



Audit Services
Fourth Quarter 2002
Status Report on Findings Resolution

Release Date: February 27, 2003

**Status Report on Findings Resolution
As of Fourth Quarter, 2002
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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.

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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	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 on these issues.	12/31/02 ¹ Complete
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. However, due to the current budget situation, staff intends to postpone the hire of additional FTEs in the grants management area. As a starting point, staff recommends contracting with Randall Funding & Development Inc. to perform an analysis of County departments and identify potential opportunities for new grant funding.	09/30/01 ¹ 12/31/01 ¹ 06/30/02 ¹ 12/31/02 ¹ 03/31/03 ¹ 12/31/03

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

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1999 External Audit Management Letter Comments (Continued)

Management Letter Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
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	<p>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.</p> <p>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.</p> <p>The 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 the first quarter of 2003.</p> <p>Grants management policy will be updated as part of overall grants management strategy (see previous comment).</p>	<p>09/30/01¹</p> <p>12/31/01¹</p> <p>06/30/02¹</p> <p>12/31/02¹</p> <p>03/31/03¹</p> <p>Complete</p>
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 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>	<p>08/31/01¹</p> <p>11/30/01¹</p> <p>03/31/02¹</p> <p>06/30/02¹</p> <p>12/31/02¹</p> <p>Complete</p>

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

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**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.	Office of Financial Management	1 st Quarter 2001	Tom Franzen, Director of Financial Management Ross Haynes, Health Care Manager	A Health Insurance Program Manager was hired during the third quarter of 2002. The reserve policy was presented to the BOCC and approved on 12/19/02. The associated procedure for establishing an unencumbered cash balance at year-end (the reserve amount) has been created.	12/01/01 ¹ 06/30/02 ¹ 12/31/02 ¹ Complete

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

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**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
<p>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.</p>	<p style="text-align: center;">County Manager</p>	<p style="text-align: center;">3rd Quarter 2001</p>	<p style="text-align: center;">Mike Press, County Manager</p>	<p>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.</p> <p>In 2002, the County received the first of seven payments in the amount of \$484,023.81 from the City of Olathe. The County continues to work with the City of Olathe to negotiate a new contract. The estimated date for BOCC consideration of a new contract is the 3rd quarter of FY 2003.</p> <p>Auditor's Note: The second payment of \$484,023.81, due 12/31/02, has not yet been received.</p> <p>Based upon discussions with County representatives, the delay is due to Olathe representatives' unilateral belief that the second of seven payments was tied to the obtainment of a new contract.</p>	<p style="text-align: center;">Complete¹</p> <p style="text-align: center;">09/30/03</p>

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**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 02/06/2003, the Appraiser's office stated that all exemptions have been scanned.	12/31/01 ¹ 03/31/02 ¹ 06/30/02 ¹ 12/31/02 ¹ Complete

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

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**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	The migration of Pre-April 2001 legal descriptions into the PHOENIX system was completed on October 9, 2002.	12/31/02 ¹ Complete
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.	An RFP is scheduled for 03/2003 & System implementation is scheduled for 11/2003.

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2001 External Audit Management Letter Comments

Management Letter Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
<p>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.</p>	Office of Financial Management	3rd Quarter 2002	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
	Treasurer	3rd Quarter 2002	Dennis Wilson, County Treasurer	It would appear that the Treasurer and/or the Office of Financial Management should have responsibility and authority over all County bank accounts. The County Treasurer requested, three weeks ago, a definitive answer regarding authority and responsibility from the County Legal Services department. Until such legal opinion is composed, the Treasurer will not be able provide the Board of County Commissioners with an answer regarding the status of the various County accounts.	
	Legal	3 rd Quarter 2002	Larry McAulay, Director of Legal Services	On 2/07/2003, the Legal Department issued an opinion to the Treasurer that most County bank accounts were under the oversight of the Treasurer. This opinion also points out that certain accounts fall outside of the Treasurer's responsibility, for example the Library Board and Park and Recreation District bank accounts.	
			Mike Press, County Manager	At the direction of the County Manager, the Office of Financial Management is compiling a comprehensive listing of all bank accounts. When the comprehensive listing is completed, a determination will be made regarding exception status from the general rule of Treasurer oversight.	

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2001 External Audit Management Letter Comments (Continued)

Management Letter Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
<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 ¹ Complete

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

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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. Staff has documented a procedure whereby the Project Director is contacted when funds are received. Based on information received from the Project Director, staff will immediately disburse funds to appropriate entities.	12/31/02 ¹ Complete
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 ¹ Complete
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 ¹ Complete
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 ¹ Complete

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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
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	All 2002 Fixed Assets have been submitted to the Office of Financial Management. Final report from OFM anticipated Friday, February 7th. Minor adjustments anticipated as part of the 2002 Audit reconciliation process.	11/15/02 ¹ Complete
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. On Schedule for required August 2003 completion	December, 2002¹ On Schedule See Management Action Plan & Management Comments
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	Currently under review by CPA firm	12/20/02 ¹ Complete

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

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**Corrections Grants Audit
Report Number 2002-03**

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
<p>The County maintained approximately \$1.1 million of revenues, unexpended Client Reimbursements, in a Project Account that existed outside of the Annual Capital and Operating Budget.</p> <p>The County Auditor recommends that the County Manager or his representatives provide the BOCC with a timeframe or implementation schedule for including Client Reimbursements within the annual operating budget.</p>	Department of Corrections	4th Quarter 2002	Mike Press, County Manager	The FY03 Budget will be revised during the first quarter of FY03 to include the four Corrections project accounts - Client Reimbursements, Recreation, Juvenile Supervision and House Arrest. All four projects will be included as part of the FY04 annual budget process.	08/31/2003 (upon adoption of FY2004 Budget)
<p>The County Auditor recommends that the County Manager or his representatives review the three remaining Community Corrections Department's Project Accounts to determine if these programs should be included in the annual budgetary process.</p>	Department of Corrections	4th Quarter 2002	Mike Press, County Manager	County staff has already begun reviewing all existing project accounts, including those in Corrections, for inclusion in a FY03 budget revision and the FY04 annual budget process.	08/31/2003 (upon adoption of FY2004 Budget)
<p>The County Auditor recommends that the County Manager or his representatives review all County Project Accounts to ensure that all Project Accounts are properly reflected in the County's financial system and the annual operating budget.</p>	County Manager	4th Quarter 2002	Mike Press, County Manager	County staff has already begun reviewing all existing project accounts, including those in Corrections, for inclusion in a FY03 budget revision and the FY04 annual budget process.	08/31/2003 (upon adoption of FY2004 Budget)
<p>County Auditor recommends that the County Manager or his representatives establish formal policies and procedures for the use of hundreds of thousands of dollars in annual reimbursement revenues received during the execution of State grants</p>	Department of Corrections	4th Quarter 2002	Michael Youngken, Department of Corrections Director	Formal departmental policies and procedures have been established for the use of client reimbursement revenues.	Complete

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**Corrections Grants Audit (Continued)
Report Number 2002-03**

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
The County Auditor recommends that Community Corrections representatives notify the corrections advisory board and the BOCC of the transfer of \$175,962 of unexpended Kansas Department of Corrections grant funds to the Client Reimbursements Project Account, during grant years 1999 – 2002.	Department of Corrections	4th Quarter 2002	Michael Youngken, Department of Corrections Director	The Kansas Department of Corrections stated that no further action is required by the Johnson County Department of Corrections.	Complete
The County Auditor recommends that Community Corrections representatives notify the corrections advisory board and the BOCC of the anticipated usage of \$31,384 in unexpended Juvenile Justice Authority grant funds, from grant year 1998, to be used for grant year 2003 operations.	Department of Corrections	4th Quarter 2002	Michael Youngken, Department of Corrections Director	Staff contacted JJA to request the use of these unexpended funds for FY2003.	03/31/03
The County Auditor recommends correcting an \$115,912 misposting of the fiscal 1995 overhead cost allocation. This \$115,915 misposting caused an annual mill levy expense to be paid out of a non-mill levy fund, the Client Reimbursements Project Account.	Department of Corrections	4th Quarter 2002	Michael Youngken, Department of Corrections Director	Corrections posted the entry to the system on December 2, 2002.	Complete
The County Auditor recommends obtaining County Manager authorization and BOCC approval for the Client Reimbursements Project Account's off-budget expenditures of \$237,927, primarily occurring after November 2000.	Department of Corrections	4th Quarter 2002	Michael Youngken, Department of Corrections Director	The summary of was reviewed by the County Manager's office. Additional authorization or approval by the BOCC is not required.	Complete

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**Corrections Grants Audit (Continued)
Report Number 2002-03**

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
The County Auditor recommends that the County Manager or his representatives obtain the appropriate authorization to use \$4,096 of unexpended grant funding, from prior years, for grant year 2003 operations.	Department of Corrections	4th Quarter 2002	Michael Youngken, Department of Corrections Director	Staff contacted JJA requesting the use of these unexpended funds for the FY03 grant year.	03/31/03
The County Auditor recommends that the County Manager or his representatives contact KDOC officials and determine the necessary remedial action needed to correct approximately \$482,383 of under-reported reimbursement revenues for grant years 2001 and 2002.	Department of Corrections	4th Quarter 2002	Michael Youngken, Department of Corrections Director	Amended final reports for FY01 and FY02 were filed as requested by the KDOC, on November 6, 2002.	Complete
The County Auditor recommends that the County Manager or his representatives obtain the appropriate authorization to apply the \$7,133 of unexpended grant funding to grant year 2003 operations.	Department of Corrections	4th Quarter 2002	Michael Youngken, Department of Corrections Director	Staff contacted JJA requesting the use of these unexpended funds for the FY03 grant year	03/31/03