

Performance Audit
Johnson County Sheriff's Office
Revenue Audit

Johnson County Audit Services

June 14, 2018

Report No. 2018 - 03

Johnson County Sheriff's Office Revenue Audit

Executive Summary

Why We Did This Audit

The Johnson County Sheriff's Office (JCSO) has significant activity associated with cash handling, collection and deposit activities, accounts receivable management and other revenue related functions. Sheriff Hayden agreed these activities could be audited separately from the 2017 transition audit.

What We Found

- The JCSO's Accounts Receivable System is inefficient, lacks sufficient internal controls and is not integrated with Oracle.
- The Receipts Registry Program designed by the Justice Information Management System (JIMS) lacks important internal controls to prevent theft.
- Three of four petty cash funds are unnecessary and can be closed due to inactivity.
- Remittance processing within the JCSO exists at various locations. Each location has different policies and procedures for handling, depositing and recording remittances. These processes are inefficient and in some areas, lack proper cash handling and safeguarding methods.
- The Inmate Welfare Fund lacked appropriate controls and monitoring activities.
- A federal grant payment was not included in the Oracle Grants Module and consequently not listed on the County's Schedule of Expenditures for Federal Awards (SEFA).

What We Recommended to the JCSO

- Adopt and transition to the County's Oracle Accounts Receivable Module.
- Collaborate with JIMS to modify the Receipts Registry System to include necessary controls.
- Delete unnecessary petty cash funds and establish one fund to process operational needs.
- Request Treasury and Financial Management provide training in Cash Handling practices.
- Re-engineer remittance processing; design and implement systematic cash collection and depositing processes.
- Develop standard operating procedures for the Inmate Welfare Fund and designate specific personnel the responsibility for monthly balancing, reconciling and reporting.
- Review JCSO activity and ensure all grant payments/reimbursements are reported within the Oracle Grants Module.



Johnson County Auditor

Johnson County, Kansas

PERFORMANCE AUDIT

June 14, 2018

To: The Johnson County Board of County Commissioners
Johnson County Sheriff

In 2017, we performed a Transition Audit of the Johnson County Sheriff's Office (JCSO). Typically, a transition audit would include a review of cash handling, collection and deposit activities, accounts receivable management and other revenue related functions. Audit work during the transition audit revealed a significant amount of activity associated with these activities existed in the JCSO. The nature and complexity of these activities necessitated a more extensive review than what would normally be performed in a transition audit. I recommended to Sheriff Hayden and he agreed these activities could be audited separately from the transition audit.

The *Johnson County Sheriff's Office Revenue Audit* reviewed the following: accounts receivable, petty cash, inmate welfare funds, and remittance processing. We found deficiencies in these areas and offered recommendations to strengthen controls and operations and ensure future success in financial matters.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

I appreciate the cooperation received from the Johnson County Sheriff's Office. I would like to acknowledge Stephanie Berland, CPA, and John Halliday who contributed to this effort.

Please do not hesitate to contact me if you have any questions. Thank you.

K. L. Kleffner, CIA
County Auditor

Johnson County Sheriff's Revenue Audit

TABLE OF CONTENTS

	<u>Page</u>
RESULTS AND RECOMMENDATIONS	1
1. Accounts Receivable.....	1
Recommendations	1
Management Comments	1
Discussion	2
2. JIMS Receipt Register System.....	5
Recommendation	5
Management Comments	5
Discussion	5
3. Petty Cash	7
Recommendation	7
Management Comments	7
Discussion	7
4. Remittance Processing	9
Recommendations	9
Management Comments	9
Discussion	10
5. Inmate Welfare Fund	13
Recommendation	13
Management Comments	13
Discussion	13

AUDIT OBSERVATIONS.....17

APPENDICES

I. Objective, Scope and Methodology19
II. Johnson County Sheriff's Responses.....23

RESULTS AND RECOMMENDATIONS

1. Accounts Receivable

The Johnson County Sheriff's Office (JCSO) Accounts Receivable system lacks sufficient internal controls to ensure financial reliability. A review of selected invoices revealed twenty-one percent had billing inaccuracies. This can be attributed to the JCSO using a combination of Excel spreadsheets, Word documents, an Access Database, and hand-written records in support of their \$4M revenue program. Implementing the County's Oracle Account Receivable Module would fully integrate all invoicing functions, strengthen financial controls, optimize business processes, and enhance the revenue program.

Recommendations

We recommend the Sheriff:

- 1.1 Adopt and transition to the County's Oracle Accounts Receivable Module.
- 1.2 Develop detailed standard operating procedures for their Accounts Receivable (A/R) program.

Management Comments

- 1.1 We concur with this recommendation. The Sheriff's Office has initiated conversations with the Accounts Receivable staff from Treasury and Financial Management (TFM) to transition our Accounts Receivables to Oracle. The Sheriff's Office invoices approximately \$1.8 million annually (250 to 300 invoices), primarily to other municipalities for daily boarding fees, police protection for De Soto and Edgerton, school resource officers and security events. The remaining \$2.2 million is revenue that is received from various sources such as telephone and commissary commissions, offender fees, forfeited funds or grant revenue. These funds are deposited into the County's bank account and recorded in Oracle as received. The Sheriff's Office will be able to transition to Oracle Accounts Receivable module prior to the end of 2018.*
- 1.2 We concur with this recommendation. The Sheriff's Office intends to use the County's policies, guidelines and procedures for the items invoiced through TFM-Accounts Receivable and will develop directives or procedures for the processes unique to the Sheriff's Office. These procedures will be developed in conjunction with the transition of the Accounts Receivable to the TFM-Accounts Receivable, and will be completed prior to the end of 2018.*

Discussion

Introduction

The JCSO processes, on average, \$4 million in billing and remittances annually. The billing portion consists of issuing an estimated 250 to 300 invoices. The JCSO internally developed an A/R policy and procedures to support their A/R system. County Administrative Policy 170.200 requires all agencies to use the County’s Oracle A/R module unless they have an approved “business need” to operate their own A/R. In our opinion, after reviewing the JCSO’s A/R process, an approved business need does not exist to operate independently.

JCSO’s Accounts Receivable System

The JCSO’s Accounts Receivable System does not completely align with the County’s Administrative Policy 170, *Billing, Accounts Receivable and Collections*. Differences include:

- The JCSO A/R system does not include client information such as federal identification numbers or previous billing information.
- The JCSO A/R system invoices on an infrequent cycle. County Policy requires all bills to be generated within 45 days.
- The JCSO A/R system invoices past due accounts when they are overdue 60 days. County policy requires a collection letter sent when invoices are 30 days past due. (It was noted even though the JCSO states 60 days, it was evidenced some reminders went out as late as 6 months past the original due date.)
- The JCSO has limited policy and procedures regarding write-offs, allowance for bad debts, or discharging of debts as prescribed by the County’s policy.

Table 1 below illustrates the benefits to be derived if the JCSO were to migrate their accounts receivable program to the County’s Oracle A/R Module:

Table 1 - JCSO A/R vs. Oracle A/R

Attribute	JCSO’s A/R	Oracle A/R
Integration with Oracle	No ¹	Real time
Revenue recognition	Payment received	Invoice created
Ability to invoice clients	Yes	Yes
Client database	No	Yes
Vendor billing detail	No	Yes
Audit trail invoices #'s issued	No	Yes
Audit trail of adjusting entries	No	Yes
Segregation of duties	No	Yes
Enhanced payment options	Cash, Check, ACH	Cash, Check, ACH, Online Payments
Past due reminders	No	Yes
Collection of Delinquent Debt	Outsourced	In-house
Reporting options	Manually prepared	Standard and customizable

Source: Audit Services Analysis

¹ JCSO prepares forms at year-end and submits to Treasury and Financial Management (TFM) to record A/R on the County’s Financial Statements.

Additional benefits of the JCSO migrating to Oracle A/R include a fully integrated system; training provided by Oracle staff; and, leveraging the knowledge of and creating synergies with County staff and resources.

Audit Testing

Thirty-four invoices were judgmentally selected for testing. Results revealed the following:

- Inaccuracies on the invoice, affecting billing (7),
- Inaccuracies on the invoice, not affecting billing (12),
- Invoices did not have all the supporting documentation (5),
- Invoices had special assignment billing sheets without approvals (4), and
- Invoices sent with wrong rate/amount (2).

Conclusion

JCSO's A/R system lacks sufficient internal controls and is financially unreliable. It is recommended the JCSO transition to the County's Oracle Accounts Receivable module.

[This Page Intentionally Blank]

2. JIMS Receipt Register System

The JIMS Receipt Register System (JRRS) does not have sufficient controls in place to effectively manage cash receipts. Our review noted the following control deficiencies:

- Receipts not uniquely numbered,
- Receipts renumbered after deletion, and
- Lack of audit trail of deleted items.

This JRRS program was created to simply replace manual receipts being prepared and provided to the customer and was never designed to include controls. Absent the necessary safeguards, JRRS does not provide assurance against theft and fraud.

Recommendation

We recommend the Sheriff:

- 2.1 Consult with JIMS to develop and incorporate a system control within the Receipt Register System to produce an audit trail of receipts deleted or changed.

Management Comments

- 2.1 *We concur with this recommendation. The Chief Financial Officer (CFO) has reached out to JIMS and discussed making the necessary changes to the Receipt Register System to produce an audit trail. JIMS staff will work with the CFO and Sheriff's Office staff to incorporate system controls to ensure a proper audit trail. This will be completed within sixty days.*

Discussion

JIMS Receipt Register System

The JRRS was developed in 2011 to replace the manual ledgers being used to record payments for services or products within some divisions of the JCSO. This system lacks a key information system control – after entering a payment in the system and a Trial Balance Report produced to ensure accuracy, the payment information can be deleted without an audit trail being produced.

The system was intended to replace manual ledgers and automate providing a receipt to the public for either items purchased or services rendered. It was not designed with necessary controls required in a remittance environment. It is important the JCSO collaborate with JIMS to determine needed steps to address this internal control deficiency identified if they intend to continue to use this as a cash collection software program.

[This Page Intentionally Blank]

3. Petty Cash

The JCSO maintains four Petty Cash funds, valued at \$19,200. This can be attributed to the JCSO not completely adopting and promoting the County’s preferred purchasing (P-Card) and/or reimbursement methods (iExpense). Petty cash accounts at multiple locations is largely an outdated, inefficient tool to meet operational needs of the office and creates unnecessary work and increases the likelihood of misappropriation of funds.

Recommendation

We recommend the Sheriff:

- 3.1 Close all but one petty cash account and establish the dollar amount, policy and procedures by determining appropriate use deemed necessary for the JCSO.

Management Comments

3.1 We concur with this recommendation. The Sheriff’s Office will consolidate all the cash accounts into one fund in the amount of \$19,200 to be maintained by the Investigations Division. Investigations will work with the CFO to develop directives to allow the use of these funds solely for law enforcement activities, or to meet immediate cash needs for which an employee is unable to pay in advance and does not have access to a County p-card. Investigations will continue to report to Fiscal on a weekly basis regarding the cash being held in the safe, any activity, or reimbursements needed. This will be completed by July 1, 2018.

Discussion

The County has endorsed use of P-cards and iExpense as purchasing and reimbursement methods in lieu of petty cash. These endorsed methods are simply more efficient methods to conduct County business. However, the County allows elected officials to determine petty cash accounts based on their business needs.² The JCSO has four petty cash accounts established in six locations. Table 2 below identifies each fund, numbers of transactions over a two year period and the audit recommendation.

Table 2 - Analysis of Petty Cash Fund Usage – 2016-2017

Name	\$ Amount	# of Transactions	Audit Recommendation
Petty Cash	200	34	Close
Travel Fund -Fiscal	2,000	3	Close
Travel Fund - ADC	1,000	0	Close
Travel Fund - ADC - Fiscal	1,000	0	Close
Buy Money Fund - Fiscal	11,000	1	Combine
Buy Money Fund - Investigations	4,000	3	Combine

Source: Audit Services Analysis

² Johnson County Administrative Policies – Petty Cash – 120.400

The JCSO conducts weekly audits for each fund and the custodian for each fund prepares reports even if the fund did not have any activity. An extensive amount of work is being conducted for funds which experienced little to no use.

The JCSO has policies and procedures governing the petty cash funds. However, they were not always followed. For example, the JCSO Directive states:

“When the petty cash fund is depleted by at least \$50.00, the Accounting Specialist responsible for the fund will submit a requisition to the office of Treasury and Financial Management requesting reimbursement for the amount used.”³

The JCSO was replenishing quarterly, with some reimbursements as low as \$6.

³ Johnson County Sheriff’s Office Fiscal IC PC Directive

4. Remittance Processing

Remittance procedures used by the JCSO for processing cash receipts varies at each remittance location. Fees are collected at the following divisions within the JCSO:

- Personnel Division,
- Records Division,
- Civil Division, and
- Detention – Central Booking.

Each remittance location independently developed procedures for collection, deposit, recording in Oracle, and safeguarding. Some safeguarding methods employed are inadequate. Multiple locations and differing procedures is inefficient and increases the potential for theft. This mixture of procedures and variation in processes used can be attributed to a lack of financial management, oversight and guidance.

Recommendations

We recommend the Sheriff:

- 4.1 Require each division to attend Cash Handling training by TFM.
- 4.2 Re-engineer remittance processing within the JCSO. Design and implement a systematic, uniform approach which includes sufficient internal controls.

Management Comments

- 4.1 We concur with this recommendation. The CFO is reviewing the training materials provided by TFM. Using these materials as a basis, training will be provided by TFM over the next few weeks. Training for all divisions will be completed by August 1, 2018.*
- 4.2 We concur with this recommendation. The CFO will review the current remittance and deposit process and implement changes to streamline the collection, reconciliation and reporting of remittances received. This will be completed by August 1, 2018.*

Discussion

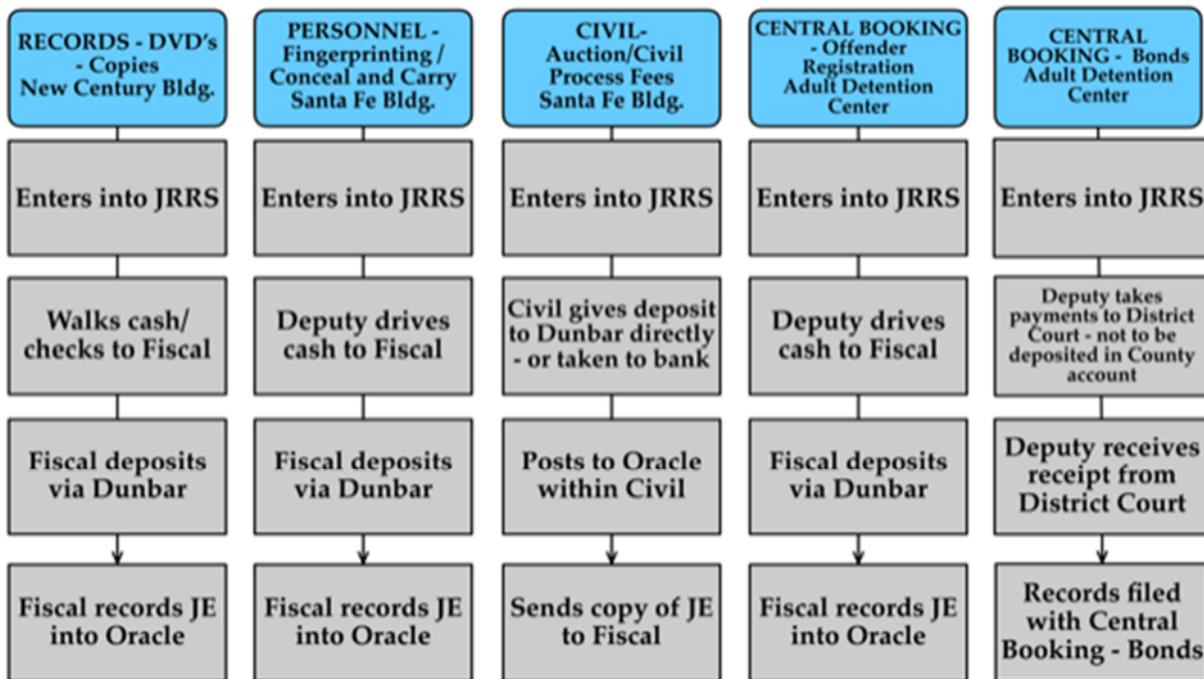
Fee for Services

JCSO offers a variety of services to the public each originating from a different division within the JCSO. These services include, but are not limited to:

- Fingerprinting,
- Conceal and Carry licensing,
- Copying records,
- Civil Processing,
- Offender Registration, and
- Bonds.

Each division has their own cash handling procedures, segregation of duties, procedural documentation, Oracle recording, and safeguarding procedures. These varied procedures are inefficient, more expensive and difficult to manage. Figure 1 below illustrates the processes employed:

Figure 1 – Current Remittance Processing Procedures



Source: Audit Services Analysis

Conclusion

We recommend the JCSO CFO assume a more proactive approach and take ownership of the remittance process by designing and implementing a systematic, uniform remittance collection and deposit process. The future process should standardize the remittance process and streamline the overall collection, reconciliation and reporting of remittances received.

[This Page Intentionally Blank]

5. Inmate Welfare Fund

The Inmate Welfare Fund (IWF) lacked an effective system of internal controls to ensure financial program success. The following deficiencies in the IWF were noted:

- Incorrect commission rates on MyCarePacks,
- Monies reported as held in trust were overstated by \$11K,
- Fee fund was understated by \$39K, and
- Credit adjustments in the amount of \$1,393 were not recognized.

This can be attributed to a lack of financial management, oversight and guidance.

Recommendation

We recommend the Sheriff:

- 5.1 Considering the JCSO recently migrated to a new commissary contract with CBM Inc., it is imperative the JCSO develop standard operating procedures and designate specific personnel the responsibility for monthly balancing, reconciling and reporting.

Management Comments

- 5.1 *The JCSO has been working with the new commissary provider, CBM Inc., as of May 21, 2018 to implement the new system. As part of that process, the JCSO has requested and received training and documentation from CBM to create a process ensuring that these funds are balanced, reconciled and properly reported monthly.*

Discussion

What is the Inmate Welfare Fund?

The IWF is the repository for inmate money, which is either in the inmate's possession when incarcerated or is deposited by others for the benefit of the inmate while he or she is in the Sheriff's custody. Inmates can use the money in their individual accounts to purchase commissary items and personal services, such as snacks, toothpaste and haircuts, while incarcerated. The IWF is maintained in a bank account where the inmate money and the commissary sales proceeds are deposited. When an inmate is released from custody, his or her remaining account balance is returned via a pre-paid debit card or check.

Commissary Commissions

JCSO IWF Policy stipulates:

“The Johnson County Detention Bureau shall establish and operate the Inmate Welfare Fund. All monies generated by this fund, other than operating funds, shall be used to solely benefit the inmate population and shall be strictly controlled using standard accounting procedures.”⁴

Currently, the JCSO realizes a 34.5% commission of total commissary sales and a special revenue fund is used to report and account for this activity. Commissary commissions totaled \$270,830 for 2017.

Presently, the State of Kansas does not have any laws or statutes governing the IWF processes. The County’s Board resolution which established the IWF account does not address how the IWF should be managed. The JCSO’s Directive 19-01 addresses the operations side of the IWF but does not direct how the fund should be accounted for. Detailed standard operating procedures addressing reconciling and accounting for the IWF are needed.

MyCarePacks

MyCarePack.com is an online service allowing an inmate’s friends and/or family to order commissary packages. Trinity delivers this package along with commissary orders. The JCSO receives a commission on the sale of *MyCarePacks*. Audit results revealed the JCSO was receiving commission on a rate of 34% when they should have been receiving 34.5%. This rate was corrected and the JCSO has since received a payment to bring the amount of commission owed to the JCSO current.

Inmate Balances

Monies held in trust on behalf of the inmates were not reported accurately on the County’s 2016 Comprehensive Annual Financial Report (CAFR). The JCSO utilized a bank account balance instead of a report from Canteen Manager, the software program that manages the inmate funds in real time. Audit results indicate the 2016 CAFR was overstated by \$11k.

IWF Reconciliation

The JCSO utilizes Canteen Manager to manage the inmate’s funds. A monthly reconciliation between Canteen Manager and the IWF bank account should be completed to ensure proper accounting for the inmate funds, inmates services, commissary commissions, and commissary expenses. During our review, it was noted the Canteen Manager was not reconciled for more than 12 months. We coordinated with the vendor, Trinity Services, to have their representative travel to Johnson County to help reconcile and provide additional training to JCSO fiscal personnel. In January 2018, the accounts were reconciled and \$39K was transferred between the inmate trust account and reimbursed to the County.

⁴ Johnson County Sheriff’s Office Detention Directive 19-01 – Inmate Welfare Fund/Commissary

Credit Adjustments

Credit adjustments are given to the JCSO if an inmate returns a commissary item, an incorrect item was ordered, or if items ordered are delivered after an inmate is released. JCSO applied these credit adjustments when Trinity Services sent them in the mail. The JCSO would apply these credits to the amount owed Trinity on a future billing. Our review determined 8 adjustments had not been applied by the JCSO in the amount of \$1,393. Audit Services coordinated with Trinity Services and the JCSO to develop a new adjustment process which requires communication among the Detention Centers and Fiscal Division. This communication allows the JCSO to be aware of the credit adjustments prior to Trinity officially sending them in the mail. Today, the JCSO is aware of the adjustments and can monitor them to make sure all appropriate adjustments are mailed by Trinity.

Conclusion

The JCSO recently changed their commissary service provider. The new contractor, CBM Inc., was awarded the new contract. Although a new vendor is being utilized, if internal controls and procedures are not developed and applied, the financial problems which occurred with the previous contract are likely to reoccur. This is an excellent opportunity for the JCSO to develop standard operating and accounting procedures and establish the necessary controls to ensure program success.

[This Page Intentionally Blank]

AUDIT OBSERVATIONS

The following audit observations address a variety of topics encountered during the audit and are offered for consideration. These topics represent opportunities for the JCSO to improve business practices and/or strengthen controls. Audit Services will not follow-up on these.

1. Inmate Telephone Commissions

The County has contracted with Century Link to provide phone services for the inmates being detained at the New Century Adult Detention Center and Central Booking Facility. The current contract allows for a 59.1% commission rate on phone call sales. Total commissions in 2017 was \$414,198. Some surrounding states opt to not receive commissions. Johnson County, KS, however, does accept commissions along with other Counties within Kansas. The State of Kansas does not have any statutes addressing inmate telephone commissions. Over the past decade, legal, court and media attention placed on commissions earned from inmates and their families, as well as phone call affordability, has grown exponentially. As a consequence, there is a potential financial and reputational risk to the JCSO. The contract with Century Link is soon to expire and phone call affordability should be a key component to the next request for proposal or bid.

Commissary commissions are tracked separately and expenses are required to be spent on behalf of the inmate. However, telephone commissions are not accounted for in this manner. You may want to consider treating telephone commissions consistent with commissary commissions.

2. Grant Management

The JCSO has received payments for at least 14 years from the Department of Justice related to the State Criminal Alien Assistance Program (SCAAP). This is a grant from the Bureau of Justice Assistance and it is not being recorded in the Oracle Grant Module for appropriate tracking. County Policy dictates departments and agencies are required to account for grant activity in the Oracle Grant Module. After discussing this issue with Assistant Finance Director, it was determined the corrective action would be to include this grant on the 2017 Schedule of Expenditures for Federal Awards (SEFA). We suggest the JCSO report the SCAAP grant in the Oracle Grant Module and review any other potential grant funds to ensure they are being reported properly.

[This Page Intentionally Blank]

Objective, Scope and Methodology

Objective

To determine if the JCSO has a sufficient system of internal control and procedures to provide assurance business objectives are achieved effectively and efficiently. Specific objectives to determine the extent of internal control sufficiency will include review of the following areas to determine if they are managed effectively and efficiently:

- Inmate Welfare Fund,
- Accounts Receivable,
- Petty Cash, and
- Remittance Processing.

Background

The mission of the Johnson County Sheriff's Office is to protect life and property, deter criminal activity, enforce state laws, and maintain civil order while operating safe and secure detention facilities. The Sheriff is an elected official in Johnson County. The Sheriff's duties include:

- Managing the county jail ("Charge and custody of jail."⁵),
- "Keep and preserve the peace, and to quiet and suppress all affrays, riots and unlawful assemblies and insurrections....apprehending or securing any person for felony or breach of peace..."⁶
- Providing court security,
- Serving court orders and civil papers,
- Managing county level law enforcement and investigations, and
- Managing the county's crime laboratory.

From 1967 through 2001, the Sheriff's office was held by a single office holder. In 2005, Sheriff Frank Denning took office. We performed a transition audit that year which was released in December 2005.

In 2016, Calvin Hayden, was elected as Johnson County Sheriff and was sworn into office on January 9, 2017. Sheriff Hayden met with the County Auditor on 1/13/2017 and requested a transition audit.

In 2017, we performed a Transition Audit of the Johnson County Sheriff's Office. Typically, a transition audit would include a review of cash handling, collection and deposit activities, accounts receivable management other revenue related functions. Audit work during the transition audit revealed a significant amount of activity associated with these activities existed in the JCSO. The nature of these activities necessitated a more extensive review than what would

⁵ Kansas Statute 19-811

⁶ Kansas Statute 19-813

normally be performed in a transition audit. The County Auditor recommended and Sheriff Hayden concurred these activities be audited separately from the transition audit.

Audit field work was completed on April 27, 2018.

Scope

The scope of the audit included an assessment of internal controls surrounding the financial aspects within the JCSO. Unless otherwise noted, financial records, management reports and other necessary information were reviewed for the period of January 1, 2015, through December 31, 2017, when available.

Methodology

To conduct this audit and to determine if the JCSO has a sufficient system of internal control and procedures to provide assurance business objectives are achieved effectively and efficiently, we:

- Interviewed the Sheriff, and JCSO staff who directly work with invoicing and remittances,
- Interviewed County staff as their role related to the JCSO's administrative operations, for example, we discussed procedures with Legal, Assistant District Attorney's, TFM, and JIMS,
- Interviewed the Parole Operations Manager, Kansas Department of Corrections,
- Interviewed Customer Support Field Director for Trinity Services Group regarding the commissary program Canteen Manager,
- Interviewed Deputy Director Corrections, Shawnee County,
- Distribution Manager, Administrative Supervisor, and Accounting Representatives from Keefe/Trinity Services,
- Reviewed the JCSO's directives,
- Reviewed billing contracts and MOU's services provided by the JCSO,
- Performed surprise cash counts and documented cash procedures for the JCSO petty cash accounts,
- Observed the remittance processing procedures for the remittance collection points, specifically at the following divisions – Records, Civil, Personnel, Detention, and Fiscal,
- Examined the Inmate Welfare Fund reconciliation and JCSO procedures,
- Reviewed the inmate monies held in trust,
- Reviewed BOCC resolutions and Kansas statutes relevant to the JCSO operations,
- Selected a judgmental sample of the JCSO's invoicing to determine if they were properly prepared, payment received, and posted correctly, and
- Selected a judgmental sample of the JCSO's remittances to determine if they were received, documented and posted timely.

Audit Limitations

N/A

Computer Data

We used data from various computer systems in performing this audit including, but not limited to: The County's Oracle financial (Oracle), JIMS, and the Sheriff's commissary network system (Canteen Manager).

Statistical Sampling

We used judgmental sampling for attribute testing to validate procedural compliance in Accounts Receivable. We tested approximately 6% of total invoicing during 2016-2017 and a judgmental sample of 25 remittance payments (non-invoiced).

[This Page Intentionally Blank]

CALVIN H. HAYDEN
SHERIFF



DOUGLAS G. BEDFORD
UNDERSHERIFF

DUTY HONOR SERVICE

588 E. SANTA FE, SUITE 2000
OLATHE, KS 66061
www.jocosherriff.org

TO: Ken Kleffner, County Auditor
FROM: Calvin H. Hayden, Sheriff
DATE: June 5, 2018
RE: Transition Audit Responses

Mr. Kleffner,

Enclosed please find written responses to the "Johnson County Sheriff's Office Revenue Audit". I would like to thank you and your department for the professionalism shown while conducting the audit. We look forward to continuing to build this positive relationship with Audit Services.

If you have any questions about the written responses, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Calvin Hayden".

Calvin H. Hayden
Sheriff

Enclosure

Johnson County Sheriff's Office Responses to the Revenue Audit (June 2018)

1.1. Adopt and Transition to the County's Oracle Accounts Receivable Module.

We concur with this recommendation. The Sheriff's Office has initiated conversations with the Accounts Receivable staff from Treasury and Financial Management (TFM) to transition our Accounts Receivables to Oracle. The Sheriff's Office invoices approximately \$1.8 million annually (250 to 300 invoices), primarily to other municipalities for daily boarding fees, police protection for De Soto and Edgerton, school resource officers and security events. The remaining \$2.2 million is revenue that is received from various sources such as telephone and commissary commissions, offender fees, forfeited funds or grant revenue. These funds are deposited into the County's bank account and recorded in Oracle as received. The Sheriff's Office will be able to transition to Oracle Accounts Receivable module prior to the end of 2018.

1.2. Develop detailed standard operating procedures for their Accounts Receivable program.

We concur with this recommendation. The Sheriff's Office intends to use the County's policies, guidelines and procedures for the items invoiced through TFM-Accounts Receivable and will develop directives or procedures for the processes unique to the Sheriff's Office. These procedures will be developed in conjunction with the transition of the Accounts Receivable to the TFM-Accounts Receivable, and will be completed prior to the end of 2018.

2.1. Consult with JIMS to develop and incorporate a system control within the Receipt Register System to produce an audit trail of receipts deleted or changed.

We concur with this recommendation. The Chief Financial Officer (CFO) has reached out to JIMS and discussed making the necessary changes to the Receipt Register System to produce an audit trail. JIMS staff will work with the CFO and Sheriff's Office staff to incorporate system controls to ensure a proper audit trail. This will be completed within sixty days.

3.1. Close all but one petty cash account and establish the dollar amount, policy and procedures by determining the appropriate use deemed necessary for the JCSO.

We concur with this recommendation. The Sheriff's Office will consolidate all the cash accounts into one fund in the amount of \$19,200 to be maintained by the Investigations Division. Investigations will work with the CFO to develop directives to allow the use of these funds solely for law enforcement activities, or to meet immediate cash needs for which an employee is unable to pay in advance and does not have access to a County p-card. Investigations will continue to report to Fiscal on a weekly basis regarding the cash being held in the safe, any activity, or reimbursements needed. This will be completed by July 1, 2018.

4.1. Require each division to attend cash handling training by TFM.

We concur with this recommendation. The CFO is reviewing the training materials provided by TFM. Using these materials as a basis, training will be provided by TFM over the next few weeks. Training for all divisions will be completed by August 1, 2018.

4.2. Re-engineer remittance processing within the JCSO. Design and implement a systematic, uniform approach, which includes sufficient internal controls.

We concur with this recommendation. The CFO will review the current remittance and deposit process and implement changes to streamline the collection, reconciliation and reporting of remittances received. This will be completed by August 1, 2018.

5.1. Considering the JCSO recently migrated to a new commissary contract with CBM Inc., it is imperative the JCSO develop standard operating procedures and designate specific personnel the responsibility for monthly balancing, reconciling and reporting.

The JCSO has been working with the new commissary provider, CBM Inc., as of May 21, 2018 to implement the new system. As part of that process, the JCSO has requested and received training and documentation from CBM to create a process ensuring that these funds are balanced, reconciled and properly reported monthly.

Additional comments:

1. Inmate Telephone Commissions:

The Sheriff's Office recently went through a RFP process to select a provider for inmate telephone commissions. The RFP process rated the responsive proposals on project approach, key staff members, firm experience, staff utilization and cost proposal. The JCSO and Purchasing staff will work with the selected provider to ensure that the desired level of service is provided at competitive prices to ensure affordability to the inmates and their family and friends.

2. SCAAP Reporting:

The Sheriff's Office Fiscal staff worked with TFM Accounting staff to include the 2017 expenditures on the 2017 Schedule of Expenditures of Federal Awards (SEFA). All SCAAP funds will be accounted for using Oracle's Grant Module, which will allow funds to be captured on the County's annual SEFA. This transition is currently underway. The Sheriff's Office Fiscal staff, in conjunction with TFM Accounting staff, are reviewing other restricted revenues to determine if any other funds need to be moved from the current fee fund accounting back to the grants module.