



Mary B. Bedard, CPA
Auditor-Controller-County Clerk

KERN COUNTY AUDITOR-CONTROLLER-COUNTY CLERK

1115 Truxtun Avenue, 1st and 2nd Floor ♦ Bakersfield, CA 93301-4639

January 14, 2020

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

**AUDIT OF HUMAN SERVICES DEPARTMENT
FOR FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**
Fiscal Impact: None

We are filing the internal audit division's report of compliance and internal controls of the Human Services Department for fiscal years ended June 30, 2019 and 2018. A copy of our report, including findings and recommendations and suggested improvements, is attached. The following is a summary of our audit:

Findings and Recommendations: None
Suggested Improvements: Two

The internal audit division concluded that management of the Human Services Department has satisfactorily established and maintained an effective process for governance, risk and internal control in the areas examined.

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

Sincerely,

A handwritten signature in cursive script that reads "Mary B. Bedard".

Mary B. Bedard, CPA
Auditor-Controller-County Clerk

MBB/tj

Attachment

cc: County Administrative Office
Human Services Department



**HUMAN SERVICES DEPARTMENT
COUNTY OF KERN
REPORT OF COMPLIANCE AND
INTERNAL CONTROLS**

**FOR FISCAL YEARS ENDED
JUNE 30, 2019 AND 2018**

**Mary B. Bedard
Auditor-Controller-County Clerk**

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COUNTY OF KERN
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KERN COUNTY AUDITOR-CONTROLLER-COUNTY CLERK

1115 Truxtun Avenue, 1st and 2nd Floor ♦ Bakersfield, CA 93301-4639

AUDITOR'S REPORT

Board of Supervisors
County of Kern

Our internal audit division recently completed a Compliance and Internal Control audit of the Human Services Department for the fiscal years ending June 30, 2019 and 2018. This internal audit assignment was conducted in accordance with the approved internal audit plan.

Purpose

The purpose of our audit was to determine the Department's compliance with the County's Policies and Procedures, and to evaluate the adequacy, efficiency and effectiveness of the Department's governance principles, risk management and internal controls.

Scope

The Scope of our audit included the Department's cash, receipts, revenue, accounts receivable, trust funds, inventory, capital assets, safety, expenditures, payroll, contracts, grants, information systems and special revenue funds for the fiscal years ending June 30, 2019 and 2018.

Methodology

We conducted our audit in conformance with the Institute of Internal Auditors (IIA) International Standards of the Professional Practice of Internal Auditing, unless otherwise stated in this report. These standards require that the internal audit activity be independent and internal auditors be objective in performing their work. The Standards also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

Audit work was conducted on the basis of questionnaire, inquiry, observation, confirmation and verification of supporting documentation and identified processes.

Quick and efficient implementation of audit recommendations and suggestions further enhances the value of an audit. To assist in this process, the internal audit division has identified four core categories for the classification of recommendations and suggestions:

- 1) Compliance - Functioning in accordance with governing laws, regulations, policies and other authoritative guidance.
- 2) Cost Reduction - Appropriately minimizing costs of County operations.

- 3) Efficiency - Performing effectively without duplication of effort or waste of time, material or money on unnecessary activities.
- 4) Risk Reduction - Appropriately using techniques which mitigate or minimize operational or control risks.

Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of controls, errors or irregularities may nevertheless occur and not be detected. Specific examples include, but are not limited to, resource constraints, carelessness, distraction, management override, poor judgment, and circumvention by collusion. Also, there is the possibility that the procedures may become inadequate due to changes in conditions, and compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the department's operating procedures, accounting practices, and compliance with County policy.

Management Responsibilities in Terms of Governance, Risk and Controls

Management is responsible for the establishment and maintenance of effective systems of governance to:

- Promote appropriate ethics and values within the department.
- Ensure effective organizational performance, management and accountability.
- Communicate risk and control information to appropriate areas in the department.

In addition, management is responsible for the establishment and maintenance of an effective system of internal control and risk management. The objectives of the system of internal control are to provide management with reasonable, but not absolute, assurance that:

- Objectives are achieved.
- Financial and operational information are reliable.
- Operations and programs are effective and efficient.
- Assets are safeguarded.
- Laws, regulations, policies, procedures and contracts are complied with.
- Risks are identified, appropriate risk responses selected, communicated and managed.

The principal safeguard against fraud, misstatement and irregularities is an effective system of internal control. However, because of the limitations in any system of internal control, the prevention and detection of fraud is management's responsibility. Management is also responsible for implementing corrective actions to address process and control deficiencies.

Department Background

The Human Services Department budget unit 5120 administers state, local and federally mandated public assistance programs which include California Work Opportunity and Responsibility to Kids Program (CalWORKs), CalWORKs Welfare to Work Program, County-funded general assistance, CalFresh, referral services, and Resource Family Approval. The Direct Financial Aid budget unit 5220, accounts for direct financial assistance payments to eligible participants. The largest component of financial aid is

direct aid payments to eligible needy families under the Temporary Assistance for Needy Families (TANF) program. Families who adopt children throughout the County receive assistance payments administered through this fund. Foster care payments made on behalf of children placed in County foster family homes, agencies and or group homes are also administered through this fund.

Most public assistance programs administered by the department are controlled by federal and/or state laws and are regulated and supervised by the State Department of Social Services (CDSS). The department continues to direct its efforts to a family-focused service delivery system which includes initiatives such as Linkages, Differential Response, and Heart Gallery for adopted children.

The department functions as a full-service adoption agency, licensed by CDSS. The department provides a continuum of services to members of the adoption triad of birth parents, adoptees and adoptive parents. The department also operates children protective services that provide a 24-hour response system designated to receive, investigate and evaluate reports of child abuse and neglect. In conjunction with this responsibility, the department operates the Jamison Center, which temporarily shelters children who have been removed from their home due to safety concerns until a foster home can be arranged.

The department administers eligibility for the Medi-Cal program which pays for health care services provided to qualifying individuals and families who live in California and who fall within certain income levels. The department continues to be responsible for determining outreach and enrollment of newly eligible Medi-Cal recipients under the Affordable Care Act. Dena Murphy was appointed Director on September 16, 2014. DHS currently employs 1,485 permanent fulltime, 207 extra-help, 13 retiree and 15 volunteer employees. Expenditures totaled \$204,149,591 for 2018-19, with a net fund cost of (\$873,019).

Summary

This report records the results of our internal audit findings and recommendations, looking at possible ways in which controls and operations could be improved to overcome identified weaknesses in control and increase the adequacy, efficiency and effectiveness of controls based on the risk identified.

The matters raised in this report are only those which have come to our attention arising from our audit that we believe should be brought to the attention of your Board. The internal audit division concluded that management of the Department has satisfactorily established and maintained an effective process for governance, risk and internal control in the areas examined.

This report is intended for the information and use of management, others within the Department, and the Board of Supervisors. However, this report is a matter of public record and its distribution is not limited.



Tony Jones
Audit Division Chief
November 14, 2019

**HUMAN SERVICES DEPARTMENT
COUNTY OF KERN
FINDINGS AND RECOMMENDATIONS
SUGGESTED IMPROVEMENTS AND OBSERVATIONS
FOR FISCAL YEARS ENDED JUNE 30, 2019 AND 2018**

Findings and Recommendations:

Findings are issues which present a serious enough risk to require consideration by management and a written Department response. During fieldwork we noted no findings.

Suggested Improvements:

Suggestions for improvement are for issues that the auditor considers not to be of an immediate serious nature and/or for issues which the Department is able to correct at the time of the audit. Unlike formal audit findings, written Department responses are not required for these issues. During fieldwork we identified some areas where improvements could be made, and we provided the Department with suggestions for making these improvements. Our suggestions are detailed below:

1. Statement of Economic Interests – Form 700

We reviewed a sample of Form 700s for designated employees and determined that most did not complete the form properly as many relevant fields were left blank.

We suggest that the department ensure Form 700s are completed properly per California Fair Political Practices Commission.

Value Added: *Compliance, Risk Reduction, Efficiency*

2. Signature Cards

The department had 26 signature cards on file. However, signature cards for two former employees had not been revoked as required per Administrative Bulletin #23.

We suggest that the department abide by the Administrative Bulletin #23 which requires the department to maintain a current list of signature authorization.

Value Added: *Compliance, Risk Reduction*

Note: During audit fieldwork, the Department revoked the signature cards as required by Administrative Bulletin #23.

Observations:

Observations are significant details that the auditor notices while performing the audit that may be important to the reader. They can be positive in nature, commending the Department for taking initiative. They could also be negative in nature; however, if negative, they are not considered to be as significant as suggested improvements and

written Departmental responses are not required. Our observations are detailed below:

Human Resources/Training

During audit fieldwork we extensively reviewed the Human Resources Division at the Department of Human Services (DHS). We noted that DHS has developed an extensive Code of Ethics handbook that establishes standards of business conduct for all employees of the Department. The Code covers the following topics: Standards and Conduct, Responsibility to Clients, Employee Workplace Interactions, Unacceptable Behavior, Making Ethical Decisions, Reporting Ethical Issues, Existing Policy References Related to Conduct and Employee Acknowledgement of the Code of Ethics.

Even though the Code of Ethics is detailed and straight forward, DHS management realized that many of the issues regarding employees and payroll such as late Employee Performance Ratings (EPRs), time card adjustments, utilization of the In and Out Board, Leaves Of Absence (LOAs), Family Medical Leave Act (FMLA), Employee Separations and Extra-Help employees was potentially due to lack of training at the Supervisor level. DHS management, along with the Human Resources Division, dealt with this by creating the *Supervisor University Program* (Program). One of the modules of this program was geared towards payroll training for DHS supervising staff. This training addressed all the areas noted above as payroll issues and DHS employees. One example in the module addressed the Department's difficult task of monitoring the large volume of EPRs. The Program developed a task specific module that trained DHS supervisors on EPR writing covering topics such as, "Why We Do EPRs" and "How Do I Complete an EPR."

The Program has additional modules, two through five that focus on DHS specific programs and skills, while module six is designed to build leadership skills.

In a department with 1,750 employees, a well-organized Human Resource Division is vital to the overall success of the organization. We feel that the DHS Human Resources Division has taken on that challenge and is providing numerous training programs not only for the supervisors but for all employees. In the past few fiscal years, we have noted a decline in late EPRs, as well as a decline in payroll adjustments. These are areas we can measure improvement that may be directly attributed to DHS Management's emphasis on supporting the Human Resources Division with the assets necessary to educate employees and supervising employees regarding County and Department policies and procedures, as well as the policies associated with the various Federal and State Programs offered by the Department.