b>Attachment Page*</b>
Kern Medical - Pension Plan for Physician Employees	06/06/17	07/21/17	Not Required
Treasurer-Tax Collector - Statement of Money	06/06/17	07/21/17	Not Required
Clerk of the Board - Prior Control Deficiency	08/08/17	09/22/17	Not Required
General Services - Transfer Cash and Inventory	08/08/17	09/22/17	Not Required
Aging and Adult Services - Prior Control Deficiencies	08/08/17	09/22/17	Not Required
Public Defender - Prior Control Deficiency	08/08/17	09/22/17	Not Required
Public Health Services - Prior Significant and Control Deficiencies	08/08/17	09/22/17	Not Required
Public Defender - Transfer Cash and Inventory	08/08/17	09/22/17	Not Required
Probation Department - Prior Control Deficiency	08/08/17	09/22/17	Not Required
Animal Services - Prior Control Deficiency	08/08/17	09/22/17	Not Required
Grand Jury - Transfer Cash and Inventory	08/08/17	09/22/17	Not Required
County Counsel - Prior Control Deficiencies	08/15/17	09/29/17	Not Required

Report	Board Date	Plan Due Date	Attachment Page*
Fire/General Services/Probation/Public Works/Sheriff - Inventory	08/15/17	09/29/17	A-1
Agriculture and Measurement Standards - Prior Control Deficiencies	08/15/17	09/29/17	Not Required
Library - Prior Control Deficiencies and Recommendations	08/15/17	09/29/17	Not Required
Planning and Natural Resources	08/22/17	10/06/17	Not Required
Treasurer-Tax Collector - Statement of Money	08/22/17	10/06/17	Not Required
County Counsel - Transfer Cash and Inventory	09/12/17	10/27/17	Not Required
Auditor-Controller-County Clerk	10/24/17	12/08/17	A-2
Farm and Home Advisor	10/24/17	12/08/17	Not Required
Assessor-Recorder	11/07/17	12/22/17	Not Required

\* A corrective action plan is not required for reports that did not include any findings

Independent CPA

On June 14, 2016, the Board of Supervisors approved the selection of Brown Armstrong Accountancy Corporation to serve as independent external auditor for audits specified in the Request for Proposal for the fiscal years ended (FYE) June 30, 2016, 2017, and 2018. Brown Armstrong primarily performed financial audits for additional fiscal oversight and other requirements, including the Government Code. Financial audits express opinions on the financial statements in accordance with Generally Accepted Auditing Standards and Government Auditing Standards. Standards require that they perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The auditor considers internal controls relevant to the preparation and fair presentation of the financial statements to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal controls. On occasion, Brown Armstrong also performs additional auditing services and other agreed upon procedures.

Brown Armstrong issued the following reports with no findings requiring a corrective action plan during this reporting period:

Report	Board Date	Plan Due Date	Attachment Page*
Treasurer-Tax Collector - Deferred Compensation	06/13/17	07/28/17	Not Required
Ford City - Taft Heights Sanitation District	10/17/17	12/01/17	Not Required
District Attorney - Auto, Workers' Compensation, Disability and Healthcare Insurance Fraud Program	11/14/17	12/29/17	Not Required

\* A corrective action plan is not required for reports that did not include any findings

Brown Armstrong issued the following reports during this reporting period with no findings requiring a corrective action plan that would be due within and reported on the next Compliance and Accountability Report for June 30, 2018:

Report	Board Date	Plan Due Date	Attachment Page*
Treasurer-Tax Collector - Investment Policy Compliance	12/05/17	01/19/18	Not Required
Kern Sanitation Authority	12/12/17	01/26/18	Not Required
Solid Waste Management Enterprise Fund	12/12/17	01/26/18	Not Required
California Office of Emergency Services (Cal OES), Board of State and Community Corrections (BSCC), Office of Traffic Safety, and Department of Justice Grants	12/12/17	01/26/18	Not Required

Report	Board Date	Plan Due Date	Attachment Page*
Public Health Services - Prop 10 Medically Vulnerable Care	12/19/17	02/02/18	Not Required
Public Health Services - Prop 10 Black Infant Health	12/19/17	02/02/18	Not Required
Public Health Services - Prop 10 Nurse Family Partnership	12/19/17	02/02/18	Not Required
Public Health Services - Prop 10 Successful Application	12/19/17	02/02/18	Not Required

\* A corrective action plan is not required for reports that did not include any findings

Grand Jury

Government Code affirms that financial examinations or audits may be performed in coordination with the investigations conducted by the Grand Jury. The Board of Supervisors may resolve to accept the Grand Jury reports in lieu of its own separate examination if such reports are found to fulfill some or all of the requirements of the Government Code. Upon the issuance of a report, the Board of Supervisors and a department’s elected official (if applicable) must respond to the Presiding Judge within 90 and 60 days, respectively.

The following reports were issued by the Grand Jury and/or the responses provided during this reporting period:

Report	Report Date	Elected Official Response Date	Board of Supervisors Response Date
Library	06/01/17	Not Applicable	08/22/17
Fire	06/01/17	Not Applicable	08/22/17
Probation - Camp Erwin Owen	06/19/17	Not Applicable	07/18/17
Public Works - Waste Management	06/19/17	Not Applicable	09/12/17
Sheriff - Central Receiving Facility	09/25/17	11/29/17	12/19/17
Public Health Services - Environmental Health Division	10/02/17	Not Applicable	12/12/17
Probation - Larry J. Rhoades Kern Crossroads Facility	10/26/17	Not Applicable	12/12/17

The following reports were completed during the reporting period, but the responses were not due, so they will be included in the next Compliance and Accountability Report for June 30, 2018:

Report	Report Date	Elected Official Response Date	Board of Supervisors Response Date
Sheriff - Mojave Substation	11/09/17	Due 01/08/18	Due 02/07/18
Kern County Department of Airports	11/27/17	Not Applicable	Due 02/25/18
Sheriff - Rosamond Substation	11/27/17	Due 1/26/18	Due 02/25/18

Other External Agencies

In addition to the above mentioned reports, other reports have been issued from other external agencies. They include audits, reviews, assessments, agreed upon procedures, monitoring, and other reports that aim to determine the accuracy of information, provide insight, or recommendations to improve. Typically, they are primarily performance based but may vary significantly depending on the scope of the particular engagement and may also be financial or compliance based. The departments are responsible for filing the reports with the Board of Supervisors, County Administrative Office, and Auditor-Controller in addition to responding directly to the agency.

The following reports were issued by other external agencies during this reporting period:

<b>Report</b>	<b>Report Date</b>	<b>Prepared by</b>
Public Health Services - FYE June 30, 2015 Interim Reconciliation of Targeted Case Management Cost Report	05/31/17	California Department of Health Care Services
Public Health Services - Quarterly Pharmaceutical and Vaccine Audit	06/28/17	Amanda Pitzer, Pharmacist Consultant
Department of Human Services - Income and Eligibility Verification System Review	08/21/17	California Department of Social Services
Planning and Natural Resources - Community Development Block Grant and Homeowner Investment Partnership Program On-site Monitoring	08/22/17	United States Department of Housing and Urban Development
Aging and Adult Services - In-Home Supportive Services Quality Assurance Monitoring Review	08/25/17	California Department of Social Services
Probation - Kern Crossroads Facility Inspection Report	08/26/17	Juvenile Justice Commission
Public Health Services - FYE June 30, 2016 Targeted Case Management Interim Reconciliation	09/01/17	California Department of Health Care Services
Probation - School Nutrition Program Administrative Review	09/06/17	California Department of Education
Public Health Services - FYE June 30, 2011 Targeted Case Management 1506 Medi-Cal Cost Report and Medi-Cal Paid Claims Report	09/14/17	California Department of Health Care Services
Public Health Services - FYE June 30, 2011 Targeted Case Management 1513 Medi-Cal Cost Report and Medi-Cal Paid Claims Report	09/21/17	California Department of Health Care Services
Employers' Training Resource - Workforce Innovation and Opportunity Act Program Review	09/26/17	California Employment Development Department
Public Health Services - Quarterly Pharmaceutical and Vaccine Audit	9/28/17	Amanda Pitzer, Pharmacist Consultant
Department of Human Services - Inyo County Adoption Assistance Program Monitoring	10/03/17	California Department of Social Services
Public Health Services - Child Death Review Team Annual Report	10/10/17	Kern County Child Death Review Team
Public Health Services - Quarterly Pharmaceutical and Vaccine Audit	12/15/17	Amanda Pitzer, Pharmacist Consultant
Public Health Services - FYE June 30, 2014 Targeted Case Management Final Settlement Recomputation Position Statement	12/29/17	California Department of Health Care Services

**FOLLOW-UP REVIEWS**

Outstanding Issues Over Six Months

In addition to the new audits listed in this report that went to your Board in the past six months, a separate follow-up report on outstanding, unresolved audit findings from the June 30, 2017 Compliance and Accountability Report that are over six months old are provided as Attachments B. 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. Our office continues to help departments with resolution, pursue adequate documentation of remedial proof, and report to your Board all in progress items until fully resolved. 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. All other previously reported findings have been resolved during this reporting period.

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

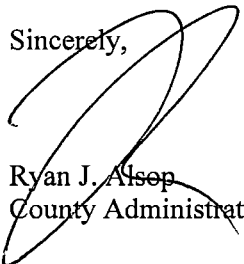
<b>Department</b>	<b>Audit Report Date</b>	<b>Area of Concern</b>	<b>Attachment B Page #</b>
District Attorney	04/04/2017	Cash	B-1

**CONCLUSION**

As a result of the review process and the proactive and diligent efforts of the Board of Supervisors, County Administrative Office, auditors, 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.

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, 2017 Compliance and Accountability Report.

Sincerely,  
  
Ryan J. Alsop  
County Administrative Officer

December 31, 2017  
**COMPLIANCE AND ACCOUNTABILITY**  
**POST AUDIT REVIEW SUMMARY - CURRENT**

Budget Unit: 8950, 2415, 2340, 3000, 2210  
 Department: Fire, General Services - Garage, Probation, Public Works - Roads, Sheriff,  
 Audit Issued: August 15, 2017

Corrective Action Plan Received: Yes  
 Audit Period: FYE June 30, 2017  
 Issuing Agency: Kern County Auditor-Controller

Violation	Finding Level	Finding	CAO Comments:	Compliance Status at 12/31/17	Estimated Date of Compliance
1 Internal Control Integrated Framework by COSO, Kern County Administrative Policy and Procedure Manual Section 406 - 410	Finding	Inventory Records - The following findings were noted. a) For Fire, inventory records managed through Cost Accounting Management System (CAMS) did not match actual inventory on hand. Department had to make adjustments to CAMS for 6 of the 13 items sampled by auditor. b) For General Services-Garage, department did not remove inventory items from department's inventory records when issued to departments c) For Sheriff, department's inventory on hand did not reconcile with internal inventory system, iOrder. Twenty percent of the department's inventory had to be adjusted to reconcile with iOrder	a) The department updated CAMS records, completed software upgrades, purchased new scanners and hired warehouse manager. Department implemented periodic reviews of inventory records for accuracy and adjustments. b) The department implemented procedures and trained staff to remove items from inventory records as items are issued to departments. Department implemented procedures to review inventory records periodically throughout the year c) The department has configured the wireless access points and upgraded the network infrastructure and is in progress of testing the system to implement iOrder's scanning feature.	In Progress	06/30/18

December 31, 2017  
**COMPLIANCE AND ACCOUNTABILITY**  
**POST AUDIT REVIEW SUMMARY - CURRENT**

**Budget Unit: 1110, 1420, 2116**  
**Department: Auditor-Controller-County Clerk**  
**Audit Issued: October 24, 2017**

**Corrective Action Plan Received: Yes**  
**Audit FYE June 30, 2017 and 2016**  
**Issuing Agency: Kern County Auditor-Controller**

Violation	Finding Level/ Recommendation Category	Finding	CAO Comments:	Compliance Status at 12/31/17	Estimated Date of Compliance
1 Internal Control Integrated Framework by COSO, Kern County Administrative Policy and Procedure Manual (KCAPP) Section 406, KCAPP Section 407.8	Risk Reduction	Cash and Mail Handling - The following findings were noted: a) For Elections, cash drawer was accessible to all employees and funds in drawer were only counted at time of deposit. Lag of deposit ranged from one to thirty-four days. b) For County Clerk, inadequate segregation of duties over mail procedures and Money Log. There was no reconciliation between the Money Log, manual receipts and cashiering system.	a) The department reassigned duties to staff and management to provide adequate separation of duties and implemented internal controls procedures to monitor cash activities and deposits. Procedures were implemented for daily cash deposits. b) The department implemented controls over cash process and is in the process of reorganization to adequately separate duties. The department implemented controls over Money Log making it a permanent record and restricting access.	In Progress	06/30/18
Internal Control Integrated Framework by COSO, Kern County Administrative Policy and Procedure Manual (KCAPP) Section 406, KCAPP Section 407.8	Risk Reduction, Compliance, Efficiency	Equipment and Capital Assets - The following findings were noted: a) For Elections, an item was lost, no memo explaining lost item was located and item was not removed from Capital Asset Program. There was no employee assigned to maintain up-to-date inventory listing in the Capital Asset Program. b) Equipment items costing \$1,000 to \$4,999 were not entered into Capital Asset Program. Information Technology equipment costing \$1,000 to \$4,999 were tracked using department's internal tracking system.	The department processed an Inventory Adjustment Request for removal of lost equipment from the Capital Asset Program. Equipment items costing \$1,000 to \$4,999 were added to the Capital Asset Program and an employee was assigned to maintain up-to-date equipment listing in the Capital Asset Program.	Achieved	Completed



December 31, 2017  
**COMPLIANCE AND ACCOUNTABILITY**  
**POST AUDIT REVIEW SUMMARY - CURRENT**

**Budget Unit: 2180, 2200**  
**Department: District Attorney**  
**Audit Issued: April 4, 2017**

**Corrective Action Plan Received: Yes**  
**Audit Period: January 1, 2016 to November 30, 2016**  
**Issuing Agency: Kern County Auditor-Controller**

Violation	Finding Level	Finding	CAO Comments:	Compliance Status at 12/31/17	Estimated Date of Compliance
1 Internal Control Integrated Framework by COSO	Significant Deficiency	Controls over Cash Receipts for Trust Fund 22060, D.A. - non-drug related forfeitures - No segregation of duties over cash receipts for trust fund 22060 prior to July 2016.	July 2016, the department discovered the lack of controls over cash trust fund 22060. Additional staff was allocated to meet the required segregation of duties and to establish additional accounting procedures. The audit noted no findings with the new segregation of duties thereafter. The department is in process of completing prior missing reconciliations as recommended by the Auditor and resolving outstanding reconciling items	In Progress	06/30/18