

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 J. Alsop

County Administrative Officer

August 14, 2018

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

JUNE 30, 2018 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, 2018 on departmental compliance issues for the period January 1, 2018 through June 30, 2018.

COMPLIANCE REQUIREMENTS AND RESPONSIBILITIES

Board of Supervisors' Audit Requirements

Government Code Section 25250 requires the Board of Supervisors to at least biennially examine and audit, or cause to be audited, the financial accounts and records of all officers having responsibility for the care, management, collection, or disbursement of money belonging to the County or money received or disbursed by them under authority of law. The Board has selected to have the Auditor-Controller perform some of those audits on its behalf, and also considers the engagements performed by others such as independent Certified Public Accountants (CPA), Grand Jury, Information Security Officer, and other agencies to fulfill the requirements. In general, they aim to determine the accuracy of information, provide insight and propose recommendations to improve. The scope depends on the focus and extent of a particular engagement that may be based on financial, compliance, operational, or investigative and may vary significantly depending on the department.

County Department's Response and Corrective Action Plan

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

County Administrative Office's Post Audit Reviews

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

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

Auditor-Controller

The Board of Supervisors, by resolution dated June 13, 1956, adopted Government Code Section 26883 that gave the Board of Supervisors the power to require the Auditor-Controller to perform the audits of any department, office, board or institution under the Board of Supervisor's control.

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

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

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

Report	Board Date	Plan Due Date	Attachment Page*
Library - Transfer of Cash and Inventory	01/23/18	03/09/18	Not Required
Treasurer-Tax Collector - Statement of Money	01/23/18	03/09/18	Not Required
Child Support - Transfer of Cash and Inventory	01/23/18	03/09/18	Not Required
Child Support Services	03/13/18	04/27/18	Not Required
Department of Human Services	03/13/18	04/27/18	Not Required
Board of Supervisors	03/20/18	05/04/18	A-1
General Services - Buena Vista and Metro Maintenance Yards	04/10/18	05/25/18	Not Required
Fire/General Services Garage/Sheriff - Prior Findings	04/10/18	05/25/18	Not Required
Treasurer-Tax Collector - Statement of Money	04/10/18	05/25/18	Not Required
Employers' Training Resource	04/17/18	06/01/18	Not Required
Veterans Service	04/17/18	06/01/18	Not Required
District Attorney - Prior Findings	04/24/18	06/08/18	Not Required
County Administrative Office	05/08/18	06/22/18	Not Required

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

The following reports issued by the Auditor-Controller did not have a corrective action plan, if required, due during this reporting period; however they will be included in the next Compliance and Accountability Report for December 31, 2018:

Report	Board Date	Plan Due Date	Attachment Page*
District Attorney - Prior Control Deficiencies	05/22/18	07/06/18	Not Applicable
Planning and Natural Resources - Prior Control Deficiencies	05/22/18	07/06/18	Not Required
Auditor-Controller-County Clerk - Prior Findings	05/22/18	07/06/18	Not Required
Airports - Transfer of Cash and Inventory	06/19/18	08/03/18	Not Required
Treasurer-Tax Collector - Statement of Money	06/19/18	08/03/18	Not Required

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

Independent CPA

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

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

Report	Board Date	Plan Due Date	Attachment Page*
Treasurer-Tax Collector - Investment Policy Compliance	12/05/17	01/19/18	Not Required
Kern Sanitation Authority	12/12/17	01/26/18	Not Required
Solid Waste Management Enterprise Fund	12/12/17	01/26/18	Not Required
California Office of Emergency Services (Cal OES), Board of State and Community Corrections (BSCC), Office of Traffic Safety, and Department of Justice Grants	12/12/17	01/26/18	Not Required
Public Health Services - Prop 10 Medically Vulnerable Care	12/19/17	02/02/18	Not Required
Public Health Services - Prop 10 Black Infant Health	12/19/17	02/02/18	Not Required
Public Health Services - Prop 10 Nurse Family Partnership	12/19/17	02/02/18	Not Required
Public Health Services - Prop 10 Successful Application	12/19/17	02/02/18	Not Required
Auditor-Controller - Kern County's Comprehensive Annual Financial Report	01/23/18	03/09/18	Not Required
Auditor-Controller - County's Single Audit	04/17/18	06/01/18	Not Required
Airport - Passenger Facility Charge Program	04/24/18	06/08/18	Not Required

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

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, 2018:

Report	Board Date	Plan Due Date	Attachment Page*
Treasurer-Tax Collector - Deferred Compensation	06/05/18	07/20/18	Not Required

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

Grand Jury

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

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

Report	Report Date	Elected Official Response Date	Board of Supervisors Response Date
Sheriff - Mojave Substation	11/09/17	01/02/18	01/30/18
Airports	11/27/17	Not Applicable	01/30/18
Sheriff - Rosamond Substation	11/27/17	01/08/18	02/06/18
Kern Transit	02/15/18	Not Applicable	05/01/18
Parks and Recreation	03/22/18	Not Applicable	06/12/18
Greater Bakersfield Separation of Grade District	03/22/18	06/20/18	06/12/18

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, 2018:

Report	Report Date	Elected Official Response Date	Board of Supervisors Response Date
Department of Human Services	05/07/18	Not Applicable	Due 08/05/18
Probation - James G. Bowles Juvenile Hall	05/14/18	Not Applicable	Due 08/12/18
Probation - Camp Erwin Owen	05/30/18	Not Applicable	Due 08/28/18
Information Technology Services	06/14/18	Not Applicable	Due 09/12/18
Sheriff - Lerdo Facility	06/21/18	Due 08/20/18	Due 09/19/18
Employers' Training Resource	06/21/18	Not Applicable	Due 09/19/18

Other External Agencies

In addition to the above mentioned reports, other reports have been issued from other external agencies. They include audits, reviews, assessments, agreed upon procedures, monitoring, and other reports that aim to determine the accuracy of information, provide insight, or recommendations to improve. Typically, they are primarily performance based but may vary significantly depending on the scope of the particular engagement and may also be financial or compliance based. The departments are responsible for filing the reports with the Board of Supervisors, County Administrative Office, and Auditor-Controller. The departments are also required to respond directly to the agency within 30 days and are expected to resolve all findings and/or recommendations identified.

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

Report	Report Date	Prepared by
District Attorney - Alcohol and Drug Impaired Driver Vertical Prosecution Program	09/14/17	California Department of Finance
Public Works - Post Construction Review	09/27/17	California Department of Transportation
Aging and Adult Services - Onsite Monitoring Review	10/02/17	California Department of Aging
Public Health Services - Administrative Desk Review Closing Letter	10/27/17	California Department of Public Health
County Clerk - Assembly Bill 3158 CEQA Environmental Filing Fees	11/15/17	California Department of Fish and Wildlife
Department of Human Services - Civil Rights Compliance Review	01/09/18	California Department of Social Services
Aging and Adult Services - Conservator Program	01/22/18	United States Social Security Administration
Probation - JAG Comprehensive Monitoring Visit	01/23/18	Board of State and Community Corrections
District Attorney - Local Assistance Insurance Fraud Grant Programs	02/09/18	California Department of Insurance
Department of Human Services - CalFresh Management Evaluation	02/09/18	California Department of Social Services
Public Health Services - Targeted Case Management Cost Reports	02/26/18	California Department of Health Care Services
Public Health Services - Supplemental Nutrition Assistance Program Integrated Work Plan Site visit	03/06/18	California Department of Public Health
Public Health Services - Ryan White Part B HIV Care	03/07/18	California Department of Public Health
Auditor-Controller - County Cost Allocation Plan Field Review Report	03/09/18	California State Controller
Department of Human Services - Title IV-E Foster Care Eligibility Review	03/08/18	California Department of Social Services
Kern County Hospital Authority	03/13/18	Moss-Adams, LLP
Public Works - Transportation Development Act Funds	03/26/18	Brown Armstrong Accountancy Corporation
Probation - Camp Erwin Owen Inspection Report	03/29/18	Juvenile Justice Commission
Public Health Services - Medically Vulnerable Care Coordination Project Annual Administrative Review	04/04/18	First 5 Kern
Aging and Adult Services - Ombudsman and Elder Abuse Prevention Programs	04/13/18	California Department of Aging
Public Health Services - Nurse Family Partnership Program Annual Administrative Review	04/18/18	First 5 Kern
Public Health Services - Targeted Case Management	04/27/18	California Department of Health Care Services
Public Health Services - Targeted Case Management	05/03/18	California Department of Health Care Services
Public Health Services - Black Infant Health Program Annual Administrative Review	05/03/18	First 5 Kern
Public Health Services - Successful Application Stipend Program Annual Administrative Review	05/08/18	First 5 Kern

Department of Human Services - Work Participation Rate On-site Validation Review	05/16/18	California Department of Social Services
Probation - Furlough Treatment and Rehabilitation Inspection Report	06/02/18	Juvenile Justice Commission
Probation - James G. Bowles Juvenile Hall Inspection Report	06/02/18	Juvenile Justice Commission
Probation - Pathways Academy Inspection Report	06/02/18	Juvenile Justice Commission
Employers' Training Resource - Workforce Innovation and Opportunity Act Financial and Procurement Management Systems	06/08/18	La Cooperativa Campesina de California

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, 2017 Compliance and Accountability Report that are over six months old are provided as Attachments B and C. Our office continued to help departments with resolution, pursue adequate documentation of remedial proof, and report to your Board all previous 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. There were no findings listed on Attachment B that continued to be "In Progress" indicating a concern that the department might receive unresolved repeat findings. All previous follow-up findings were resolved during this reporting period and are listed on Attachment C.

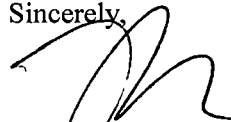
CONCLUSION

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, 2018 Compliance and Accountability Report.

Sincerely,



Ryan J. Alsop
County Administrative Officer

**JUNE 30, 2018
COMPLIANCE AND ACCOUNTABILITY
POST AUDIT REVIEW SUMMARY - CURRENT**

Report: Compliance and Internal Controls of the Board of Supervisors
Audit Period: For Fiscal Years Ended June 30, 2017 and 2016

Corrective Action Plan Received: Yes
Issued by: Kern County Auditor-Controller

Budget Unit - Department	Audit Report Date	Finding [Violation]	CAO Comments	Previous Estimated Date of Compliance	Current Status	Current Estimated Date of Compliance
Board of Supervisors [1011] [1015]	03/20/18	Finding: Cell Phone Certification [Kern County Administrative Policy and Procedures Manual (KCAPP) Chapter 307.6][Department Policy] - The District 1 and 5 required monthly cell phone certification reports were not conducted timely	A process was implemented to provide timely certifications by utilizing staff assistance from the County Administrative Office (CAO). Additional controls were setup for electronic calendar and verbal reminders until certifications are completed. All cell phones assigned to CAO staff for certification were completed timely for the 6 months ended June 30, 2018. Staff is in progress of implementing a process to search for and review inadvertently unassigned cell phones.	N/A	In Progress	09/30/18
Board of Supervisors [1011] [1012] [1013] [1014] [1015]	03/20/18	Finding: Purchasing Card Certification [KCAPP Chapter 519.15] - For the period under audit the following findings were noted: • District 1 and 5 - A purchasing card transaction was approved by the reviewer but not certified by each District • District 1, 4, and 5 - 19, 1, and 13 purchasing card transactions, respectively, were not certified timely (within 45 days of the statement cycle close date). • District 1, 2, 3, 4, and 5 - 25, 4, 1, 4, and 15 monthly statements, respectively, were not approved timely (within 45 days of the statement cycle close date).	Although all transactions were believed to be accurate and have sufficient documentation, some transactions were not certified or approved timely due to oversight and staffing coverage. Considering the small staff size available at each District, a process was implemented to enable timely certifications and approvals by utilizing staff assistance from the CAO. Additional controls were setup for electronic calendar reminders. For the 6 months ended June 30, 2018 all transactions due were certified and approved timely except for 1 late monthly approval for District 5. Each District's Chief of Staff and the Chief Deputy CAO will continue to review and monitor to ensure compliance.	N/A	In Progress	09/30/18

JUNE 30, 2018
 COMPLIANCE AND ACCOUNTABILITY
 FOLLOW-UP POST AUDIT REVIEW SUMMARY - IN PROGRESS (OVER SIX MONTHS OLD)

Department [Budget Unit]	Audit Report Date	Finding [Violation]	CAO Comments:	Previous Estimated Date of Compliance	Current Status	Current Estimated Date of Compliance
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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, 2018
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY - RESOLVED (OVER SIX MONTHS OLD)

Department [Budget Unit]	Audit Report Date	Finding [Violation]	CAO Comments:	Previous Estimated Date of Compliance	Current Status	Current Estimated Date of Compliance
District Attorney [2180] [2200]	04/04/17	Significant Deficiency. Controls over Cash Receipts for Trust Fund 22060 [Internal Control Integrated Framework by COSO] - 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. On April 24, 2018 the Auditor-Controller reported to the Board of Supervisors, that the District Attorney implemented the auditor's recommendation and the finding was considered resolved.	06/30/18	Achieved	Completed
Fire [2415]	08/15/17	Finding: Fire - Inventory records managed through Cost Accounting Management System (CAMS) did not match actual inventory on hand Department had to make adjustments to CAMS for 6 of the 13 items sampled by auditor	The department performs an annual inventory count of all items maintained in warehouse and fleet division to verify accounting records and value. The department updated CAMS records, completed software upgrades, purchased new scanners and hired a warehouse manager. The department implemented periodic reviews of inventory records for accuracy and adjustments. On April 10, 2018 the Auditor-Controller reported to the Board of Supervisors, that Fire implemented the auditor's recommendation and the issues had been resolved.	06/30/18	Achieved	Completed
General Services (Garage) [8950]	08/15/17	Finding: General Services Garage - Department did not immediately remove inventory items from department's inventory records when issued to departments.	The department implemented procedures and trained staff to remove items from inventory records as items are issued to departments. The department implemented procedures to review inventory records periodically throughout the year. On April 10, 2018 the Auditor-Controller reported to the Board of Supervisors, that General Services' Garage division implemented the auditor's recommendation to correct the process and that the controls added to the process were satisfactory.	06/30/18	Achieved	Completed
Sheriff [2210]	08/15/17	Finding: Sheriff - 20% of department's inventory on hand did not reconcile with their internal inventory system iOrder.	The department configured the wireless access points and upgraded the network infrastructure system to allow the iOrder program to be utilized effectively by warehouse personnel. On April 10, 2018 the Auditor-Controller reported to the Board of Supervisors, that Sheriff implemented the auditor's recommendations. An inquiry and review of the process was conducted determining that the audit finding was satisfactorily addressed.	06/30/18	Achieved	Completed

JUNE 30, 2018
COMPLIANCE AND ACCOUNTABILITY
FOLLOW-UP POST AUDIT REVIEW SUMMARY - RESOLVED (OVER SIX MONTHS OLD)

Department [Budget Unit]	Audit Report Date	Finding [Violation]	CAO Comments	Previous Estimated Date of Compliance	Current Status	Current Estimated Date of Compliance
Auditor-Controller- County Clerk [1420] [2116]	10/24/17	Finding: Cash and Mail Handling - The following findings were noted: a) For Elections, cash drawer was accessible to all permanent employees and funds in drawer were only counted at time of deposit. Lag of deposit ranged from 1 - 34 days. b) For County Clerk, inadequate segregation of duties over mail and money log A single employee receives, logs, and deposits. All employees have access to the Money Log and can add or delete entries. Log did not indicate why payments were returned, the issued receipt and EROD number. There was no reconciliation between the Money Log, manual receipts and cashing system.	a) The department reassigned duties to staff and management to provide adequate separation of duties and implemented internal controls procedures to monitor cash activities and deposits. Procedures were implemented for daily cash deposits. On May 22, 2018 the Auditor-Controller reported to your Board, that Elections implemented the auditor's recommendation. b) On May 22, 2018 the Auditor-Controller reported to your Board, that County Clerk implemented the auditor's recommendation. The department's reorganization to separate duties, implementation of internal controls and programs, and reconciliations met the auditor's basic standards.	06/30/18	Achieved	Completed