



Audit Services
Third Quarter 2007
Implementation of Audit Recommendations

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**Implementation of Audit Recommendations
As of Third 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 11/15/2007</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
Develop and implement specific procedures which include authorized purposes for non-travel related food/meals and clearly define what is inappropriate.	Office of Financial Management	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 11/15/2007
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 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
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 staff is currently working with OFM in the setup and testing of consumer payroll to be handled by OFM in a service bureau capacity. The intent is for this capacity to include bank account reconciliation, check processing, direct deposit capability, and tax payments. The transition is targeted for December 2007 so that OFM can process and file consumer W-2 forms for 2007.	07/31/2007 08/31/2007 12/31/2007
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	A review of board policy 1-13, "Application of Contract Service Funds Through Governing Board" was conducted at the JCDS Governing Board meeting of July 24, 2007. The outcome of that review was rescission of that policy on that date.	Completed
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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Library Special Use Fund Management and Financial Review

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
Develop a quality control process to ensure compliance with existing Administrative Regulations and procedures.	Library	1 st Quarter 2007	Donna Lauffer	A spot audit process will be established as soon as the new Deputy County Librarian position is filled. The position is open at this time.	08/31/2007 12/31/2007
Additional Comments:					

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Management of Incident Reporting Systems

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.	Public Health	1 st Quarter 2007	Leon Vinci	The development of grading criteria has been established and incorporated into Department Policy.	Completed
Additional Comments:					

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Public Works Fund Audit

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
Develop a procedure for which: <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	OFM, with the help of a cross-organizational users group, has developed a policy and procedure on the management of business expenses including specifically the donation of tax dollars countywide. The policy and procedure are being reviewed by Chief Counsel. Public Works will comply with any and all related procedures in the future.	11/15/2007
Discontinue the use of the petty cash fund for employee reimbursement and reduce the petty cash fund.	Public Works	2 nd Quarter 2007	Mac Andrew	Based on information from OFM, petty cash remains for the department. We have reduced the amount to \$200.00.	Completed
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.	Public Works	2 nd Quarter 2007	Mac Andrew	Internal controls have been added to our Finance Procedure Manual	Completed
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	We intend to comply during the winter months	Completed
Additional Comments:					

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Self-Insured Health Care Plan Review

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
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.	County Manager	2nd Quarter 2007	Mike Press	The process of reducing the HCF balance has begun. As directed by the BOCC in the FY2008 budget, employer and employee funding will be reduced by 10%. Estimated impact of the reduction is \$4.2 million.	Completed
Additional Comments:					

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Self-Insured Health Care Plan Review (Continued)

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
<p>In conjunction with the reduction in reserve, develop an amended Health Care Fund Reserve policy for Board discussion which:</p> <ul style="list-style-type: none"> • Establishes an upper limit on the HCF Fund Balance in addition to the lower limit in the current policy, <ul style="list-style-type: none"> ○ This upper limit should be approximately 20% to 50% above the calculated Secure Funding Level. ○ This upper limit should be a trigger for BOCC notification and discussion rather than an absolute prohibition on funding above that limit. • Requires notification to the BOCC that the limit has been exceeded as part of the next available budget setting process, • Requires the use of prior year excess funding to reduce the calculated funding required for the next available budget based on the upper limits established, and • Requires reporting to the BOCC, as part of the budget process, the most recent year's results including the difference between projected and actual collections, expenditures, and change in fund balance. 	<p align="center">County Manager</p>	<p align="center">2nd Quarter 2007</p>	<p align="center">Mike Press</p>	<p>Staff has begun the process of amending the Health Care Fund reserve policy.</p>	<p align="center">03/31/2008</p>
<p>Additional Comments: Completion of this recommendation may modify or eliminate the reductions required in the recommendation on page 8.</p>					

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Self-Insured Health Care Plan Review (Continued)

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
Obtain the supporting data for the Blue Cross and Blue Shield Kansas City (BCBSKC) invoice from the vendor in electronic format so the amounts of the invoices can be verified as correct.	Office of Financial Management	2 nd Quarter 2007	Tom Franzen	Staff began receiving the data from BCBSKC in an electronic format on December 1, 2006.	Completed
Establish a program of continual audit of the health care expenditures and, to the extent possible, continual monitoring of contract compliance.	Office of Financial Management	2 nd Quarter 2007	Tom Franzen	While staff has an audit process in place, staff will enhance the audit process with software to review the monthly billing received from BCBSKC. Staff will continue to explore software solutions to address the auditors concerns of contract compliance.	03/31/2008
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	Staff has engaged a claims audit firm to assist with the random sampling of HC claims. Next on-site claims compliance audit is scheduled for January 2008.	05/01/2008
Additional Comments:					

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Review of Take Home Vehicles

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
<p>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. It should include:</p> <ul style="list-style-type: none"> • Minimum requirements for business use documentation, • Notification to affected employees describing the potential impact of the situation, and • Making elections under the Internal Revenue Code that will best serve the County's and employees' interests. 	County Manager	2 nd Quarter 2007	Mike Press	Staff immediately addressed the issue by developing a permanent solution. In July of 2007, the Board of County Commissioners adopted Policy 515 on taxable fringe benefits, allowances, and reimbursements. The organization fully transitioned to the new policy on September 1, 2007.	Completed
<p>Develop and adopt a policy or procedure which:</p> <ul style="list-style-type: none"> • clearly defines minimum record keeping requirements for take home vehicles, • 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. 	County Manager	2 nd Quarter 2007	Mike Press	In July of 2007, the Board of County Commissioners adopted Policy 515 on taxable fringe benefits, allowances, and reimbursements. The policy, and associated procedures, identify the minimum record keeping requirements for take home vehicles and outlines the proper withholding for income and payroll taxes. A two month transition period was established, and staff communicated extensively with the organization on the transition to the new policy and procedures. The organization fully transitioned to the new policy on September 1, 2007.	Completed
Additional Comments:					

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Review of Take Home Vehicles (Continued)

Audit Comment	Department	Date Comment Appeared	Responsible	Management Action Plan & Management Comments	Resolution Date
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	The newly adopted policy is in compliance with Internal Revenue Code regarding take home vehicles.	Completed
Additional Comments:					