

Kern County Administrative Office



County Administrative Center

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County Administrative Officer

August 18, 2009

Board of Supervisors
Kern County Administrative Center
1115 Truxtun Avenue
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SEMI-ANNUAL REPORT ON DEPARTMENTAL COMPLIANCE ISSUES AND UPDATE ON IMPLEMENTATION OF COMPLIANCE AND ACCOUNTABILITY PLAN

Fiscal Impact: None

County Ordinance Code 2.01.010 requires that the County Compliance and Accountability Officer (CCAO) report no later than 45 days after June 30 on departmental compliance issues for the period January 1 through June 30. This report highlights some of the key initiatives and actions taken during this period to ensure compliance with County laws and regulations. In addition, an update on implementation of the Compliance and Accountability Plan is provided for the Board's information.

COMPLIANCE UPDATE

Audit Follow-up

Onsite audit validation has continued since the February 10, 2009 report. All departments that have undergone audits have been visited during a walkthrough validation. Validation consists of a review of implementation plans and gathering of sample documentation to support that a solution is in place. Walkthrough by the CCAO does not relieve department heads of responsibility for the remediation/solution. The CCAO's role is to monitor and report to the Board where timely audit solutions have not been developed and implemented. In addition, the CCAO informs the Board if audits are not being done.

Audited County departments visited from January to June 2009 include: Airports, Assessor, County Administrative Office, County Counsel, District Attorney, Farm and Home Advisor, Fire, Information Technology, Kern Medical Center, Probation, Public Health, and Sheriff. As this process is not a one-time event, the CCAO will be following up on the more recently completed full department audits in the coming months. A complete list of all departments visited, which includes full department and cash audits is at Attachment A.

Red Flags

Identity theft is currently a large problem in the United States, and has resulted in the Fair and Accurate Credit Transactions Act of 2003 ("FACTA") requirements, also known as the "Identity Theft Red Flags Rule", which was put in place in November 2007. The "Red Flags" rules will be enforced by the Federal Trade Commission effective November 1, 2009. This federal program is designed to protect and provide awareness to the public regarding the requirements of creditors with accounts covered by these new rules.

who are now required to do more than just provide data security. As a preventive measure, data security involves protecting information from theft. Red Flags rules and programs are designed to detect when stolen information has been used to purchase goods or services.

This is important to the County as it has been determined that three departments are considered as "creditors" with "covered accounts" as defined by the legislation. A creditor is any institution that allows a customer (either individual or business) to receive a product or service without requiring full payment at the time of the transaction. Covered accounts, both existing and new accounts, are designed to permit multiple payments or transactions. Kern Medical Center, Mental Health and Public Health departments all meet these definitions and will be required to have a Red Flags programs in place under federal regulations.

The four steps for creating a Red Flags program include:

- Reasonable policies and procedures to identify suspicious patterns or practices, or specific activities that indicate possible identity theft;
- The policies and procedures designed to detect possible identity theft;
- Appropriate actions to be taken when identity theft is detected; and
- A mechanism to reevaluate the program periodically for new risks.

Additional program requirements include: Board of Supervisors approves the first written program; all necessary staff members are trained; contractor's compliance is monitored; and appropriate staff provides annual reporting to the Board of Supervisors or a designated senior manager.

The CCAO is actively working with those County departments initially identified by the federal guidelines and will come back to your Board for approval of the initial program. Best practices, existing documentation, and procedures are being leveraged to avoid unnecessary work.

Contracts Insurance Certificates

The Risk Management Division of the office of County Counsel has subscribed to TrackCertsNow software application to help the County promote contractor compliance with insurance requirements. Four departments will participate in the initial testing and implementation: Parks, General Services, Mental Health and Human Services. Pilot departments are identifying vendors to include in the system and working with the Risk Manager to identify which combinations of insurance (insurance templates) apply to each of the participating departments. When this information is loaded in the application, in-depth training and beta testing will begin. Part of this project includes customizing the form letters that will be sent out to County vendor/contractors regarding their insurance compliance or non-compliance with their established contracts or agreements.

It is anticipated that initial testing of the system will begin in the last quarter of this calendar year. The goal is to adjust the program based on feedback from the four participating departments and to open the system to the entire County by mid-year 2010.

American Recovery Reinvestment Act (ARRA)

The American Recovery Reinvestment Act (ARRA) grants federal funds to “shovel ready” infrastructure projects and to other federally funded programs administered by local government such as law enforcement, job training and placement, community development, and low-income housing. The intent is to generate local jobs and invigorate the economy. With the acceptance of this money comes the obligation to provide detailed reporting to the federal government. Reporting compliance requirements are currently being developed by the Obama administration.

Prime recipients of federal funds will be required to report ten days after the end of each quarter starting July 10. A prime recipient is the direct recipient of federal funds. The first reporting deadline is October 10, 2009 for expenditures through September 30, 2009. This October 10 report should include the July 10 reporting information. This combined reporting date is a onetime event as the federal government is currently in the process of readying its reporting portals. Once the portals are in place, standard reporting will be required January 10, April 10, July 10, and October 10.

Non-prime recipients of Recovery Act funds, i.e., those that receive ARRA funds from the prime recipient, will be responsible for reporting all necessary information to the prime recipient so that the reporting requirements can be met.

The CCAO will closely monitor which County departments are receiving funds and ensure that accurate and timely reporting is provided so that the County remains in compliance with these federal requirements.

HIPAA

On May 5, 2009, your Board added County Privacy Officer duties related to the Health Insurance Portability and Accountability Act (HIPAA) to the CCAO's general oversight responsibilities. As part of this role, the CCAO will be collaborating with the privacy and compliance officers at Kern Medical Center, and the Mental Health and Public Health Departments.

An initial meeting with three privacy and compliance officers was held early in July. Regular roundtable meetings are planned in order to determine potential multidepartment risks and identify opportunities to coordinate of efforts. It is the CCAO's goal to include reporting from these departments in this semi-annual report.

ETHICS UPDATE

Code of Conduct

The Code of Conduct Core Team has not met over the past several months. Moreover, some team members have since left County employment and these vacancies will not be filled. Despite these changes, the project continues to move forward. The Core Team initially selected the following seven values as those which should be considered for the County's Code of Conduct: Adherence to Rules and Regulations, Diversity, Fairness, Honesty, Integrity, Respect, and Service.

Research via the internet yielded two California counties with Codes of Conduct or similar documents. San Bernardino requires its employees to adhere to a Code of Ethics, while Solano County has a Code of Conduct and Professional Ethics. Both of these documents combine rules- and values-based approaches.

A gap analysis of some private industry codes was also undertaken to determine which values are common to those initially selected by the Core Team for the County. The companies used in the benchmark analysis were: Cisco Systems, Hewlett-Packard Co., Raytheon, and Global Compliance. Attachment B is a schedule of the results of this work. Additionally, a review and analysis of private industry codes revealed that most companies use a tiered approach for such documents that proceeds from core value to broad goals to specific objectives. An example of this tiered approach for the core value respect is shown below:

C O R E V A L U E	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>
	RESPECT	Treat others with respect	•Embrace diversity •Non-discrimination •Open and honest
		Safe and secure work environment	•No drug/alcohol use •Comply with safety, health policies •Report any health/safety threats
		Harassment-free environment	•Do not behave in a disrespectful, hostile manner •Encourage harassment-free work environment
		Respect privacy and protect personal information	•Use personal information solely for legitimate business purposes •Protect personal information of current/former employees

The Board will be periodically updated on this project. Upon acceptance, this conduct document will become the baseline for all County employees and will offer a foundation upon which departments can build their own departmental-specific documents.

Web Page

The web page for the Compliance and Accountability function was launched in April 2009. This page is linked to the County of Kern internet site at www.co.kern.ca.us. As was mentioned in the original Compliance and Accountability Plan, this web page is a critical access point for the general public. It offers information regarding the mission and vision of the function but more importantly provides links to hotline numbers and allegation reporting. Members of the public now have an additional way of having their voices heard, which promotes greater governmental accountability.

Training

Face to Face

A multi-hour ethics training class "Ethics in the Public Sector" was delivered in early March as part of the Leadership Development Program. Response to the class offering was strong with more than 40 participants. Feedback on the core curriculum was positive with many attendees requesting that the class length be extended. Leveraging core concepts of the Leadership Development Program offering, an abbreviated Ethics Awareness Training module was developed and is currently being delivered to department management.

The Ethics Awareness training module is a 40-minute session that deals with the issues of perception, well known ethical issues from private and public sectors, ethics defined, some models for testing situations, gifts, and ways to report allegations of wrongdoing. The discussion has been interactive and lively during these presentations.

The implementation schedule for Ethics Awareness training is shown below:

Department	Training Date
CAO	April 9
Information Technology	May 6
General Services	May 21
Airports	June 4
Aging and Adult	June 17
EMS	June 19
Environmental Health	July 7
Library	July 16
Public Health	July 20
Human Services	July 28
Risk Management	July 30

Online

Online training is the industry standard when sufficient funds are available to allocate to a communications-based methodology. Major vendors provide customized training modules on topics unique to the customers they serve. Industry has gravitated to this type of training as it works well with personal computer based labor forces that are geographically dispersed. This training method allows for a uniform message to be delivered to all employees within a target organization.

California counties have for the most part focused on limited face-to-face training on relatively few topics. A recent informal benchmarking by the CCAO revealed that the San Bernardino Compliance and Ethics department has invested in the development of an online offering using a third party provider for a one-time fee of approximately \$40,000. Additionally, Fresno County is working with the local university to produce a similar educational delivery system.

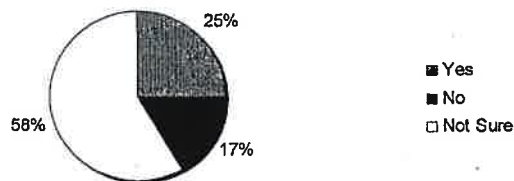
The CCAO is working with in-house resources to produce a professional product for a fraction of the cost resulting from the use of third party providers. KGOV has been actively involved in filming a demonstration of what the County's online training might look like upon completion. The Granicus system will be used to house the video while a free software tool will be used for the question and answer portion of the product. The benefit of using the Granicus system is that it leverages and extends the use of existing technology in which the County has already invested. Delivery of the finished product is expected toward the end of the calendar year.

Ethics Survey

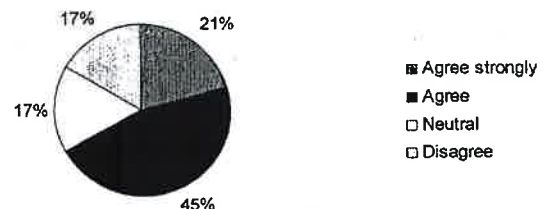
Employee surveys are useful in gauging workforce attitudes, heightening employee awareness, and highlighting opportunities for program improvement. This past March, attendees of the initial Ethics in the Public Sector course offered as part of the Leadership Development Program were asked to voluntarily participate in a ten question online survey (Attachment C). The purpose of this survey was to gauge the employees' understanding of a code of conduct but more importantly to determine their perception of ethics while employed by the County. This exercise is important to the County and to workforce morale.

Some perceptions from that survey are presented below. It must be noted that this is a very small subset of the total employee population (survey N=24, attendee N=44). The CCAO recommends that all County employees be surveyed to get a more complete view of current perceptions and understanding regarding employee ethics.

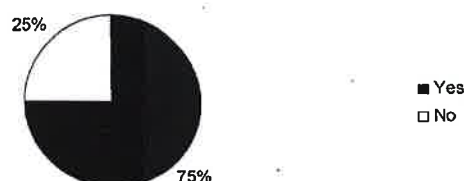
**My department has been trained on
Ethics Issues and Concepts**



**My department management deals with
Ethical issues when they surface**



**I feel comfortable raising
Ethics and Compliance issues in my department**



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CONCLUSION

Significant progress has been made in several areas. Solutions to audit findings are being implemented. More full department audits have been undertaken by the Auditor-Controller's Office with several currently in progress. Urgent issues such as lapses in insurance certificates are being managed, and greater communication among the HIPAA Privacy and Compliance Officers will be facilitated. In addition, employee ethics training is scheduled as a regular part of the Leadership Development Program.

Therefore, IT IS RECOMMENDED that your Board receive and file this report.

Sincerely,


John Nilon
County Administrative Officer

JN/CRB/CCAOGN SUMMER 09 UPDATE

Attachments

cc: All Department Heads

Attachment A

FULL DEPARTMENT			Findings	CCAO Visited
Report Number	Report Dated			
AM 14	2/10/2009	Assessor-Recorder	1 current	yes
AM 24	8/28/2008	Administrative Office - CAO	3 minor	yes
AM 24	7/8/2008	Administrative Office - IT	3 current, 5 minor, 2 prior	yes
AM 17	6/30/2009	Airports	4 current, 5 minor	yes
AM 11	9/23/2008	County Counsel	5 current, 2 minor	yes
AM 10	6/10/2008	District Attorney	5 current, 6 minor, 9 prior	yes
AM 12	8/26/2008	Emergency Medical Services	none	-
AM 26	8/19/2008	Farm and Home Advisor	1 current, 1 prior	yes
AM 9	7/29/2008	Fire	2 current, 2 minor, 2 prior	yes
AM 5	2/24/2009	Kern Medical Center	1 current, 7 prior	yes
AM 12	4/1/2008	Probation	3 current, 3 minor	yes
AM 9	5/19/2009	Public Defender	3 minor	pending
AM 15	11/27/2007	Public Health	11 current, 6 minor, 2 prior	yes
AM 27	8/19/2008	Sheriff	7 current, 3 minor, 3 prior	yes
AM 8	5/19/2009	Veterans Services	none	-

Attachment A

CASH		Report		Findings		CCAO	
Report Number	Dated					Visited	
AM 24	8/19/2008	Administrative Office - CAO		2 minor		yes	
AM 15	4/29/2008	Agriculture		2 minor		yes	
AM 11	9/16/2008	Aging and Adult Services		5 current, 1 minor		yes	
AM 23	8/19/2008	Board of Supervisor		none		-	
AM 27	3/25/2008	Board of Trade		2 minor		pending*	
AM 25	3/25/2008	Child Support Services		1 minor, 1 prior		yes	
AM 7	6/3/2008	Clerk of the Board		none		-	
AM 6	6/3/2008	Employers Training Resource		none		-	
AM 13	8/26/2008	Human Services		2 current, 2 minor, 1 prior		yes	
AM 10	9/16/2008	Library		6 current, 1 minor, 2 prior		yes	
AM 9	9/30/2008	Mental Health		1 current, 4 minor, 3 prior		yes	
AM 12	7/14/2009	Personnel		2 current, 3 minor, 1 prior		pending*	
AM 13	4/1/2008	Public Defender		1 minor		pending*	
AM 12	9/23/2008	RMA		1 minor		pending*	
AM 26	7/29/2008	RMA - Animal Control		3 minor		pending*	
AM 27	7/29/2008	RMA - Com/Eco Dev		none		-	
AM 23	7/8/2008	RMA - Eng/Survey Services		1 current, 2 minor, 1 prior		yes	
AM 18	6/30/2009	RMA - Environmental Health		3 current, 3 minor		yes	
AM 25	8/19/2008	RMA - Planning		1 current		pending*	
AM 10	6/10/2008	RMA - Roads		1 current, 1 minor		yes	
AM 13	9/23/2008	Waste Management		none		-	

Written validation received 11/2008

pending*

Attachment B

Code of Conduct: Gap Analysis

<u>Cisco</u>	<u>Global Compliance</u>	<u>HP</u>	<u>Raytheon</u>	<u>County of Kern</u>
Asset Use	Commitment to Client Satisfaction	Building trust	Commitment	Adherence to Rules and Regulations
Conflicts of Interest	Honesty and Integrity	Passion for customers	Excellence	Diversity
Favors, Gifts, and Entertainment	Respect for People	Respect	Integrity	Fairness
Follow the Law	Responsible Corporate Citizenship	Responsible citizenship	People	Honesty
Respect Others		Uncompromising integrity		Integrity
Share My Concerns				Respect
Use Resources Responsibly				Service

Common Values

Adherence to Rules and Regulations

Integrity

Respect

Ethics in ..

The Public Sector

1. Ethics is defined as...

- Compliance with regulations
- A set of moral values
- Both
- Neither

2. My department has a code of conduct

- Yes
- No
- Not sure

3. I know what a code of conduct is and how it is used by an organization

- Yes
- No
- What is a code of conduct

4. My department has been trained on ethics issues and concepts

- Yes
- No
- I don't know

5. I know what is expected of me ethically speaking

- Yes
- No
- Don't know how to answer this one

6. I feel comfortable raising ethics and compliance issues in my department

- Yes
- No

7. I can use the following to raise ethical concerns with county matters

- Talk with my manager
- Fraud hotline
- Call the grand jury
- Meet/call/email the county compliance and accountability officer
- Go during public presentation in front of the Board
- Call the Bakersfield Californian
- Talk with my pastor/priest

8. My department management deals with ethical issues when they surface

- Disagree strongly
- Disagree
- Neutral
- Agree
- Agree strongly

9. I know of ethical issues in my department

- Yes
- No
- Uncertain

10. I have been asked to do unethical things in my current department

- Yes
- No