



Audit Services
Third Quarter 2002
Status Report on Findings Resolution

Release Date: November 21, 2002

**Status Report on Findings Resolution
As of Third Quarter, 2002
Table of Contents**

| | |
|--|----|
| 1999 External Audit Management Letter Comments | 1 |
| Self-Insured Health Care Audit | 3 |
| Indian Creek Middle Basin Interlocal Agreement Audit..... | 4 |
| Appraiser’s Exempt Property Review | 5 |
| Register of Deeds Internal Control Audit..... | 6 |
| 2001 External Audit Management Letter Comments | 7 |
| 2001 Single Audit Report | 9 |
| 2001 Parks & Recreation External Audit Management Letter Comments..... | 10 |

When updating this document quarterly, all items noted as resolved on the prior matrix will be dropped. ‘Complete’ comments are the representations of management. ‘No Response’ comments indicate Management declined to comment on, or respond to, this quarter’s report. Updated information will be obtained each quarter from the responsible party within the applicable department.

**Status Report on Findings Resolution
As of Third Quarter, 2002**

1999 External Audit Management Letter Comments

| Management Letter Comment | Department | Date Comment Appeared | Responsible | Management Action Plan & Management Comments | Resolution Date |
|---|--------------------------------|-----------------------|---|--|---|
| Accounting personnel should become familiar with GASB Statement 34 through the attendance of seminars & implement a plan, including the consideration of funding needs. | Office of Financial Management | Fiscal 1999 | Tom Franzen, Director of Financial Management Susan Dougan, Accounting & Financial Reporting Manager | Staff has attended numerous training seminars on the new reporting model. Staff is also working on a detailed analysis and a proposed implementation plan for Statement 34. During the process, staff will meet with various affected agencies and departments of the County to determine steps and resources necessary for a transition to the new model. Staff continues to meet with affected agencies and departments to transition to the new reporting model. Staff is working closely with the external consultant these issues. | 12/31/02 |
| A central grant administrator to ensure proper grant accounting. | Office of Financial Management | Fiscal 1999 | Tom Franzen, Director of Financial Management Doug Robinson, Budget & Financial Planning Director | This item will be addressed as part of the ASPIRE system implementation. At this point, preliminary plans include two potential FTEs, one in the Budget and Financial Planning Department to coordinate pre-award activities and one in the Office of Financial Management to administer post-award financial issues. | 09/30/01 12/31/01 ¹ 06/30/02 ¹ 12/31/02 ¹ 03/31/03 |
| Policy implementation whereby all County departments are required to utilize separate organizations for recording and reporting grant activity. | Office of Financial Management | Fiscal 1999 | Tom Franzen, Director of Financial Management | The Finance Director stated that the current policy will be rewritten to address all facets of grant management, including but not limited to: grant applications; grant approvals; grant renewals; accounting for grant activity; grant documentation and any reports as required by the granting agency. Staff is currently reviewing the recording and reporting activity of grants within the Aspire project. All grants will have revenues and expenses booked appropriately. Staff is in the process of updating the financial policy regarding grant management for the county. Aspire set up of grants has addressed the separate organization issue of the initial comment. The policy language for grants management will be created by 1Q 2003 the first quarter of 2003. | 09/30/01 12/31/01 ¹ 06/30/02 ¹ 12/31/02 ¹ 03/31/03 |

¹ Auditor's Note: Revised timelines determined by Management.

**Status Report on Findings Resolution
As of Third Quarter, 2002**

1999 External Audit Management Letter Comments (Continued)

| Management Letter Comment | Department | Date Comment Appeared | Responsible | Management Action Plan & Management Comments | Resolution Date |
|--|--------------------------------|-----------------------|---|--|---|
| Review of effectiveness & controls of purchasing card. | Office of Financial Management | Fiscal 1998 | Tom Franzen, Director of Financial Management | <p>The County's purchasing card program policy will be addressed within the new County Administrative Policies scheduled for completion during fiscal 2002.</p> <p>The County's purchasing card program policy has been updated to reflect recommendations made by DMJK from fiscal 1998. These policy changes are being reviewed by various County staff and will be rolled out to the organization, after approval by the BOCC, as part of the implementation of ASPIRE.</p> | 08/31/01 11/30/01 ¹ 03/31/02 ¹ 06/30/02 ¹ 12/31/02 |

¹ Auditor's Note: Revised timelines determined by Management.

**Status Report on Findings Resolution
As of Third Quarter, 2002**

Self-Insured Health Care Audit
Report Number 2001-01

| Audit Comment | Department | Date Comment Appeared | Responsible | Management Action Plan & Management Comments | Resolution Date |
|--|---|------------------------------|---|---|--|
| Establish written policies and procedures establishing and maintaining an unencumbered cash balance at year - end. | Budget & Financial Planning Office of Financial Management | 1 st Quarter 2001 | Doug Robinson, Budget & Financial Planning Director Tom Franzen, Director of Financial Management Ross Haynes, Health Care Manager | This item will be addressed by a Health Insurance Program Manager, if this new position is approved by the Board as part of the FY 2003 Budget. Please refer to the Summary Budget Information document, Health Care Fund section, page 4. A Health Insurance Program Manager was hired during the third quarter of 2002. The new Health Insurance Program Manager is reviewing this issue, and will proposed a reserve policy for the Health Care Fund will be submitted to the Board prior to 12/31/02. | 12/01/01 06/30/02¹ 12/31/02 |

**Status Report on Findings Resolution
As of Third Quarter, 2002**

Indian Creek Middle Basin Interlocal Agreement Audit
Report Number 2001-02

| Audit Comment | Department | Date Comment Appeared | Responsible | Management Action Plan & Management Comments | Resolution Date |
|--|---------------------------|------------------------------|--|---|-----------------|
| Johnson County Wastewater representatives either did not bill or under billed approximately \$4.1 million of charges for fees associated with the operation of the Indian Creek Middle Basin Interlocal Agreement. | County Manager | 3 rd Quarter 2001 | Mike Press, County Manager | Settlement of this issue was reached; the terms involve seven annual payments of \$484,023.81, or approximately \$3.4 MM to be paid by the City of Olathe. | Complete |
| Approximately \$1.5 million in Wastewater billings to the City of Olathe remains unpaid for fiscal year 2001. | Johnson County Wastewater | 1 st Quarter 2002 | Doug Smith, Johnson County Wastewater Director | Wastewater officials sent a letter, dated March 5, 2002, to the City of Olathe requesting payment for the unpaid portion of the 2001 invoice. A settlement amount of approximately \$684 K was recently reached. | Complete |
| Invoice for 2002 should be sent to the City of Olathe in December 2001. | Johnson County Wastewater | 1 st Quarter 2002 | Doug Smith, Johnson County Wastewater Director | Johnson County Wastewater officials stated the 2002 billing has been sent with a cover letter dated June 12, 2002, to the City of Olathe. A settlement amount of approximately \$1.67 MM was recently reached. | Complete |

**Status Report on Findings Resolution
As of Third Quarter, 2002**

Appraiser's Exempt Property Review
Report Number 2001-05

| Audit Comment | Department | Date Comment Appeared | Responsible | Management Action Plan & Management Comments | Resolution Date |
|--|------------|---------------------------------|-----------------------------------|---|--|
| Maintenance of Exempt Property Files. | Appraiser | 2 nd Quarter 2001 | Paul Welcome, County Appraiser | All real estate exemption orders scanned and filed by parcel number. On 07/03/2002, the Appraiser's office stated that 62 exemptions remain to be scanned; the expected date of completion is reflected in the revised resolution date. | 12/31/01 03/31/02 ¹ 06/30/02 ¹ 12/31/02 ¹ |

¹ Auditor's Note: Revised timelines determined by Management.

**Status Report on Findings Resolution
As of Third Quarter, 2002**

Register of Deeds Internal Control Audit
Report Number 2001-05-a

| Audit Comment | Department | Date Comment Appeared | Responsible | Management Action Plan & Management Comments | Resolution Date |
|---|-------------------|------------------------------|--------------------------------|--|--|
| Internal controls weaknesses regarding the integrity of historical data within the ROD information processing systems were noted as unresolved. Pre-April 2001 data had not been migrated to the new Phoenix system, the ROD's new information processing system. | Register of Deeds | 3 rd Quarter 2001 | Becky Davis, Register of Deeds | <p>Pre-April 2001 data had not been migrated to the new Phoenix system. Due to the unseasonably high workload of the ROD's office, ROD staff has not yet had time to migrate pre-April 2001 computer data.</p> <p>The migration of Pre-April 2001 legal descriptions into the PHOENIX system was completed on October 9, 2002. We will close all pre-April 2001 data by the end of October.</p> <p>The ROD's office is in the process of validating the migrated information.</p> | 12/31/02 |
| The County Auditor's review previously noted internal control weaknesses regarding the safeguarding of assets within the ROD office. | Register of Deeds | 3 rd Quarter 2001 | Becky Davis, Register of Deeds | The ROD office requires a replacement of our entire computer operating systems and a process restructure of ROD personnel in order to keep pace with the huge increase in customer transactions we now experience. | RFP for a Technology Analyst was sent out on 7/26/02. A Technology Analyst is scheduled to begin work on 10/28/02. |

**Status Report on Findings Resolution
As of Third Quarter, 2002**

2001 External Audit Management Letter Comments

| Management Letter Comment | Department | Date Comment Appeared | Responsible | Management Action Plan & Management Comments | Resolution Date |
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| The Treasurer's Office has older outstanding reconciling items that need resolution on the bank reconciliations. | Treasurer | 3 rd Quarter 2002 | Dennis Wilson, County Treasurer | Issues were all resolved by August 2002. All reconciliation issues are handled in an expeditious manner. There are no older items appearing on the current reconciliation. | Complete |
| Various County departments have their own bank accounts, and the Treasurer has numerous bank accounts. This unnecessarily complicates the bank reconciliation, daily bookkeeping, and depository security processes. | Treasurer | 3 rd Quarter 2002 | Dennis Wilson, County Treasurer Tom Robben, Cash Manager | Numerous bank accounts are open due to the logistics associated with various county department locations. The cash manager is currently evaluating the County's options regarding consolidation of accounts and the possible use of one bank for financial activity. A final decision regarding the status of the various County accounts will be determined after this evaluation has been completed. | 3/31/03 |
| OFM needs a reasonability check on the payroll system for items falling outside of normal operating parameters. For example, a \$40,814 payroll check was issued in January 2001, and remained outstanding for over a year. | Office of Financial Management | 3 rd Quarter 2002 | Tom Franzen, Director of Financial Management | The Office of Financial Management performs a reasonability test based on a report generated from the payroll system. Staff analyzes a "net pay > of greater than \$10,000" report for each pay period. | Complete |
| The County allocates interest income to designated funds on the basis of ending monthly cash balance, which is contrary to the provisions of K.S.A. 12-1677. | Office of Financial Management | 3 rd Quarter 2002 | Tom Franzen, Director of Financial Management | The Office of Financial Management reviewed the interest income allocation process with the County's Chief Counsel. He is of the opinion that the Board of County Commissioners has the authority to manage the business affairs of the County, see e.g., K.S.A. 19-101a, and to direct the use and payment of County monies. As such, those Board actions are then requirements of law. Such designations by the Board to allocate interest to specific funds are considered to be a legal requirement, substantive and not merely an accounting function. | Complete |

**Status Report on Findings Resolution
As of Third Quarter, 2002**

2001 External Audit Management Letter Comments (Continued)

| Management Letter Comment | Department | Date Comment Appeared | Responsible | Management Action Plan & Management Comments | Resolution Date |
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| <p>All unencumbered appropriations and reserves for encumbrances lapse at the end of the year.</p> <p>Encumbrances are reestablished at the beginning of the new year if funds are appropriated in the budget.</p> <p>This practice is contrary to cash basis, budget law, and GAAP.</p> | Office of Financial Management | 3 rd Quarter 2002 | Tom Franzen, Director of Financial Management | <p>The County concurs that encumbrances are not being reflected in the Comprehensive Annual Financial Report (CAFR) at year-end. This has been disclosed in the notes to the financial statements for several years.</p> <p>OFM and Budget and Financial Planning (BFP) staff reviewed the statutory requirements with the County's Chief Counsel. The County's Chief Counsel is of the opinion the County is in compliance with statutory requirements.</p> <p>Staff concur that encumbrances are cancelled at year-end due to current system and process constraints; however, the County monitors activity during the year and has budgetary controls in place at all times that prohibit the commitment of funds in excess of budget availability.</p> <p>In conjunction with the ASPIRE implementation, County staff has drafted a policy statement regarding encumbrances to address this issue. This policy statement is included in the draft financial policies given to the BOCC for discussion in a work session on 11/21/02.</p> | 12/31/02 |
| <p>It was taking over one week for cash receipts to be deposited from the Register of Deeds Office with the Treasurer's Office.</p> | Register of Deeds | 3 rd Quarter 2002 | Becky Davis, Register of Deeds | <p>The Register of Deeds and staff concur with the findings and recommendations, and have implemented all internal controls and policies recommended by the internal audit.</p> <p>We are currently depositing daily and processing mail daily. All monies received are deposited within one day.</p> | Complete |
| <p>County personnel involved with the Airport Improvement Program do not review the outside engineer's monitoring of required Davis-Bacon requirements.</p> | Airport | 3 rd Quarter 2002 | Robert Perry, Director of Aviation | <p>For all future AIP projects the outside engineer will be required to review Davis-Bacon monitoring with Airport Commission staff prior to submission of that information to the FAA.</p> | Complete |

**Status Report on Findings Resolution
As of Third Quarter, 2002**

2001 Single Audit Report

| External Auditor Comment | Department | Date Comment Appeared | Responsible | Management Action Plan & Management Comments | Resolution Date |
|--|------------|------------------------------|---|---|-----------------|
| Johnson County is currently not meeting the cash management requirements of the Juvenile Accountability Incentive Block Grant (JAIBG). Funds received by the County are passed through to several sub-recipients, with an average lag time of five weeks. | OFM | 3 rd Quarter 2002 | Tom Franzen, Director of Financial Management | The Office of Financial Management has been disbursing funds as requested by the Project Director from the agency (United Community Services) that has been administering the grant. Staff is in the process of reviewing JAIBG administration with the Project Director from UCS. Staff will then create a procedure requiring disbursement of JAIBG funds within an appropriate amount of time based upon the flow of grant-related information. | 12/31/02 |
| The County does not monitor JAIBG funds passed through to the sub-recipients. | OFM | 3 rd Quarter 2002 | Tom Franzen, Director of Financial Management | The Office of Financial Management will annually monitor JAIBG funds passed through to the sub-recipients. Monitoring will include site visits by staff and requests of Single Audit or financial statements from sub-recipients. | 12/31/02 |
| The County does not perform site visits at JAIBG sub-recipients. | OFM | 3 rd Quarter 2002 | Tom Franzen, Director of Financial Management | See above management comment. | 12/31/02 |
| The County does not receive JAIBG sub-recipients' annual Single Audit and/or financial statement audit reports. | OFM | 3 rd Quarter 2002 | Tom Franzen, Director of Financial Management | See above management comment. | 12/31/02 |

**Status Report on Findings Resolution
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2001 Parks & Recreation External Audit Management Letter Comments

| Management Letter Comment | Department | Date Comment Appeared | Responsible | Management Action Plan & Management Comments | Resolution Date |
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| Fixed assets should be scheduled to accurately reflect assets owned or leased by the Parks & Recreation District. | Parks & Recreation | 3 rd Quarter 2002 | Michael Meadors, Director of Parks and Recreation | A meeting with OMB staff was held the final week of October to develop Fixed Asset forms for Park District use. Submittal will begin immediately | 11/15/2002 |
| Procedures should be established to ensure that all fixed assets are properly recorded on the fixed assets schedule. | Parks & Recreation | 3 rd Quarter 2002 | Michael Meadors, Director of Parks and Recreation | Procedures have been put into place. | Immediately |
| Arbitrage rebate calculations have not been routinely completed. | Parks & Recreation | 3 rd Quarter 2002 | Michael Meadors, Director of Parks and Recreation | Arbitrage Rebate calculations are not due until fifth year of Bond Issue. No current rebate calculations required. Contact made with professional firm to begin process. | December, 2002 |
| GASB 34 implementation will be required for 2002. The planning process should be continued, including the accumulation of infrastructure data, as required by GAAP. | Parks & Recreation | 3 rd Quarter 2002 | Michael Meadors, Director of Parks and Recreation | Assistance of District Audit firm has been requested. | 12/20/2002. |