

Kern County Administrative Office



County Administrative Center

1115 Truxtun Avenue, Fifth Floor • Bakersfield, CA 93301-4639

Telephone 661-868-3198 • FAX 661-868-3190 • TTY Relay 800-735-2929

RYAN ALSOP

County Administrative Officer

August 8, 2017

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

JUNE 30, 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 June 30, 2017 on departmental compliance issues for the period January 1, 2017 through June 30, 2017.

COMPLIANCE

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 financial, compliance, operational, or investigative based 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 Administrative Office performs a post audit review in which the Administrative Analysts and/or 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, ETC. 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 performed compliance audits of each County department biennially. 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. The 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 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 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:

Report	Board Date	Plan Due Date	Report Opinion*	Attachment Page
Public Defender	12/13/16	01/27/17	Unmodified	Not Required
County Counsel - Revenue and General Liability and Workers' Compensation Internal Service Funds	12/20/16	02/03/17	Unmodified	Not Required
Probation	12/20/16	02/03/17	Unmodified	Not Required
Treasurer-Tax Collector - Cash	12/20/16	02/03/17	Unmodified	Not Required
Countywide - Countywide Payroll Practices	01/24/17	03/10/17	No Opinion	Not Required
Airports	01/24/17	03/10/17	Unmodified	Not Required
Treasurer-Tax Collector - Statement of Money	01/24/17	03/10/17	Unmodified	Not Required
Treasurer-Tax Collector	03/14/17	04/28/17	Unmodified	Not Required
Treasurer-Tax Collector - Statement of Money	03/28/17	05/12/17	Compliant	Not Required
District Attorney	04/04/17	05/19/17	Unmodified	Not Required
District Attorney - Internal Controls over Cash	04/04/17	05/19/17	Modified	A-1
General Services - Parks and Recreation	04/04/17	05/19/17	Unmodified	Not Required

* Unmodified, Compliant, and No Opinions indicate that the report did not include any findings and therefore a corrective action plan is not required

The following reports were issued by the Auditor-Controller 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 December 31, 2017:

Report	Board Date	Plan Due Date	Report Opinion*	Attachment Page
Kern Medical - Pension Plan for Physician Employees	06/06/17	07/21/17	Unmodified	Not Required
Treasurer-Tax Collector - Statement of Money	06/06/17	07/21/17	Compliant	Not Required

* Unmodified and Compliant Opinions indicate that the report did not include any findings and therefore a corrective action plan is not required

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 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.

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

Report	Report Date	Plan Due Date	Report Opinion*	Attachment Page
Treasurer-Tax Collector - Investment Policy Compliance	12/06/16	01/20/17	Compliant	Not Required
Public Health Services - Proposition 10 Medically Vulnerable Care Coordination Project	12/13/16	01/27/17	Unmodified	Not Required
Public Health Services - Proposition 10 Black Infant Health	12/13/16	01/27/17	Unmodified	Not Required
Public Health Services - Proposition 10 Nurse Family Partnership	12/13/16	01/27/17	Unmodified	Not Required
Public Health Services - Proposition 10 Successful Application Stipend Program	12/13/16	01/27/17	Unmodified	Not Required
Probation, District Attorney, Sheriff - California Office of Emergency Services, Board of State and Community Corrections, Office of Traffic Safety, and Department of Justice Grants	01/24/17	03/10/17	Unmodified	Not Required
Public Works - Solid Waste Management Enterprise Fund	01/24/17	03/10/17	Unmodified	Not Required
Auditor-Controller - Kern County's Comprehensive Annual Financial Report	02/07/17	03/24/17	Unmodified	Not Required
Auditor-Controller - County's Single Audit	04/25/17	06/09/17	Unmodified	Not Required
Airports - Passenger Facility Charge Program	04/25/17	06/09/17	Unmodified	Not Required

* Unmodified and Compliant Opinions indicate that the report did not include any findings and therefore a corrective action plan is not required

The following reports were issued by Brown Armstrong 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 December 31, 2017:

Report	Report Date	Plan Due Date	Report Opinion*	Attachment Page
Treasurer-Tax Collector - Deferred Compensation	06/13/17	07/28/17	Unmodified	Not Required

* Unmodified Opinions indicate that the report did not include any findings and therefore a corrective action plan is not required

Grand Jury

Government Code affirms that financial examinations or audits may be performed in coordination with the investigations conducted by the Grand Jury or the Board of Supervisors may resolve to accept 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
Sheriff - Central Receiving Facility	11/10/16	01/11/17	02/07/17
General Services - Frazier Park Public Utility District	12/07/16	Not Applicable	02/07/17
Animal Services	02/06/17	Not Applicable	03/14/17
Public Works - Kern County Code Compliance	02/09/17	Not Applicable	05/02/17
Public Works - Caliente Creek Watershed	02/09/17	Not Applicable	05/09/17
Public Health Services	03/21/17	Not Applicable	05/09/17
Auditor-Controller - North Kern Cemetery District	03/21/17	05/03/17	05/23/17
Auditor-Controller - Quail Valley Water District	04/24/17	05/26/17	06/20/17
Aging and Adult Services	06/01/17	06/16/17	06/20/17

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 December 31, 2017:

Report	Report Date	Elected Official Response Date	Board of Supervisors Response Date
Library	06/01/17	Not Applicable	Due 08/30/17
Fire	06/01/17	Not Applicable	Due 08/30/17
Probation - Camp Erwin Owen	06/19/17	Not Applicable	Due 09/17/17
Public Works - Waste Management	06/19/17	Not Applicable	Due 09/17/17

Information Security Officer

Kern County Ordinance Section 2.01.010 appointed the Information Security Officer with the responsibility to conduct security assessments. The security assessment will cover all Kern County departments' information technology environments for current security posture and data protection. Assessments are conducted on departments that provide operational support for their department and some may even support multiple departments and/or budget units. The assessment identifies that adequate processes are in place and provides further guidance on improvements for a security incident response. A response quickly identifies potential incidents such as computer attacks by malware, viruses, ransomware, worms, etc. to mitigate further outbreaks and to appropriately report the incident.

The following assessments were completed by the Information Security Officer during this reporting period:

Report	Report Date	Departments / Budget Units Supported
Behavioral Health and Recovery Services	01/11/17	Behavioral Health and Recovery Services
District Attorney	01/20/17	Criminal Division Forensic Sciences
County Counsel	01/20/17	County Counsel General Liability Self-Insurance Grand Jury Risk Management Workers' Compensation Self-Insurance
Employers' Training Resource	03/08/17	Employers' Training Resource Workforce Innovation and Opportunity Act Non-Workforce Innovation and Opportunity Act
Department of Human Services	03/16/17	Administration Direct Financial Aid
Assessor	03/16/17	Assessor
Library	03/29/17	Library
Aging and Adult Services	04/05/17	Aging and Adult Services In-Home Supportive Services
Recorder	04/12/17	Recorder

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, etc. 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:

Report	Report Date	Prepared by
Department of Human Services - Adoption Assistance Program Monitoring	01/10/17	California Department of Social Services
Public Health Services - Public Health Emergency Preparedness Grant Program Audit	01/13/17	California Department of Public Health - Grant Compliance Unit
Public Health Services - Hospital Preparedness Program Grant Program Audit	01/13/17	California Department of Public Health - Grant Compliance Unit
Kern Medical	02/02/17	Moss Adams LLP
Public Health Services - HIV Care Program Ryan White Part B Site Monitoring	03/07/17	California Department of Public Health - Office of AIDS

Report	Report Date	Prepared by
Employers' Training Resource - Financial Management and Procurement Systems Applicable to the Administration of La Cooperativa's Programs under the Workforce Innovation and Opportunity Act	03/09/17	La Cooperativa Campesina de California
Probation - Camp Erwin Owen Inspection Report	03/11/17	Juvenile Justice Commission
Public Health Services - Medically Vulnerable Care Coordination Project Annual Administrative Review	03/13/17	First 5 Kern
Public Health Services - Black Infant Health Grant Annual Administrative Review	03/13/17	First 5 Kern
Behavioral Health and Recovery Services - CARF Survey Report	03/24/17	CARF International
Employers' Training Resource - Workforce Innovation and Opportunity Act Fiscal and Procurement Monitoring	04/12/17	California Employment Development Department
Public Health Services - Successful Application Stipend Annual Administrative Review	05/16/17	First 5 Kern
Public Health Services - Nurse Family Partnership Program Annual Administrative Review	06/01/17	First 5 Kern
Probation - James G. Bowles Juvenile Hall Inspection Report	06/03/17	Juvenile Justice Commission
Probation - Furlough Treatment and Rehabilitation Inspection Report	06/03/17	Juvenile Justice Commission
Probation - Pathways Academy Inspection Report	06/03/17	Juvenile Justice Commission
Fire – Assistance to Firefighters Grant Program Desk Review	06/05/17	U.S. Department of Homeland Security Federal Emergency Management Agency
Public Health Services - Nurse Family Partnership / California Home Visiting Program Site Visit	06/12/17	California Department of Public Health

FOLLOW-UP REVIEWS

County Administrative Office's Follow-up Reviews

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 December 31, 2016 Compliance and Accountability Report that are over six months old are 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. 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 follow-up findings have been resolved during this reporting period and are listed on Attachment C.

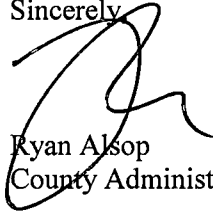
CONCLUSION

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 June 30, 2017 Compliance and Accountability Report.

Sincerely,



Ryan Alsop
County Administrative Officer

RA KB COMPL Jun 2017 Report

Attachments

cc: All Department Heads

JUNE 30, 2017
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY - CURRENT

Budget Unit: 2180, 2200
Department: District Attorney
Audit Issued: April 5, 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 06/30/17	Estimated Date of Compliance
1 Internal Control Integrated Framework by COSO	Significant Deficiency	Controls over Cash Receipts for Trust Fund 22060 - 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 all prior missing reconciliations as recommended by the Auditor	In Progress	12/31/17

JUNE 30, 2017
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY - IN PROGRESS (OVER SIX MONTHS OLD)

Budget Unit - Department	Audit Report Date	Finding Level	Finding / Violation	06/30/16 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/17	Estimated Date of Compliance
-----------------------------	----------------------	---------------	---------------------	---	---------------	-------------------------------------	------------------------------------

Not applicable - no findings over six months old remained in progress.
All follow-up findings over six months old were resolved during this reporting period and are listed on Attachment C

JUNE 30, 2017
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY - RESOLVED (OVER SIX MONTHS OLD)

Budget Unit - Department	Audit Report Date	Finding Level	Finding / Violation	12/31/16 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/17	Estimated Date of Compliance
1 2415 - Fire	06/07/16	Significant Deficiency PARTIAL REPEAT	Payroll / Internal Control Integrated Framework by COSO, Kern County Administrative Policy and Procedure Manual (KCAPP) Section 117, Department Internal Policy, and Administrative Bulletin 40 - The following deficiencies were noted: a) As of December 2015, the department had not fully implemented TRACS. b) 15 employees had comp time balances exceeding the allowable limit of 120 hours and included 6 incorrect manual conversions. c) Department did not enforce their Duty Trade Policy requiring employees to trade within 90 days and did not disclose liability. d) Employees with insufficient accrual balances were allowed to take time off resulting in overpayment since payroll mainframe automatically reduces 8 hour regular pay unit rather than 24 hour on duty day. e) Overtime hours manually transferred from Telestaff to CAMS System included overtime hours and pay rate errors resulting in over and under payments.	06/30/17	a), b), d) and e) The department's management, IT, and payroll staff worked with the Auditor-Controller's office to successfully implement a Telestaff, CAMS and TRAC's export interface to eliminate manual transfers and conversions. On December 2, 2016 the department reported to your Board, and Auditor-Controller concurred, that department is now in compliance with Administrative Bulletin 40 regarding the full implementation of TRACS. b) As of January 30, 2017, all employees' compensatory time balances were in compliance with KCAPP. Department no longer allows compensatory time balance to exceed 120 hours. c) The department implemented a Duty Trade policy change to remove the 90 day trade requirement and added language specifying that trade is a contract between two employees and if not fulfilled by one of the parties, the County is not liable for any pay. d) Department's payroll personnel verifies accrual balances before upload to the Mainframe system. The department worked with the Auditor-Controller's office to update TRACS to ensure employees' regular pay is accurately reduced when the employee has insufficient accrual balances.	Achieved	Completed

JUNE 30, 2017
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY - RESOLVED (OVER SIX MONTHS OLD)

Budget Unit - Department	Audit Report Date	Finding Level	Finding / Violation	12/31/16 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/17	Estimated Date of Compliance
2 3000, 8998 - Public Works - Roads and Transit	06/14/16	Significant Deficiency	Infrastructure and Intangible Procedures / KCAPPM Section 406 - The following deficiencies were noted: a) 4 donated and 6 annexed assets were not in the Capital Asset System. 2 donated roads were not timely added to the Maintained Mileage List. b) 12 Construction in Progress Projects at June 30, 2015 were incorrectly classified. c) 29 assets had depreciable lives inconsistent with engineer's estimates and prior year's determination. d) No procedure to identify, adjust, or remove replaced or resurfaced assets	06/30/17	a) Capital Asset System and Mileage List were appropriately adjusted. The department implemented monthly reviews by administration, quarterly valuation reviews by Infrastructure Committee, and annual Infrastructure Report reviews by Engineering Manager for additional verification. b) Misclassifications were corrected. Process enhanced to timely notify accountant of project completion to update system rather than create a new asset. A year-end checklist was added to review completion dates. c) The department utilized experienced engineers and industry standards to compile a uniform depreciable life chart. Procedures were enhanced for an accountant to oversee Capital Asset System changes. The department implemented quarterly review meetings and annual Infrastructure Report reviews. d) The department developed responsibilities and procedures for engineers and accountants to identify infrastructure activities and adjust system as needed.	Achieved	Completed
3 3000, 8998 - Public Works - Roads and Transit	06/14/16	Significant Deficiency	Discrepancies in Materials Inventory / Internal Control Integrated Framework by COSO, KCAPPM Section 409 - Inventory testing noted the following discrepancies: a) 29 or \$11,815.11 of tires in the Cost Accounting Management System (CAMS) were not located. b) 2 or \$136.80 of inventory parts in CAMS were not located. c) 1,403.2 paint gallons were overstated. d) 6 road signs were understated	06/30/17	The department implemented significant changes to have the warehouse supervisors be responsible to keep CAMS inventory records accurate daily rather than relying on accounting to update with a time delay and some inaccuracies. This allows direct supervisors to be accountable and provides the ability to timely determine probable reasons and solutions for discrepancies. To test accuracy, in addition to a routine year-end inventory count, the department also implemented monthly sample testing and verification of specific inventory items as they are stocked and used. In June 2017, the department conducted their annual year-end inventory count with responsible staff present to reconcile all discrepancies. The results proved that the change to a live onsite record keeping is more reliable with very minimal discrepancies to resolve.	Achieved	Completed

JUNE 30, 2017
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY - RESOLVED (OVER SIX MONTHS OLD)

Budget Unit - Department	Audit Report Date	Finding Level	Finding / Violation	12/31/16 Reported Estimated Date of Compliance	CAO Comments:	Compliance Status at 06/30/17	Estimated Date of Compliance
4 4120, 4123 - Behavioral Health	07/19/16	Significant Deficiency	Employee Performance Evaluation Report (EPR) / KCAPPM Section 136, Internal Control Integrated Framework by COSO - Many EPRs since July 2013 were not conducted timely.	06/30/17	All outstanding EPRs were made current and the department made significant improvements to get all EPRs completed more timely going forward. Department's lean six sigma team streamlined the EPR process. Human Resource staff reports upcoming and late EPRs to management on a monthly basis. The department instated a practice that employees will not be allowed to take vacation unless their EPRs are current.	Achieved	Completed
5 4120, 4123 - Behavioral Health	07/19/16	Significant Deficiency	Contract Pharmacy Billing / Internal Control Integrated Framework by COSO - Department contracts and pays local pharmacies for non-Medi-Cal clients. If client is Medi-Cal eligible, the pharmacy is directed to bill Medi-Cal with agreement that if Medi-Cal pays, the pharmacy returns department's payment by applying a credit on the subsequent invoice. The department presumably paid and accepted credits without validating if Medi-Cal was approved or denied and without verifying the accuracy of amount paid and credited.	06/30/17	On April 25, 2017, the department submitted and the Board approved FY 2017/2018 Agreements for prescription pharmacy services that contained new language requiring supporting documentation of amounts paid and credited. The department's Fiscal Support Specialists verify the accuracy of the supporting documentation prior to approving their claim for payment and Accountants also periodically review for additional independent assurance.	Achieved	Completed
6 4120, 4123 - Behavioral Health	07/19/16	Significant Deficiency	Billing and Accounts Receivable / Administrative Bulletin 39 - Department never submitted a Relief from Accountability Request for Board approval before writing off uncollectable client amounts for a total of \$1,079,943 24 during March 3, 2015 though April 1, 2016	06/30/17	On July 18, 2017, the department submitted and the Board approved a Relief from Accountability of uncollectable accounts from July 1, 2006 to February 23, 2016. With the department's accounts current, the department has committed to routinely bringing a Relief from Accountability to the Board annually for each previous year lapsed.	Achieved	Completed