JOHNSON COUNTY

KANSAS

Audit Services
Status of Audit Recommendations
as of June 30, 2016

August 18, 2016

Report No: QR-2016-02

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Executive Summary

Status of Audit Recommendations

Management Comments:

Recommendations Implemented

Six recommendations implemented during the 2nd quarter 2016 originating from the following audits:

1. 4 Recommendations – *Johnson County Election Office Transition Audit* (Report issued March 17, 2016)

2. 2 Recommendations – *Johnson County Mental Health Center Phase II* (Report issued February 12, 2015)

Recommendation Closed

One recommendation closed during the 2nd quarter 2016 from the *Key Systems Security Enhancements* audit published on September 22, 2011.

Aging of Recommendations

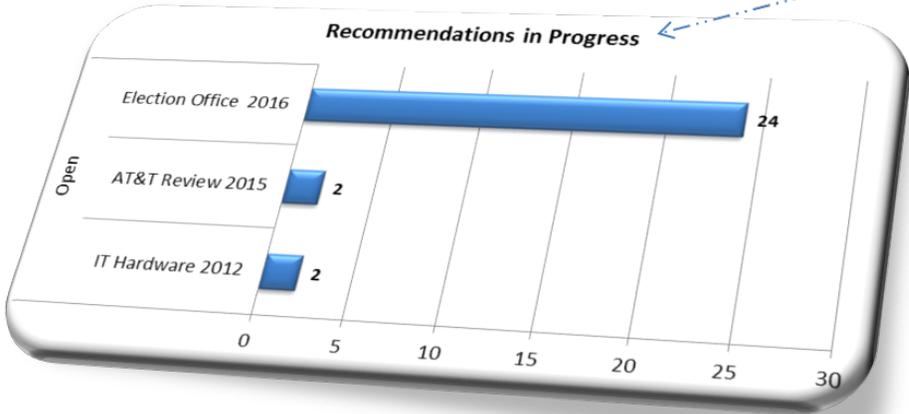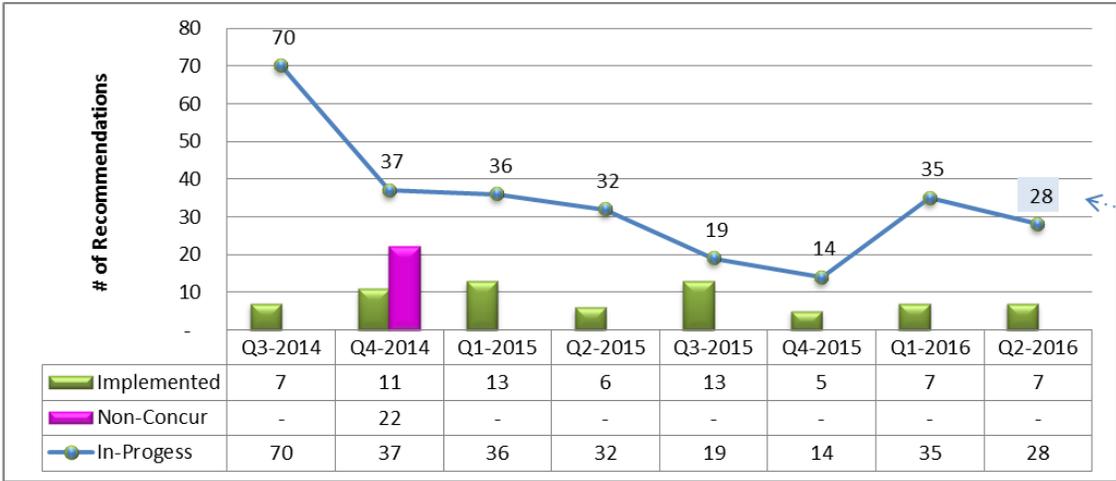| Recommendations				Number Days Past Original Comp Date					
Total	Implemented/Closed	Non-Concur	Open	Not Due	0-6 Months	7-12 Months	13-18 Months	19-24 Months	Over 2 Years
35	7	0	28	25	1	0	0	0	2

Aging Schedule Comments

Two recommendations from the *Management of IT (Hardware) Resources* audit remain in the "Over 2 Years" category. The two recommendations are: (Detail provided on page 6.)

*   2.5. Require all IT equipment hardware purchases be centrally procured, purchased from Purchasing's recommended source and approved by the IT governance structure previously recommended in this report.

*   3.2. For those support functions the County determines are critical to the success of its IT program, determine the most efficient/effective mechanism for service delivery.

These recommendations are being worked via the Governance Council; they are tentatively scheduled for action in the 4th quarter 2016.

Executive Summary

	Q3-2014	Q4-2014	Q1-2015	Q2-2015	Q3-2015	Q4-2015	Q1-2016	Q2-2016
Implemented	7	11	13	6	13	5	7	7
Non-Concur	-	22	-	-	-	-	-	-
In-Progess	70	37	36	32	19	14	35	28

Recommendations in Progress

Election Office 2016 — 24
AT&T Review 2015 — 2
IT Hardware 2012 — 2

Note for Q1 and Q2 2016:
The "Implemented" row above also includes one recommendation which was "Closed" as a result of agreed upon management actions.

Matters of Interest for the Commission

1. 4 Recommendations – *Johnson County Election Office Transition Audit*

   - The four recommendations implemented were those addressed to the County Manager to:
     - ✓ Request reimbursement from the previous Election Commissioner for the amounts overpaid.
     - ✓ Clarify Business Expense Policy in two areas.
     - ✓ Implement a process which should prevent unallowable mileage from being paid/reimbursed.

2. 2 Recommendations – *Johnson County Mental Health Center Phase II*

   - One of the recommendations addressed determining the amount of debt in the Mental Health Center's LUCI Accounts Receivable portfolio that could be submitted to the Kansas Set-off program for collection. This effort is complete and approximately $46K has been identified for submission.

3. Both Mental Health audits (Phase I and Phase II) included 33 audit recommendations. All 33 recommendations were implemented within a two year time frame.

4. One recommendation closed during the 2nd quarter 2016 from the *Key Systems Security Enhancements* audit published on September 22, 2011. Recommendation 2.2 states:

   For those positions identified (critical mission staff), establish more stringent disclosure and testing requirements for hiring and for continued employment. Such as:

   - Initial and annual background checks – including criminal and financial.
   - Annual financial disclosure including beneficial interests in outside activities.
   - Random drug testing.
   - Any other tests that may seem appropriate.

   We recommend these tests be processed by, and through Human Resources and the County's Legal Department. All results should be confidential unless Human Resources or Legal detects a situation requiring additional action.

   Management reconsidered the audit recommendation after the audit was published and concluded a financial disclosure

process would not be an effective risk mitigation strategy to employ. Management initiated a number of control activities which are stronger risk mitigation strategies when compared to the audit recommendation. Given the additional risk mitigation strategies active today which did not exist when the audit was performed, management has decided to not implement the audit recommendation. The County Auditor concurs with this decision. **See management comments for additional information - (page 8).**

Recommendations Implemented in 2nd Quarter 2016

Audit	Responsible Party	Rec #	Recommendation	Days to Complete
Johnson County Election Office Transition Audit	Hannes Zacharias	2.1	Request reimbursement from the previous Election Commissioner in the amount of $5,478.33 for overpayments Johnson County government made to him, or on his behalf.	1
Johnson County Election Office Transition Audit	Hannes Zacharias	2.2	Implement a process which prevents unallowable mileage and vehicle expense claims from being paid/reimbursed. Ensure appropriate County officials, who process, review and approve travel and purchasing card expenses have a list of County officials in receipt of a vehicle allowance.	1
Johnson County Election Office Transition Audit	Hannes Zacharias	2.3	Initiate action to modify County Administrative Business Expense Procedures, 120.120, paragraph A.4. to add "appointed" County Officials within the purview of the County Manager approval.	1
Johnson County Election Office Transition Audit	Hannes Zacharias	2.4	Revise County procedures addressing Vehicle Allowances. Ensure they are complete & in agreement with one another in their description of the KC metro area: •Administrative Business Expense Procedures 120.125 (H.4.2.1 Exceptions) •Administrative Business Expense Procedures 120.130 (E.4.4 Vehicle Allowance) • Human Resources Procedures 301-9 (Standards, 2nd paragraph)	1
Johnson County Mental Health Center Review Phase II	Tim DeWeese	1.2	Develop key performance indicators to measure and analyze internal business processes and activities in support of strategic priorities and operational objectives.	464
Johnson County Mental Health Center Review Phase II	Tim DeWeese	3.2	Analyze open and closed accounts receivable (approximately 3,400 accounts valued at $589,000) residing in LUCI at the time of conversion to determine if they, or some portion of that portfolio, can be submitted to the Kansas Set-off Program for collection action. If the decision is made to not pursue collection action, determine if County Procedure 170.20, Discharge of Debt, is the correct approach for processing these accounts.	365
Key Systems Security Enhancements	Waters/Franzen	2.2	For those positions identified, establish more stringent disclosure and testing requirements for hiring and for continued employment. Such as: - Initial and annual background checks – including criminal and financial - Annual financial disclosure including beneficial interests in outside activities - Random drug testing - Any other tests that may seem appropriate	1460

Open Recommendations as of June 30, 2016

Audit	Responsible Party	Rec #	Recommendation	Proposed Action	Initial Resolution Date	Days Past Due	Rating
Johnson County Election Office Transition Audit	Ronnie Metsker	1.1	Request assistance from the Director, Treasury and Financial Management, in concert with Audit Services, to assist with the design and implementation of an effective system of internal control and convey its requirements to all Election Office personnel. This system of internal control should follow the COSO model and address the five interrelated components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring	The Election Office acknowledges the audit's findings. We will work with Treasury and Financial Management to document and implement policies and procedures that will improve internal controls.	12/31/2017	Not Due	3
Johnson County Election Office Transition Audit	Ronnie Metsker	3.1	Develop/implement appropriate controls to ensure the P-Card Guidelines are followed when purchasing with the P-Card, including: • Providing current and sufficient business justification for purchases,• Providing all supporting documentation for purchases, • Ensuring supporting documentation contains detailed information including flight itinerary and hotel expense detail to provide the who, what, when, and where of expenses, and • Ensuring only the assigned cardholders are making purchases with the accounts.	The Election Office acknowledges the audit's findings. We will work with Treasury and Financial Management to educate our staff on proper purchasing card policies and procedures to protect against inappropriate spending and insufficient documentation.	12/31/2017	Not Due	3
Johnson County Election Office Transition Audit	Ronnie Metsker	4.1	Develop office policies and procedures which follow the County's Administrative Policy and Procedure for Purchasing (110) and Business Expenses (120). Election Office policies and procedures should address, at a minimum, the following requirements: • Each purchase will support the mission of the Election Office and have a bona fide need/requirement, • Good judgment must be exercised when obtaining goods and services at the lowest reasonable cost, • The Oracle record for each purchase will include supporting documentation for the purchase, • Established management authorization/approval levels.	The Election Office acknowledges the audit's findings. On the advice of Treasury and Financial Management, we will seek the example of other county departments in improving and implementing our own purchasing policies and procedures. Potential contacts include Public Health, Sheriff's Office, Wastewater, and Facilities.	12/31/2017	Not Due	2

Open Recommendations as of June 30, 2016

Audit	Responsible Party	Rec #	Recommendation	Proposed Action	Initial Resolution Date	Days Past Due	Rating
Johnson County Election Office Transition Audit	Ronnie Metsker	5.1	Adopt Department of Technology and Innovation's (DTI) County-wide IT Hardware Asset Management Practice, and related policies, procedures and standards, for ensuring proper stewardship of County IT resources.	The Election Office acknowledges the audit's findings. In response, our Warehouse and Technology Manager has updated an inventory of office equipment using Microsoft Excel. We are exploring options for a new election management system, which is likely to include an asset management tool. We will work with the Department of Technology and Innovation to determine that system's compatibility with the county's policies, procedures, and standards for asset management, then work toward developing and implementing our policies and procedures.	12/31/2017	Not Due	3
Johnson County Election Office Transition Audit	Ronnie Metsker	5.2	Develop office policies and procedures in support of DTI's IT Hardware Asset Management Practice, and related policies, procedures and standards.	See 5.1	12/31/2017	Not Due	3
Johnson County Election Office Transition Audit	Ronnie Metsker	6.1	Request assistance from the Director, Treasury and Financial Management to utilize capabilities within Oracle to enhance and streamline accounting for special elections direct costs.	The Election Office acknowledges the audit's findings. We will work with Treasury and Financial Management to educate our staff on Oracle's function as an accounting and invoicing tool to improve our billing of jurisdictions for non-countywide elections.	12/31/2017	Not Due	3
Johnson County Election Office Transition Audit	Ronnie Metsker	6.2	Use Oracle's Receivable module as the tool to invoice local jurisdictions.	See 6.1	12/31/2017	Not Due	3
Johnson County Election Office Transition Audit	Ronnie Metsker	6.3	Develop an office policy addressing broad objectives regarding tracking and billing direct costs associated with special elections.	The Election Office acknowledges the audit's findings. We will work with Treasury and Financial Management and Budget and Financial Planning to assess the pricing, tracking, recording, and reporting of election costs. In addition, we will work with the Kansas Secretary of State's Office to review relevant statutes. To ensure transparency, accountability, and continuity, we will adequately document the revised policies and procedures.	12/31/2017	Not Due	3

Audit	Responsible Party	Rec #	Recommendation	Proposed Action	Initial Resolution Date	Days Past Due	Rating
Johnson County Election Office Transition Audit	Ronnie Metsker	6.4	Develop office procedures that will provide assurance local jurisdictions are billed in a timely and accurate manner to include: • Effective recording, tracking and reporting all vendor costs, • Establishing relevant rates for office costs/services, and • Reviewing and updating procedures periodically.	See 6.3	12/31/2017	Not Due	3
Johnson County Election Office Transition Audit	Ronnie Metsker	6.5	Review previous billings for the January 2015 special election and all special elections in 2014 to ensure they were billed accurately and take appropriate action if errors are detected.	The Election Office acknowledges the audit's findings. Using our policies and procedures as a guide, we will review the billings and reconcile errors.	12/31/2017	Not Due	2
Johnson County Election Office Transition Audit	Ronnie Metsker	7.1	Request assistance from the Director, Treasury and Financial Management to develop and implement needed procedures and controls over cash receipts and deposits.	The Election Office acknowledges the audit's findings. We will work with Treasury and Financial Management to educate our staff on proper procedures for cash collections, receipts, deposits.	12/31/2017	Not Due	3
Johnson County Election Office Transition Audit	Ronnie Metsker	7.2	Revise current office policy (No. 1 – 102, Accounts Receivable, Front Office) to reflect sound cash handling objectives, including: • Segregation of duties, • Restrictively endorsing all checks immediately upon receipt, • Assigning responsibility for the fund to a single employee and a designated backup, • Performing periodic surprise cash counts, and • Reconciling the fund at least monthly.	The Election Office acknowledges the audit's findings. Once the work referenced above with Treasury and Financial Management is complete, we will implement the revised procedures and controls.	12/31/2017	Not Due	3
Johnson County Election Office Transition Audit	Ronnie Metsker	8.1	Re-evaluate the Knight Foundation grant and determine if the project is worth continued pursuit. • If the project has merit, then resources need to be dedicated to the initiation and development of the software application.• If the project is not pursued, return the funds to the Knight Foundation.	The Election Office acknowledges the audit's findings. To ensure immediate evaluation of the Knight Foundation grant, we spoke with a representative from the Knight Foundation on February 12, 2016. The representative, like the audit, encouraged us to evaluate the project and consult our staff before making a final decision. We are working toward and will consider the audit recommendations.	12/31/2017	Not Due	2

Open Recommendations as of June 30, 2016

Audit	Responsible Party	Rec #	Recommendation	Proposed Action	Initial Resolution Date	Days Past Due	Rating
Johnson County Election Office Transition Audit	Ronnie Metsker	8.2	Should the Election Office decide to pursue future grant opportunities, develop grant management procedures, to include the following: • Defined roles • Detailed objectives • Periodic evaluations • Financial transparency • Reporting requirements • Record retention	The Election Office acknowledges the audit's findings. We will work with the Grants Compliance Officer in Budget and Financial Planning to educate our office's staff on grant management and implement proper policies and procedures before pursuing future grant-related opportunities.	12/31/2017	Not Due	2
Johnson County Election Office Transition Audit	Ronnie Metsker	9.1	Request the County's Purchasing Manager to conduct an assessment of the Election Office's procurement activity.	The Election Office acknowledges the audit's findings. We will initiate contact with the Purchasing Manager in Treasury and Financial Management to assess our procurement activities.	12/31/2017	Not Due	2
Johnson County Election Office Transition Audit	Ronnie Metsker	9.2	Designate office staff to be assigned appropriate and necessary financial responsibilities, as well as, contract management responsibilities. Financial and contract management responsibilities and actions would be an outcome from the assessment performed by the Purchasing Manager.	The Election Office acknowledges the audit's findings. We will work with the Purchasing Manager and Treasury and Financial Management to assign responsibilities and educate our staff on policies and procedures related to contract management and procurement.	12/31/2017	Not Due	2
Johnson County Election Office Transition Audit	Ronnie Metsker	9.3	Develop written procedures for procurement and contract management practices to ensure the Election Office complies with the County's purchasing policies. Written procedures would be based, in part, from the assessment performed by the Purchasing Manager.	The Election Office acknowledges the audit's findings. We will consider the Purchasing Manager's assessment and Treasury and Financial Management's training to implement and document procedures related to contract management, procurement, when soliciting bids and purchasing voting machines in 2017.	12/31/2017	Not Due	2
Johnson County Election Office Transition Audit	Ronnie Metsker	9.4	Identify, review, and catalogue all current contracts and recurring office expenses to determine if: • Purchasing thresholds warrant solicitation of bids via the competitive procurement process, or if, • benefit would be received by contractually binding recurring expenditures.	The Election Office acknowledges the audit's findings. We will document current office contracts and recurring expenses, then work with Treasury and Financial Management to review the findings and, as needed, take action.	12/31/2017	Not Due	3
Johnson County Election Office Transition Audit	Ronnie Metsker	10.1	Coordinate with the Sheriff's Office and the Facilities Director to arrive at a consensus regarding access to the Election Office.	The Election Office acknowledges the audit's findings. We will initiate contact with the appropriate representatives in the Sheriff's Office and Facilities to examine each access point and scrutinize each permission associated with them.	12/31/2017	Not Due	2

Open Recommendations as of June 30, 2016

Audit	Responsible Party	Rec #	Recommendation	Proposed Action	Initial Resolution Date	Days Past Due	Rating
Johnson County Election Office Transition Audit	Ronnie Metsker	10.2	Develop policy and procedures addressing the physical access to the Election Office, including documenting an employee's job function and listing out all the necessary access required for that position.	The Election Office acknowledges the audit's findings. We will utilize the findings from our assessment with the Sheriff's Office and Facilities to document and implement access-related policies, procedures, and permissions. Our Office Administrator has already documented and submitted each employee's access permissions for review by management.	12/31/2017	Not Due	2
Johnson County Election Office Transition Audit	Ronnie Metsker	10.3	Periodically review the listing of individuals who have access to the existing facility and determine whether or not continued access is warranted.	See 10.2	12/31/2017	Not Due	2
Johnson County Election Office Transition Audit	Ronnie Metsker	10.4	Develop a method to track all the part time / temporary employees who have access to the Election Office.	See 10.2	12/31/2017	Not Due	3
Johnson County Election Office Transition Audit	Ronnie Metsker	10.5	Update and maintain on a recurring basis the door and equipment key inventory (per Election Office Administrative Policy 1.13) detailing the possession of office keys to cabinets, safes, vaults, carts, files, drop boxes, padlocks, flag pole, cash register and vehicles.	The Election Office acknowledges the audit's findings. We will work to create an up-to-date inventory of keys that includes the employees in possession of them.	12/31/2017	Not Due	2
Johnson County Election Office Transition Audit	Ronnie Metsker	11.1	Request assistance from Emergency Management to develop a Continuity of Operations Plan (COOP) that is tied to the overall County plan and addresses aspects of the Election Office's operational requirements regarding voter registration and holding elections.	The Election Office acknowledges the audit's findings. We will contact Emergency Management and Communications to initiate work on a Continuity of Operations Plan (COOP) for our office.	12/31/2017	Not Due	3
Management of IT Resources - County Manager's Office	Joe Waters	2.5	Require all IT equipment hardware purchases be centrally procured, purchased from Purchasing's recommended source and approved by the IT governance structure previously recommended in this report	Research the potential for centrally managed, approved or tracked technology purchases	7/1/2013	1095	-
Management of IT Resources - County Manager's Office	Joe Waters	3.2	For those support functions the County determines are critical to the success of its IT program, determine the most efficient/effective mechanism for service delivery	DTI continues to evaluate support functions and to catalog and inventory skill sets	7/1/2013	1095	-

Open Recommendations as of June 30, 2016

Audit	Responsible Party	Rec #	Recommendation	Proposed Action	Initial Resolution Date	Days Past Due	Rating
Review of AT&T Telephone and Communication Payments & Services	Joe Waters	1.1	Develop County-wide guidelines for the provision and payment of AT&T telephone and communication services. Guidelines should: a. Address monitoring and reconciling service plan changes (additions, modifications and deletions) to ensure these changes are reflected on future billing invoice statements. b. Clearly define roles and responsibilities for all County staff involved in the procurement and payment of telephone and communication services, including DTI's telecommunications liaisons and administrative staff, as well as department-level management and administrative staff. c. Require a recurring review of the requirement for services. Such guidelines would reflect an active, collaborative approach among all interested parties.	DTI agrees with the Auditor's recommendations and will work will all County departments to develop clear, consistent guidelines that provide the County with the best value in the telecommunications investment.	9/30/2016	Not Due	2
Review of AT&T Telephone and Communication Payments & Services	Joe Waters	1.2	Revise the Telephone Reports Process guideline to reflect the level of review to be performed by DTI staff and illustrate current procedures followed. DTI staff should ensure these guidelines are reviewed, at least annually, for reliability and accuracy.	DTI agrees to revise DTI's internal telecom bill review procedures and update them as needed in the future.	3/31/2016	91	1

Rating	Implementing a recommendation with the designated rating may improve…
1- Valuable	…efficiencies and effectiveness in a process leading to enhanced operations.
2- Significant	…efficiencies and effectiveness in a process resulting in enhanced program outcomes, cost efficiencies, strengthened internal controls and/or compliance.
3- Crucial	…operations, resulting in significant program outcomes and cost efficiencies; strengthen internal controls and/or reduce the potential for liability and/or loss.

Management Comments

Thank you for working with us to hopefully bring these audit recommendations to a conclusion. As you noted, we have taken quite a few actions since the audit was completed that have substantially reduced our risk.

The outstanding Key Systems Security Enhancement Audit recommendation, dated September 2011 is:

> ***For those positions identified, establish more stringent disclosure and testing requirements for hiring and for continued employment. Such as: Initial and annual background checks – including criminal and financial – Annual financial disclosure including beneficial interests in outside activities – Random drug testing – and any other test that may seem appropriate.***

At the time of the initial finding, management responded to this recommendation as follows:

> ***After discussion with HR and Legal department staff, to the extent permissible by law, staff will establish disclosure and risk assessment requirements for current staff and new hires associated with these identified mission critical positions. Staff anticipates disclosure and risk assessment to include criminal and financial/credit background checks, and annual financial disclosure including beneficial interests in outside activities. Staff will not randomly drug test these employees. Staff will consider designing and implementing other risk assessment measures that would be appropriate for these positions as this process evolves.***

Since the audit was published, a number of actions have been performed which, in my estimation, have strengthened the system of internal control within the financial/Oracle activities noted above. For example:

- Review of all TFM positions (analysis completed by Kevin Hiskey) and corresponding Oracle responsibilities, the purpose of which was to give each user only those Oracle privileges which are essential to performing the duties of their position. This process will be reviewed annually and evaluated by new employee as they are hired. As we develop methods for using this tool moving forward I will share those plans with you.

- Reduction in the number of personnel assigned super-user responsibilities in Oracle. Completed in March 2016

- Removing/modifying Oracle privileges of Oracle developer staff. Completed March 2016

- Oracle staff working in test environment only – not production. Completed March 2016

- Oracle upgrades and patches are provided by Oracle Corporation. The patches are tested first by DTI-Oracle to validate that jobs run and the system is functional. TFM and/or HRD then perform the functional testing to validate that the patches do what they are intended or that all Oracle modules perform accordingly after an upgrade before it is deployed. A rigorous process is in place to assure approval of TFM/HRD management and DTI-Oracle staff before patches or fixes are applied to production at the established weekly after hours event.

Over the past year, and specifically the past 6 months, DTI has begun the process of assessing and implementing a "Least Privilege" Access approach, essentially determining the lowest level of access an individual requires in order to perform their work. This pertains to operating systems, software, PC's, servers and other hardware, as well as to operational practices such as test environments versus production. This practice has been rolled-out to all DTI staff and across all desktops across the County. A majority of employees in the County had "administrator rights" to install new programs on their computers. This right has been removed and revised administrator

rights have been given to specific personnel or application installations are pushed out by DTI Systems staff using a System Center Configuration Manger (SCCM) tool. Many of the actions noted above fall into this approach, and many more will follow as this philosophy continues through DTI and across the Johnson County IT family.

The estimated cost associated with implementing a financial disclosure process may not have a positive return on investment. Activity noted on a financial disclosure falling within certain parameters is representative only of a person's financial status, not an actionable piece of information, and not necessarily indicative of an increased risk to the organization. Studies identify personality traits and behaviors that are flags for potential fraud, including controlling behavior, resistance to other people reviewing their work, a strong desire for personal gain, inability to relax, and excessive overtime work. Management practices in our fiscal operations monitor the checks and balances within our business practices as well as vacation utilization.

Studies have focused on the fraud triangle - opportunity, pressure, and rationalization – and the control that local government can exert on these factors. County government only has control over the opportunity to commit fraud. Opportunity is provided through weaknesses in internal controls. Some examples included inadequate or no:
  · Supervision and review
  · Separation of duties
  · Management approval
  · Systems control

As noted above, we have conducted a very thorough review of segregation of duties and found several items that have been rectified; i.e. ORACLE Super-users and TFM staff having duties that do not provide an adequate segregation of duties. In addition, the County *Alertline*, the ethics hotline/website for reporting allows individuals the ability to report unethical behavior and policy violations securely and confidentially. Tom Gottschalk, from the District Attorney's Office is available to present to any department on this matter, as he did at the May 25, 2016 DTI All Hands Meeting. The *Altertline* is well publicized with posters and magnets provided to departments in May to post and distribute to staff.

Based on the actions noted above and the ongoing implementation of Least Privilege Access, along with the established internal controls, I believe the County has adequate controls that provide reasonable assurance to prevent waste, fraud or abuse for the mission critical staff noted by the audit report. It should also be noted that fraud is not always committed by employees of an Organization, but also by customers, third-party vendors, or by association (i.e. networks from other Organization's systems). This is another piece of the pie that we have been addressing for the past 12 months (vendor management access). The Governance Council is currently working on a countywide IT policy and procedures that will also address some of the ideas mentioned above. It is also anticipated that DTI will get a new Risk & Compliance Analyst position in 2017 that will continue to monitor and identify risks or gaps that will be reported up through the DTI Security Manager, vCISO, and Assistant County Manager and possibly the County's Governance Council, if necessary.

Please let me know if you have any further questions or would like to discuss this e-mail.

Joe

J. Joseph Waters
Assistant County Manager