KERN COUNTY Auditor Controller

Aimee X. Espinoza
AUDITOR-CONTROLLER-COUNTY CLERK

July 14, 2026

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

AUDIT OF COUNTYWIDE INVENTORY
FOR FISCAL YEARS ENDED JUNE 30, 2025, AND 2024
Fiscal Impact: None

The Internal Audit Division is filing the report of compliance and internal controls of Countywide Inventory Audit for the fiscal years ended June 30, 2025, and 2024. A copy of the audit report, including findings and recommendations, and suggested improvements is attached. The following is a summary of the audit:

Findings and Recommendations: Two
Suggested Improvements: None

The Internal Audit Division concluded that management of the Fire Department – Fleet and Logistics Divisions, General Services Division of the CAO – Garage Facility, Probation Department, Public Works Department – Operations and Roads Divisions, and Sheriff's Office – Lerdo Facility has satisfactorily established and maintained an effective process for governance, risk, and internal control in the areas examined, while management of the General Services Division of the CAO – Facilities Maintenance Division has not.

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

Sincerely,

Aimee X. Espinoza
Auditor-Controller-County Clerk

AXE/jgy/acs

Attachments

cc: County Administrative Office
Fire Department – Logistics and Fleet Divisions
General Services Division of the CAO –
Facilities Maintenance and Garage Facility Divisions
Probation Department
Public Works Department – Operations and Roads Divisions
Sheriff's Office – Lerdo Facility

COUNTY OF KERN
COUNTYWIDE INVENTORY
REPORT OF COMPLIANCE AND
INTERNAL CONTROLS

FOR FISCAL YEARS ENDED
JUNE 30, 2025, AND 2024

AIMEE X. ESPINOZA
AUDITOR-CONTROLLER-COUNTY CLERK

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AUDITOR'S REPORT

Board of Supervisors
County of Kern

Our Internal Audit Division recently completed a compliance and internal control audit over the inventory warehouses of various County departments (see Scope below) for the fiscal years ended June 30, 2024, and June 30, 2025. This internal audit assignment was conducted in accordance with the approved Fiscal Year 2023-24 and 2024-25 Internal Audit Plans.

Objective

The objective of our audit was to determine each Department's compliance with County policies and procedures, to verify the accuracy of each Department's inventory count(s) at year-end, and to confirm sufficient internal control over inventory.

Scope

Our audit observed annual physical inventory counts for fiscal years ending June 30, 2024, and 2025 at the following eight warehouses:

- Fire Department – Logistics & Fleet Divisions
- General Services Division of the CAO – Garage Facility & Facilities Maintenance Divisions
- Probation Department
- Public Works Department – Operations & Roads Divisions
- Sheriff's Office – Lerdo Facility

Methodology

We conducted our audit in conformance with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing*, unless otherwise stated in this report. The *Standards* require that the internal audit activity be independent and internal auditors be objective in performing their work. The *Standards* also require internal auditors to 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 based on inquiries, observations, confirmations, and verification of supporting documentation and identified processes.

We performed the following audit procedures, including but not limited to:

- Observed the departments' process for the year-end inventory count
- Selected a sample to test for existence, accuracy, and completeness

- Examined the departments' pre-count and post-count inventory listings
- Reviewed the departments' ordering and inventory procedures

Limitations

Due to inherent limitations in any system of controls, errors or irregularities may nevertheless occur and not be detected due to, for example, resource constraints, management override, or circumvention by collusion. Accordingly, our audit would not necessarily disclose all weaknesses in the Departments' operating procedures, accounting practices, and compliance with County policy.

Management Responsibilities

Management must maintain governance and internal controls to:

- Ensure ethical conduct and accountability
- Safeguard assets
- Provide reliable financial/operational data
- Comply with laws and policies
- Identify and manage risks

Background

- **Fire Department:** Logistics manages firefighter gear and supplies; Fleet handles vehicle parts.
- **General Services Division of the CAO:** Garage Facility maintains automotive parts; Facilities Maintenance manages park and building supplies (audit noted lack of prior notification about this warehouse).
- **Probation Department:** Inventories include inmate supplies, food, personal protective equipment (PPE), and probationer records.
- **Public Works Department:** Operations maintains vehicle parts; Roads manages paint, traffic signal supplies, and asphalt stockpiles.
- **Sheriff's Office:** Lerdo Facility stores consumables, clothing, and PPE.

Conclusion

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 Fire Department – Fleet and Logistics Divisions, General Services Division of the CAO – Garage Facility, Probation Department, Public Works Department – Operations and Roads Divisions, and Sheriff's Office – Lerdo Facility has satisfactorily established and maintained an effective process for risk and internal control in the areas examined, while management of the General Services Division of the CAO – Facilities Maintenance Division has not.

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

Casper Rosales
Audit Division Chief
June 23, 2026

COUNTY OF KERN
COUNTYWIDE INVENTORY
FINDINGS AND RECOMMENDATIONS
SUGGESTED IMPROVEMENTS
FOR FISCAL YEARS ENDED JUNE 30, 2025, AND 2024

Audit Results

Fire Department –Fleet Division:
The Fire Department maintains a perpetual inventory system through CAMS (Cost Accounting Management System). On June 8, 2024, and on June 12, 2025, auditors observed the Department's process for the year-end inventory count and selected a sample to test for existence, accuracy, and completeness. Auditors noted several discrepancies in the corresponding inventory records for the Fleet Division. Therefore, we have issued one finding to the Department for the fiscal year end (FYE) June 30, 2024, for items returned to the vendor based on a verbal agreement and removed from the system; For FYE June 30, 2025, we noted that the Department corrected this error at the physical count. The Internal Audit Division will issue a verbal observation based on the Department's progress.

Fire Department – Logistics Division:
The Fire Department maintains a perpetual inventory system through CAMS (Cost Accounting Management System). On June 3, 2024, and on June 2, 2025, auditors observed the Department's process for the year-end inventory count and selected a sample to test for existence, accuracy, and completeness. Auditors noted 17 items without a value on the FYE June 30, 2024, report, but it had been reduced to only 4 items for the FYE June 30, 2025, report, which is a big improvement in the corresponding inventory records. The Internal Audit Division passed on the finding based on the Department's progress and downgraded the issue to a verbal observation.

General Services Division of the County Administrative Office (CAO) – Garage Facility Division:
The Garage Facility of the General Services Division of the CAO maintains a perpetual inventory system through its Ron Turley Associates Fleet Management Software. On June 15, 2024, and June 12, 2025, the auditors selected a sample to test for existence, accuracy, and completeness. During the audit, it was noted that for FYE June 30, 2024, the General Services Division performed its physical inventory count and changed the scheduled date without informing the Internal Audit Division. Consequently, auditors were unable to observe the process or perform independent test counts. As a result, this issue was noted as a verbal observation. For FYE 2025, this was corrected, because the General Services Division communicated with the Internal Audit Division and the auditors were able to observe the Garage Facility's process.

General Services Division of the County Administrative Office (CAO) – Facilities Maintenance Division:
The Facilities Maintenance Division, which is part of the General Services Division under the County Administrative Office, maintains a perpetual inventory system using the MicroMain program. On June 13, 2024, and June 24, 2025, auditors conducted a sample review to assess the existence, accuracy, and completeness of the inventory data for the FYE June 30, 2024, and

2025. During the inventory observation for the FYE 2024, we issued a finding due to several factors – the Facilities Maintenance Division did not have enough staff counting; the auditors and the counters were not provided physical copies of the inventory list to follow; and when the inventory list was later provided, it did not contain enough identifiable information to locate the inventory items. However, for the FYE 2025, we decided to eliminate that finding because the division was adequately prepared with staff and documentation for the physical inventory count.

For the FYE 2025, the auditors identified discrepancies between the accounting records and the actual inventory on hand, along with additional concerns. Consequently, we issued three findings, which are detailed in the Audit Findings and Recommendations section of this report. The Internal Audit Division will monitor the Division's progress in addressing these issues.

Probation Department:
The Probation Department utilizes a proprietary in-house perpetual inventory system. On June 7, 2024, and June 16, 2025, auditors observed the Department's process for the year-end inventory count and selected a sample to test for existence, accuracy, and completeness. Auditors noted a few minor discrepancies, and subsequent adjustments to the accounting records by the Department were minimal. Therefore, we have not provided findings, suggested improvements, or observations in this report.

Public Works Department – Operations and Roads Divisions:
The Roads Division of the Public Works Department maintains its own perpetual inventory system and has one warehouse location designated as the Paint Shop, which is used for creating and maintaining street signs. Another warehouse location designated as the Traffic Signals Shop is used for housing and maintaining traffic signals. The Operations Division of the Public Works Department has one warehouse location designated as the Central Shop, which houses parts for vehicles utilized by the Department. Auditors observed the Department's process for the year-end inventory count for each warehouse and selected a sample to test for existence, accuracy, and completeness on June 4, June 5, and June 6, 2024, and on June 3, and June 6, 2025. For FYE 2024, auditors discovered a discrepancy on the quantity of herbicides of 12.63% (amounting to $9,342.40), but this had been corrected for FYE 2025. Auditors also noted few minor discrepancies, and subsequent adjustments to the accounting records by the Department were minimal. Therefore, we have not provided findings, suggested improvements, or observations in this report.

Sheriff's Office – Lerdo Facility:
The Office maintains a perpetual inventory system utilizing iOrder software. On June 21, 2024, and on June 20, 2025, auditors observed the Department's inventory process for the year-end inventory count and selected a sample to test for existence, accuracy, and completeness. Auditors noted a few minor discrepancies, which were minimal. Therefore, we have not provided findings, suggested improvements, or observations in this report.

Audit Findings and Recommendations

Findings are issues that present a serious enough risk to require consideration by management as well as a written departmental response. During fieldwork, we identified two findings. Our findings and recommendations are outlined below.

1. General Services Department – Facilities Maintenance Division: High Volume of Discrepancies

The Facility Maintenance Division's data analysis revealed 347 discrepancies in the quantities of inventory items, showing discrepancies between pre-count and post-count, which constitutes 10% of the total inventory items.

We recommend that the department restrict warehouse access to authorized personnel, enhance physical security, perform periodic physical inventories and reconciliations, and develop and implement warehouse policies and procedures to ensure assets are safeguarded.

Management's Response:
"In accordance with the recommendation, the department will take steps to strengthen internal controls over warehouse access, security, and inventory management in a manner consistent with GFOA best practices and AICPA AU-C §315 guidance on control activities.

Warehouse access has been restricted to authorized management personnel and a limited number of designated after-hours staff. To enhance daily oversight, the Warehouse Supervisor will conduct scheduled checks of all warehouse entrances and exits throughout the day and again prior to the end of each shift to ensure the facility remains secured. We are also expanding the use of existing security measures.

In addition, we are developing formal written procedures that clearly outline responsibilities for inventory handling, after-hours access, documentation requirements, and periodic physical inventory counts. These procedures will support consistent application of internal controls and help ensure that assets are safeguarded."

Auditor's Response:
The Department's actions and planned actions will correct the deficiencies noted in the finding.

2. General Services Department – Facilities Maintenance Division: Lacking Inventory Value

The Facility Maintenance Division's inventory listing includes 160 items, representing 4% of total line items, that lacked the item's value.

We recommend that the division review items currently recorded as having no value. It is important to investigate the reasons behind this reporting, make the necessary adjustments to accurately reflect the value, and contact the developer of the inventory software or the ITS Department to modify the software's minimum item value condition. This will help prevent future occurrences of items being recorded without a value.

Management's Response:
"In accordance with the recommendation, the department started implementing measures to strengthen internal controls over inventory valuation and data accuracy. As part of this effort, staff are reviewing all items currently listed with no assigned value to determine the cause of the missing information and to ensure that each item is updated to reflect accurate value.

To prevent future occurrences, we are reviewing our existing inventory procedures and establishing minimum data-entry requirements for all new items, including mandatory fields for item value, description, and classification. We are evaluating configuration options within our current system that will require completion of these fields before an item can be saved.

Additionally, the department is developing written guidelines that outline the process for entering, reviewing, and validating inventory data, as well as periodic monitoring to confirm that system records remain complete and accurate."

Auditor's Response:
The Department's actions and planned actions will correct the deficiencies noted in the finding.