

Kern County Administrative Office



County Administrative Center

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JOHN NILON

County Administrative Officer

July 22, 2014

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

JUNE 30, 2014 COMPLIANCE AND ACCOUNTABILITY REPORT

Fiscal Impact: None

County Ordinance Code 2.01.010 requires the County Administrative Office to report on the Compliance and Accountability function no later than 45 days after June 30 on departmental compliance issues for the period January 1 through June 30.

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 for entities under the Board of Supervisor's control, and has performed other agreed upon procedures when requested. 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, six 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, 2014:

Department	Audit Report Date	Report Opinion	Corrective Action Plan Due Date
Farm and Home Advisor	05/20/2014	Modified	07/04/2014
Statement of Money in the County Treasury	06/03/2014	No Opinion	07/18/2014
Roads Department and Kern Regional Transit	06/24/2014	Modified	08/08/2014
Board of Trade	06/24/2014	Unmodified	08/08/2014
Waste Management Department	06/24/2014	Unmodified	08/08/2014
California County Tobacco Securitization*	06/24/2014	No Opinion	08/08/2014

* Audits were not performed by Kern County Auditor-Controller.

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

Department	Audit Report Date	Report Opinion	Attachment A Page #
Treasurer-Tax Collector - Investment Policy Compliance*	12/17/2013	Unqualified	Not Required
Treasurer-Tax Collector - Deferred Compensation Plans I and II*	12/17/2013	Unqualified	Not Required
Parks and Recreation	01/07/2014	Qualified	A-1
Treasurer-Tax Collector - Statement of Money in the County Treasury	01/07/2014	No Opinion	Not Required
Employers' Training Resource	01/14/2014	Modified	A-3
Kern Solid Waste Management*	01/14/2014	Unqualified	Not Required
CalEMA, Corrections Standards Authority, Office of Traffic Safety, and DOJ*	01/14/2014	Unqualified	Not Required
Public Health Prop 10 - Black Infant Health*	01/14/2014	Unqualified	Not Required
Public Health Prop 10 - Nurse Family Partnership*	01/14/2014	Unqualified	Not Required
Public Health Prop 10 - Successful Application Stipend Program*	01/14/2014	Unqualified	Not Required
Engineering, Surveying and Permit Services Department	02/25/2014	Qualified	A-4
District Attorney	02/25/2014	Adverse	A-5
Kern County's Comprehensive Annual Financial Report (CAFR)*	02/25/2014	Unqualified	Not Required

Kern Medical Center*	02/25/2014	No Opinion	A-7
Kern Medical Center*	02/25/2014	No Opinion	A-9
Assessor-Recorder Social Security Truncation Program	03/18/2014	No Opinion	Not Required
California Electronic Recording Transaction Network Authority*	03/18/2014	No Opinion	Not Required
Treasurer-Tax Collector - Statement of Money in the County Treasury	03/25/2014	No Opinion	Not Required
Liberty Dental Plan Claims	04/08/2014	No Opinion	A-11
Department of Human Services	04/29/2014	Qualified	A-12
County's Single Audit*	04/29/2014	Unmodified	A-13

* Audits were not performed by 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, it is indicated as "In Progress" and the County Compliance and Accountability Officer will be following up on the status. In addition, the County Compliance and Accountability Officer will strive to assist the department with remediation by the anticipated date of compliance indicated on the summary. An update on "In Progress" items for all departments will be provided in the December 31, 2014 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, 2013 Compliance and Accountability Report has been provided as Attachments B and C. Findings that continue to be "In Progress" on Attachment B are a concern and may be indicative that the department will receive repeat findings in these areas if not resolved soon. The County Compliance and Accountability Officer will continue to pursue adequate documentation and remedial proof on these items and will strive to help departments resolve these items by the next report due to your Board. It is imperative that department heads are proactive in this process, as they are ultimately responsible for the success of their department's internal control processes. Follow-up findings that have been resolved during this reporting period are listed on Attachment C.

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

Department	Audit Report Date	Area of Concern	Attachment B Page #
Kern Medical Center	05/22/2012	Cash	B-1
Kern Medical Center	08/21/2012	Accounts Payable	B-1
Kern Medical Center	08/21/2012	Payroll	B-2
Animal Services	09/11/2012	Payroll	B-3
Mental Health	12/11/2012	Charges	B-4
County Service Areas	03/05/2013	Assessment Charges and Prop. 4	B-4
Airports	11/05/2013	Trust Fund, Accounts Receivable	B-6
Planning, Community Development, Development Services Agency	11/05/2013	Grants, Employee Performance Review, Claims	B-7

As required by County ordinance, this report provides your Board with an update on department's compliance with County policies and procedures as identified through the audit process.

Future Audit Request

The Auditor-Controller's Fiscal Year 2014-15 budget request, proposes leaving three Accountant positions in the audit division vacant to meet the Department's Net General Fund Cost guideline and their increased general liability insurance premiums. The Auditor-Controller has indicated that the remaining audit staff (one Division Chief, one Senior Accountant, and seven Accountants) and with contracted services of an independent CPA they will meet the minimum biennial audit requirements, but will not provide any additional auditing services.

Specifically, the Auditor-Controller intends to no longer perform additional requests for audits or agreed upon procedures beyond the minimum biennial requirement. This would include eliminating the additional requests that the Board of Supervisors approved on May 31, 2005 for compliance audits of KMC's accounts payable, billing and accounts receivable, inventory, medical records, outside contracting, payroll, physician compensation, purchasing, and other areas identified.

The Board of Supervisors approved additional Accountant positions to perform those audits of Kern Medical Center (KMC) full-time and to support the Auditor-Controller's original goal of developing hospital expertise that would benefit both KMC and the County. Four full-time equivalent Accountant positions were funded until fiscal year 2008-09 when these positions were reduced to two and a half, and in fiscal year 2014-15 with the three vacant positions the Auditor-Controller has indicated that audits of KMC will be completely eliminated. The Auditor-Controller indicates that they will continue to contract a financial statement audit by an outside CPA firm. This type of audit is not required and unfortunately, will not express an opinion of compliance or operational activity of the hospital. The contracted auditor's responsibility will be to express an opinion on the financial statements with reasonable assurance about whether the financial statements are free from material misstatement of amounts and disclosures. The contracted auditor will consider internal control only relevant to the entity's preparation and fair presentation of the financial statements. It will not express an opinion on the effectiveness of the entity's internal control.

OPTIONS FOR FUTURE AUDIT REQUESTS

Given the requirement of your Board under Government Code 25250 to at least biennially examine and audit, or cause to be audited, and given your Board's further authority under Government Code 26883 that gave your Board the power to require the Auditor-Controller to perform the audits, your Board may wish to provide additional direction regarding future audits. The following are options for your consideration, each one with unique benefits as well as concerns and/or significant impacts that must be considered:

Option #1: Accept the Auditor-Controller's proposal to no longer perform any audits or agreed upon procedures of KMC and contract out the biennial requirement with a financial statement audit.

Accept the Auditor-Controller's proposal to no longer perform any additional request for audits or agreed upon procedures beyond the minimum biennial requirements. This would include eliminating all the KMC compliance audits approved on May 31, 2005. As a result, the Auditor-Controller would issue no audit reports of KMC as the Department intends to contract the services of independent CPA firm Brown Armstrong Accountancy Corporation for a financial statement audit to meet the biennial audit requirement. The option to engage in the financial statement audits for fiscal years ended June 30, 2013, 2014 and 2015 was included in a RFP proposal that was recommended by the Auditor-Controller and approved by your Board on June 25, 2013.

Option #2: Request that the Auditor-Controller perform all audits of KMC including the biennial audit and additional requests for audits or agreed upon procedures.

Request that the Auditor-Controller perform all audits of KMC including the biennial audit and additional requests for audits or agreed upon procedures as needed. This may include all or a portion of the Board's previously granted positions on May 31, 2005 for full-time and continuous KMC compliance audits in addition to the biennial audit. Further, request that the Auditor-Controller work with your Board, County Administrative Office, and Kern Medical Center as a committee to determine the type and scope of the audits, and discuss the Auditor-Controller's options to use available resources to perform the audits.

Option #3: Request that the Auditor-Controller contract out all audits or agreed upon procedures with entities that have hospital expertise that benefit both KMC and the County as a whole while also fulfilling the biennial requirement.

Request that the Auditor-Controller contract out all audits or agreed upon procedures with entities that have hospital expertise that benefit both KMC and the County as a whole while also fulfilling the biennial requirement. This may include all or a portion of the KMC compliance audits approved on May 31, 2005 for full-time and continuous KMC compliance audits in addition to the biennial audit. Further, request that the Auditor-Controller work with your Board, County Administrative Office, and Kern Medical Center as a committee to determine the type and scope of the audits, and discuss the availability of funding. A Request for proposal (RFP) would need to be issued to obtain information and competitive bids to select an entity to perform the services.

Option #4: Request that the Auditor-Controller engage in a hybrid combination of option #1 - #3, in which the Auditor-Controller perform and/or contract out portions of the audits or agreed upon procedures to utilize both County and hospital expertise that benefit both KMC and the County as a whole while also fulfilling the biennial requirement.

Request that the Auditor-Controller engage in a hybrid combination of option #1 - #3, in which the Auditor-Controller perform and contract out portions of the audits or agreed upon procedures to utilize both County and hospital expertise that benefit both KMC and the County as a whole while also fulfilling the biennial requirement. This option could provide an opportunity for both the Auditor-Controller's internal auditors and the contracted external auditors to share their expertise to effectively audit KMC. This may include all or a portion of the KMC compliance audits approved on May 31, 2005 for full-time and continuous KMC compliance audits in addition to the biennial audit. Further, request that the Auditor-Controller work with your Board, County Administrative Office, and Kern Medical Center as a committee to determine the type and scope of the audits, and discuss the availability of funding and/or the Auditor-Controller's options to use available resources to perform the audits. A RFP would need to be issued to obtain information and competitive bids to select an entity to perform the services.

Option #5: Refer to County Counsel to provide restructuring options and to the County Administrative Office to provide budget impact options in exercising your Board's authority, through resolution, to release the Auditor-Controller of performing all biennial auditing requirements under Government Code 25250 and 26883, amending Ordinance Code, amending Kern County Administrative Policy and Procedure Manual.

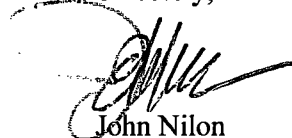
With the obligation upon the Board of Supervisors, not the Auditor-Controller, to conduct County audits under Government Code 25250, and further under the resolution adopted in 1956 to exercise your Board's power under Government Code 26883 to require the Auditor-Controller to perform audits on your behalf;

your Board still has the authority to release the Auditor-Controller from all biennial auditing requirements pursuant to the above mentioned Government Code and to restructure the County's audit function. The Board has the discretion to amend Ordinance Code section 2.01.010, amend Kern County Administrative Policy and Procedure Manual Chapter 6, and adopt a resolution to release the auditing requirements from the Auditor-Controller and restructure the County's audit function. This would need to be referred to County Counsel to provide restructuring options and to the County Administrative Office to provide budget impacts options.

CONCLUSION

Therefore, IT IS RECOMMENDED that your Board receive and file the June 30, 2014 Compliance and Accountability Report and discuss and provided direction regarding future audits.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Nilon', with a large, sweeping flourish extending to the left.

John Nilon
County Administrative Officer

JN:KB:BUD_COMP Jun 2014 Report

Attachments

cc: All Department Heads

JUNE 30, 2014
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Attachment A

Budget Unit: 7100, 8991
Department: Parks and Recreation Department
Audit Issued: January 7, 2014

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2012 and 2011
Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
1 Government Code Section 24051, Ordinance Code 4.08.020 Inventories, Kern County Administrative Policy and Procedures Manual (KCAPP) Section 406 Department Equipment Records and Section 407 Equipment Acquisition and Disposal	Significant Deficiency PARTIAL REPEAT	Capital Assets - The department did not submit its certified inventory affidavit timely and the accuracy of the information included was not confirmed. The department's inventory records were not up-to-date, including 129 listed items that had been disposed, two acquired items that were not listed, seven acquired items added untimely in a subsequent fiscal year, one item removed untimely in a subsequent fiscal year of disposal, and four items listed at an incomplete cost.	The department faced extenuating circumstances that impacted its ability to make necessary adjustments and maintain accuracy of the capital asset records. Staff turnover significantly impacted record keeping. With the limited staff and the difficulty in physically verifying the assets, the department has not been able to devote the significant time needed to update and correct the records.	In Progress	12/31/2014
2 KCAPP Chapter 1 Section 104.6 Definition Holiday and KCAPP Chapter 2 Exhibit C Item 50a Definition Sick Leave in Excess of Five Days in any Month	Significant Deficiency PARTIAL REPEAT	Payroll - Employees were incorrectly credited ten hours of holiday pay, based on their scheduled shift rather than the eight hours that they were entitled to. A Change of Employment Status (CES) was not recorded for an employee's leave of absence.	The department's implementation of Time Reporting and Account Costing System (TRACS) in FY 2013-14 has fixed holiday pay in accordance with policy. Employees are only paid 8 hours of holiday pay for any given holiday. The department trained staff and increased oversight in processing CES in accordance with policy.	Achieved	Completed
3 California Government Code Section 24353 and Internal Control Weakness	Significant Deficiency PARTIAL REPEAT	Cash Management - The following cash management deficiencies were noted: a. \$33,488 of collections from 2011 were not transferred to county treasury. b. Temporary unauthorized and unnumbered receipts were used when Buena Vista's cash collection system was inoperable. c. The department did not maintain a permit receipt location log and seven boat permit books valued at \$5,250 could not be located. d. Nine voided receipts did not have either all copies retained, reason for void, and/or were not approved by supervisor. e. The department was not reconciling trust fund 22091 on a monthly basis since May 2012.	a. Previous collections in the amount of \$33,558 was transferred to the County treasury on August 2, 2013. The department implemented monthly reconciliations and increased oversight for all bank accounts to identify and address variances timely. b. In the event of a power outage or system failure, the department now has an adequate inventoried supply of sequential pre-numbered triple copy receipt books, which are kept in a secure location and authorized for use. All locations have been restricted from using non-authorized receipts. c. Distribution forms were developed to track the chain of custody of boat permit books. Most of the permits were logged and updated periodically, but the department is still in progress of tracking and logging some. d. The department established and advised staff on void-handling procedure that requires retaining all voided receipt copies, supervisor approval, and reason for the void to ensure compliance and proper documentation. Void handling procedures were discussed at staff meetings, posted at each workstation that handles reservations, and posted inside the receipt and permit books. e. Security deposit trust fund has been reconciled to current records and maintained on a timely basis.	In Progress	12/31/2014

JUNE 30, 2014
**COMPLIANCE AND ACCOUNTABILITY
 POST AUDIT REVIEW SUMMARY**

Budget Unit: 7100, 8991
Department: Parks and Recreation Department
Audit Issued: January 7, 2014

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2012 and 2011
Issuing Agency: Kern County Auditor-Controller

	Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
4	KCAPP Section 1115 Vehicle Home Retention	Significant Deficiency	Vehicle Home Retention - Four employees with vehicle home retention did not meet the required criteria of either the frequency of emergency call back, proximity to area of work, and/or vehicle security.	On September 10, 2013, the Board of Supervisors approved KCAPPM revision under section 1117 to include Park Rangers in the Personalized Patrol Vehicle (PPV) program. This revision allows the department to issue vehicles for home retention by obtaining a PPV form authorizing them to participate in the program. This program was established to improve public safety for citizens of Kern County by ensuring Ranges have the ability to respond immediately to emergency situations.	Achieved	Completed
5	Internal Control Weakness	Significant Deficiency	Quimby Fund 25120 contained unreconciled records and insufficient supporting documentation to substantiate that funds were properly applied and available to individual parks. The fund contained an unexplained negative fund balance available of approximately \$25,000 for Rosamond Park since 2008.	The department obtained accurate fund balances of each park, by re-calculating opening balances and individually recording the income and expense, including the interest earned. Rosamond Park's fund balance was recalculated to be \$1,232.07. Staff was properly trained and procedures implemented to reconcile monthly to the Auditor-Controller's Financial Management System (FMS).	Achieved	Completed

JUNE 30, 2014
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Attachment A

Budget Unit: 5923, 8907, 8916
Department: Employers' Training Resource
Audit Issued: January 14, 2014

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

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
1 Kern County Administrative Policy and Procedures Manual (KCAPP) Section 136 Performance Evaluations, Internal Control - Integrated Framework by Committee of Sponsoring Organizations of the Treadway Commission - Information & Communication - Internal Communication	Significant Deficiency PARTIAL REPEAT	Employee Performance Review (EPR) - The department did not administer EPRs timely by due dates.	The department acknowledges the importance and necessity of providing regular feedback to employees via the EPR process. The department has submitted all outstanding EPRs as required. Internal processes and controls were improved and now include frequent reviews to ensure that they are administered timely.	Achieved	Completed

JUNE 30, 2014
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Attachment A

Budget Unit: 1900, 2625, 2620
Department: Engineering, Surveying and Permit Services
Audit Issued: February 25, 2014

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2012 and 2011
Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
1 Department Internal Policy Internal Control Weakness	Significant Deficiency	Revenue Collection - Six building permits and 38 permits for an individual customer were issued without the full amount of permit fees collected. Four permits were inaccurately assessed.	The department implemented a new software program on March 24, 2014, which automated the permit payment process with direct interface to their cashier program and fee schedule to reduce human error processing. 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 Internal Control Weakness	Significant Deficiency	Trust Fund - Reconciliations of the department's records with those in the county's automated trust system and general ledger were not performed for the Mobile Home Permanent Foundation and Building Inspection Completion Bond Trust Funds. The information wasn't readily available to determine the funds belonging to the department's operating fund and those owed to customers or the State of California.	The department is in progress of performing a comprehensive reconciliation to determine the funds belonging to the department's operating fund and those owed to customers or the State of California. Due to the many years of activity, this is an intensive process requiring research of old accounts, the locations of individuals, and legal issues regarding the disposition of the aged deposits.	In Progress	12/31/2014
3 Internal Control Weakness	Significant Deficiency	Indirect Cost Rate and Revenue - The following indirect cost rates and allocations were noted: a. The department allocated an indirect cost rate for all employees salaries and benefits despite some employees working directly to specific tasks. b. The department allocated an additional 6.25% for rest periods when break time was either already charged directly or included in the indirect cost rate application. c. The department allocated vacation, sick, and holiday twice by including in the fringe benefit calculation, then by multiplying the hourly salary and benefits rates by an additional 15%.	The department implemented TRACS on March 8, 2014 and the following progress was made: a. The implementation of TRACS allows the department to calculate separate indirect cost rates for each division. As the data base grows, it'll allow the department to capture and apply actual costs directly or indirect, as appropriate. b The implementation of TRACS resolved rest period rates since actual allocation rates per employee will be captured for departmental billing purposes. c. The department changed its allocation of vacation, sick, and holiday during FY 2012-13 to eliminate the additional 15% duplicated charge.	In Progress	12/31/2014

JUNE 30, 2014
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Attachment A

Budget Unit: 2180, 2200
Department: District Attorney
Audit Issued: February 25, 2014

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2012 and 2011
Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
1 Internal Control Weakness	Material Weakness REPEAT	Cash Handling Checkbusters - The Checkbusters 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 the account activity.	The auditor's recommendation to transfer the excessive balance to the operating fund can not be implemented until the department is able to determine the reasons for the excess. The department is in progress of reconsidering their operations which may include outsourcing a vendor, dissolving the program, or modifying to a more cost effective alternative while maintaining services.	In Progress	12/31/2014
2 Internal Control Weakness	Significant Deficiency PARTIAL REPEAT	Expenditures - Three claims were not processed timely. Two claims paid incurred late charges of \$1,826.47. One claim was overpaid by \$10. Two claims did not contain the period of service provided to determine the accuracy of the billed amounts and was not initialed indicating approval.	The department advised staff to properly process claims in accordance with the auditor's recommendations. The department's process will include a supervisor initialing each invoices indicating its accuracy and completeness. To process the claims more timely invoices were segregated by budget units to speed up processing time. Individual claims incurring late fees will be reviewed to determine how they can be mitigated.	Achieved	Completed
3 Internal Control Weakness	Significant Deficiency PARTIAL REPEAT	Accounts Receivable - The department stopped updating the discovery accounts receivable list and stopped sending private attorney billings for their outstanding balances of at least \$45,000.	All outstanding balances have been billed. The department will review uncollected amounts to determine if they will seek relief of accountability or continue collections. The department is evaluating other billing and cashing systems that may provide better review and controls.	In Progress	12/31/2014
4 Kern County Administrative Policy and Procedure Manual (KCAPP) Section 1115.2 Vehicle Home Retention Assignment Documentation	Significant Deficiency	Vehicle Home Retention - There was no documentation authorizing or justifying 48 vehicle home retention assignments and no monthly usage forms were submitted.	The department reduced approximately 20 home retention vehicles after reviewing the duties, assignments, and mileage trends of each vehicle. The department came into compliance with KCAPP by maintaining and submitting required documentation.	Achieved	Completed
5 Internal Control Weakness	Significant Deficiency	Cash Handling - 19 voided receipts did not have supervisor's approval and reason. Two checks were not recorded in check log. Petty cash fund was used as a change fund and reconciliations were three months behind containing six months of reconciling items.	To mitigate future findings, the department reviewed the findings with their existing staff and proposes to obtain additional staff to alleviate duties. The voided receipts were from the Checkbuster unit, which has been suspended. Reconciliation were brought current and will be prepared monthly going forward.	In Progress	12/31/2014
6 Administrative Bulletin 10 Cellular Telephone Use	Significant Deficiency REPEAT	Cell Phone Certification - Employees on the Sprint Plan did not reimburse the County for the cost of any personal calls made because the department did not require its employees to certify the monthly cell phone usage unless the fixed number of minutes under the plan is exceeded.	The department asserts that there were no additional expenses incurred by the users for personal calls and that in fact it was more economical, as the average cost did not exceed the average rates of the County's provider. The department provided procedures and instructions to electronically certify monthly cell phone usage under the new provider's automated process.	Achieved	Completed

JUNE 30, 2014
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Attachment A

Budget Unit: 2180, 2200
Department: District Attorney
Audit Issued: February 25, 2014

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2012 and 2011
Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
7 Internal Control Weakness	Significant Deficiency	Contract Payment - From August 2011 to May 2013, the department did not quarterly charge Sheriff their total incurred costs of \$272,583.	The department processed a journal voucher to charge the Sheriff department their cumulative charges. The Sheriff department entered into an agreement directly with the vendor, so this finding is no longer applicable as the District Attorney will no longer have the charges.	Achieved	Completed

JUNE 30, 2014
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Attachment A

Budget Unit: 8997
Department: Kern Medical Center (KMC)
Audit Issued: February 25, 2014

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2012
Issuing Agency: Brown Armstrong Accountancy Corporation

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
1 Internal Control Weakness	Material Weakness	Payroll - Two holiday pay adjustments were made without documenting the reason. Six timecards incorrectly calculated overtime of which two were paid incorrectly.	Official work schedule rules for some employees were changed to significantly reduce system issues and make more time available to resolve input issues. Employee profiles are entered, updated, edited, and disabled to reflect appropriate and accurate application. Payroll will continue working with Information Technology (IT) and Personnel departments to identify and resolve these issues.	In Progress	12/31/2014
2 Internal Control Weakness	Material Weakness	Cash Disbursements - Four cash disbursements lacked receiving acknowledgements and eleven lacked purchase authorization acknowledgements.	The department implemented changes that resulted in these issues not being considered a repeat finding in the subsequent audit.	Achieved	Completed
3 Internal Control Weakness	Material Weakness	Inventory - The inventory count performed by a third party was not accurate.	Although the department communicated the inventory procedures, the third party was unfamiliar with the complex hospital practices and inventory storage. In fiscal year 2014-2015 the department plans to implement tools and methodology with KMC's knowledgeable staff in developing and conducting a better inventory process.	In Progress	12/31/2014
4 Internal Control Weakness	Material Weakness	Patient Billing - KMC's policy is to write off all accounts over four years yet \$3.66 million, \$8.44 million, and \$11.06 million of patient account receivable from 2006, 2007, 2008, respectively, remained on the Patient Billing Accounts Receivable Aging Report.	The department implemented changes that resulted in these issues not being considered a repeat finding in the subsequent audit.	Achieved	Completed
5 Internal Control Weakness	Material Weakness	Capital Assets - Eight items on the Capital Asset list could not be located.	During fiscal year 2014-2015, the department plans to develop tools and methods that improve their processing of capital asset, including performing audits of their capital assets and educating their managers. Additionally, by September 2014, they plan to explore asset tracking tool options, such as a bar coding system.	In Progress	12/31/2014

**JUNE 30, 2014
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY**

Attachment A

**Budget Unit: 8997
Department: Kern Medical Center (KMC)
Audit Issued: February 25, 2014**

**Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2012
Issuing Agency: Brown Armstrong Accountancy Corporation**

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
6 Internal Control Weakness	Material Weakness	Waiver Receivable and Related Revenue - The waiver receivable and related revenues of Disproportionate Share Hospital (DSH), Safety Net Care Pool (SNCP), and In Patient Medi-Cal funding were overstated by \$25 million from 2006 through June 30, 2011. At June 30, 2012, the revenue and receivables were initially overstated but prior period adjustments were made.	As of July 2013, the department engaged an independent consulting firm with expertise in state indigent program revenue. The consulting firm identified all prior year overstated waiver 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 understand funding models. The department built detailed workpapers to support receivables and they continue to track and review to validate estimates and update figures as new waiver model worksheets are provided.	In Progress	12/31/2014

JUNE 30, 2014
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Attachment A

Budget Unit: 8997
 Department: Kern Medical Center (KMC)
 Audit Issued: February 25, 2014

Corrective Action Plan Received: Yes
 Audit Period: FYE June 30, 2013
 Issuing Agency: Brown Armstrong Accountancy Corporation

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
1 Internal Control Weakness	Material Weakness	Payroll - One employee's overtime was not approved. One employee's hourly rate was not properly supported or approved. One employee's hours was charged to an incorrect category.	The department has identified the cause of each finding and has attempted to implement additional controls to mitigate future reoccurrences. Controls added include restricting time card edits and approvals to only managers, improved communication, and improved payroll processing time. Effective January 2014, increments were restricted to only be given with accompanying performance evaluation. The department will track payroll corrections in order to hold managers accountable, provide training, and reemphasize appropriate processing.	In Progress	12/31/2014
2 Internal Control Weakness	Material Weakness	Inventory - The inventory count performed by a third party was not accurate. 5 of the 40 items tested in the operating room contained errors. Five of the 30 items tested in the pharmacy contained errors.	Although the department communicated the inventory procedures, the third party was unfamiliar with the complex hospital practices and inventory storage. In fiscal year 2014-2015 the department plans to implement tools and methodology with KMC's knowledgeable staff in developing and conducting a better inventory process.	In Progress	12/31/2014
3 Internal Control Weakness	Material Weakness	Patient Billing Pharmacy Error - On May 10, 2011 the department began implementing a new pharmaceutical system. The last stage of implementation contained a glitch, in which some billings were not synching over into the billing system. This resulted in an understatement of accounts receivable and revenue in the amount of \$925,341, \$5,053,733, and \$2,840,785 for the years 2011, 2012, and 2013, respectively.	The department determined the collectability to be very minimal and therefore the entire balance was written off. The department trained staff to develop a daily fail report to identify accounts that fail to cross over so that staff can back bill the missing items. The department anticipates that by December 2014, an interface be established to allow accurate and automated billing. The department will also continue evaluating a fully integrated system.	In Progress	12/31/2014
4 Internal Control Weakness	Material Weakness	Patient Billing SOC 1 Report - The department outsourced its patient billing. The SOC 1 report for this outsource, did not cover the entire audit period therefore a bridge letter was requested but upon several attempts it was never obtained.	The bridge letter indicating that controls are properly designed and operating was not available until January 31, 2014 and they subsequently received.	In Progress	12/31/2014
5 Internal Control Weakness	Material Weakness	Capital Assets - One item on the Capital Asset list valued at \$322,090 could not be located. Physical capital assets were disposed of, traded in, or sold without notification to the General Accounting department to properly record.	The asset was removed from the capital asset list and reflected in the financial statements. During fiscal year 2014-2015, the department plans to develop tools and methods that improve their processing of capital asset, including performing audits of their capital assets and educating their managers. Additionally, by September 2014, they plan to explore asset tracking tool options, such as a bar coding system.	In Progress	12/31/2014

JUNE 30, 2014
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY

Attachment A

Budget Unit: 8997
Department: Kern Medical Center (KMC)
Audit Issued: February 25, 2014

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2013
Issuing Agency: Brown Armstrong Accountancy Corporation

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
6 Internal Control Weakness	Material Weakness	State Receivables and Related Revenues - Several State receivables and related revenue were not properly booked or supported. \$2,351,036 of Managed Care IGT-SPD; \$846,225 of DSRIP; \$1,219,833 of Managed Care IGT-Rate Range; \$1,986,580 of MD SPA for a total of \$6,403,674 were understated. \$3,747,333 of Coverage Initiative - Low Income Health Plan was overstated. \$3,348,351 of other receivables and Medi-CAL EMR could not be supported and was reversed. \$3,000,000 of Outpatient Hospital Supplement Reimbursement (AB915) was overstated. \$1,512,514 of Out of Network Emergency Managed Care Expansion (SB335) was owed back to the Department of Human Service.	As of July 2013, the department engaged an independent consulting firm with expertise in state indigent program revenue. The consulting firm identified all 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 understand funding models. The department built detailed workpapers to support receivables and they continue to track and review to validate estimates and update figures as new waiver model worksheets are provided.	In Progress	12/31/2014

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**COMPLIANCE AND ACCOUNTABILITY
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Attachment A

Budget Unit: N/A
Department: Liberty Dental Plan Corporation
Audit Issued: April 8, 2014

Corrective Action Plan Received: Yes
Audit Period: January 1, 2012 to December 31, 2012
Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
1 Internal Control Weakness	Examination Results	Preferred Provider Organization (PPO) Random Sample Test - Two codes for payment of diagnostic services were programmed incorrectly in Liberty's system on the PPO Plan. This resulted in all claims for those two codes being paid at a higher rate than what the plan allowed. The plan benefit should have paid 90% of costs (after deductibles) for in-network providers and 70% for out-of-network providers, both codes incorrectly paid 100% of costs to both. Of the 60 claims tested in audit period 14 claims were overpaid for a total of \$57.90. The total overpayments for contract period 2008 to 2013 was estimated to be approximately \$88,083.	Liberty Dental Plan Corporation has agreed to repay the County's Group Health Internal Service Fund (ISF) the total estimated overpayments of \$88,083. Group Health ISF began recovering the amount, in 4 monthly installments, beginning July 2014.	Achieved	Completed

JUNE 30, 2014
COMPLIANCE AND ACCOUNTABILITY
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Attachment A

Budget Unit: 5120, 5220
Department: Department of Human Services
Audit Issued: April 29, 2014

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2012 and 2011
Issuing Agency: Kern County Auditor-Controller

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
1 Internal Control Weakness	Significant Deficiency REPEAT	Contracts - The department did not provide onsite monitoring of contract providers.	The department has continuously performed fiscal and program desk reviews. Additionally, the department has incorporated the Auditor's recommendation of performing a risk assessment as part of a comprehensive approach to select and perform onsite reviews, and six onsite reviews were completed as of June 30, 2014.	Achieved	Completed
2 Internal Control Weakness, Kern County Administrative Bulletin 39, Collection of Receivables	Significant Deficiency	Collection of Overpayments and Relief of Accountability - The department did not have an adequate process to follow up on overpayments, maximize the collection of overpayments, and identify overpayments eligible for relief of accountability. No relief of accountability was requested between October 2009 and November 2013.	The department is not in concurrence with the Auditor's finding. Additionally, the department is working in collaboration with the County Administrative Office and County Counsel to request an exemption from Administrative Bulletin 39.	In Progress	12/31/2014
3 Internal Control Weakness Kern County Administrative Policy and Procedures Manual Section 207	Significant Deficiency	Payroll - The following payroll deficiencies were noted: a. Twenty-three timesheets did not have documentation for extra hours worked or time off. b. One employee was underpaid for standby hours. c. Four timesheets did not contain an explanation why employees did not deduct a lunch break. d. Four timesheets included overtime or compensatory time earned from a prior period. e. One timesheet lacked a supervisor's signature.	As of May 2014, the department has finalized its implementation of Time Reporting and Account Costing System (TRACS) and this will mitigate the deficiencies previously identified.	Achieved	Completed

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COMPLIANCE AND ACCOUNTABILITY
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Attachment A

Budget Unit: N/A
Department: County Single Audit
Audit Issued: April 29, 2014

Corrective Action Plan Received: Yes
Audit Period: FYE June 30, 2013
Issuing Agency: Brown Armstrong Accountancy Corporation

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
1 Internal Control Weakness	Material Weakness	Kern Medical Center (KMC) Payroll - One employee's overtime was not approved. One employee's hourly rate was not properly supported or approved. One employee's hours was charged to an incorrect category.	The department has identified the cause of each finding and has attempted to implement additional controls to mitigate future reoccurrences. Controls added include restricting time card edits and approvals to only managers, improved communication, and improved payroll processing time. Effective January 2014, increments were restricted to only be given with accompanying performance evaluation. The department will track payroll corrections in order to hold managers accountable, provide training, and reemphasize appropriate processing.	In Progress	12/31/2014
2 Internal Control Weakness	Material Weakness	KMC Inventory - The inventory count performed by a third party was not accurate. 5 of the 40 items tested in the operating room contained errors. Five of the 30 items tested in the pharmacy contained errors.	Although the department communicated the inventory procedures, the third party was unfamiliar with the complex hospital practices and inventory storage. In fiscal year 2014-2015 the department plans to implement tools and methodology with KMC's knowledgeable staff in developing and conducting a better inventory process.	In Progress	12/31/2014
3 Internal Control Weakness	Material Weakness	KMC Patient Billing Pharmacy Error - On May 10, 2011 the department began implementing a new pharmaceutical system. The last stage of implementation contained a glitch, in which some billings were not synching over into the billing system. This resulted in an understatement of accounts receivable and revenue in the amount of \$925,341, \$5,053,733, and \$2,840,785 for the years 2011, 2012, and 2013, respectively.	The department determined the collectability to be very minimal and therefore the entire balance was written off. The department trained staff to develop a daily fail report to identify accounts that fail to cross over so that staff can back bill the missing items. The department anticipates that by December 2014, an interface be established to allow accurate and automated billing. The department will also continue evaluating a fully integrated system.	In Progress	12/31/2014
4 Internal Control Weakness	Material Weakness	KMC Patient Billing SOC 1 Report - The department outsourced its patient billing. The SOC 1 report for this outsource, did not cover the entire audit period therefore a bridge letter was requested but upon several attempts it was never obtained.	The bridge letter indicating that controls are properly designed and operating was not available until January 31, 2014 and they subsequently received.	In Progress	12/31/2014
5 Internal Control Weakness	Material Weakness	KMC Capital Assets - One item on the Capital Asset list valued at \$322,090 could not be located. Physical capital assets were disposed of, traded in, or sold without notification to the General Accounting department to properly record.	The asset was removed from the capital asset list and reflected in the financial statements. During fiscal year 2014-2015, the department plans to develop tools and methods that improve their processing of capital asset, including performing audits of their capital assets and educating their managers. Additionally, by September 2014, they plan to explore asset tracking tool options, such as a bar coding system.	In Progress	12/31/2014

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COMPLIANCE AND ACCOUNTABILITY
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Attachment A

Budget Unit: N/A
 Department: County Single Audit
 Audit Issued: April 29, 2014

Corrective Action Plan Received: Yes
 Audit Period: FYE June 30, 2013
 Issuing Agency: Brown Armstrong Accountancy Corporation

Policy/Regulation	Finding Level	Violation/Finding	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
6 Internal Control Weakness	Material Weakness	KMC State Receivables and Related Revenues - Several State receivables and related revenue were not properly booked or supported. \$2,351,036 of Managed Care IGT-SPD; \$846,225 of DSRIP; \$1,219,833 of Managed Care IGT-Rate Range; \$1,986,580 of MD SPA for a total of \$6,403,674 were understated. \$3,747,333 of Coverage Initiative - Low Income Health Plan was overstated. \$3,348,351 of other receivables and Medi-CAL EMR could not be supported and was reversed. \$3,000,000 of Outpatient Hospital Supplement Reimbursement (AB915) was overstated. \$1,512,514 of Out of Network Emergency Managed Care Expansion (SB335) was owed back to the Department of Human Service.	As of July 2013, the department engaged an independent consulting firm with expertise in state indigent program revenue. The consulting firm identified all 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 understand funding models. The department built detailed workpapers to support receivables and they continue to track and review to validate estimates and update figures as new waiver model worksheets are provided.	In Progress	12/31/2014

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COMPLIANCE AND ACCOUNTABILITY
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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
1 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency	Internal Departmental Policy - Cash count shortages.	5/31/2014	The department conducted a surprise cash count and identified funds under their custody. The department indicated that they are in the process of updating policy. At this time the department has not provided a written policy; until the policy is completed and disseminated to employees the recommendation is not complete. The County Administrative Office is awaiting documentation.	In Progress	12/31/2014
2 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency REPEAT	Internal Departmental Policy - Bank account reconciliation.	5/31/2014	The department completed reconciliations; however, they are not reconciling to the revolving fund authorized amount. Until reconciliation are complete and the department trains employees, the recommendation is not complete.	In Progress	12/31/2014
3 8997 - Kern Medical Center - Cash	5/22/2012	Significant Deficiency	KCAPPM Section 523.3 and .4 - Replenishment of petty cash.	5/31/2014	During the recent cash count, it was determined that petty cash usage was limited to small purchases by the Finance division. The Department is required to return the petty cash to the Auditor-Controller if the funds are not needed or to request a reclassification of the funds. This request was not completed and a policy was not implemented. At this time, the department is using the County policy and does not have a department specific policy that will address future deficiencies. Until the policy is completed and disseminated to employees, the recommendation is not complete.	In Progress	12/31/2014
4 8997 - Kern Medical Center - Accounts Payable	6/14/2011 8/21/2012	Major / Significant Deficiency REPEAT	Departmental Policy Internal Control Weakness - Review system for accruals and reverse accruals.	Ongoing	Department has implemented interface between their accounts payable system and the Auditor's Claim system. This process will assist with the accrual process; however, 100% accuracy cannot be achieved in the accrual process due to the use of estimates when invoices are not available. The Department needs to evaluate the purchasing process from ordering to payment of invoices to determine if there is a better method of accruing.	In Progress	12/31/2014

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
5 8997 - Kern Medical Center - Accounts Payable	6/14/2011 8/21/2012	Major / Significant Deficiency REPEAT	Internal Departmental Policy - Not paying claims timely.	Ongoing	The new CFO continues to evaluate the cash flow to allow for timely payment to vendors.	In Progress	12/31/2014
6 8997 - Kern Medical Center's Payroll	8/21/2012	Material Weakness	Internal Control Weakness - In the past the department allowed employees to bank holidays that have resulted in a liability estimated at \$3 million.	Ongoing	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 who have banked holidays that exceed the 120 hours policy threshold. The department will continue to review and monitor.	In Progress	12/31/2014
7 8997 - Kern Medical Center's Payroll	8/21/2012	Material Weakness	Internal Control Weakness - The department implemented an attendance system that needs additional controls to prevent errors and create efficiencies in the payroll process.	Ongoing	The department implemented an attendance system which requires employees to scan their thumb in order to clock in and clock out. Kern Medical Center has identified this as a desired feature. The implementation corrections identified required the department to update the pay rules per classifications and assignments. Pay rules were updated and programmed in the system. The department will continue to monitor and correct errors identified.	In Progress	12/31/2014
8 8997 - Kern Medical Center's Payroll	8/21/2012	Significant Deficiency	KCAPPM Section 120.8 - The department does not keep records of vacation and sick leave for physician and residents in the County's Payroll system.	5/31/2014	The department has been keeping vacation and sick leave accruals off the system, since in the past they were told that the system cannot accommodate the physician and residents' accrual. The department is still reviewing to determine if the balances could be added to the system.	In Progress	12/31/2014

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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
9 8997 - Kern Medical Center's Payroll	8/21/2012	Significant Deficiency	Internal Control Weakness - The department did not request amendment to a contract timely for one physician that provided more than anticipated on-call coverage. The calculation of availability is a manual process that requires manual adjustment by payroll staff.	Ongoing	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	12/31/2014
10 2760 - Animal Services	9/11/2012	Significant Deficiency	Ordinance Code Section 3.24.090 / Payroll - Incorrect payment of call-back overtime.	6/30/2014	This is a "meet and confer" issue with employee union that is currently in progress. The department has implemented a written procedure indicating their process until the Memorandum of Understanding (MOU) is amended or ordinance is clarified.	In Progress	12/31/2014

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COMPLIANCE AND ACCOUNTABILITY
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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
11 4210, 4123 - Mental Health Services	12/11/2012	Significant Deficiency	Administrative Bulletin 2 and Office of Management and Budget (OMB) A-87 / Charges - The following deficiencies were noted in the department's method of allocating costs to programs, grants and other County departments: a. Actual cost of employee salaries and benefits were not used. b. Total salaries and benefits allocated to each program did not reconcile to FMS.	6/1/2014	In order to provide a far more precise allocation based on actual employee salaries and benefits, the department implemented the TRACS system. Getting all employees into TRACS was a phased process that was completed 100% by the pay period ended June 21, 2014. As the data base grows, it'll allow the department to capture and apply actual salaries and benefits. In the meantime, the department has consistently applied cost with an alternate indirect calculation that was reconciled to FMS.	In Progress	12/31/2014
12 Approximately 140 Funds - County Service Areas	3/5/2013	Significant Deficiency	California Government Code 25210.7 / Incorrect Assessment Charges - Incorrect assessment collections from incorporated parcels.	6/30/2014	All incorporated parcels that were incorrectly charged for CSA services in the total amount of \$2,451 during the fiscal year ended June 30, 2010 were subsequently removed from the billing list and were no longer incorrectly charged in the fiscal year ended June 30, 2011. The department is working with Local Agency Formation Commission (LAFCo), County Counsel, and Auditor-Controller to determine the appropriate method to dissolve and disburse funds collected.	In Progress	12/31/2014

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 COMPLIANCE AND ACCOUNTABILITY
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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
13 Approximately 140 Funds - County Service Areas	3/5/2013	Other Matter	California Proposition 4 Gann Limit / Proposition 4 Compliance - Noncompliant with Proposition 4 Gann Limit: a. CSA 18 and 38 noncompliant during the fiscal year ended June 30, 2010. b. CSA 25 noncompliant during the fiscal year ended June 30, 2010 and 2011. c. Several CSA have material or excessive cash balances (reserve balances) indicating revenue in excess of reasonable and essential costs.	6/30/2014	a. The department became compliant during the fiscal years ended June 30, 2011 and 2012 by reducing excess revenue from subsequent tax rate fees. b. The department stopped assessing a tax rate for this CSA since it is still noncompliant and it has been annexed into the city. The department is working with LAFCo, County Counsel, and Auditor-Controller to determine the appropriate method to dissolve and disburse funds. c. The department has reviewed each CSA. During the budget process, specific designations were established for anticipated future major maintenance or improvements, if applicable. The department is also working with LAFCo, County Counsel, and Auditor-Controller to determine the appropriate method to dissolve and disburse funds that were determined to have been annexed into the city or are no longer receiving services.	In Progress	12/31/2014

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COMPLIANCE AND ACCOUNTABILITY
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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
14 8995 - Airports	11/5/2013	Significant Deficiency	Internal Control Weakness / Trust Fund Maintenance - Fund 22017, Director of Airports Holding Fund, was not adequately maintained. The Automated Trust System was not reconciled to the County's Financial Management System (FMS) and the records of leaseholder security deposits was not accurate.	6/30/2014	The department reconciled the Automated Trust System to FMS and will continue to reconcile on a monthly basis. A better understanding of the system application and trust records were established and written procedures were developed. Some leaseholder security deposits received were dated back to the 1980s and have been difficult to identify so the department is still in progress of identifying and accurately recording. Procedures to immediately identify new leases and security deposit requirements were developed, including routing instructions on all lease documents to verify receipt and recording of the applicable deposits.	In Progress	12/31/2014
15 8995 - Airports	11/5/2013	Significant Deficiency	Internal Control Weakness / Accounts Receivable Balance - The department did not adequately control accounts receivables. Three accounts were ninety days past due and credit balances indicated possible overpayments were outstanding for more than twenty-one months.	6/30/2014	A complete review of the accounts receivable balance was completed. The department resolved more than half of the issues identified which included skipped payments and unidentified credits. The department is still in progress of clearing unique accounts that require locating previous vendors, issuing government code refunds, escheating funds, sending to collections, seeking relief of accountability, negotiating and amending contract rates. The department enhanced their staffing and procedures to include monthly reviews of the account receivable report to ensure accuracy by researching anomalies.	In Progress	12/31/2014

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COMPLIANCE AND ACCOUNTABILITY
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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/2014	Estimated Date of Compliance
16 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 that describes the required conditions of the related project. The department did not obtain the required single audit reports.	6/30/2014	Requests for monitoring letters have been sent, requesting a written description of the condition of the project, any maintenance performed, and any proposed changes. The department is currently in progress of receiving and tracking all required monitoring letters and single audit reports.	In Progress	12/31/2014
17 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.	6/30/2014	The department acknowledges the importance and necessity of providing employee EPRs. Staff has been advised to complete EPRs timely and to bring all outstanding EPRs current. To assist in this process, reviewers are provided with a list of outstanding EPRs.	In Progress	12/31/2014
18 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.	6/30/2014	The staff was advised to acknowledge their receipt of goods and to promptly submit invoices for payment. If additional documentation is required to process the payment, staff was advised to keep copies of requests and backup documents. Prompt processing of invoices for goods have been implemented but invoices for services are still in progress.	In Progress	12/31/2014

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COMPLIANCE AND ACCOUNTABILITY
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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/14	Estimated Date of Compliance
1 2415 - Fire	4/17/2012	Significant Deficiency	Kern County Administrative Policy and Procedures Manual (KCAPP) Section 1115 / Home Retention Procedures - No formal procedure for assigning and monitoring vehicle home retention.	3/1/2014	The department has formalized a written vehicle home retention policy and authorization form. The department reevaluated each vehicle home retention assignment and completed the required paperwork in accordance with County policy.	Achieved	Completed
2 8997 - Kern Medical Center - Financial Statements and Internal Control	7/17/2012	Material Weakness	Internal Control Weakness / Payroll - Overpaid shift rate went undetected. Changed compensated time off without documenting the reason. Timecard system glitch caused overtime adjustments that were not recorded in the timecard system. Change of Employee Status lacked employee's signature.	Ongoing	The department implemented an attendance system that has reporting functions available to managers to ensure that time cards are completed correctly. The Department has restructured the Human Resources Department and payroll responsibility. Managers have been reminded of how to properly review, edit, and approve payroll information. The specific issues were not considered a repeat finding in the subsequent audit.	Achieved	Completed

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COMPLIANCE AND ACCOUNTABILITY
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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/14	Estimated Date of Compliance
3 8997 - Kern Medical Center - Financial Statements and Internal Control	7/17/2012	Material Weakness	Internal Control Weakness / Patient Billing - A sample of accounts noted the following exceptions: Delays in coding, no follow up documentation, accounts not written off timely, and incorrect classifications.	Ongoing	KMC implemented new systems to work on billing and coding issues. KMC worked on new strategies to improve their collection processes and staffing. KMC received relief of accountability for outstanding aged accounts receivable in FY 2012/2013. The issues were resolved and it was not considered a repeat finding in the current audit.	Achieved	Completed
4 8997 - Kern Medical Center - Financial Statements and Internal Control	7/17/2012	Material Weakness	Internal Control Weakness / Accounts Payable - 2 of 22 sampled disbursements were not properly accrued and no review was done to ensure the completeness of the accruals.	Ongoing	KMC has a review process in place to identify discrepancies in the accruals prepared. The issues were resolved and it was not considered a repeat finding in the subsequent audit.	Achieved	Completed
5 8997 - Kern Medical Center - Financial Statements and Internal Control	7/17/2012	Material Weakness	Internal Control Weakness / Capital Assets - Two items could not be verified as they were missing identification tags and serial numbers were not included in the inventory listing.	5/31/2014	The tagging of fixed assets was assigned to the Accounting Department and they have taken into consideration their operations. The issues were resolved and it was not considered a repeat finding in the subsequent audit.	Achieved	Completed

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COMPLIANCE AND ACCOUNTABILITY
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Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/14	Estimated Date of Compliance
6 3000, 8998 - Roads	11/13/2012	Significant Deficiency	KCAPP Chapter 4 Section 405, 406 and 407, 1115.2 / Capital Assets - The following deficiencies were noted: a. Missing cost, date, and location of assets. b. Acquisitions paid from incorrect account. c. Four Inventory Adjustment Request (IAR) were not completed timely. d. Vehicle home retention assignments were missing required documentation.	6/30/2014	Staff assignment changes significantly improved the internal controls over capital assets. The department developed a consistent method of acquiring assets from a correct expenditure account and adding all required data into the capital asset program. All pending IARs were reviewed and completed. The department adopted a written policy and procedure for the approval and documentation of vehicle home retention including the process of assigning, maintaining records, and monitoring. The specific issues were not considered a repeat finding in the subsequent audit.	Achieved	Completed

**JUNE 30, 2014
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY**

Budget Unit and Department	Original Audit Report Date	Finding Level	Violation/Finding	December 31, 2013 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/14	Estimated Date of Compliance
7 1160 - Information Technology Services	12/4/2012	Significant Deficiency	KCAPP Chapter 4 and 5 / Capital Asset Inventory - The following inaccuracies were noted: a. Seven items did not list a correct cost. b. Thirty items were not added timely. c. Forty-two items did not list a location. d. Three Inventory Adjustment Requests (IAR) were not processed timely.	6/30/2014	The department significantly improved their capital asset inventory. The auditor's recommendations for identified deficiencies were considered fully adopted and implemented. The specific issues were not considered a repeat finding in the subsequent audit.	Achieved	Completed

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8 4210, 4123 - Mental Health Services	12/11/2012	Significant Deficiency	Ordinance 3.24.020; Department Policy 3.1.3 / Payroll - The following inaccuracies were noted: a. An employee received additional compensation that was not periodically reviewed for applicability. b. A supervisor failed to maintain flexible work schedule documentation, allowed time to be made up within a pay period, and reported timesheets inaccurately. c. Six employees exceeded maximum compensatory time (40 hours). Compensatory time earned was overstated by 1.5 hours.	6/1/2014	The following controls and procedures were implemented and as a result were not considered a repeat finding in the subsequent audit: a. The department improved their process by distributing bi-weekly reports that identify all employees receiving additional compensation. The Management team monitors for appropriateness and accuracy. Any compensation determined to no longer be applicable was discontinued. b. The department's implementation of Time, Reporting, and Account Costing System (TRACS), eliminated inaccuracies. The department has communicated in writing and via training with all supervisors the proper method for flexing time and documenting. c. A compensatory time balance summary is reviewed every pay period. Employees with large balances are flagged and the supervisor is informed to ensure balances do not exceed 40 hours. The report process also allows the department head to approve any excess in accordance with policy.	Achieved	Completed

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9 4210, 4123 - Mental Health Services	12/11/2012	Significant Deficiency	Internal Controls / Receivables - The department contained the following deficiencies: a. Patient advance records did not match FMS. b. Receivables for settlement agreements were not established in FMS and revenue was not recognized in the correct period.	6/30/2014	The following controls and procedures were implemented and as a result were not considered a repeat finding in the subsequent audit: a. The department is reconciling patient advances records to FMS on a monthly basis. The department requested relief of accountability from the Board of Supervisors for accounts that are deemed uncollectible and provided government code refunds for all outstanding credit balances. b. The department recorded contractor repayment obligations and properly recognized revenue in the correct period.	Achieved	Completed
10 4210, 4123 - Mental Health Services	12/11/2012	Significant Deficiency	KCAPPM Section 406 / Capital Assets - The following inaccuracies were noted: a. Two assets could not be located. b. One asset was recorded in an incorrect account. c. Twenty-three IARs were not completed timely.	6/30/2014	The department has corrected the deficiencies noted to ensure that capital asset records are accurate, and it resulted in it to not being considered a repeat finding in the subsequent audit.	Achieved	Completed

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11 4210, 4123 - Mental Health Services	12/11/2012	Significant Deficiency	KCAPPM 519.14, 1107.2, and 310 / Payables - The department's payables contained the following deficiencies: a. One purchase card transaction was not supported by an invoice, four sales tax transaction were incorrect, and five transactions were certified late. b. Fuel credit card statements were not supported by actual receipts. c. Three travel claims were incorrect.	6/30/2014	Corrective action and training was implemented. The department requires monthly submission of fuel receipts to accounts payable staff. All transactions are reviewed for accuracies prior to claim submissions. The specific issues were not considered a repeat finding in the subsequent audit.	Achieved	Completed

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12 2340 - Probation	5/21/2013	Significant Deficiency	KCAPP Section 406, 407.9, 408, 407.4 / Capital Asset and Equipment Inventory - The following deficiencies were noted: a. Fifty-one equipment items were posted to an incorrect expenditure code. b. Fifteen equipment items did not have inventory tag numbers attached and therefore could not be identified on the list. c. Two items listed were not found and two items found were not on the list. d. Five items were listed at an incorrect location.	6/30/2014	The department has taken a complete inventory and adjusted records accordingly, including those combined in a construction project. The department has enhanced their procedures which include instituting an inventory transfer form for all equipment movement, instructing staff, and providing increased monitoring. To ensure that records are maintained accurately, spot checks are performed annually and a complete inventory prior to the required inventory certification.	Achieved	Completed

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13 2610 - Agriculture and Measurement Standards	6/25/2013	Significant Deficiency	Internal Control Weakness / Billing Invoices and Claims Payment - A \$2,139.57 inspection report was not billed and another customer was overcharged \$513.30. The department overpaid \$517.51 resulting from a discount not taken.	6/30/2014	Procedures were enhanced to ensure that billing invoices are accurate and complete, and that discounts are taken by providing a more timely process and review. The department has provided and disseminated written internal policies and procedures to it's staff.	Achieved	Completed
14 2610 - Agriculture and Measurement Standards	6/25/2013	Significant Deficiency	Internal Control Weakness / Travel Claim Process - Department failed to request a \$343.71 reimbursement for the cost incurred for the State. Three travel claims were not properly approved by individuals with proper segregation of duties. One per diem reimbursement lacked supporting documentation.	6/30/2014	The reimbursement opportunity was a rare isolated occurrence that is not anticipated to happen again. The department has enhanced their process to only pay claims that have proper segregation of duties and contain all necessary documentation. The department has provided and disseminated written internal policies and procedures to it's staff.	Achieved	Completed

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15 2610 - Agriculture and Measurement Standards	6/25/2013	Significant Deficiency	Government Code Section 87200 - 87210 Article 2, KCAPPM Section 709 and 142 / Conflict of Interest and Electronic Communication Policy - Thirteen employees filed Form 700 late. The required Electronic Communication Usage Policy and Conflict of Interest Policy was not filed annually.	6/30/2014	The department enhanced their procedures to obtain all required annual forms timely. Notifications are made to employees to complete timely and a log sheet is maintained to monitor their compliance.	Achieved	Completed
16 8995 - Airports	11/5/2013	Significant Deficiency	Internal Control Weakness / Revenue Contract Compliance - The department did not exercise adequate controls of accounts receivables. The following deficiencies were noted: a. Invoices were prepared untimely. b. Late payment penalties were not applied. c. Required insurance certificates were not obtained.	6/30/2014	The department enhanced their staffing and procedures to prepare recurring invoices and monthly reviews that ensure invoices are sent timely. Effective March 1, 2014, the department began assessing late fees in accordance with the terms of their lease agreements. The department's staff was trained and a matrix of all leaseholders and their insurance information was created to assist in maintaining current and adequate insurance coverage. Expired and deficient notices are sent to the leaseholders on a monthly basis.	Achieved	Completed

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17 2750, 5940, 2730 - Planning, Community Development, Development Services Agency	11/5/2013	Significant Deficiency	Internal Control Weakness / Accounts Receivable - Six claims of long-term deferred loans made between January 2011 and October 2012 by Community Development were not recorded and three loan balances were overstated in the department's accounts receivable system. There were poor segregation of duties.	6/30/2014	The loans were posted and adjusted on the department's internal ledgers and project loan list. The department revised their procedures to ensure that loan adjustments are timely communicated, documented, and reconciled to eliminate inaccuracies resulting from internal ledgers not being updated. The department streamlined their processes with automation that significantly reduced monthly loan processing time allowing workloads to be distributed timely to ensure accuracy and segregation of duties.	Achieved	Completed