



Audit Services
Second Quarter 2007
Implementation of Audit Recommendations

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**Implementation of Audit Recommendations
As of Second Quarter 2007
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When updating this document quarterly, all items noted as resolved on the prior matrix will be dropped. ‘Completed’ 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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Disposal of Surplus Computers

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
Establish a target date for presenting a revised asset disposal policy to the BOCC for review.	County Manager, ITS, and OFM	4th Quarter 2005	Mike Press Jack Clegg Tom Franzen	<p>Staff has submitted a policy, <i>Surplus Property Disposal</i>, to Chief Legal Counsel, and is awaiting confirmation. The policy will be implemented immediately following Chief Legal Counsel's release.</p> <p><i>Comments from Chief Legal Counsel:</i> It (draft policy) is in line but does not have a high priority right now. The real audit issue has been resolved; that is, the scrubbing of the memory prior to disposal. We do have a policy in place that does allow disposal, so we are not hindering any operations. The proposed policy will simply allow optional ways for disposal to employees, civic groups, elderly, schools, etc. rather than the statutory method, which is auction.</p>	<p>09/30/2006 11/30/2006 03/31/2007 06/01/2007 09/01/2007</p>
Additional Comments:					

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Accounts Payable Vendor Payment Review

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
Require the computer interfaces to be analyzed and modified to provide the best possible balance between automated transaction processing and effective use of the ASPIRE system for processing vendor payments. At a minimum, the interfaces should recognize valid vendors and handle them appropriately.	Director, OFM	2 nd Quarter 2006	Tom Franzen	All interfaces have been modified to reduce/eliminate the creation of duplicate supplier records. Also, all refund supplier records will be inactivated in the supplier table after each payment. When a supplier record is inactive it can never be used without the intervention of the Vendor Master.	03/31/2007 05/31/2007 Completed
Develop and implement specific procedures which include authorized purposes for non-travel related food/meals and clearly define what is inappropriate.	Director, OFM	2 nd Quarter 2006	Tom Franzen	OFM completed a set of Business Expense Policies and Procedures in August of 2006. The draft documents were sent to Chief Counsel and the E-Team for review at that time. The draft procedures provide clearer definitions and new procedures on non-travel related meals as well as many other miscellaneous expenses.	12/31/2006 02/15/2007 05/01/2007 09/15/2007
Additional Comments:					

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Johnson County Developmental Supports General and Financial Management Review

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
Develop a management reporting system to enable proper oversight of the effectiveness of management and internal controls and develop a mechanism for reporting to the Board of Governors to assure the established controls are effective.	Johnson County Developmental Supports	3 rd Quarter 2006	Maury Thompson	This item will be deferred to the new Executive Director for development and implementation.	03/31/2007 12/31/2007
Develop an operating procedures manual for all critical operations in JCDS.	Johnson County Developmental Supports	3 rd Quarter 2006	Maury Thompson	The format and processes for a new operating procedures manual for all critical functions has been approved by the Leadership Team on March 19, 2007. Departments are conducting reviews of rules and processes for inclusion into the manual.	03/31/2007 06/30/2008
Reconcile the Consumer Payroll Account (CPA) and make appropriate general ledger entries to adjust for the differences noted. If JCDS staff is unable to make a complete reconciliation of the account, we recommend closing the account and opening a new account. The old account should be closed, the balance adjusted to zero, by December 31, 2006.	Johnson County Developmental Supports	3 rd Quarter 2006	Maury Thompson	JCDS and county staff are proceeding to develop the use of county resources (OFM and ORACLE) to be similar to a payroll bureau and provide bank management, check production, and direct deposit capability. Further research by county staff is underway to develop the steps required to undertake a transition and to do testing of file transfers required to process a consumer payroll. Project plans and staff assignments are to be developed.	07/31/2007 08/31/2007
Additional Comments:					

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Johnson County Developmental Supports General and Financial Management Review (Continued)

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
Reduce the build-up of long lists of outstanding checks and the potential for escheatment by providing for alternative means of payment where the consumer is unable or unwilling to cash the payroll checks consistently. Possible alternatives might be to require automatic deposit of payroll, where there is repeated failure to cash checks, or payment of some of the payroll in cash.	Johnson County Developmental Supports	3 rd Quarter 2006	Maury Thompson	JCDS and county staff are proceeding to develop the use of county resources (OFM and ORACLE) to be similar to a payroll bureau and provide bank management, check production, and direct deposit capability. Further research by county staff is underway to develop the steps required to undertake a transition and to do testing of file transfers required to process a consumer payroll. Project plans and staff assignments are to be developed.	07/31/2007 08/31/2007
Review Board Policy 1-13, "Application of Contract Service Funds Through Governing Board", and consult with counsel to recommend a policy to the Governing Board which requires that grant funds be used specifically for JCDS consumers, requires that an accounting be provided to JCDS for all grants, and requires that JCDS shall have the authority to audit such reports.	Johnson County Developmental Supports	3 rd Quarter 2006	Maury Thompson	An initial discussion has been held with County Legal. During the June 26 meeting, the Governing Board began the discussion to determine the viability of such a policy and how it may be structured.	07/31/2007 12/31/2007
Have other Governing Board policies reviewed by legal for compliance with applicable federal, state, and local laws and policies and make recommendations for any needed changes.	Johnson County Developmental Supports	3 rd Quarter 2006	Maury Thompson	The Governing Board is updating all board policies and will include review by County Legal Services.	07/31/2007 12/31/2007
Additional Comments:					

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Johnson County Developmental Supports General and Financial Management Review (Continued)

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
Consult with County legislative liaison to determine a way to ensure that SRS communicates the status and results of ANE ¹ investigations to JCDS.	Johnson County Developmental Supports	3 rd Quarter 2006	Maury Thompson	Per the FY08 contract with SRS, they agreed to review current procedures related to the notification of appropriate entities with regard to findings related to ANE investigations as allowed by statute. Discussions regarding this provision have also been scheduled with the area SRS Director.	03/31/2007 04/30/2008 Completed
Additional Comments: ² ANE – Abuse, Neglect, or Exploitation.					

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Library Special Use Fund Management and Financial Review

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
Update Library purchasing Administrative Regulations and procedures to ensure adequate internal control over purchasing.	Library	1 st Quarter 2007	Donna Lauffer, County Librarian	The Administrative Regulations (policies) were updated before the audit and the procedures were updated at the end of 2006.	Completed
Develop a quality control process to ensure compliance with existing Administrative Regulations and procedures.	Library	1 st Quarter 2007	Donna Lauffer, County Librarian	The newly appointed County Librarian will designate a staff member to perform quarterly spot audits on special use fund transactions.	08/31/2007
Additional Comments: The Library Board adopted a Special Use Fund expenditure policy on May 16, 2007 (ARM 50-30-30).					

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Management of Incident Reporting Systems

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
<p>Develop a systematic process for tracking and trending incidents to assist in identifying potential problems with specific consumers, staff, facilities, programs, or providers.</p>	Mental Health	1 st Quarter 2007	David Wiebe	<p>1. A new Occurrence Report form was created and implemented.</p> <p>2. A new data base was created and implemented to track all occurrences and to trend data with regard to the event, location, program and action taken. This database includes the capacity to provide specialized queries specific to individual staff and consumers.</p> <p>3. An Occurrence Report Manual was created to define the type of events which should be reported and reviewed. The manual also specifies when an occurrence should be referred to Peer Review for review and final disposition determination.</p> <p>The Department was in the process of implementing the above changes at the time of the review by the Internal Auditor. As a result, suggestions made by the Auditor were very timely and helpful, and they were incorporated into this process.</p>	Completed
	Public Health		Leon Vinci	<p>The standard Incident Report form was updated in the department. Guidelines were developed which include processes for identification, investigation, and follow up of incidents.</p>	Completed
Additional Comments:					

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Management of Incident Reporting Systems (Continued)

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
Develop a systematic process for tracking and trending incidents to assist in identifying potential problems with specific consumers, staff, facilities, programs, or providers. (Continued)	Med Act	1 st Quarter 2007	Ted McFarlane	Since December 2006 Med-Act has been working on improving our incident reporting processes and systems. Steps have been taken during the last six months to update policies and implement software that helps to more effectively track incident reports after they are generated and offers a feedback loop to the author. Additionally, the software offers an opportunity to generate reports that measure key performance indicators and show trends.	Completed
Develop guidelines and accountability procedures to address: <ul style="list-style-type: none"> • Accurate identification and documentation of an incident • Criteria for initiating and timelines for completing investigations • Criteria for implementing corrective action plans and timelines for completion • Requirements for documenting final disposition and closure of the incident in the incident reporting system 	Public Health	1 st Quarter 2007	Leon Vinci	Guidelines and procedures have been developed and implemented.	Completed
Additional Comments:					

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Management of Incident Reporting Systems (Continued)

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
Establish a grading system for assigning risk levels to reported incidents when warranted.	Mental Health	1 st Quarter 2007	David Wiebe	<p>1. A process to determine and assign the appropriate standard of care was created A method to record and track the outcome/standard of care determination for each reported occurrence was implemented.</p> <p>All reported occurrences are reviewed regardless of the severity or "risk level". Rather than review occurrences based on "risk level", it has better served JCMHC to review whether or not appropriate standards of care were met. This strategy has allowed JCMHC to ascertain if staff have followed agency policies and procedures. This has also allowed JCMHC to focus on events when the agency (or staff) has failed to meet the standard of care which may have resulted in potential (probable) injury to the client as well as those events that did not result in injury but have prompted corrective actions or change in process to prevent reoccurrence.</p>	Completed
	Public Health		Leon Vinci	Grading criteria in development.	09/30/2007
Develop a centralized process for tracking all reported incidents from the five divisions.	Public Health	1 st Quarter 2007	Leon Vinci	All incident reports go to a central Executive Assistant after the Division Director signs off on the report. The Department Director then reviews and conducts an annual assessment of all incidents	Completed
Additional Comments:					

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Management of Incident Reporting Systems (Continued)

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
Evaluate the utility of, and implement if warranted, a first-reporter, point-of-entry electronic incident reporting system similar to Med-Act's.	Mental Health	1 st Quarter 2007	David Wiebe	<p>The feasibility of this recommendation has been evaluated. JCMHC does agree that a first reporter, point of entry reporting system would increase efficiencies. With the newly developed data base, there is some possibility that such a system could be implemented. One issue to be resolved relates to the security and integrity of the database. It would be critical to ensure that the program be redesigned in such a manner that most staff would be able to enter data, but that they would be unable to access, review or modify other data. As currently designed, the database does not have this level of security.</p> <p>At this time, JCMHC has not ruled out this recommendation, but it is considered to be a lower priority for improvement relative to other initiatives which currently demand the attention of the agency. JCMHC intends to revisit this recommendation in their 2008-2009 Quality Improvement Plan.</p>	Completed
	Public Health		Leon Vinci	Evaluation completed. System modified and updated.	Completed
Additional Comments:					

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Recently Issued Reports Requiring Action Plans in 3rd Quarter 2007

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
<p>Public Works Fund Audit Develop a procedure for which:</p> <ul style="list-style-type: none"> • Clearly defines the circumstances under which donations of County funds may occur, • Provides a system of checks and balances to ensure County funds are not unilaterally donated without board approval, and • Ensures donations directly benefit Johnson County. 	County Manager	2nd Quarter 2007	Mike Press, County Manager		
<p>Public Works Fund Audit (Continued)</p> <ul style="list-style-type: none"> • Discontinue the use of the petty cash fund for employee reimbursement and reduce the petty cash fund. • Include internal controls in the procedures for the \$50 cash box, such as surprise cash counts and occasional checks to ensure the drawer where the cash box is kept is locked when the cash box is not being used. • Return the \$50 cash box to the petty cash safe during the winter months when sales of chemicals do not occur. 	Public Works	2 nd Quarter 2007	Mac Andrew, Director Public Works		

Additional Comments: This report was issued in the second quarter 2007. Due to the release date, we have not requested that management supply action plans or comments at this time. Audit Services will be requesting the management action plans and resolution dates during the third quarter 2007 and expect that management will be in the process of implementing our audit recommendations during that time.

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Recently Issued Reports Requiring Action Plans in 3rd Quarter 2007 (Continued)

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
<p>Self-Insured Health Care Plan Review</p> <ul style="list-style-type: none"> • Begin the process of reducing the HCF Fund Balance to more closely match the “secure funding level” goal in the current policy. This reduction should be planned to reach “secure funding level” within 5 years by using the HCF fund balance to offset general fund and employee contributions as needed. • In conjunction with the reduction in reserve, develop an amended Health Care Fund Reserve policy for Board discussion. 	County Manager	2nd Quarter 2007	Mike Press, County Manager		
<p>Self-Insured Health Care Plan Review (Continued)</p> <ul style="list-style-type: none"> • Obtain the supporting data for the BCBSKC invoice from the vendor in electronic format so the amounts of the invoices can be verified as correct. • Establish a program of continual audit of the health care expenditures and, to the extent possible, continual monitoring of contract compliance. • Use statistical methods to review the claims administrator’s performance while continuing to use the targeted case review. 	Office of Financial Management	2 nd Quarter 2007	Tom Franzen, Director of Finance		
<p>Additional Comments: This report was issued in the second quarter 2007. Due to the release date, we have not requested that management supply action plans or comments at this time. Audit Services will be requesting the management action plans and resolution dates during the third quarter 2007 and expect that management will be in the process of implementing our audit recommendations during that time.</p>					

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<p>Review of Take Home Vehicles</p> <ul style="list-style-type: none"> • Develop an interim solution providing immediate guidance to the departments and agencies which currently allow take home vehicles. This solution should be designed to minimize the impact on the County and employees until a more permanent solution can be devised. • Develop and adopt a policy or procedure which: defines minimum record keeping, provides timely withholding for income and payroll taxes, and provides the affected employees with sufficient notice and information to properly plan payment for the related taxes. • Take action deemed necessary to comply with the Internal Revenue Code and regulations for take home vehicles. 	County Manager	2 nd Quarter 2007	Mike Press, County Manager		
<p>Additional Comments: This report was issued in the second quarter 2007. Due to the release date, we have not requested that management supply action plans or comments at this time. Audit Services will be requesting the management action plans and resolution dates during the third quarter 2007 and expect that management will be in the process of implementing our audit recommendations during that time.</p>					