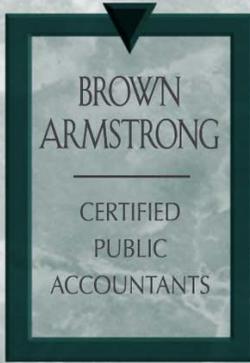


**COUNTY OF KERN, CALIFORNIA**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**COUNTY OF KERN, CALIFORNIA  
SINGLE AUDIT REPORT**

**TABLE OF CONTENTS**

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 .....	3
Independent Auditor's Report on Compliance with the Common and Specific Requirements Applicable to the Passenger Facility Charges Program .....	6
Schedule of Expenditures of Federal Awards .....	7
Notes to Schedule of Expenditures of Federal Awards .....	13
 <u>Findings and Questioned Costs</u>	
Schedule of Findings and Questioned Costs .....	17
Status of Prior Year Findings and Questioned Costs .....	19



# BROWN ARMSTRONG

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of  
the Board of Supervisors  
County of Kern, California

### **MAIN OFFICE**

#### **4200 TRUXTUN AVENUE**

SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

#### **7673 N. INGRAM AVENUE**

SUITE 101  
FRESNO, CALIFORNIA 93711  
TEL 559.476.3592  
FAX 559.476.3593

#### **221 E. WALNUT STREET**

SUITE 260  
PASADENA, CALIFORNIA 91101  
TEL 626.204.6542  
FAX 626.204.6547

#### **5250 CLAREMONT AVENUE**

SUITE 237  
STOCKTON, CA 95207  
TEL 209.451.4833

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Kern (the County), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 23, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified one deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2014-001, which relates to Kern County Medical Center, one of the County's major enterprise funds, to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **County's Response to Finding**

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

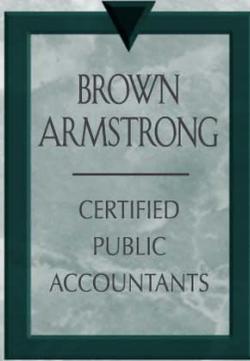
### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California  
December 23, 2014



# BROWN ARMSTRONG

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Members of  
the Board of Supervisors  
County of Kern, California

### **Report on Compliance for Each Major Federal Program**

We have audited the County of Kern's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

#### **MAIN OFFICE**

#### **4200 TRUXTUN AVENUE**

SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL info@bacpas.com

#### **7673 N. INGRAM AVENUE**

SUITE 101  
FRESNO, CALIFORNIA 93711  
TEL 559.476.3592  
FAX 559.476.3593

#### **221 E. WALNUT STREET**

SUITE 260  
PASADENA, CALIFORNIA 91101  
TEL 626.204.6542  
FAX 626.204.6547

#### **5250 CLAREMONT AVENUE**

SUITE 237  
STOCKTON, CA 95207  
TEL 209.451.4833

## **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all the deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

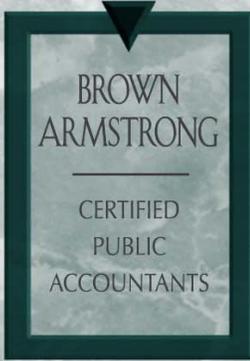
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 23, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended for the information of the Board of Supervisors, management of the County, Federal Awarding Agencies, Pass-Through Entities, and the State Controller's Office and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
March 25, 2015



BROWN ARMSTRONG  
Certified Public Accountants

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH THE  
COMMON AND SPECIFIC REQUIREMENTS APPLICABLE  
TO THE PASSENGER FACILITY CHARGES PROGRAM**

To the Honorable Members of  
the Board of Supervisors  
County of Kern, California

**MAIN OFFICE**

**4200 TRUXTUN AVENUE**

SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL info@bacpas.com

**7673 N. INGRAM AVENUE**

SUITE 101  
FRESNO, CALIFORNIA 93711  
TEL 559.476.3592  
FAX 559.476.3593

**221 E. WALNUT STREET**

SUITE 260  
PASADENA, CALIFORNIA 91101  
TEL 626.204.6542  
FAX 626.204.6547

**5250 CLAREMONT AVENUE**

SUITE 237  
STOCKTON, CA 95207  
TEL 209.451.4833

**Compliance**

We have examined management’s assertion, included in its representation letter dated March 25, 2015, that the County of Kern (the County) complied with the common and specific requirements that are applicable to the Passenger Facility Charges Program during the period July 1, 2013, through June 30, 2014.

**Management’s Responsibility**

As discussed in that representation letter, management is responsible for the County’s compliance with those requirements. Our responsibility is to express an opinion on management’s assertion about the County of Kern’s compliance based on our examination.

**Auditor’s Responsibility**

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County’s compliance with specified requirements.

**Opinion**

In our opinion, management’s assertion that the County complied with the common and specific requirements that are applicable to the Passenger Facility Charges Program during the period July 1, 2013, through June 30, 2014, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Supervisors, management of the County, and the Federal Aviation Administration and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
March 25, 2015

**COUNTY OF KERN, CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	Federal CFDA Number	Supplemental Identifying Number	Total Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Direct Programs			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	Kern (County 15)	\$ 421,029
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	Kern (County 15)	12,690,741
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	Kern (County 15)	<u>636</u>
Subtotal			<u>13,112,406</u>
Cooperative Forestry Assistance	10.664	Kern (County 15)	<u>7,326</u>
Schools and Roads - Grants to Counties	10.666	Kern (County 15)	7,326
Schools and Roads - Grants to Counties	10.666	Kern (County 15)	<u>88,960</u>
Subtotal			<u>96,286</u>
School Breakfast Program (Child Nutrition)	10.553	Kern (County 15)	27,178
Passed through U.S. Department of Education National School Lunch Program (Child Nutrition)	10.555	Kern (County 15)	<u>660,550</u>
Subtotal - Child Nutrition Cluster			<u>687,728</u>
Passed through California Department of Food and Agriculture Comprehensive Obesity Prevention	10.168	13-20529	<u>1,318,196</u>
Passed through California Department of Food and Agriculture Plant and Animal Disease, Pest Control, and Animal Care	10.025	13-8506-1211-CA	198,059
Plant and Animal Disease, Pest Control, and Animal Care	10.025	13-8506-1317-CA	95,862
Plant and Animal Disease, Pest Control, and Animal Care	10.025	13-8506-0484-CA	1,099,813
Plant and Animal Disease, Pest Control, and Animal Care	10.025	12-8506-0572-CA	<u>15,207</u>
Subtotal			<u>1,408,941</u>
<i>Total U.S. Department of Agriculture</i>			<u>16,630,883</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Direct Programs			
Community Development Block Grants (CDBG)/Entitlement Grants	14.218	Kern (County 15)	4,912,385
Community Development Block Grants (CDBG)/Entitlement Grants	14.218	Kern (County 15)	7,381
Community Development Block Grants (CDBG)/Entitlement Grants	14.218	Kern (County 15)	<u>5,761</u>
Subtotal			<u>4,925,527</u>
Emergency Shelter Grants Program	14.231	Kern (County 15)	<u>251,843</u>
Home Investment Partnerships Program	14.239	Kern (County 15)	<u>161,177</u>
Passed through California Department of Health Care Services Supportive Housing Program	14.235	CA0606L9D041205	75,659
Supportive Housing Program	14.235	CA1007L9D041202	<u>56,436</u>
Subtotal			<u>132,095</u>
Passed through California Department of Public Health Housing Opportunities for Persons with AIDS	14.241	13-20420	<u>374,863</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>5,845,505</u> (Continued)

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF KERN, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA Number	Supplemental Identifying Number	Total Expenditures
<b><u>U.S. DEPARTMENT OF INTERIOR</u></b>			
Direct Programs			
Payment in Lieu of Taxes	15.226	Kern (County 15)	2,641,085
Rangeland Resource Management	15.237	Kern (County 15)	2,000
Rangeland Resource Management	15.237	Kern (County 15)	5,720
Subtotal			7,720
<i>Total U.S. Department of Interior</i>			2,648,805
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Direct Programs			
Joint Law Enforcement Operations	16.111	Kern (County 15)	2,881
Joint Law Enforcement Operations	16.111	Kern (County 15)	440,666
Subtotal			443,547
State Criminal Alien Assistance Program	16.606	Kern (County 15)	311,504
Public Safety Partnership and Community Policing Grants	16.710	Kern (County 15)	2,031,910
DNA Backlog Reduction Program	16.741	2012-DN-BX-0051 and 201	492,504
Southwest Border Prosecution Initiative Program	16.755	Kern (County 15)	8,442
Edward Byrne Memorial Justice Assistance Grant (JAG) Program (Target Gang)	16.738	2013-DJ-BX-0725	73,609
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	Kern (County 15)	20,195
Passed through Board of State and Community Corrections (BSCC) Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	BSCC 635-13	13,897
Subtotal			107,701
Passed through Board of State and Community Corrections (BSCC) Juvenile Accountability Block Grants	16.523	Kern (County 15)	56,818
Passed through California Department of Social Services Juvenile Accountability Block Grants	16.523	Kern (County 15)	89,212
Subtotal			146,030
Passed through California Office of Emergency Services (CalOES) Crime Victim Assistance	16.575	2013-VA-GX-0004	214,166
Crime Victim Assistance	16.575	Kern (County 15)	37,437
Subtotal			251,603
Violence Against Women Formula Grants	16.588	2013-WF-AX-0025	215,488
Violence Against Women Formula Grants	16.588	Kern (County 15)	99,982
Subtotal			315,470
Residential Substance Abuse for State Prisoners	16.593	AF11010150	52,475
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2012-CD-BX-0043/2013-CD-BX-0044	32,773
<i>Total U.S. Department of Justice</i>			4,193,959
			<i>(Continued)</i>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF KERN, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Supplemental Identifying Number</u>	<u>Total Expenditures</u>
<b><u>U.S. DEPARTMENT OF LABOR</u></b>			
Direct Programs			
National Farmworker Jobs Program	17.264	AC21976FU/AC21976JV	1,839,823
Passed through California Department of Employment Development Workforce Investment Act - Adult Program	17.258	K386298/K491019	3,999,198
Workforce Investment Act - Youth Activities	17.259	K386298/K491019	2,995,366
Workforce Investment Act - Dislocated Workers	17.278	K386298/K491019	3,971,028
Workforce Investment Act - Dislocated Workers	17.278	K386298/K491019	481,068
Passed through Central Valley Back to Work #901 Workforce Investment Act - Dislocated Workers	17.278	Kern (County 15)	894,016
Passed through La Cooperativa Campesina de California Workforce Investment Act - Dislocated Workers	17.278	R972231	203,000
Workforce Investment Act - Dislocated Workers	17.278	K074178	6,706
Passed through City of Southbay Workforce Investment Act - Dislocated Workers	17.278	11-W110	36,360
Subtotal - WIA Cluster			12,586,742
<i>Total U.S. Department of Labor</i>			14,426,565
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Direct Programs			
Airport Improvement Program	20.106	Kern (County 15)	116,108
Airport Improvement Program	20.106	Kern (County 15)	936,703
Airport Improvement Program	20.106	Kern (County 15)	296,901
Subtotal			1,349,712
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Kern (County 15)	3,177
Passed through California Department of Transportation Highway Planning and Construction	20.205	06-5950R	10,234,077
Formula Grants for Rural Areas	20.509	Kern (County 15)	2,785,178
Passed through California Office of Traffic Safety Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	Kern (County 15)	149,285
National Priority Safety Programs	20.616	18X9204100CA12/18X92045DOCA14	420,800
<i>Total U.S. Department of Transportation</i>			14,942,229
<b><u>U.S. NATIONAL ENDOWMENT FOR THE HUMANITIES</u></b>			
Direct Programs			
Grants to States	45.310	40-8318	6,189
Grants to States	45.310	40-8319	5,600
Grants to States	45.310	40-8320	6,000
Grants to States	45.310	40-8321	6,500
Subtotal			24,289
<i>Total U.S. National Endowment for the Humanities</i>			24,289
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through California Department of Rehabilitation Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	28862	237,729
<i>Total U.S. Department of Education</i>			237,729

(Continued)

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF KERN, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA Number	Supplemental Identifying Number	Total Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Direct Programs			
Guardianship Assistance	93.090	Kern (County 15)	17,846
Guardianship Assistance	93.090	Kern (County 15)	<u>1,435,663</u>
Subtotal			<u>1,453,509</u>
Food and Drug Administration - Research	93.103	1U18FD004680-01	<u>57,644</u>
State Planning and Establishment Grants for the Affordable Care Act's (ACA) Exchange	93.525	Kern (County 15)	<u>67,519</u>
Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	5U58DP003616	<u>340,398</u>
Promoting Safe and Stable Families	93.556	Kern (County 15)	<u>923,562</u>
Temporary Assistance for Needy Families (TANF)	93.558	Kern (County 15)	11,857
Temporary Assistance for Needy Families (TANF)	93.558	Kern (County 15)	35,582,776
Temporary Assistance for Needy Families (TANF)	93.558	Kern (County 15)	7,055
Temporary Assistance for Needy Families (TANF)	93.558	Kern (County 15)	33,378,757
Temporary Assistance for Needy Families (TANF)	93.558	Kern (County 15)	2,218
Temporary Assistance for Needy Families (TANF)	93.558	Kern (County 15)	2,766,340
Temporary Assistance for Needy Families (TANF)	93.558	Kern (County 15)	<u>1,040,498</u>
Subtotal			<u>72,789,501</u>
Family Support Payments to State - Assistance Payments	93.560	Kern (County 15)	<u>1,541,483</u>
Refugee and Entrant Assistance - State Administered Programs	93.566	Kern (County 15)	<u>31,199</u>
Low-Income Home Energy Assistance	93.568	Kern (County 15)	<u>3,213</u>
Community-Based Child Abuse Prevention Grants	93.590	Kern (County 15)	<u>45,076</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Kern (County 15)	<u>932,726</u>
Foster Care - Title IV-E	93.658	Kern (County 15)	16,385,966
Foster Care - Title IV-E	93.658	Kern (County 15)	568,184
Foster Care - Title IV-E	93.658	Kern (County 15)	8,391,094
Foster Care - Title IV-E	93.658	Kern (County 15)	98,015
Foster Care - Title IV-E	93.658	Kern (County 15)	78,996
Passed through California Department of Social Services			
Foster Care - Title IV-E	93.658	Kern (County 15)	<u>1,865,175</u>
Subtotal			<u>27,387,430</u>
Direct Programs			
Adoption Assistance	93.659	Kern (County 15)	12,760,767
Adoption Assistance	93.659	Kern (County 15)	<u>1,210,483</u>
Subtotal			<u>13,971,250</u>
Social Services Block Grant	93.667	Kern (County 15)	3,867,996
Social Services Block Grant	93.667	Kern (County 15)	1,994,860
Social Services Block Grant	93.667	Kern (County 15)	<u>1,570,786</u>
Subtotal			<u>7,433,642</u>
Chafee Foster Care Independence Program	93.674	Kern (County 15)	<u>301,333</u>
Children's Health Insurance Program	93.767	Kern (County 15)	534
Passed through California Health Care Services			
Children's Health Insurance Program	93.767	Kern (County 15)	<u>469,167</u>
Subtotal			<u>469,701</u>

(Continued)

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF KERN, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Supplemental Identifying Number</u>	<u>Total Expenditures</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
Direct Programs			
Medical Assistance Program	93.778	Kern (County 15)	17,008,930
Passed through California Department of Human Services			
Medical Assistance Program	93.778	Kern (County 15)	3,711,673
Passed through Kern County Department of Human Services			
Medical Assistance Program	93.778	Kern (County 15)	718,533
Passed through California Department of Health Care Services			
Medical Assistance Program	93.778	09-86014	310,626
Medical Assistance Program	93.778	09-86014	93,124
Medical Assistance Program	93.778	Kern (County 15)	619,296
Medical Assistance Program	93.778	Kern (County 15)	651,759
Medical Assistance Program	93.778	Kern (County 15)	2,426,466
Passed through California Department of Public Health			
Medical Assistance Program	93.778	11-10305	179,179
Medical Assistance Program	93.778	201315	155,092
Medical Assistance Program	93.778	201315	380,471
Subtotal			<u>26,255,149</u>
Passed through California Department of Aging			
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-1314-33	<u>9,652</u>
Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals	93.042	AP-1314-33	<u>33,744</u>
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	AP-1314-33	<u>27,057</u>
National Family Caregiver Support, Title III, Part E	93.052	AP-1314-33	<u>291,143</u>
Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	AP-1314-33	294,650
Title III, Part C - Nutrition Services	93.045	AP-1314-33	1,497,327
Nutrition Services Incentive Program	93.053	AP-1314-33	<u>239,379</u>
Subtotal - Aging Cluster			<u>2,031,356</u>
Medicare Enrollment Assistance Program	93.071	MI-1314-33	<u>11,941</u>
Centers for Medicare and Medicaid Services Research, Demonstrations, and Evaluations	93.779	HI-1314-33	<u>120,130</u>
Passed through California Department of Public Health			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	EPO-13-16	91,397
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	EPO-13-16	383,789
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	EPO-13-16	<u>523,744</u>
Subtotal			<u>998,930</u>
			(Continued)

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF KERN, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	Federal CFDA Number	Supplemental Identifying Number	Total Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</u>			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	Kern (County 15)	<u>136,894</u>
Immunization Cooperative Agreements	93.268	13-20293	<u>376,890</u>
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	201315	<u>904,990</u>
Refugee and Entrant Assistance - Discretionary Grants	93.576	13-15-90840-00	<u>3,750</u>
HIV Care Formula Grants	93.917	13-20053	543,643
HIV Care Formula Grants	93.917	13-20053	<u>28,583</u>
Subtotal			<u>572,226</u>
HIV Prevention Activities - Health Department Based	93.940	13-20244	<u>207,093</u>
Preventive Health Services - Sexually Transmitted Diseases Control	93.977	11-10039	<u>36,062</u>
Maternal and Child Health Services Block Grant to the States	93.994	201315	129,161
Maternal and Child Health Services Block Grant to the States	93.994	201315	171,651
Maternal and Child Health Services Block Grant to the States	93.994	13-PO-01673	<u>10,050</u>
Subtotal			<u>310,862</u>
Passed through California Department of Health Care Services Projects for Assistance in Transition from Homelessness	93.150	1946001347J5	<u>220,094</u>
Block Grants for Community Mental Health Services	93.958	1946001347J5	<u>1,059,485</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010005-14	<u>4,303,903</u>
Passed through California Department of Child Support Services Child Support Enforcement	93.563	Kern (County 15)	<u>14,410,052</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>180,070,589</u>
<u>U.S. EXECUTIVE OFFICE OF THE PRESIDENT</u>			
Direct Programs			
High Intensity Drug Trafficking Areas Program	95.001	Kern (County 15)	<u>300,900</u>
<i>Total U.S. Executive Office of the President</i>			<u>300,900</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Programs			
Fire Management Assistance Grant	97.046	2970	<u>99,530</u>
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	Kern (County 15)	<u>3,543,952</u>
Passed through California Office of Emergency Services (CalOES) Emergency Management Performance Grants	97.042	CalOES ID #029-00000	<u>296,511</u>
Metropolitan Medical Response System	97.071	CalOES ID #029-00000	<u>4,800</u>
State Homeland Security Program	97.073	CalOES ID #029-00000	<u>1,075,419</u>
Buffer Zone Protection Program	97.078	CalOES ID #029-00000	<u>75,355</u>
<i>Total U.S. Department of Homeland Security</i>			<u>5,095,567</u>
<b>TOTAL FEDERAL AWARDS EXPENDED</b>			<u><u>\$ 244,417,020</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**COUNTY OF KERN, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2014**

**NOTE 1 – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the County of Kern, California (the County). The County's reporting entity is defined as follows: the County is presented as the primary government and its component units, as required by Governmental Accounting Standards Board Statement No. 61. A component unit is a legally separate organization which is financially accountable to the primary government. Blended component units are, in substance, part of the County's operations so data from these units are combined with data of the County. Management has determined that the following components should be blended: County Service Areas, Golf Courses, Sanitation Districts, Kern Asset Leasing Corporation, Kern County Tobacco Funding Corporation, and Kern Public Services Financing Authority. Each blended component unit has a June 30 year-end. Management has also determined that the following component unit should be discretely presented: First 5 Kern, Housing Authority of the County of Kern, and Tejon Ranch Public Facilities Financing Authority. All Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies are included in the accompanying schedule.

**NOTE 2 – BASIS OF ACCOUNTING**

Consistent with the County's method of filing Federal financial reports, the accompanying Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting. Differences, if any, between the schedule and the general purpose financial statements (presented on a modified accrual basis of accounting) are not material.

**NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with the amounts reported in the related periodic Federal financial reports.

**NOTE 4 –DISCLOSURE FOR CALIFORNIA OFFICE OF EMERGENCY SERVICES (CaIOES), CALIFORNIA CORRECTIONS STANDARDS AUTHORITY, CALIFORNIA OFFICE OF TRAFFIC SAFETY, AND DEPARTMENT OF JUSTICE GRANTS**

The following is the detail of total revenues and expenditures, including all Federal, state, and local funding sources, related to County of Kern CaIOES, California Corrections Standards Authority, and California Office of Traffic Safety and Department of Justice Grants:

Grant Award Number	Program Description	Audit Period	Grant Period	Personnel Services	Operating Expense	Allowable Expenditures	Revenue Earned
BSCC 135-13	Juvenile Accountability Block Grants Program: Graffiti Intervention Program	7/1/2013 - 6/30/2014	7/1/2013 - 6/30/2014	\$ 62,631	\$ -	\$ 62,631	\$ 62,631
PU13040150	Probation Special Units Program - Violence Against Women	10/1/2013 - 6/30/2014	10/1/2013 - 9/30/2014	133,061	-	133,061	133,061
VV13050150	Violence Against Women Vertical Prosecution Program	7/1/2013 - 6/30/2014	7/1/2013 - 6/30/2014	200,791	86,527	287,318	287,318
2013-DJ-BX-0725	Edward Byrne Memorial Justice Assistance Grant (JAG) Program	10/1/2012 - 6/30/2014	10/1/2012 - 9/30/2016	93,805	-	93,805	93,805
AL1420	Intensive Probation Supervision for High-Risk Felony and Repeat DUI Offenders	10/1/2013 - 6/30/2014	10/1/2013 - 9/30/2014	96,726	4,014	100,740	100,740
AL1355	Alcohol and Drug Impaired Driver Vertical Prosecution Program	10/1/2012 - 9/30/2013	10/1/2012 - 9/30/2013	376,652	-	376,652	376,652
DI1403	Alcohol and Drug Impaired Driver Vertical Prosecution Program	10/1/2013 - 6/30/2014	10/1/2013 - 9/30/2014	333,788	4,175	337,963	337,963
CQ12080150	Paul Coverdell National Forensic Sciences Improvement Program - Laboratory Information Management Systems Enhancement	10/1/2012 - 12/31/2013	10/1/2012 - 12/31/2013	-	17,073	17,073	17,073
CQ13090150	Paul Coverdell National Forensic Sciences Improvement Program - Coverdell 10 Program	10/1/2013 - 6/30/2014	10/1/2013 - 8/31/2014	-	15,700	15,700	15,700
VW13310150	Victim Witness Assistance Program	7/1/2013 - 6/30/2014	7/1/2013 - 6/30/2014	214,044	122	214,166	214,166
BSCC 635-13	Anti-Drug Abuse (ADA) Enforcement Team Program	10/1/2013 - 6/30/2014	10/1/2013 - 9/30/2014	201,806	82,425	284,231	284,231
BSCC 526-13	Residential Substance Abuse Treatment Program	7/22/2013 - 6/30/2014	7/22/2013 - 6/30/2014	104,972	25,380	130,352	130,352
2010ULWX0004	COPS Hiring Program	9/1/2010 - 6/30/2014	9/1/2010 - 8/31/2014	7,357,803	-	7,357,803	7,357,803
2010-RP-BX-K001	"Zero Tolerance" Cultures for Sexual Abuse in Local Adult and Juvenile Detention Facilities Program	4/1/2013 - 6/30/2014	4/1/2013 - 9/30/2014	-	73,632	73,632	73,632

**NOTE 5 – DEPARTMENT OF AGING FEDERAL/STATE SHARE**

Beginning with the fiscal year ended June 30, 2005, the California Department of Aging (CDA) required agencies that receive CDA funding to display State-funded expenditures discreetly along with Federal expenditures. The County expended the following State and Federal amounts under these grants:

Program	CFDA #	Federal Expenditures	State Expenditures
<b>Source: California Department of Aging</b>			
Special Programs for the Aging-Title VII-B Elder Abuse, Neglect, and Exploitation Prevention	93.041	\$ 9,652	\$ -
Special Programs for the Aging-Title VII-A Long-Term Care Ombudsman Services	93.042	33,744	-
Special Programs for the Aging-Title III-D Disease Prevention	93.043	27,057	-
Special Programs for the Aging-Title III-B Supportive Services	93.044	294,650	-
Special Programs for the Aging-Title III-C Senior Nutritional Services	93.045	1,497,327	146,083
Special Programs for the Aging-Title III-E Caregiver Support	93.052	291,143	-
Nutrition Services Incentive Program	93.053	239,379	-
Health Insurance Counseling and Advocacy Program	93.779	120,130	176,734
Long-Term Care Ombudsman Special Deposit Fund (SDF)	N/A	-	18,204
Long-Term Care Ombudsman Skilled Nursing Facility Quality & Accountability Fund (SNF)	N/A	-	33,693
Medicare Enrollment Assistance Program (MIPPA)	93.071	11,941	-
<b>Source: California Department of Human Services</b>			
Medical Assistance Program (5610)	93.778	3,711,673	2,810,682
Medical Assistance Program (9147)	93.778	718,533	696,050
	Totals	<u>\$ 6,955,229</u>	<u>\$ 3,881,446</u>

**NOTE 6 – PASSENGER FACILITY CHARGE (PFC) SCHEDULE OF REVENUES AND EXPENDITURES**

In accordance with the “Passenger Facility Charge Audit Compliance and Reporting Guide for Public Agencies,” issued by the Federal Aviation Administration (FAA), the audit of the Passenger Facility Charge (PFC) program of the County of Kern Airport has been conducted in conjunction with the Federal single audit of the County’s Airport Improvement Program (CFDA No. 20.106). The following is a detailed schedule of PFC revenues and expenditures:

<u>Revenues:</u>	<u>Date Approved / Project Description</u>	<u>Amount Approved</u>	<u>Cumulative Total - June 30, 2013</u>	<u>September 30, 2013</u>	<u>December 31, 2013</u>	<u>March 31, 2014</u>	<u>June 30, 2014</u>	<u>Year Ended June 30, 2014</u>	<u>Cumulative Total - June 30, 2014</u>
Passenger facility charge revenue received			\$ 6,460,178	\$ 153,287	\$ 93,679	\$ 128,515	\$ 172,413	\$ 547,894	\$ 7,008,072
Interest earned			<u>216,867</u>	<u>532</u>	<u>114</u>	<u>232</u>	<u>326</u>	<u>1,204</u>	<u>218,071</u>
Total passenger facility charge revenue received			6,677,045	153,819	93,793	128,747	172,739	549,098	7,226,143
<b><u>Expenditures:</u></b>									
Application 01-03-C-00-BFL	March 16, 2001								
Project 1	Land Acquisition of Airport Expansion	\$ -	317,000	***	-	-	-	-	317,000
Project 2	New Passenger Terminal	-	<u>9,086,000</u>	***	-	-	-	-	<u>9,086,000</u>
Total passenger facility charge revenue expended			<u>9,403,000</u>	-	-	-	-	-	<u>9,403,000</u>
PFC Expenditures (Over) / Under Revenues			<u>\$ (2,725,955)</u>	<u>\$ 153,819</u>	<u>\$ 93,793</u>	<u>\$ 128,747</u>	<u>\$ 172,739</u>	<u>\$ 549,098</u>	<u>\$ (2,176,857)</u>

\*\*\* Total allowable PFC expenditures for Application 01-03-C-00-BFL are \$9,403,000. Per FAA's recommendation, total construction costs of \$9,403,000 for these projects were recognized as PFC expenditures when the costs were incurred in prior years. Therefore, no additional PFC expenditures were recognized in the current year.

## **FINDINGS AND QUESTIONED COSTS**

**COUNTY OF KERN, CALIFORNIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No

Identification of major programs:

No.	CFDA Number	Program
1	14.218	Community Development Block Grants (CDBG)/Entitlement Grants
2	93.563	Child Support Enforcement
3	93.778	Medical Assistance Program
4	93.959	Block Grants for Prevention and Treatment of Substance Abuse
5	97.083	Staffing for Adequate Fire and Emergency Response (SAFER)
6	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)
7	17.258/17.259/17.278	Workforce Investment Act - Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 3,000,000
Auditee qualified as low-risk auditee?	Yes

Findings Relating to Financial Statements Required Under Generally Accepted Government Auditing Standards

**Finding 2014-001**

**Condition**

Management did not properly assess and update their indigent receivable estimates at year-end to determine if they were still collectible and properly recorded. This resulted in a decrease in MD SPA revenue and related receivable of \$8.1 million, a decrease in the IGT SPD revenue and the related receivable of \$1.3 million, a decrease in the Hospital Fee revenue and related receivable of \$2.0 million, which was offset by an increase in the DSH SNCP revenue and related receivable of \$6.6 million.

**Recommendation**

We recommend that the Kern County Medical Center (the Medical Center) engage the consultants to help them update their estimates of indigent receivables and related revenues in a timely manner with updated models and determination of their collectability such that the estimates can be relied upon.

**Management Response**

The Medical Center agrees with the recommendation and will be engaging with the consultants to review the State receivables on a quarterly basis going forward.

**Findings and Questioned Costs for Federal Awards**

None.

**COUNTY OF KERN, CALIFORNIA  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
THE YEAR ENDED JUNE 30, 2014**

Findings Relating to Financial Statements Required Under Generally Accepted Government Auditing Standards

**Finding 2013-01**

**Condition**

During the payroll testing of 40 samples at Kern Medical Center (the Medical Center), one of the County's major enterprise funds, we noted three deviations as follows: one employee had overtime that was not approved, one employee's rate per hour was not properly supported or approved, and one employee's hours were charged to the incorrect category.

**Recommendation**

We recommend that the Kern Medical Center (the Medical Center) build additional controls into the time card system to prevent errors, and provide additional training to employees to identify and resolve potential errors as noted in the prior year.

**Management Response**

The Medical Center would like to respond to each deviation with an explanation of the cause and corrective measures that will be taken to minimize payroll errors.

Deviation 1, Employee Overtime Not Approved: Currently, the Medical Center has an electronic time-clock system that involves employees having to badge in and out to record time worked. Managers then review and approve the time recorded by each employee. As such, Managers are approving employee's time which includes the overtime recorded as well. The Medical Center believes the finding was due to a pharmacy consultation call, which should have been charged to on call pay and is not part of the electronic time system.

Deviation 2, Incorrect Hourly Rate: As part of the control procedure, hourly rates adjustments, such as payroll increases due to a step increase, are adjusted by the Human Resources Department, while the processing of the payroll is performed through General Accounting Department. The Medical Center believes that the deviation was due a change to an employee's hourly rate not being adjusted in-time to correspond with the processing of payroll. The Medical Center will communicate with Human Resources to process rate changes prior to the payroll being processed.

Deviation 3, Incorrect Hours Charged to Wrong Category: The error was due to payroll staff misunderstanding shift hours assigned for the employee. The employee in question was assigned to work a 12 hour shift, while the payroll clerk believed the employee was assigned an 8 hour shift. In addition, the employee was also assigned to work an evening or late shift which allowed the employee to be paid a shift differential. The payroll clerk incorrectly adjusted the employee's time to pay for 8 hours regular with shift differential and 4 hours straight time with no shift differential. However, the employee should have been paid 12 hours straight with all 12 hours paid with shift differential. The payroll clerk was made aware of error and corrected the error in the subsequent pay-period. The payroll clerk has been made aware of the rule and is following the payroll rule going forward.

**Current Year Condition**

Implemented.

## **Finding 2013-02**

### **Condition**

During the inventory observation for the Operating Room (OR) at the Medical Center, we noted five exceptions out of the 40 items tested. During our inventory observation for the Pharmacy, we noted five exceptions out of the 30 items tested. The count performed by third party (RGIS) was not accurate (under and overstatements in inventory quantities were noted during our counting).

### **Recommendation**

We recommend that the Medical Center educate and communicate with its consultant on the inventory counting procedure, so they will produce accurate count sheets. A listing of the exceptions noted by the internal and external auditors should be kept and compared to the final listing before distributing the final listing of inventory. We also recommend more adequate policies and procedures be implemented to increase integrity when taking items from the operating storage room.

### **Management Response**

For the Operating Room (OR) inventory, the Medical Center did not use an outside vendor to conduct the count of the inventory. Due to the errors and finding that resulted from 2012 inventory count in the OR, the Medical Center instead relied on internal staff assigned to the OR to conduct the count. The Medical Center was able to dramatically improve the inventory count for the OR for 2013.

For all inventories, the Medical Center will continue to find ways to improve the process of the annual inventory counts. The Medical Center agrees and will make sure all inventory count procedures are communicated to and understood by RGIS if used in the future.

### **Current Year Condition**

Implemented.

## **Finding 2013-03**

### **Condition**

The Medical Center implemented a new system called Open Vista, which was implemented on May 10, 2011, at the department level, so doctors could electronically order/prescribe drugs to patients. Open Vista was synched to the STAR system (the general ledger system for the Medical Center) so that the billings department could send a bill for the drugs recorded in STAR. The implementation of Open Vista was a four stage process, and stage four was not implemented correctly at the pharmacy department. This resulted in an Information Technology (IT) glitch in the Open Vista system in which some billings were not synching over into the STAR system and were either billed manually or not included on the claim. This results in an understatement of accounts receivable/revenue in the amount of \$925,341, \$5,053,733, and \$2,840,785 for the years 2011, 2012, and 2013 respectively. Management determined the collectability to be very minimal, and as such, were 100% written off. As such, the net impact to the financials for all three years is zero.

### **Recommendation**

We recommend that the Medical Center test new IT implementations extensively as soon as they are implemented to verify that the program has been implemented properly. There should be oversight from management over the IT department to check on the status of the IT project implementations.

### **Management Response**

The Medical Center agrees to the finding and has identified the accounts that were not able to crossover from Electronic Medical System (Open Vista) to Patient/Financial System (STAR). The issue involved accounts that required a renewing order. The Open Vista System would leave the patient account order blank on renewing orders. These accounts did not cross-over from Electronic Medical Record (EMR) System to the Patient/Financial System to record the charge and eventual drop a bill. The Medical Center has taken corrective action by educating the pharmacy staff to reselect the patient account number, and the Pharmacy Manger is developing a daily fail bill report to identify those accounts that fail to cross-over. The Medical Center has identified the missing charges and a pharmacy technician has been trained to back bill the missing charge items. A process has been put in place to to review a failed bill report several times a week to minimize the time delay in submitting correct charges. The Medical Center is currently under evaluation of new solutions for a comprehensive fully integrated electronic medical record and patient billing system.

### **Current Year Condition**

Implemented.

### **Finding 2013-04**

#### **Condition**

The Medical Center utilized McKesson Corporation to outsource its patient billing. As this is a major service provider, we obtained the latest SSAE 16 SOC 1 which was dated September 30, 2012. The SOC 1 report did not cover the period under audit for the remaining fiscal year of October 1, 2012, through June 30, 2014. We asked for a bridge letter to cover that audit period and management was unable to produce this letter after several attempts to obtain the letter from McKesson Corporation.

#### **Recommendation**

We recommend that the Medical Center obtain the SOC 1 report and/or bridge letter for this service provider to cover the entire fiscal year so that management is aware that the controls are properly designed and operating effectively for the fiscal year.

### **Management Response**

The Medical Center did make attempts to obtain the report from our vendor. Per vendor, the bridge letter would not be available until after January 2014. The Medical Center was able to obtain bridge letter as of January 31, 2014.

### **Current Year Condition**

Implemented.

### **Finding 2013-05**

#### **Condition**

During the testing of fully depreciated capital assets at the Medical Center, we noted one missing computer server originally valued at \$332,090. The computer server was purchased and placed into service in June 2004. The capital asset listed did not exist on the Medical Center's general ledger. Physical capital assets were disposed of without General Accounting's knowledge. Old items were traded in or sold and General Accounting did not write it off in the general ledger.

## **Recommendation**

We recommend that the Medical Center write off the balance from the general ledger and to perform a full review of capital assets inventory every three years for the County of Kern's policies and procedures. Next fiscal year-end will be the required review for the Medical Center and as such, we recommend that during the three year review gap, the Medical Center's management ask the department to follow the proper County of Kern policies and procedures to do an annual capital asset inventory check.

## **Management Response**

The Medical Center has written-off the server from the General Ledger, and the change is reflected in the Financial Statements for fiscal year ending 2013. The Medical Center will review the current process of capital asset inventory for any improvements. The Medical Center will also share the finding with Department Managers and educate Managers on proper capital asset disposal procedures.

## **Current Year Condition**

Implemented.

## **Finding 2013-06**

### **Condition**

Several state receivables and related revenue at the Medical Center were not properly booked or properly supported in 2013. The state revenue that was not recorded in the current year were recorded as follows: Managed Care IGT-SPD in the amount of \$2,351,036, DSRIP in the amount of \$846,225, Managed Care IGT-Rate Range in the amount of \$1,219,833, and MD SPA in the amount of \$1,986,580 for a total of \$6,403,674 understatement of state revenue and receivables. These balances were not recorded as there is a lack of reconciliation of the revenue and receivables by the different revenue streams. Additionally, the state revenue and related receivables that were overstated are as follows: Coverage Initiative – Low Income Health Plan (CI-LIHP) was improperly overstated based on an overstatement of the estimated administrative costs the Medical Center would receive in the amount of \$3,747,333, Other Receivables and Medi-CAL EMR in the amount of \$3,348,351 could not be supported and was reversed, and Outpatient Hospital Supplement Reimbursement (AB915) was overstated by \$3,000,000 as the current year estimate was not trued up to estimate what was actually going to be paid out in 2014 based on updated information for the 2013 actual. Additionally, DHS finished its audit of finalized its billing in November 2013 related to utilization of Out of Network Emergency Managed Care Expansion (SB335) fees and sent the Medical Center an invoice for \$1,512,514 owed back to DHS. The Medical Center reduced the revenue and booked a related payable to DHS.

## **Recommendation**

We recommend that management separately track each type of revenue stream for each year of revenue with separate general ledger accounts and in a rollforward schedule such that management will be able to properly apply the appropriate accounts receivable accounts when cash is received. Additionally, management should true up the accounts receivable accounts for cash received against the receivable balance to zero out the receivable balance related to that payment. We recommend that management update their estimated revenue and receivables based on the updated formulas and waiver models throughout the year for changes in operations. We recommend that management also update the budget throughout the year based on the updated estimates of future payments.

## **Management Response**

The Medical Center agrees with the finding and recommendations, except for liability for SB335 in the amount of \$1,512,514 dollars. The Medical Center became aware of the liability after being noticed by DHS in November 2013, and since the financials for 2013 were not issued, the Medical Center reported the liability as a subsequent event and recommended it be part of a post-closing entry. However, the Medical Center contracted with a consulting firm, as of July 2013, that specializes with reviewing and preparing the cost reports that determine the Indigent Funding from the State.

Along with helping to review the cost reports, the consulting firm is also engaged to help train current staff on how to implement proper procedures to maintain adequate records of Indigent Funding programs, and how to understand funding models from the State and other resources and review periodically the accuracy of the revenue and associated reserves recorded in the books and records. They are also engaged to file corrected cost reports that might be required based on the final audit adjustments. Currently, the Medical Center has created separate receivables accounts for each funding source, and developed mid-year reviews of current receivables to compare to any revised estimates from State. This would allow the Medical Center to revise projections and to timely report on any changes in funding models.

### **Current Year Condition**

Partially implemented. See current year finding 2014-001.

### **Findings and Questioned Costs for Federal Awards**

#### **Finding 2013-07**

**Program: Block Grant for Prevention and Treatment of Substantive Abuse**  
**CFDA No.: 93.959**  
**Federal Agency: U.S Department of Health and Human Services**  
**Passed Through: State of California Department of Alcohol and Drug Programs**  
**Award Year: Fiscal Year 2012-13**  
**Compliance Requirement: Subrecipient Monitoring**  
**Questioned Costs: None**

#### **Criteria:**

The March 2013 OMB Circular A-133 *Compliance Supplement* requires for Subrecipient Monitoring that the pass-through entity perform the monitoring procedures prescribed in OMB Circular A-133.

#### **Condition:**

We performed subrecipient monitoring procedures by haphazardly selecting a sample of 6 subrecipients out of 16 for testing. Per all the contracts over \$500,000, the Contractor is required to submit an independent audit report of its financial statements no later than 9 months after the close of the Contractor's fiscal year. The audit report shall be performed by a Certified Public Accountant licensed by the State of California. The independent audit shall be conducted in conformity with Public Law 98-502, the federal Single Audit Act of 1984, the Single Audit Act Amendments of 1996, OMB Circular A – 133, 2 CFR Parts 215, 220, 225 and 230, and CFR 48 subpart 31.2, the American Institute of Certified Public Accountants, and *Government Auditing Standards*, as applicable. The Schedule of Functional Expenses shall include a breakout of all Department expenses with each program identified separately. The Contractor shall provide a Supplemental Schedule to the Statement of Functional Expenses that breaks out all department expenses for each program. If the complete audit report is not submitted to the County by the due date, the County may exercise the option to withhold payments from the Contractor until such time as the audit report has been provided. For the 3 contracts over \$500,000 selected for testing, the Mental Health Department did not receive the audit report within the 9 months after the close of the Contractor's fiscal year. The Mental Health Department closely monitored this requirement by sending a submission deadline reminder and late notices if the audit report has not been turned in timely, but was unable to obtain the audit reports in a timely manner.

#### **Context:**

The condition noted above was identified during our examination of the County's compliance with subrecipient monitoring.

**Effect:**

The subrecipient may not be adhering to the agreement entered between the County and the subrecipients.

**Cause:**

For the 3 contracts over \$500,000 selected for testing, the Mental Health Department did not receive the audit report within a timely manner.

**Recommendation:**

We recommend that the Mental Health Department ensure that all audit reports are completed and received by the Mental Health Department within the 9 months after the close of the Contractor's fiscal year. We also recommend that the Mental Health Department enforce the penalties if the audited financial statement passes the deadlines.

**Views of Responsible Officials and Planned Corrective Actions:**

Management concurs with the findings and recommendations.

**Current Year Condition:**

Implemented.