



Johnson County Audit Services

January 10, 2003

Honorable Members of the Board of County Commissioners:

The County Auditor's Annual Report recapping the activities and accomplishments of the Audit Services Division is submitted for your examination. This report is submitted as part of the annual duties and responsibilities of the County Auditor, Resolution 80-94.

The County Auditor functions as an objective evaluator of the effectiveness of all County operations and activities. The Auditor's office maintains organizational and operational independence from all County departments, except the Board of County Commissioners, and reports directly to the Governing Body. Resolution number 80-94 grants the County Auditor complete access to all books and records deemed necessary to complete Board approved projects.

Throughout Fiscal 2003, I will continue to release reports that present the Governing Body and the County Manager with new perspectives and opportunities regarding existing managerial and administrative practices. The support and cooperation of the Governing Body during the past year were greatly appreciated.

I look forward to the challenges and opportunities of the coming year.

Martin J. Kolkin
County Auditor

**Johnson County Auditor's
Annual Report
Fiscal 2002**

Departmental Objective

The Audit Services Division functions as an objective evaluator of the effectiveness of all Johnson County activities, operations, services and programs, ensuring compliance with the Board of County Commissioners' policies, federal regulations, and state statutes.

The County Auditor accomplishes this annual objective primarily through the use of audits, detailed examinations, and reviews. All audits do not necessarily culminate in the issuance of a formal report or warning letter. Potentially, preliminary audit results may suggest that further investigation is not merited. During Fiscal 2002, all audits culminated in a formal report or a warning letter; no examinations were terminated before the completion of audit fieldwork. As of year-end, no audit remains in progress.

AUDIT REPORTS ISSUED & SIGNIFICANT CONCLUSIONS

Community Corrections Grant Audit

This report provided the Board of County Commissioners and the County Manager with an overall evaluation of the Community Corrections' financial management of State grants.

Significant Conclusions:

1. Approximately \$1.1 million in a Community Corrections Project Account existed outside of the Annual Budget process, for over a decade, in violation of BOCC policy;
2. Three additional Community Corrections Department's Project Accounts also existed outside of the budget process. At least one of the three project accounts, with a balance of approximately \$52 thousand, appeared to have violated BOCC budgetary policy;
3. Numerous other project accounts were maintained on a countywide basis;
4. No policies or procedures existed for the annual usage of approximately \$500 thousand dollars of revenues received outside of the annual budget process;

5. Approximately \$176 thousand of Kansas Department of Corrections State grant funds were incorrectly transferred to a Project Account, during grant years 1999 – 2002;
6. Approximately \$31 thousand of Juvenile Justice Authority State grant funds were incorrectly transferred to a Project Account, during grant years 1998;
7. Approximately \$116 thousand in mispostings of the 1995 cost allocation expense, a mill levy fund, to a project account, a non-mill levy fund;
8. Approximately \$482 thousand of revenues were underreported in monthly reports to the State for grant years 2001 and 2002;
9. No action had been taken on approximately \$4 thousand of unexpended prior year grant revenues; and
10. Approximately \$7 thousand of JIAC corrections were incorrectly swept into a project account.

Bi-State Audit

This report provided an objective evaluation regarding the propriety of expenditures of retailers' sales tax dollars for the restoration, reconstruction, and operation of Union Station as a cultural facility. This was a multi-jurisdictional audit performed in conjunction with the Jackson County, MO Legislative Auditor, for the taxpayers of the Kansas and Missouri Metropolitan Cultural District.

Significant Conclusions

1. Bi-State Sales Tax receipts, totaling \$121,311,368, were appropriately collected and accounted for, as required;
2. \$3,311,368 of sales tax revenue in excess of the \$118 million dollars project total had been collected by the States of Kansas and Missouri and forwarded to the Bi-State Commission;
3. The Bi-State Commission's expenditures were made in accordance with the Bi-State Compact, the Operating Agreement, and the Sales Tax Escrow and Disbursement Agreement. The audit revealed no instances of misappropriation of taxpayers' funds; &
4. All unexpended funds were determined to be in the following categories:

Unexpended Tax Receipts	\$ 20,066
Excess Tax Receipts	3,311,368
Net Interest Earned	<u>266,257</u>
 Total Unexpended Funds	 <u>\$3,597,691</u>

WARNING LETTERS ISSUED

Johnson County Developmental Supports Grants Review

A warning letter was sent to Johnson County Developmental Supports regarding grant management of approximately \$200 thousand of funding. The warning letter recommended 1) Appropriate segregation of grant expenditures, 2) Increasing grant monitoring and reimbursements on a more timely basis, and 3) Monitoring affiliate organizations. The Executive Director of Developmental Supports expressed concurrence with these recommendations.

Mental Health Purchasing Procedures Review

A warning letter was issued to the Mental Health Department for failing to comply with County purchasing policies on contract purchases in excess of \$25,000. The violations and intent of the warning letter were explained to the Mental Health Center governing board in open meeting on November 12, 2002.

HUMAN RESOURCES/FINANCIAL SYSTEM IMPLEMENTATION

The County Auditor responded to a countywide request for top personnel to participate in the implementation of the new Human Resources/Financial system. The Audit Services division committed the full time services of an Audit Manager, one of three full time equivalents positions in the division, to actively participate in the system implementation process during fiscal 2002.

PROFESSIONAL EDUCATION & DEVELOPMENT

Professional education and development provide a cost-efficient technique for increasing departmental productivity and audit effectiveness. Additionally, Government Auditing Standards require that government auditors complete at least 40 hours of continuing education and training annually. Each member of the Audit Services Division, including the County Auditor, fulfilled this technical requirement during fiscal 2002.

The Audit Services Division also met professional education and licensure requirements of the American Institute of Certified Public Accountants, the Association of Government Accountants, the National Association of Certified Fraud Examiners, and the Association of Professionals in Business Management during fiscal 2002.

The County Auditor also maintains a presence in the national governmental auditing community through Johnson County Audit Services' memberships in the Mid-America Intergovernmental Audit Forum and the National Association of Local Government Auditors. The Johnson County Audit Services Division was again honored during fiscal 2002 by the publication of audit abstracts in The Local Government Auditor's Newsletter, a national journal of the Association of Local Government Auditors.

CONCLUSION

The County Auditor's prevailing goal remains to provide the Board of County Commissioners with meaningful, objective, and timely reports for improving County operations and programs during the upcoming year.