



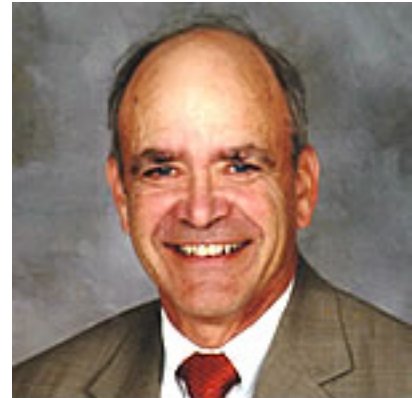
Johnson County Auditor

Johnson County, Kansas

Annual Report – September 2004-2005

-----A MESSAGE FROM
THE COUNTY AUDITOR

Board of County Commissioners



Dear Commissioners:

It is my pleasure to present the County Auditor's Annual Report. It is my responsibility to report annually on the activities and accomplishments of this office in order to keep the Board informed.

We issued four audit reports, three special memorandums and three follow-up reports. We examined the County's management of fleet vehicles, automated financial and human resources system, construction contract change orders, and the transition to the newly created Records and Tax Administration. Additionally, we continued our quarterly monitoring of prior recommendations to report on implementation.

Key recommendations made in the audits included recommending development of County-wide policy for managing fleet vehicle systems, reorganization of the management structure of the financial and resource management system, and development of a quality control system for monitoring contract change orders. Our audit of the Records and Tax Administration transition disclosed a well managed and well planned approach to consolidating functions from two County offices/departments. We estimated the quantifiable cost impact from our audits in terms of more efficient use of available resources, waste, and questioned costs to be about \$315,000.

We will continue our mission to provide the BOCC, through our audits, assurance that county services are provided the most cost effective and efficient way, and that government is accountable in its stewardship of the public trust.

We appreciate the support we have received from the Board and the cooperation of County departments as we conduct our audits.

William D. Miller, County Auditor

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MISSION AND GOALS

Charter Authority

The County Auditor is appointed by and reports directly to the Board of County Commissioners. The charter (County Resolution **008-94**) grants the County Auditor complete access to the books and records of all County departments. The County Auditor uses this access, independence, and authority in performing his charter mandate to conduct audits on a continuous basis for all departments and programs.

Internal audit has no direct responsibility or authority over any of the activities or operations reviewed. To maintain independence, audit will not develop or install procedures, prepare records, establish policies or engage in activities that would normally be reviewed by internal audit.

Our Purpose

We provide the BOCC, through oversight and review of County programs and performance, assurance that county services are provided the most cost effective and efficient way, and that government is accountable in its stewardship of the public trust. We seek to accomplish our mission by evaluating department and program performance and identifying recommendations to assist the activities of the County to be more efficient and effective.

Our Work Products

The County Auditor conducts financial and performance audits, including follow-up audits. Audit work is conducted according to generally accepted government auditing standards. These standards require due professional care in conducting audits, professionally qualified staff, independence, adequate supervision and planning of audit work, reporting of audit results, and periodic review of the office by outside professionals.

A performance audit systematically examines evidence to independently assess the performance and management of a program against objective criteria. Performance audits provide information to improve program operations and facilitate decision-making by parties with responsibility to oversee or initiate corrective action.¹ A follow-up audit is a performance audit that determines the progress made in addressing findings identified in previous audits. Performance audits include

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, D.C: U.S. Government Printing Office, 2003), p.21.

reviews of accounting for funds, accomplishment of programs, effectiveness and efficiency of programs, and outcomes of programs.

The culmination of a performance audit is generally an official audit report addressed to the BOCC containing descriptions of conditions noted in the audit, recommendations for improvement in program management, and management's response to the recommendations. Memorandums may be used to report single-issue instances as appropriate. Most audit reports result in recommendations that will improve resource utilization, reduce the risk of loss or abuse of assets, increase productivity, or correct wasteful practices.

OFFICE OPERATIONS

Audit Planning

We use a risk assessment process to identify audit topics as well as evaluating suggestions from others including members of the BOCC and management. We also evaluate complaints. We look for ways to save, recover, or avoid costs while recognizing that efficiency is a means to an end not an end itself.

We submit an annual audit plan to the BOCC for approval. Any adjustments to the plan are approved by the BOCC before proceeding with the adjustment. With our current staff levels, our planning includes conducting between 5 and 7 audits during a year.

Expenses

The office is authorized 3 full-time positions: the County Auditor, 1 Senior Auditor, and 1 Staff Auditor I. Staff members have at least Bachelor's degrees in Accounting or Criminal Justice. Two staff members have advanced degrees. All staff members have had previous experience in either the public or private sectors and have a working knowledge of performance auditing principles.

The office had expenditures of about \$289,202 during this report period.

Category	Expense
Personnel	\$283,336
Contractual	1,879
Commodities	3,987
Total	\$289,202

Source: Financial Reports: BUD200 at August 2005

PROFESSIONAL DEVELOPMENT

Summary

The County Auditor promotes professional development of the staff to improve our skills, effectiveness, and efficiency. Such professional development includes enrollment in continuing education courses, encouragement to seek professional certification, support for involvement in professional organizations, and career-building assignments on the job.

All staff members have professional certifications including Certified Public Accountant, Certified Internal Auditor, Certified Government Financial Manager, and Certified Fraud Examiner.

Continuing Education

Government auditing standards require our staff to complete at least 80 hours of continuing education every 2 years. All of the staff met this requirement by attending seminars, forums and conferences. Training topics included supervision, report writing, fraud awareness, and updates to accounting standards.

All staff members are active in professional organizations either by attending events or serving on Governing Boards. Professional organizations include: Kansas and Missouri Societies of Certified Public Accountants, Institute of Internal Auditors, Association of Government Accountants, Association of Certified Fraud Examiners, Mid-America Intergovernmental Audit Forum and National Association of Local Government Auditors. The County Auditor has given formal presentations to several of these organizations and has made presentations to advanced degree students at Central Missouri State University, and the University of Kansas, Edwards Campus.

PERFORMANCE MEASURES

Outputs

We monitor our performance by tracking (i) outputs or work products, (ii) outcomes or results of these products and (iii) the efficiency with which we produce work products and results.

We issued 11 audit products during this period.

Audit Product	Number Issued
Formal Reports	4
Memos	3
Quarterly Follow-up Reports	4

A synopsis of the formal reports is included as Appendix A

Outcomes

The benefits of the work of the County Auditor's Office include reduced costs, increased revenues, improved services, and government accountability. Audit does not directly achieve these benefits. Management achieves them through implementation of recommendations. Therefore, it is incumbent upon audit to make meaningful and workable recommendations that are well supported by the audit evidence.

To measure the effectiveness of our recommendations, we established a goal to achieve management agreement with 85 percent of our recommendations. We also measure the recommendation implementation rate and set a goal of 90 percent for agreed upon recommendations implemented within 2 years.² We track recommendations and report the progress toward implementation quarterly.

During this report period we obtained agreement with 91 percent of our recommendations. Five of 14 (36 percent) recommendations have been implemented. The remaining recommendations are still in the 2-year window.

² The 2-year period was established because oftentimes the more complex recommendations cannot be implemented immediately. An example would be the Fleet management recommendation where the County Manager needed one year to evaluate programs at the departments before settling on a strategy for the County.

We have a goal to accomplish audit work within 750 hours. This goal will be reevaluated as experience is gained in conducting the work. The average for three of the four formal reports was 734 hours.³

**Cost
Efficiency**

We were unable to quantify the cost efficiency for some recommendations because we limited the scope of our work. For example, we did not quantify the efficiency savings for personnel who were inputting the same data into two data management systems, had one of the entry requirements been eliminated. We estimated a cost where the information was available within the scope of the audit. We estimated the quantifiable cost impact from our audits in terms of more efficient use of available resources, waste, and questioned costs to be about \$315,000.

³ The fourth audit was conducted prior to implementation of the time tracking system.

Appendix A - Formal Report Synopsis

Managing Light Fleet Vehicles at County Departments

The objective of our audit of the County's management of the \$26 million fleet of light vehicles was to determine if departments and agencies had adequate practices and procedures for monitoring vehicle usage, maintaining vehicles, and replacing vehicles. Audit tests disclosed management improvement was needed.

- Some departments and agencies did not adequately meet the expectations of six fleet management elements used as a benchmark standard.
- Ten of 21 departments, accounting for 243 vehicles, do not regularly monitor vehicle use and costs. This represents 31 percent of the fleet that are not monitored on a regular basis. Also, many monitoring plans that were submitted to us were too vague or limited to pass as adequate.
- Sixteen departments did not have vehicle replacement plans. These entities operated 556 vehicles and replaced vehicles on an "as needed" basis or when officials believed maintenance costs were getting too high.

We recommended the County Manager and the Department and Agency Directors develop monitoring systems, replacement plans, and a management reporting system.

Management of the County's Automated Financial and Human Resources System

The objectives of our audit of the County's management of the automated financial and human resources system referred to as ASPIRE were to evaluate the status of system implementation, need for auxiliary systems, and level of user satisfaction.

Management effectively implemented the financial and human resources portions of ASPIRE and did not have any major or catastrophic failures in key systems (payroll, hiring etc.). This is a major achievement considering the short time frame for implementation and the complexity of the system acquired.

Areas identified for improvement included:

- The management structure for ASPIRE needs to be reorganized to eliminate confusion over expectations, responsibilities and authorities. The committee approach used to oversee the ASPIRE manager should be reevaluated because it is not effective.
- User needs have not been identified in all departments.
- ASPIRE management has not prepared a viable strategic plan that would lead them to successful identification of needs and priorities to guide ASPIRE development.

We recommended the County Manager (i) reorganize the ASPIRE management structure and establish clear lines of authority and responsibility, (ii) establish a system for assessing needs of users, inventorying needs, prioritizing workload based on needs, (iii) continue to review business processes and auxiliary systems, and (iv) develop a strategic plan for progress.

Processing Construction Contract Change Orders

The objectives of our audit of the County's management of construction contract change orders were to ensure that change orders processed in conjunction with construction projects were accurate, complete and in the best interest of Johnson County.

Most change orders reviewed were necessary and unavoidable. In two of three departments reviewed, we determined management relies to a large extent on contracted construction management services. The contract managers (consultants) provide management services related to the construction process including recommending approval of change orders.

Areas identified for improvement included:

- There is a risk for errors, overcharges and fraud because the County lacks a quality control system designed to ensure that change orders are processed accurately and in the best interest of the County.
- Errors in change orders, although relatively low in dollar value, went undetected by consultants and the County. Neither the County nor the consultants had effective quality controls to detect and deter overcharges.

We recommended the County (i) implement a quality control system that will ensure all change orders are properly processed, and (ii) require all consultants to maintain a quality control system.

Records and Tax Administration Transition

The objectives of our audit of the status of the transition of the offices of Register of Deeds and County Clerk into the department of Records and Tax Administration (RTA) as of May 2005 included determining whether adequate procedures/controls exist to safeguard the assets entrusted to the RTA, expenditures made from the Technology Fund are appropriate, and recommendations of prior external and internal audits have been completed.

We concluded the County Manager and the Director, RTA have effectively planned for and are progressing well on the consolidation of the two offices. A formal plan for consolidation was prepared and implementation is well under way. Official operating procedures have been developed and communicated to staff. Technology Fund expenditures were appropriate and outstanding recommendations from prior audits have been addressed.

We identified a small number of management issues stemming from the prior administration in the Register of Deeds Office that needed attention, and the Director, RTA was receptive to our concerns and recommendations.

Appendix B - Reports Released September 2004-September 2005

Performance Audits

Managing Light Fleet Vehicles at County
Departments (December 2004)

Management of the County's Automated Financial
And Human Resources System (April 2005)

Processing Construction Contract Change Orders (June 2005)

Records and Tax Administration Transition (June 2005)

Status Reports on Implementation of Recommendations

Quarterly Progress Reports Issued:
November 2004, March 2005, May 2005, August 2005

Appendix C - County Auditor's Staff

William Miller, County Auditor
Certified Internal Auditor
Certified Government Financial Manager

John Middleton, Senior Auditor
Certified Public Accountant

Michelle Holland, Staff I Auditor
Certified Fraud Examiner