



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

July 20, 2021

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

REPORT ON THE INTERNAL AUDIT PLAN FOR FY 2021-2022

Fiscal Impact: None

Attached is the internal audit plan for FY 2021-22. Institute of Internal Auditors standards require that your Board approve our audit plan. The attached audit plan for FY 2021-22 was prepared by my office based on a countywide risk assessment. The report includes the status of the FY 2020-2021 audit plan as well as the risk assessment.

Therefore, IT IS RECOMMENDED that your Board approve the FY 2021-22 Internal Audit Plan.

Sincerely,

A handwritten signature in blue ink that reads "Mary B. Bedard".

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

Attachment

cc: County Administrative Office

County of Kern
Auditor-Controller-County Clerk's Office
Internal Audit Division



INTERNAL AUDIT PLAN

FISCAL YEAR 2021-22

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

**County of Kern
Auditor-Controller-County Clerk's Office
Internal Audit Division**

Internal Audit Plan
Fiscal Year 2021-22

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INTRODUCTION

The Auditor-Controller is the chief audit executive for the County of Kern (County) as established by California Government Code Section 26883 and designated by resolution of the County's Board of Supervisors on June 13, 1956. As an elected official, the Auditor-Controller is independent from the County's organizational structure, which allows objective reporting of audit results.

The Internal Audit Division conducts audits as specified under California Government Code Section 1236. Specifically, audits are performed in conformance with the Internal Standard for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors and Government Auditing Standards issued by the Comptroller General of the United States, as applicable.

These auditing standards require the Auditor-Controller, as the County's chief audit executive, to establish a risk-based plan to determine the priorities of the Internal Audit Division. Our annual Internal Audit Plan represents the culmination of various contributing factors, including the results of a Countywide risk assessment performed by the Internal Audit Division and input provided by pertinent parties.

The annual Internal Audit Plan is developed prior to the beginning of the fiscal year, and various events may occur throughout the year requiring deviation from the established plan. Therefore, the Internal Audit Plan may be modified to accommodate a change in resources or to address significant issues requiring the Internal Audit Division's attention.

The Internal Audit Plan is intended to represent our primary means of providing audit coverage to the areas identified as having the highest risks while complying with the requirement of the Government Code. It also provides broad audit coverage to the various components of the County's business operations.

Our audits are largely focused on adding value and improving the departments' operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of compliance, risk management and internal control.

Mandated Audits

California Government Code Section 25250 requires the Board of Supervisors to audit the financial accounts and records of all officers having responsibility for the care, management, collection or disbursement of county funds every two years and Government Code Section 26920 and 26922 requires a quarterly count of assets held by the Treasurer. The Auditor-Controller ensures the scope of internal audits includes an

examination of the organization's system of internal controls and follow-up on prior audit findings and recommendations.

Special Concerns and Other Allocation of Audit Time

We reserved audit hours to address areas of concern from the Board of Supervisors and potential incidents of fraud, waste and abuse.

Dedication of Resources to Audit Related Services Fraud Hotline Management

Internal Audit staff perform oversight responsibility of managing the Fraud Hotline database. Responsibilities include ensuring that submitted fraud incidents are forwarded to the appropriate individuals, providing updates to reporters of incidents, ensuring incidents are completed in the required timeframe, ensuring the Fraud Hotline database is kept up-to-date, and conduct reviews and investigations of reported incidents relating to financial and internal control matters.

STATUS OF PRIOR YEAR INTERNAL AUDIT PLAN

Status of Prior Year Internal Audits

Results of County Wide Risk Assessment	Completed	In Progress	Moved to FY 2021-22 Audit Plan
Aging and Adult Services		X	
Agriculture and Measurement Standards		X	
Animal Services	X		
Assessor-Recorder	X		
Board of Supervisors	X		
Clerk of the Board of Supervisors	X		
County Administrative Office		X	
County Counsel/Risk Management	X		
Farm and Home Advisor	X		
Library		X	
Treasurer Tax Collector	X		
Veterans Service	X		

Other	Completed	In Progress	Moved to FY 2021-22 Audit Plan
Audit Processes Relating To ERP Implementation	X		
County Wide Asset Audit		X	
County Wide Compliance Review			X
Pharmacy Provider Examination	X		
Medical Provider (POS) Examination			X
Treasurer Tax Collector Quarterly Cash Counts	X		
County Wide Inventory Audits	X		
County Wide EPR Audit	X		
Follow-up on Audit Findings	X		
Department Head Transition Audits	X		
Fraud Hotline	X		
Annual Risk Assessment-Audit Plan	X		
Peer Review for Another County			X

Additional Audits Performed	Completed	In Progress	Moved to FY 2020-21 Audit Plan
Kern Regional Transit Audit	X		

INTERNAL AUDIT PLANNING PROCESS

Audit Selection

The Auditor-Controller makes the final determination in selecting audits that will be performed. To achieve optimum utilization of audit resources, audits are selected using the following criteria:

1. Legal mandates
2. Audit requests (i.e., from Board of Supervisors, County management, etc.)
3. Risk assessment results
4. Financial exposure
5. Potential risk of loss
6. Changes in operations
7. Date and result of last audit
8. Capabilities of the Internal Audit staff

RISK ASSESSMENT

Risk assessment is a fundamental auditing concept premised on the need to concentrate our efforts in the areas of the greatest relative risk. This is a more efficient and focused approach to provide audit coverage on a cyclical basis. "Risk" for this purpose does not imply any unwarranted business strategy or lack of management oversight; however, most risk is inherent in the business activity. As such, while most of our audits are cyclically driven by the requirements of the Government Code, the scope of those audits will be dictated by a risk assessment conducted prior to audit commencement.

The Internal Audit Division performs an annual countywide risk assessment for audit planning purposes. The risk assessment identifies, measures, and prioritizes scheduling of potential audits based on each agency/department's level of risk to the County.

The risk assessment performed for the FY 2021-22 Internal Audit Plan was based on measurable criteria gathered by the Internal Audit Division. The following risk factors were considered:

1. Change in key personnel or organization
2. Significant increases/decreases in staffing and workloads
3. Changes in laws/regulations
4. Laws and regulations impact on operations

5. Un-audited Federal or State grants/programs
6. Accounts receivable or assets not recorded on FMS
7. Liabilities not recorded on FMS
8. Number of locations handling cash
9. Grants which require the department/office to monitor sub-recipients
10. Designated employees to account for assets
11. The department/office's identified audit needs
12. Audit needs identified by other departments
13. Single Audit by outside auditor
14. Budgeted full-time employees
15. Total annual budgeted revenues
16. Total annual budgeted expenditures
17. Budget to Actual Net Fund Cost
18. Percentage of budget funded with government aid
19. Fraud Hotline tips or complaints incidents
20. Most recent internal audit
21. Most recent audit findings, if applicable
22. Audits by other agencies (Federal/State)
23. Audit needs identified by the Internal Audit Division

Results

Utilizing these criteria, each department's twelve business processes, identified on page seven, were evaluated and summarized by level of risk as high, medium or low risk. The following table identifies each department's risk assessment by business processes and other factors.

Departmental Risk Assessment

		Risk Assessment Factors				
		High	Moderate	Low	N/A	FY 20-21 Adopted Appropriations
1	Aging and Adult Services	-	8	2	2	\$ 21,052,913
2	Agriculture and Measurement Standards	-	7	2	3	\$ 7,996,427
3	Airport	2	6	3	1	\$ 21,939,770
4	Animal Services	-	8	2	2	\$ 7,288,660
5	Assessor-Recorder	-	7	3	2	\$ 16,181,044
6	Auditor-Controller-County Clerk	1	4	4	3	\$ 10,365,975
7	Behavioral Health and Recovery Services	4	6	1	1	\$ 254,818,889
8	Board of Supervisors	-	-	4	8	\$ 2,404,151
9	Child Support	-	7	2	3	\$ 26,209,141
10	Clerk of the Board of Supervisors	-	1	8	3	\$ 888,299
11	County Administrative Office	1	1	7	3	\$ 4,471,277
12	County Counsel-Risk Management	-	7	3	2	\$ 16,638,892
13	Countywide Communications	1	5	5	1	\$ 1,332,207
14	District Attorney	4	5	2	1	\$ 44,611,928
15	Employers' Training Resource	3	7	1	1	\$ 19,782,216
16	Farm and Home Advisor	-	-	9	3	\$ 466,805
17	Fire	3	7	-	2	\$ 145,817,679
18	General Services	3	8	1	-	\$ 50,330,942
19	Human Resources	2	5	4	1	\$ 4,503,282
20	Human Services	3	7	1	1	\$ 630,872,451
21	Information Technology Services	2	5	1	4	\$ 22,046,003
22	Library	1	7	2	2	\$ 6,601,138
23	Planning	4	6	1	1	\$ 12,557,786
24	Probation	-	9	2	1	\$ 92,531,650
25	Public Defender	3	5	1	3	\$ 18,690,300
26	Public Health	2	8	1	1	\$ 51,228,074
27	Public Works	-	11	1	-	\$ 286,509,718
28	Sheriff-Coroner	3	8	-	1	\$ 242,614,487
29	Treasurer-Tax Collector	-	1	8	3	\$ 6,625,897
30	Veterans Service	-	2	7	3	\$ 1,394,389
		42	168	88	62	

Department Risk Assessment Factors

	Business Process	Cash Receipt	Revenue	Accounts Receivable	Trust Funds	Assets Inventory	Expenditures Payable	Payroll	Contracts Subrecipients	Grants Subventions	Internal Service Funds	Fiduciary / Special Revenue Funds	Length of Time Between Audits
1	AGING AND ADULT SERVICES	M	M	M	M	M	M	L	H	H	N/A	N/A	H
2	AGRICULTURE AND MEASUREMENT STANDARDS	M	M	H	M	M	H	M	H	N/A	N/A	N/A	H
3	AIRPORT	L	M	M	M	M	M	L	M	M	N/A	M	L
4	ANIMAL SERVICES	H	M	M	N/A	M	M	L	M	L	N/A	M	H
5	ASSESSOR-RECORDER	M	M	M	M	L	M	L	M	N/A	N/A	M	H
6	AUDITOR-CONTROLLER	M	M	M	N/A	L	L	L	L	L	N/A	N/A	H
7	BEHAVIORAL HEALTH AND RECOVERY SERVICES	M	H	H	M	M	M	L	M	M	N/A	M	L
8	BOARD OF SUPERVISORS	N/A	N/A	N/A	N/A	L	L	L	N/A	N/A	N/A	N/A	H
9	CHILD SUPPORT	L	M	M	N/A	M	M	L	M	M	N/A	N/A	L
10	CLERK OF THE BOARD	L	L	L	M	L	L	L	L	N/A	N/A	N/A	H
11	COUNTY ADMINISTRATIVE OFFICE	L	L	L	N/A	L	L	L	L	L	N/A	N/A	H
12	COUNTY COUNSEL-RISK MANAGEMENT	L	M	M	N/A	M	M	L	M	M	H	N/A	H
13	COUNTYWIDE COMMUNICATIONS	L	L	L	L	H	L	L	L	L	N/A	M	L
14	DISTRICT ATTORNEY	M	M	H	H	H	M	L	H	H	N/A	H	L
15	EMPLOYERS TRAINING RESOURCE	M	M	M	M	M	M	L	H	H	N/A	M	H
16	FARM AND HOME ADVISOR	L	L	L	N/A	L	L	L	M	M	N/A	N/A	H
17	FIRE	M	M	M	N/A	H	M	M	M	M	N/A	M	L
18	GENERAL SERVICES	M	M	M	M	M	M	L	H	M	M	M	M
19	HUMAN RESOURCES	L	M	M	H	L	M	L	M	M	H	N/A	H
20	HUMAN SERVICES	M	M	M	M	H	M	L	H	H	N/A	M	L
21	INFORMATION TECHNOLOGY SERVICES	L	M	M	N/A	H	M	L	M	N/A	N/A	N/A	M
22	LIBRARY	H	M	M	N/A	H	M	L	H	H	N/A	M	H
23	PLANNING	M	M	M	M	H	M	L	H	H	N/A	M	H
24	PROBATION	M	M	M	M	M	M	L	M	M	N/A	M	L
25	PUBLIC DEFENDER	L	H	H	N/A	M	M	L	M	M	N/A	N/A	M
26	PUBLIC HEALTH	M	M	M	M	M	M	L	M	M	N/A	M	L
27	PUBLIC WORKS	M	M	M	M	M	M	L	M	M	M	M	L
28	SHERIFF	M	M	M	H	M	M	M	H	H	N/A	M	L
29	TREASURER-TAX COLLECTOR	M	M	M	M	M	L	L	L	N/A	N/A	N/A	H
30	VETERANS SERVICE	L	L	L	N/A	L	L	L	M	M	N/A	N/A	H

Total Departments	30
Total Auditable Processes	360
Low Priority Processes	85 23.61%
Moderate Priority Processes	159 44.17%
High Priority Processes	54 15.00%
N/A	62 17.22%

Based on Risk Assessment Process

- L Low priority audit areas
- M Moderate priority audit areas
- H High Priority audit areas

PLANNED ENGAGEMENTS

The following engagements are planned to be initiated and/or completed during FY 2021-22:

Results of County Wide Risk Assessment	Budgeted Hours
Airports	225
Auditor-Controller's Office	225
Behavioral Health and Recovery Services	350
Child Support	225
Employer Training Resource	350
Fire	400
General Services	350
Human Services	600
Information Technology Services	225
Planning	225
Public Defender	225
Sheriff-Coroner-PA	400
Subtotal	3,800

Other	
Audit Processes Relating To ERP Implementation	300
Cash Controls Audits	500
County Wide Compliance Review	200
County Wide P-Card Audit	200
Medical Provider (POS) Examination	160
Treasurer Tax Collector Quarterly Cash Counts	200
County Wide Inventory Audits	160
County Wide EPR Audit	125
Follow-up on Audit Findings	300
Sheriff Special Fund Audit	40
Department Head Transition Audits	50
Fraud Hotline	50
Annual Risk Assessment-Audit Plan	150
Peer Review for Another County	125
Subtotal	2,560

Total Planned and Potential Audit Hours 6,360

INTERNAL AUDIT RESOURCES

The table below shows the number of budgeted positions for the Internal Audit Division for FY 2021-22.

Budgeted Positions

Position	Authorized	Funded	Filled
Audit Division Chief	1	1	1
Senior Accountant	1	1	1
Accountant I/II/III	4	4	4
Total	6	6	6

The table below shows the number of direct hours anticipated for FY 2021-22.

Budgeted Direct Hours

Position	Number of Assigned Auditors		Productive Hours Available for Audit*		Direct Time Anticipated per Auditor	Direct Hours Budgeted
Audit Division Chief	1	x	600	x	80%	480
Senior Accountant	1	x	600	x	80%	480
Accountant III	2	x	1800	x	80%	2880
Accountant I/II	2	x	1800	x	70%	2520
Total	6					6360

* Estimated Productive Hours Available per Employee: 1800