



# Johnson County Law Library Review

April 18, 2019

Report No. 2019-02

**Performance Audit**

Johnson County Audit Services

Johnson County, Kansas

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# Johnson County Law Library Review

## Executive Summary

### **Why We Did This Audit**

In April 2018, the Johnson County Law Library (Law Library) Board of Trustees (Trustees) requested Audit Services to conduct a performance audit.

### **What We Found**

Since September 2016, the Law Library has experienced significant personnel turnover in three positions. We were unable to determine why some business practices are performed in the manner they were performed due to the recent turnover of staff. We suspect various tasks have been performed in the same manner for many years and staff continued to follow practices they inherited when they were hired.

Many of the Law Library's financial management processes and activities discussed in this report are poorly designed and do not take advantage of current technology, systems and processes. For example, we found:

- The annual attorney registration process was inefficient and lacked a reporting capability.
- The accounts payable process lacked controls to ensure the Law Library received value for payments made.
- Financial reporting to the Trustees was limited which prevented Trustees from assessing financial performance.
- Internal controls for cash register activity were adequate but improvements could be made.
- The Law Library did not have an investment policy outlining the Trustees' goals and objectives for investing idle funds.
- Treasurer duties have been delegated to district court clerk staff which we believe are inconsistent with state statute.
- The Law Library lacked sufficient computer inventory records.

- The Board of County Commissioners (BOCC) did not appoint the current/previous Director.
- The Director's vacation and sick leave is self-reported and not approved by an individual knowledgeable of actual hours worked.

### **We Recommended the Law Library**

- Adopt the County's Oracle financial system for the annual attorney registration process. (Trustees considered but opted to transfer the function to the District Court Clerk).
- Adopt the County's Oracle financial system for processing accounts payable.
- Develop a Reserve Fund Policy for maintaining reserves.
- Develop financial reports reflecting the financial condition of the Law Library.
- Request cash handling training from TFM.
- Develop an Investment Policy outlining the goals & objectives for investing idle funds.
- Treasurer terminate appointment of district court clerk personnel as assistants to the Treasurer and appoint the Library Director. (The Trustees believe current designations are consistent with the statute. We believe otherwise and offer recommendations, which address a weakness in the design and operation of key internal controls related to Treasurer operations. This weakness exposes the Library to a potential increased risk of fraud, waste or abuse.)
- Adopt the County's Financial Policy (160.3) regarding recording/inventorying assets; obtain assistance from JIMS to manage computer assets, and conduct periodic inventories.
- Develop procedure requiring future Director appointments be approved by the BOCC.
- Director use the *Absence Request* form to request/report absences from work. (The Director non-concurred offering an acceptable alternative.)





# Johnson County Auditor

Johnson County, Kansas

## PERFORMANCE AUDIT

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April 18, 2019

To: Johnson County Law Library Board of Trustees  
Director of the Johnson County Law Library  
Clerk of the District Court - Treasurer of the Johnson County Law Library

At the request of the Johnson County Law Library's (Law Library) Board of Trustees (Trustees), we conducted a performance audit of the Law Library. This audit focused on assessing internal controls in the Law Library's operational and financial activities. The audit offers recommendations and suggestions where controls can be strengthened and operations can be improved.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that 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 support provided by the Law Library Trustees and the Law Library staff. Please don't hesitate to contact me if you have any questions. Thank you.

K. L. Kleffner, CIA  
County Auditor

CC: The Johnson County Board of County Commissioners  
Director, Treasury and Financial Management  
Director, JIMS

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# Johnson County Law Library Review

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## RESULTS AND RECOMMENDATIONS

### **1. Attorney Registration Process**

The process used to prepare and submit approximately 3,300 invoices annually to attorneys is inefficient and lacks reporting capability to effectively monitor and track payments received and outstanding debt. This can be attributed to staff continuing to use the attorney registration process they inherited when they were hired. During the course of the audit, we recommended the Johnson County Law Library (Law Library) use the County's Oracle Accounts Receivable module as the invoicing tool for the annual registration process and the Trustees approved the recommendation for 2020 annual registration.

#### **Recommendation**

We recommend the Director:

- 1.1 Develop a proposed Debt Collection policy/procedure regarding unpaid registration fees for the Trustees consideration and approval.
- 1.2 Continue the coordination and planning effort underway with Treasury and Financial Management and the Oracle Support group to migrate the Law Library's annual registration fee process to Oracle.

#### **Management Comments**

*After research and discussions with the clerk of the district court, the Law Library will no longer oversee the annual attorney registration process; this change was formally approved by the Board of Trustees on January 16, 2019. Beginning with 2020 registration, the clerk of the district court will oversee the process. The Law Library will assist the clerk in whatever way possible with the transition. The explanation for this change follows in the relevant sections of management comments. Please note, that unless noted otherwise, all emphasis below has been added.*

*Recommendation 1.1, non-concur. K.S.A. 20-3126 does not give the Law Library the authority to develop the recommended "Debt Collection policy" to recoup unpaid registration fees. Kansas law, dating back to 1919, clearly states that the "clerk of the district court", not the "law library", "trustees" or "law librarian", is the office charged to collect the fees from the annual attorney registration<sup>1</sup>:*

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<sup>1</sup> The statutory language has been remarkably consistent for over 100 years. In 1919, the *Laws of Kansas*, codified in 1923 at KRS, §19-1308, stated: "all attorneys at law shall register annually with the clerk of the district court in a register which said clerk shall keep for that purpose....All attorneys living within such county and who appear in any court of said county, and all who maintain offices or work for, or are connected with firms or individuals maintaining offices in such county, shall be obliged to so register on or before January 15<sup>th</sup> of each year." Section 2: "Said fees shall be used, under the direction of the judges of the district court of said county, in maintaining a law library in the county court house or other suitable place to be provided and maintained by the board of county commissioners of such county, of which library the judges of the district court shall act as trustees." In 1927, the law [KRS §19-1309] was amended: "The clerk of the district court of said county shall be ex officio treasurer of said library and safely keep the funds of said library and disburse them as the trustees, or a majority thereof, shall direct... The clerk of the

*(c) All attorneys required to register in such county shall register annually with the clerk of the district court in a register kept for that purpose. The clerk shall enter the name, place of residence, employment, location of office and firm connection, if any, of each such attorney. All attorneys required to register, except those employed solely as public defenders by the state board of indigents' defense services, shall pay to the clerk at the time of registering an annual registration fee of not less than \$10 nor more than \$75, as determined by the trustees of the law library, except that in Sedgwick and Johnson counties, each attorney shall pay to such clerk at the time of registering an annual registration fee of not less than \$25 nor more than \$125, as determined by the trustees of the law library. Public defenders are exempt from the registration fee during their employment with the state board of indigents' defense services. ... A schedule of current registration fees shall be filed with the clerk of the district court. Kan. Stat. Ann. § 20-3126 (West) current as of January 2019*

*The language in the statute today is identical in meaning, if not word, to that in 1919:*

*1919: "All attorneys at law shall register annually with the clerk of the district court in a register which said clerk shall keep for that purpose"*

*2019: "All attorneys required to register in such county shall register annually with the clerk of the district court in a register kept for that purpose."*

*The original law charging the clerk of the district court pre-dates Johnson County Law Library's first librarian by over 50 years<sup>2</sup>. The statute is clear and unambiguous. There is no mention in the laws that authorize the Law Library, or the Trustees, to collect registration fees; and just as importantly, collect docket fees or engage in debt collection<sup>3</sup>. Our assumption is that the law library has managed attorney registration for the past 50 years in order to "...assist in the performance of the clerk's duties as treasurer..."<sup>4</sup>*

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*district court in all counties where a law library is now or hereafter may be established shall tax in all cases, civil and criminal, including appeals from the city, justice of the peace and the police courts, a library fee of one dollar. Said fee shall be taxed and collected as other costs in the case....In criminal cases where the case is dismissed by the state, the county shall be liable for said library fee and where appeals from conviction in the city, justice or police courts are dismissed for want of prosecution, or by the defendant, the state or city shall collect said library fee, or upon failure to do so within ninety days after said dismissal, the county in which the library is located or the city in which the police court is located from which said appeal is taken, as the case may be, shall be liable therefor."*

<sup>2</sup> Johnson County Law Library's first librarian was appointed in 1973. In March of that year, K.S.A. 19-309 was amended to read, in part: "The clerk of the district court...is hereby authorized to appoint, by and with the advise (*sic*) and consent of the board of trustees of the law library...a deputy who shall act as custodian and librarian of the law library...and shall assist the clerk in the performance of [their] duties as treasurer thereof. Said deputy [librarian] also shall perform services with respect to legal aid referral assistance program in such county and such other duties as may be assigned by the clerk of the district court..."

<sup>3</sup> I reviewed Kansas Laws from 1919 going forward. In addition, through a phone call and email with the law librarian at the Kansas Supreme Court (January 4, 2019), no law prior to 1919 was found.

<sup>4</sup> The Johnson County Law Library, to my knowledge, is the only county law library in the state that collects the attorney registration fees and maintains the register of attorneys. No doubt the law library performed this under K. S. A. 20-3127(d): "... [the clerk of the district court] *under the provisions of this act is hereby authorized to appoint, by and with the advice and consent of the board of trustees of the law library of such county a librarian, who shall act as custodian of the law library of such county and shall assist in the performance of the clerk's duties as treasurer thereof...*"

*Recommendation 1.2, non-concur. This recommendation is moot as the Law Library will work with the clerk of the district court to transition the 2020 annual registration to the clerk's office. The library will move forward with transferring all of its financial activities to the Oracle system.*

## **Audit Comment**

Johnson County Law Library Board of Trustees (Trustees) decided to take a different approach from an earlier decision by the Trustees to adopt Oracle. Thus, the audit recommendations are no longer germane. We acknowledge the attorney registration billing and collection function will transfer from the Law Library to the Clerk of the District Court effective with the 2020 attorney registration.

## **Discussion**

The Law Library invoices attorneys who are required to register with the Clerk of the District Court a \$100 registration fee annually. Invoices should be prepared and submitted in sufficient time for the attorney to remit their payment by January 15<sup>th</sup>.<sup>5</sup> Approximately 3,300 invoices are mailed annually, representing a significant source of revenue for the Law Library.

The Law Library's invoicing process does not have adequate payment monitoring capabilities for attorneys who have not paid and for verifying payments from attorneys who have paid. The County's Oracle Accounts Receivable module could be used to aid in the production, invoicing and recording of approximately 3,300 attorney registration fees. Using Oracle will provide:

- Unique, tailored invoices specifically identified to the Law Library
- Online bill pay
- Segregation of duties as remittances will be mailed to the Johnson County Treasurer's Office who would collect and deposit the remittances on behalf of the Law Library
- A daily list of payments which can be used to update JIMS
- A report of attorneys who have not paid which can be used as an accounts receivable record

During the course of the audit, the audit team recommended the Law Library adopt/use the County's Oracle Accounts Receivable (A/R) module as the tool to issue the invoices related to the annual attorney registration process. The Trustees considered the recommendation and on October 16, 2018, unanimously approved the recommendation by the quorum present. The Law Library will be in a better position to monitor and manage outstanding debt using Oracle's AR module. We recommend a Debt Collection policy be developed reflecting the Trustees' goals and objectives regarding collecting outstanding debt related to unpaid registration fees.

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<sup>5</sup> K.S.A 20-3126(c)

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## **2. Accounts Payable (A/P) Process**

The Law Library lacks sufficient controls to ensure it receives value for all payments made. The audit found:

- Payments made to Thomson Reuters resulted in an overpayment in the amount of \$3,638
- Lack of documentation to support payments
- Inadequate policy and procedures describing the A/P process

The Law Library should reengineer its accounts payable process to ensure goods and services have been received, payments are made according to contract terms and payments are supported with adequate documentation.

### **Recommendation**

We recommend the Director:

- 2.1 Seek a refund from Thomson Reuters in the amount of \$3,638
- 2.2 Develop standard operating procedures for the A/P process addressing the following issues at a minimum:
  - Comparison of invoice with contract terms
  - Documented approval of invoices (initial or signature)
  - Check generation as the last step in the A/P process
  - Restructure A/P files:
    - ✓ Maintain all payment supporting documentation in payment file. For example, the original or complete copy, of the contract or purchase order and invoice should reside in payment file.
    - ✓ Store A/P files in a secure area.
- 2.3 Continue the coordination and planning effort underway with Treasury and Financial Management and the Oracle Support group to migrate the Law Library's A/P process to Oracle.

### **Management Comments**

*Recommendation 2.1. We concur. Thomson Reuters stated in an email (11/9/18) that our account would be credited the overpayment of \$3,638; this amount was credited to our account in December 2018.*

*Recommendation 2.2. We concur. This will be incorporated into the policy.*

*Recommendation 2.3. We concur. We are early in the process and will continue into 2019.*

## Discussion

The Law Library has a Library Maintenance Agreement (agreement) with West, a Thomson Reuters business, which provides subscription services to a wide variety of legal information. The agreement identifies fixed monthly charges for the June 1, 2016 through May 31, 2017 period in the amount of \$11,051. A Letter of Understanding extended the \$11,051 fixed monthly fee through October 31, 2017. The vendor billed and the Law Library paid \$214 per month more than the agreed upon amount for the 17 months ending October 2017 resulting in the vendor being overpaid in the amount of \$3,638. The Law Library should seek reimbursement from Thomson Reuters.

While reviewing the Law Library's A/P process, we noted several shortcomings that can be remedied by developing and applying standard operating procedures in the payment process.

Amounts invoiced from Thomson Reuters were not compared with the agreement's fixed price prior to approving the invoice for payment. Standard operating procedures requiring invoice pricing be verified with the contracting instrument or amounts verbally agreed to prior to payment can mitigate this risk.

The Law Library's informal A/P process requires the check being produced on the date of payment. After the check is produced, it is attached to the payment documentation and the check/payment documentation progresses through two approval steps before the Treasurer signs it. We have the following concerns with this process:

- The check being produced early in the process and physically routed through the approval steps.
- Evidence of the approval(s) is not always present.

Standard operating procedures requiring check generation as the last step before the Treasurer's signature and the approver's initials or signature (or an "approval stamp") would eliminate these concerns.

Our review of payments made to reimburse Law Library employees for business expenses incurred noted several instances of unexplained adjustments made to the amount being claimed by the employee. Adjustments made to an employee's claim should be accompanied with an explanation why the amount is being changed.

Payment files did not always contain the original invoice or complete copy of invoice. In 3 out of 18 contract payment files reviewed, the supporting invoice could not be located. We also note maintaining a copy of the contract, agreement or other contracting instrument identifying terms, price and goods or services ordered, would be beneficial to support invoiced amount.

Payment files are not stored in a secured location. We believe the Law Library's A/P files are compromised given the Law Library is available 24x7 to attorneys who have paid their annual attorney registration fee. Storing A/P files along with all financial records in a secured location would mitigate this concern.

The audit concerns noted in the Law Library's A/P process address a manual process/activity. Migrating the A/P process to the Oracle platform will strengthen internal controls and streamline Law Library's payment process.

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### **3. Financial Reporting to the Board of Trustees**

Financial reporting to the Trustees is limited to an *Income-Expense* statement and a *Financial Position* statement. We found the following concerns with both:

- The *Income-Expense* statement incorrectly identifies, as an expense, amounts being withheld to support the Law Library's move to the new courthouse. This account is really an account used to offset future cost and should be classified as an asset.
- The *Financial Position* statement does not report consistent information from one period to the next.
- The *Financial Position* statement identifies a Reserve Fund amount of 25% of their operating expenses. We are not aware of the Law Library having a Reserve Fund policy identifying a reserve fund as a financial requirement.

The limited financial information provided can be primarily attributed to the accounting software used which is not designed for commercial purposes and affects the Trustees' ability to accurately assess the financial performance of Law Library operations.

#### **Recommendation**

We recommend the Treasurer and the Director:

- 3.1 Correctly categorize the amount being set aside for the move to the new Johnson County Courthouse as an asset.
- 3.2 Develop a proposed policy for the Trustees' consideration and approval describing the purpose of maintaining a Reserve Fund to include target amount, or percentage, to be held in reserve.
- 3.3 Develop a balance sheet "like" financial statement reporting assets – cash, cash balances in checking accounts, investments and amounts held in reserve.
- 3.4 Establish clarity regarding amounts held in reserve and amount set aside for the courthouse move.
  - Determine if the amount set-aside for the courthouse move is needed given the Law Library's existing informal reserve policy.

#### **Management Comments**

*The Law Library financial reports to the Trustees are not limited to an *Income-Expense* statement and a *Financial Position* statement, as stated above. A monthly Budget statement is also provided to the Trustees.*

*Recommendation 3.1, We concur.*

*Recommendation 3.2, We concur and will adopt an accounting policy as part of a policy manual.*

*Recommendation 3.3, We concur.*

*Recommendation 3.4, We concur.*

### **Discussion**

Financial statements provide stakeholders and users of such information an overview of the financial results and condition of a business. Financial statements generally consist of four basic reports: income statement, balance sheet, statement of cash flows and statement of retained earnings.

The Trustees are provided an *Income-Expense* statement generated by the accounting software used and a *Financial Position* statement. The *Income-Expense* statement compares actual to date with the budgeted amount for the same time period. Both statements have their limitations. For example, the *Income-Expense* statement incorrectly identifies, as an expense, amounts being withheld to support the Law Library's move to the new courthouse. This account is really an amount being held to offset future cost and should be classified as an asset.

Information reported on the *Financial Position* statement is not consistent. For example, the *Financial Position* statement for the period, December 2017, only reported amounts held as investments. The *Financial Position* statement for the May 15, 2018, period identified:

- A Reserve Fund amount of approximately \$150k representing 25% of their operating budget. However, this statement did not identify if the reserve fund is an amount set-aside in the Law Library's checking account or is an amount set-aside in one or more of their time deposits. Clarity is needed.
- Investments with a local financial institution. It was not until recently (October 2018) that the Treasurer confirmed the investment's principal amounts.
- Current checking account amount balance, which noted pending deposits.

Typically, reserves are a "rainy day fund" and are appropriate in order to maintain in the event of an emergency or a contingency. It appears the Law Library is attempting to maintain two reserve funds<sup>6</sup> – a fund to finance expenses related to the courthouse move and the reserve fund as noted on their *Financial Position* statement.

The Law Library does not have a policy identifying a reserve fund as a financial requirement. The Law Library Treasurer is required, by statute, to "safely keep the funds of such library and disburse them as the trustees shall direct".<sup>7</sup> A Treasurer is typically charged with overseeing the management and reporting of an organization's finances. It is appropriate for the Law Library Treasurer to develop policies and procedures regarding reserve funds and financial reporting.

The Trustees need accurate, consistent, and up to date and reconciled financial statements to make sound business decisions to ensure the Law Library succeeds in its mission to the attorneys and

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<sup>6</sup> This performance audit did not validate amounts or accuracy of either fund.

<sup>7</sup> K.S.A 20-3127(c)

the public they serve. The Law Library will be in a better position to provide accurate, reconciled financial information to the Trustees once all financial activity has migrated to the Oracle platform.

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#### **4. Cash Register Activity**

Overall, the Law Library's financial record keeping for cash register activity was adequate. However, the audit noted where process improvements could be made and internal controls could be strengthened. For example, the Law Library can strengthen controls by developing processes to trace:

- Cash deposits back to original supporting documentation
- Certain revenue as reported on Income Statement back to supporting documentation

The audit was unable to determine the origin or source of the procedures used in this activity.

#### **Recommendation**

We recommend the Director:

- 4.1 Request Treasury and Financial Management review current cash handling procedures and provide cash handling training specifically tailored to Law Library's business environment.

#### **Management Comments**

*Recommendation 4.1, We concur. The Trustees recommend library staff take advantage of cash handling training if provided by Treasury and Financial Management.*

#### **Discussion**

The Law Library uses a cash register to record sales that occur throughout a typical business day. Sales include items, such as, copy revenue, book sales and an occasional attorney registration fee. Each sale generates a cash register receipt. Cash register receipts are posted to a monthly sales journal identifying by each business day, type of sale and type of money remitted (cash, check, and credit card).

Cash sales for calendar year 2017 totaled \$4,215. The cash register receipts for 2017 had been discarded. (See Audit Observation – Document Retention Practices.) Cash register receipts for 2018 could not be traced to a specific bank deposit slip. Nor could we reconcile copy revenue as reported in Quicken Income Statement back to the cash receipts journal. Copy revenue, as reported on the *Income-Expense* statement, did not reconcile to the sales journal and was off in the amounts of \$123 and \$582 for 2017 and 2018 respectively.

Overall, the Law Library's financial record keeping for this activity was adequate. Since cash activities will continue in an Oracle operating environment, obtaining assistance from Treasury and Financial Management is recommended. Cash handling training specifically tailored to Law Library activity would strengthen their internal controls.

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## **5. Law Library Investments**

The Law Library does not have an investment policy outlining the Trustees' goals and objectives for investing idle funds and identifying the approval and reporting process for making investments. The audit was unable to determine why the Law Library did not have policy/procedures for its investments. Consequently, neither Law Library leadership nor we can determine if investments are performing in a manner consistent with the Trustees' goals.

### **Recommendation**

We recommend the Treasurer and the Director:

- 5.1 Develop a policy/procedure for the Trustees' consideration and approval addressing:
  - A process for obtaining the Trustee's approval of specific investments
  - An investment strategy, such as, risk appetite and investment terms for the Law Library's investment portfolio
  - Regular reporting to the Trustees how investments have performed
- 5.2 Reconcile investment bank statements monthly.

### **Management Comments**

*Recommendation 5.1, We concur with the recommendation and a formal investment policy will be developed and implemented.*

*Recommendation 5.2, We concur.*

### **Discussion**

K.S.A 20-3130 states the Law Library Board of Trustees may "invest any idle funds in investments authorized by K.S.A 12-1675". The Law Library has invested their "idle funds" in time deposits with a local financial institution. Investment amounts plus amounts held as cash represents a significant amount of resources.

The Law Library does not have an investment policy. Consequently, neither the audit nor Law Library leadership can determine if investments and amounts held in reserve are performing in a manner consistent with the Trustee's goals.

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## **6. Treasurer Duties and Responsibilities**

District Court Clerk staff have been designated to assist the Law Library's Treasurer in the performance of her Law Library Treasurer duties which we believe is inconsistent with state statute. We believe this condition exists because the previous Law Library Treasurer (previous District Court Clerk) was unaware of the statute requirement.

### **Recommendation**

We recommend the Law Library Treasurer:

- 6.1 Terminate the appointment of certain District Court Clerk staff who are identified on bank signature cards as authorized users of the account(s).
- 6.2 Appoint the Law Library Director to assist in the performance of Treasurer duties and align duties accordingly.

### **Management Comments**

*Recommendation 6.1, non-concur. The Trustees and the Director would like to clarify that they interpret "clerk of the district court" in K.S.A. 20-3127 to be the office of the clerk, not a singular person, and operate accordingly.*

*Recommendation 6.2, non-concur. The Law Library already assists the clerk with treasurer's duties, such as reviewing checks and managing the annual attorney registration. Neither the Trustees nor the Director believe that it would be appropriate for the Director to be a signatory—either as a co-signor or single signatory—on checks. The checks and balances currently in place, which assist the treasurer in carrying out her duties, go through a three-step review: the assistant librarian draws up the check, the director reviews the check with the supporting documentation; the checks and supporting documentation are reviewed and initialed by a Judge (one of the Trustees), and finally, the clerk of the district court signs the checks, usually in the presence of the entire Board of Trustees.*

*Additional management comments received March 25, 2019. The Law Library has agreed that the Director will perform a monthly review/reconciliation of the checking and investment accounts and payables and receivables on a random pull basis as an additional level of defense against the potential of fraud, waste or abuse.*

### **Audit Comments**

When referring to the *clerk of the district court*, we believe K.S.A. 20-3127 refers to a position, not an entire office. The clerk can delegate certain *treasurer* duties and responsibilities to others; however, subsection (d) specifically states the librarian "shall assist in the performance of the clerk's duties as treasurer thereof". The statute is direct regarding whom can assist the Treasurer. Further, subsection (c) notes the clerk "shall be liable on an official bond for any failure." The principal/insured identified on a Public Official Bond is the Treasurer, by name.

More importantly, notwithstanding either interpretation of the statute, the present environment lacks accountability and an appropriate segregation of duties, which potentially increases the risk of fraud, waste or abuse. Internal control issues of concern are:

- Treasurer responsibilities are not defined and authorities have not been formally delegated to specific individuals,
- Authority to be users of financial accounts rests solely with individuals in the clerk's office.

Recommendation 6.2 does not state nor does it envision the Law Library Director becoming an additional signatory or co-signatory on checks written on behalf of the Law Library. Recommendations 6.1 & 6.2 address a weakness in the design and operation of key internal controls related to Treasurer's operations.

### **Discussion**

Three District Court Clerk staff have been designated on the bank signature card of the Law Library's checking account giving them the authority to sign Law Library checks and essentially be users of the account. State statute specifically defines the District Court Clerk to be "the treasurer of the library"<sup>8</sup>. Further, K.S.A 20-3127(d) states the Librarian "shall assist in the performance of the clerk's duties as treasurer thereof". The statute is explicit and does not recognize anyone, other than the Librarian, to assist the Treasurer in performing treasurer duties. Consequently, we believe the designations just described do not conform to the state statute.

The audit also notes concerns with the informality surrounding the financial side of business operations. Consider the following:

- The Law Library processes hundreds of thousands of dollars of financial transactions annually.
- The Law Library has a small number of staff.
- The Law Library uses software not intended for business use and processes most financial transactions manually.
- The Law Library does not perform typical balancing and reconciliation procedures needed to ensure financial integrity. For example, when the audit was initiated, the bank account was not being reconciled on a monthly basis. Because of this audit, a process was put in place to perform monthly bank account reconciliations.
- Financial duties and responsibilities are not formally delegated or defined; and, not documented in the form of a policy or procedure.
- The Law Library Director and the Treasurer have not established formal agreements regarding "who does what".

The informal alignment of duties and responsibilities between the Clerk's Office (when performing as Treasurer) and the Law Library combined with the Library's systems and processes used to achieve financial outcomes has created a business environment susceptible to fraud, waste or abuse.

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<sup>8</sup> K.S.A. 20-3127(c)

We believe the Treasurer should formally designate the Law Library Director to assist in performing treasurer duties. Also, the Treasurer and the Director should agree to and identify specific financial duties and responsibilities performed by both. For example, the monthly bank reconciliation should be performed by the individual who does not maintain the checking account. Responsibilities performed by both should be documented in the form of written policies and procedures. Accomplishing these suggestions would strengthen the internal controls within the business environment and provide a level of needed oversight and accountability to lessen the risk of fraud, waste or abuse.

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## **7. Computer Equipment**

The Law Library does not maintain computer equipment inventory records. The lack of computer equipment inventory information prevents management from:

- Tracking and monitoring equipment items – assuring asset accountability and
- Effectively managing computer equipment using life cycle asset management principles.

The Law Library can request the Justice Information Management System (JIMS) provide additional support to include providing computer equipment inventory records and life cycle maintenance guidance.

### **Recommendation**

We recommend the Trustees:

- 7.1 Recognize, as a best practice, County Financial Policy 160.3: Accounting Principles for Capital Assets, paragraph 2, which addresses the recording and inventorying of assets.

We recommend the Director:

- 7.2 Request JIMS provide assistance in managing Law Library computer equipment assets. JIM's assistance would include but not be limited to:
- Providing equipment inventory records needed to monitor and inventory computer equipment
  - Managing computer equipment from a life cycle management perspective
- 7.3 Perform periodic physical inventory of computer equipment.

### **Management Comments**

*Recommendations 7.1, 7.2 & 7.3, We concur with the recommendations and suggest the Law Library already keeps a basic inventory of computers and it contains a recommended replacement schedule. Because of a projected shortfall in revenue in 2015, replacements were deferred for approximately 18 months. JIMS is assisting--and has assisted in the past--the library with the inventory of computers. However, the library's basic inventory did not follow Auditor's recommendation. Going forward we will continue to work with JIMS following those policies (noted) in 7.1 as we develop the new inventory procedure.*

### **Discussion**

Computer equipment plays a vital role in today's business environment. Appropriately managing the *life cycle* of computer equipment assures efficient use of resources and in the case of the Law Library, assures equipment is available to meet the needs of its customers and stakeholders, now and in the future.

JIMS provides IT support to the Law Library. The most current JIMS computer equipment inventory list identified seven computers and was incomplete. The audit reviewed a computer

equipment list provided by the Director as of December 2017. It lacked one computer and specific equipment attributes such as serial numbers and accurate model numbers. As a result, neither list could be used to perform a physical inventory.

The audit performed a physical inventory of all computer equipment, located within the Library, and identified 13 computers, 8 of which, are available for public use.<sup>9</sup>

County Financial Policy 160.3, paragraph 2 requires:

The separate agencies, departments, and offices shall maintain recorded and physical inventory of assets in its possession which have a cost of \$1,000 to \$10,000. Assets with a value of less than \$1,000 should be inventoried as needed for the prudent care of County funds and property.

Recommend the Trustees adopt 160.3, paragraph 2, as a best practice, for the recording and inventorying of Law Library computer equipment.

Industry experts note failure to take a holistic view of personal computer (PC) life cycle services can lead to inefficiencies, duplication, omissions and, ultimately, unnecessary cost — essentially raising total cost of ownership. PC life cycle services refer to all the processes, tasks and people required to keep PCs functional and maintain user productivity during the lifetime of PC hardware and software. The life cycle services start just before the PC acquisition phase and continue through disposal and transition to a replacement. These services can be supplied in-house or by a third party, such as JIMS. Recommend the Law Library obtain life cycle services from JIMS to ensure maximum return on their IT investment.

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<sup>9</sup> These results represent computer equipment on the floor on or about September 24, 2018 and are not an indication that all computers purchased are accounted for.

## **8. Appointing the Law Librarian**

K.S.A 20-3127(d) states the Board of County Commissioners (BOCC) is “authorized to appoint, by and with the advice and consent of the Board of Trustees of the law library,” a “librarian who shall act as custodian of the law library”. The audit was unable to determine why the current or previous Law Library Director had not been appointed by the BOCC. A process should be developed for future Director appointments to ensure compliance with state statute.

### **Recommendation**

We recommend the Trustees:

- 8.1 Develop and adopt a policy/procedure which requires future appointments of the Law Library Director be coordinated with and appointed by the BOCC.

### **Management Comments**

*Recommendation 8.1, The Law Library agrees and will develop a procedure to address this aspect of the statute.*

### **Discussion**

The BOCC is authorized by statute<sup>10</sup> to appoint, with the advice and consent of the Trustees, a librarian who acts as the custodian of the Law Library. In the Law Library’s case, the librarian is the Director. The Law Library’s current and previous director were not appointed by the BOCC and the audit was unable to determine the reason why. It was determined not to retroactively appoint the current director; rather, action should be initiated to address future appointments. The audit recommends designing a process to address future appointments.

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<sup>10</sup> K.S.A. 20-3127(d)

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## **9. Director's Leave Approval Process**

The Director's leave, vacation and sick leave for example, is self-reported and not approved by an individual who has knowledge of the actual hours worked and leave taken. Law Library employees are County employees; however, current County payroll procedures have not been extended to all Law Library personnel. Extending the County's most current leave request/approval process to the Director will produce efficiencies and strengthen internal controls, as "leave approval" is a standard control activity for a payroll function.

### **Recommendation**

We recommend the Director:

- 9.1 Use Oracle's *Absence Request* form to request/report absences from work and have absences approved by a County official.

### **Management Comments**

*Recommendation 10.1, non-concur. The Trustees and the Director recognize that, as the Auditor surmises in the Discussion, the "organizational uniqueness of the Law Library may make the recommendation impractical to implement". We believe the most efficient method would resemble implementing a procedure in which the Director meets periodically with the Trustees, to review his accrued PTO balances. We foresee continuing the current process of the Director submitting an Excel spreadsheet as documentation of his vacation and sick time. The addition of the Trustees oversight and review of the Director's PTO, when adopted, would be included in our policy manual.*

### **Audit Services Response**

Concur with the compensating control developed by management and the Board of Trustees.

### **Discussion**

The Law Library Director is a FLSA exempt employee. As an exempt employee, the Director self-reports time other than work, vacation and sick for example, directly to Treasury and Financial Management (TFM) using a Leave Record form. TFM personnel manually update the Director's time and attendance record to reflect leave taken. This is not the most current reporting method for exempt employees. Today, exempt County employees request leave using Oracle's *Absence Request* reporting tool. The *Absence Request* method is an automated workflow tool that routes the leave request to the employee's supervisor, electronically, for approval. Using the *Absence Request* method is a more efficient process than that currently being used by the Director.

K.S.A. 20-3127(d) states the librarian and any assistants shall be employees of the county and shall be subject to the personnel policies and procedures established by the BOCC. Johnson County's Human Resource Procedure 509-1 B requires employees to request vacation usage in accordance with department/agency leave request procedures. Implicit within the requirement for employees

to request vacation is the employees' request is either approved or not approved. Given the organizational uniqueness of the Law Library, these procedures have not been extended to the Director.

The recommendation suggesting the Director use Oracle's *Absence Request* will automate a manual process and generate efficiencies. A County official who has knowledge of the Director's actual hours worked and leave taken and approving the Director's *Absence Request* would be ideal. However, the organizational uniqueness of the Law Library may make the recommendation impractical to implement.

## **NOTABLE COMMENT & AUDIT OBSERVATIONS**

### **NOTABLE COMMENT – CATALOG INVENTORY**

There are at least 7,131 books, periodicals and other forms of publications maintained in the Johnson County Law Library. The audit randomly selected 30 books/publications as our audit sample to perform a physical inventory. All books/publications within our sample were found on the shelf and accounted for. The Law Library’s Information Specialist assisted in conducting the physical inventory. In conducting the physical inventory, the auditor called out the Acquisition ID number and the name of the book or periodical and the Information Specialist guided the auditor to the section and shelf where the item was kept. She is extremely knowledgeable of the various types of books & periodicals kept in the Law Library and their whereabouts.

### **AUDIT OBSERVATIONS**

The following audit observations address issues identified during the audit. Audit Observations provide an opportunity for the Law Library to improve business practices and/or strengthen controls.

#### **1. Organizational Identity**

While K.S.A 20-3126 refers to the Law Library in several areas as a “county law library” that should not be interpreted to mean the Law Library is a Johnson County government activity or department. Johnson County’s Chief Counsel opined that the state legislature “intended that the law library be operated separate and independent from the County government, under the direction of a board of trustees” and concluded the law library is not an activity or entity of County Government.

Law Library employees are Johnson County government employees. Per K.S.A 20-3127(d), the salaries of Law Library employees shall be “payable from the general fund of the county, through the county payroll process.” Reporting the salaries/benefits paid to Law Library employees using the County’s FEIN for tax reporting purposes is appropriate. However, using the County’s FEIN to report interest earned by the Law Library on investments may not be.

The organizational identity of the Law Library has been a conundrum from the onset of the audit. We could not find sufficient and appropriate evidence to make a determination or offer an opinion regarding its organizational identity. We suggest the Law Library Director, with advice and consent of the Trustees, coordinate with Johnson County’s Treasury & Financial Management and Legal Department how best to proceed financial reporting for non-salary expenses, which satisfies GASB, and tax reporting requirements, in a complete Oracle environment.

## **2. County Public Law Library Standards**

The American Association of Law Libraries (AALL) is an excellent resource for guidelines applicable to county law libraries. The AALL's County Public Law Library Standards consist of the following seven major topical areas:

- Governance and administration
- Budget
- Personnel
- Physical Plant and Facilities
- Access and Information Services
- Technical Services
- Library Collection

Each topical area has numerous supporting standards/recommended practices. The audit compared the Law Library's current practices with those identified in the AALL standards and discovered the Law Library follows some of the AALL's standards. For example, the AALL suggests, "Library policies approved by the governing entity (such as those addressing reference assistance and access procedures) should be conspicuously available to advise users."<sup>11</sup> The Law Library has a link to that information on their website in a clearly notable location.

In the spirit of continuous process improvement, we suggest the Law Library review AALL's County Public Law Library Standards and formally adopt those standards that align with the Law Library's business model.

## **3. Document Retention**

The Kansas Historical Society website contains Retention Schedules from the Kansas State Records Board. The approved retention schedules establish the retention and disposition requirements for records generated by Kansas state and local government. Compliance with these retention schedules is mandatory for state agencies and county governments, although not for other local government such as cities or townships. The General Schedule includes records common to all agencies, while the agency-specific schedule is a customized schedule addressing a single agency's or office's records.<sup>12</sup>

We noted files being stored in file cabinets in the Law Library dating back to the 1970's. Kansas Historical Society Guidelines for document retention can help alleviate any concern about what files to keep and for how long. We suggest the Law Library incorporate these guidelines, as a best practice, into a document retention policy.

## **4. Overdue Book Billing Process**

Law Library's overdue book billing process is a lengthy, manual process and can be simplified. The existing process requires:

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<sup>11</sup> County Public Law Library Standards, Section V, Access and Information Services, paragraph C

<sup>12</sup> [www.kshs.org/retentionschedules](http://www.kshs.org/retentionschedules)

- Two separate reminder notices sent to the patron – the first notice on day 1 and a second notice on day 15 (from the day the book becomes overdue).
- A billing notice sent to the patron on day 29
- An Email sent to the patron on day 36
- A suspension notice sent to the patron on day 43
- An invoice sent to the patron on day 57
- A phone call to the patron on day 87

Many of the steps identified above are repetitive in nature and some of the steps can be eliminated. Although most overdue items are returned on or before the billing notice being sent to the patron, there are instances of checked out items following the billing process beyond the billing notice. We suggest the Law Library re-engineer its overdue book billing process.

## **5. Insurance Coverage**

The County provides general liability and property insurance coverage for the Law Library. The Law Library independently purchased a Business Owners Package policy from Hartford, which insures some property and premises liability. The Hartford policy has been in effect for years. The County's Risk Manager notes the Law Library's Hartford insurance policy "could technically have duplication." He further noted if duplication existed, it would not be of a material nature. We suggest the Law Library Director coordinate with the County's Risk Manager and conduct a joint review of the Law Library's Hartford policy exposures and coverages.

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## OBJECTIVES, SCOPE AND METHODOLOGY

### Objectives

To determine if the Law Library has an adequate system of internal control in operational and financial activities. Specific review areas to make this determination included:

- Payroll and Timekeeping
- Revenue
  - Updated list of attorneys who reside or practice in Johnson County
  - Policy of delinquent accounts or no payment
- Expenses, Purchasing and Contract Management
- Inventory
- Cash/Cash Handling/CDs
  - Deposit Procedures
  - Segregation of Duties
- Compliance with State, County Personnel Policy & Procedures, and Internal Policies and Procedures
  - State Statutes – Clerk of the District Court
  - Organizational and Reporting Structure
  - County HR Policy
  - Circulation Policy
  - Guidelines Issued by the American Association of Law Libraries
  - Document Retention
- Management/financial reports provided to the Trustees
  - Bank Statements, to include Cash and CDs
  - Quicken Income/Expense Statement

### Background

The mission of the Johnson County Law Library is to make available to judges, attorneys, County officials, and all the citizens of the County, outstanding legal resources and services that will enable users to perform at the highest level of research and practice.<sup>13</sup>

Four Johnson County government employees are assigned to the Law Library – a Director, a Library Information Specialist, an Administrative Assistant and a part time Library Page. A Board of Trustees consisting of two judges of the district court and three members of the Johnson County Bar Association governs the Law Library<sup>14</sup>. The Board of Trustees meet monthly.

The Law Library is open to the public from 8:00 a.m. to 5:00 p.m., Monday through Friday, except for county holidays. It is open 24x7 to attorneys who have paid their annual registration fee. State

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<sup>13</sup> 2018 Proposed Capital and Operating Budgets, Summary

<sup>14</sup> K.S.A. 20-3127(b)

Statutes 20-3126 through 20-3132 under Article 31 – Clerk of District Court apply to its operations.

The library contains most resources needed for researching the law of the United States, state of Kansas or other states. You can search for materials in the catalog or review its most recent acquisitions.<sup>15</sup> Resources include:

- Kansas statutes and case law
- Federal statutes and case law
- Case law of all other states
- Missouri statutes and case law
- Practice handbooks covering Kansas and Missouri law in many areas
- Legal encyclopedias, treatises and other materials
- Recent legal periodicals

The Law Library had a financial audit performed for the years ended December 31, 1997 and 1996. The external auditor opined the financial statements “present fairly, in all material aspects, the assets and liabilities arising from cash transactions”.

Audit fieldwork was completed on October 31, 2018.

## Scope

The audit scope included an assessment of the Law Library’s internal controls to determine if they were adequate to achieve mission objectives. Tests of financial transactions used during this audit were initially focused on data between January 1, 2017 and May 31, 2018, unless noted otherwise.

## Methodology

In order to accomplish all the objectives we reviewed:

- Kansas Statutes related to Clerk of the District Court and Law Libraries
- BOCC Resolutions
- Standard Operating Procedures (SOP), if available
- American Association of Law Libraries County Standards
- 12/31/17 and 5/31/18 Financial Reports
  - JIMS employees related to the Attorney Registration System
- Previous Audit Reports
- Johnson County Human Resource:
  - Policies and Procedures and Guidelines
- Contract Agreements between the Law Library and Third Parties
- Accounting Records Related to Travel
- Supporting Documentation (when available)

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<sup>15</sup> Johnson County Law Library Webpage at [www.jocogov.org/dept/law-library](http://www.jocogov.org/dept/law-library)

- Invoices, deposits slips, bank statements and internal spreadsheets
- Computer equipment listings from JIMS and the Law Library
- Law Library Meeting Minutes.

Conducted interviews with:

- Law Library Director and Law Library staff
- Clerk of the District Court – Treasurer of the Law Library
- Oracle Accounts Receivable Manager
- Oracle Information Technology employees
- Treasury and Finance Director, Deputy Director and Assistant Director
- Legal Department employees

Consulted other Law Libraries in Kansas via email or by phone:

- Sedgwick County Law Library
- Douglas County Law Library
- Wyandotte County Law Library
- Lyons County Law Library
- Kansas State Supreme Court Law Library

#### Limitations to audit work performed

We found a general lack of written policies and procedures affecting the following audit objectives:

- Financial Statement Processing
- Billing for Attorney Registration
- Purchasing and Contract Management Procedures and Practices
- Cash Receipts and Deposits

#### Computer Data

Data from the following computer systems was used in performing this audit:

- The County's Oracle financial and human resources system
- Law Library's Quicken Deluxe software
- EOS Library Software
- JIMS

#### Judgmental Sampling

We used judgmental sampling to select items for review. This type of sampling was primarily used for attribute testing – procedural compliance for the following areas:

- Income and Expense Testing
- Cash Deposit Testing
- Timesheet/Payroll Testing

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**THOMAS J. MARSH, LIBRARY  
DIRECTOR**  
100 North Kansas Ave. Room 101  
Olathe, Kansas 66061



January 18, 2019

VIA EMAIL

Mr. Ken Kleffner, County Auditor  
111S. Cherry  
St. Suite 1050  
Olathe, KS 66061

Dear Ken:

Please find the Johnson County Law Library's responses to the Performance Audit conducted by your office, Johnson County Audit Services.

Speaking on behalf of the Board of Trustees and the staff of the Law Library, we thank you for the excellent work you and your staff provided. The Audit Recommendations are invaluable to our organization and will guide us as we move forward in implementing changes to the Law Library's operations and procedures.

If you have any questions or concerns, please contact me at your convenience.

Best regards,

A handwritten signature in black ink, appearing to read "Tom", written over a horizontal line.

Thomas J. Marsh  
Law Library Director

cc: Law Library Board of Trustees  
Kristin Roth, Assistant Librarian



## 1. Attorney Registration Process

### Management Comments

After research and discussions with the clerk of the district court, the Law Library will no longer oversee the annual attorney registration process; this change was formally approved by the Board of Trustees on January 16, 2019. Beginning with 2020 registration, the clerk of the district court will oversee the process. The Law Library will assist the clerk in whatever way possible with the transition. The explanation for this change follows in the relevant sections of management comments. Please note, that unless noted otherwise, all emphasis below has been added.

**1.1** K.S.A. 20-3126 does not give the Law Library the authority to develop the recommended “Debt Collection policy” to recoup unpaid registration fees. Kansas law, dating back to 1919, clearly states that the “clerk of the district court”, not the “law library”, “trustees” or “law librarian”, is the office charged to collect the fees from the annual attorney registration<sup>16</sup>:

*(c) All attorneys required to register in such county shall register annually with the clerk of the district court in a register kept for that purpose. The clerk shall enter the name, place of residence, employment, location of office and firm connection, if any, of each such attorney. All attorneys required to register, except those employed solely as public defenders by the state board of indigents' defense services, shall pay to the clerk at the time of registering an annual registration fee of not less than \$10 nor more than \$75, as determined by the trustees of the law library, except that in Sedgwick and Johnson counties, each attorney shall pay to such clerk at the time of registering an annual registration fee of not less than \$25 nor more than \$125, as determined by the trustees of the law library. Public defenders are exempt from the registration fee during their employment with the state board of indigents' defense services. ... A schedule of current registration fees shall be filed with the clerk of the district court.*

Kan. Stat. Ann. § 20-3126 (West) current as of January 2019

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<sup>16</sup> The statutory language has been remarkably consistent for over 100 years. In 1919, the *Laws of Kansas*, codified in 1923 at KRS, §19-1308, stated: “all attorneys at law shall register annually with the clerk of the district court in a register which said clerk shall keep for that purpose....All attorneys living within such county and who appear in any court of said county, and all who maintain offices or work for, or are connected with firms or individuals maintaining offices in such county, shall be obliged to so register on or before January 15<sup>th</sup> of each year.” Section 2: “Said fees shall be used, under the direction of the judges of the district court of said county, in maintaining a law library in the county court house or other suitable place to be provided and maintained by the board of county commissioners of such county, of which library the judges of the district court shall act as trustees.” In 1927, the law [KRS §19-1309] was amended: “The clerk of the district court of said county shall be *ex officio* treasurer of said library and safely keep the funds of said library and disburse them as the trustees, or a majority thereof, shall direct... The clerk of the district court in all counties where a law library is now of hereafter may be established shall tax in all cases, civil and criminal, including appeals from the city, justice of the peace and the police courts, a library fee of one dollar. Said fee shall be taxed and collected as other costs in the case....In criminal cases where the case is dismissed by the state, the county shall be liable for said library fee and where appeals from conviction in the city, justice or police courts are dismissed for want of prosecution, or by the defendant, the state or city shall collect said library fee, or upon failure to do so within ninety days after said dismissal, the county in which the library is located or the city in which the police court is located from which said appeal is taken, as the case may be, shall be liable therefor.”

The language in the statute today is identical in meaning, if not word, to that in 1919:

1919: “All attorneys at law shall *register annually with the clerk of the district court* in a register which said clerk shall keep for that purpose”

2019: “All attorneys required to register in such county shall *register annually with the clerk of the district court* in a register kept for that purpose.”

The original law charging the clerk of the district court pre-dates Johnson County Law Library’s first librarian by over 50 years<sup>17</sup>. The statute is clear and unambiguous. There is no mention in the laws that authorize the Law Library, or the Trustees, to collect registration fees; and just as importantly, collect docket fees or engage in debt collection<sup>18</sup>. Our assumption is that the law library has managed attorney registration for the past 50 years in order to “...assist in the performance of the clerk’s duties as treasurer...”<sup>19</sup>

**1.2** This recommendation is moot as the Law Library will work with the clerk of the district court to transition the 2020 annual registration to the clerk’s office. The library will move forward with transferring all of its financial activities to the Oracle system.

## **2. Accounts Payable (A/P) Process**

### **Management Comments**

**2.1** We concur. Thomson Reuters stated in an email (11/9/18) that our account would be credited the overpayment of \$3,638; this amount was credited to our account in December 2018.

**2.2** We concur. This will be incorporated into the policy.

**2.3** We concur. We are early in the process and will continue into 2019.

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<sup>17</sup> Johnson County Law Library’s first librarian was appointed in 1973. In March of that year, K.S.A. 19-309 was amended to read, in part: “The clerk of the district court...is hereby authorized to appoint, by and with the advise (*sic*) and consent of the board of trustees of the law library...a deputy who shall act as custodian and librarian of the law library...and shall assist the clerk in the performance of [their] duties as treasurer thereof. Said deputy [librarian] also shall perform services with respect to legal aid referral assistance program in such county and such other duties as may be assigned by the clerk of the district court...”

<sup>18</sup> I reviewed Kansas Laws from 1919 going forward. In addition, through a phone call and email with the law librarian at the Kansas Supreme Court (January 4, 2019), no law prior to 1919 was found.

<sup>19</sup> The Johnson County Law Library, to my knowledge, is the only county law library in the state that collects the attorney registration fees and maintains the register of attorneys. No doubt the law library performed this under K. S. A. 20-3127(d): “... [the clerk of the district court] *under the provisions of this act is hereby authorized to appoint, by and with the advice and consent of the board of trustees of the law library of such county a librarian, who shall act as custodian of the law library of such county and shall assist in the performance of the clerk’s duties as treasurer thereof...*”

### **3. Financial Reporting to the Board of Trustees**

#### **Management Comments**

The Law Library financial reports to the Trustees are not limited to an *Income-Expense* statement and a *Financial Position* statement, as stated above. A monthly *Budget* statement is also provided to the Trustees.

**3.1** We concur.

**3.2** We concur and will adopt an accounting policy as part of a policy manual.

**3.3** We concur.

**3.4** We concur.

### **4. Cash Register Activity**

#### **Management Comments**

**4.1** We concur. The Trustees recommend library staff take advantage of cash handling training if provided by Treasury and Financial Management.

### **5. Law Library Investments**

#### **Management Comments**

**5.1** We concur with the recommendation and a formal investment policy will be developed and implemented.

**5.2** We concur.

### **6. Treasurer Duties and Responsibilities**

#### **Management Comments**

**6.1** The Trustees and the Director would like to clarify that they interpret “clerk of the district court” in K.S.A. 20-3127 to be the *office* of the clerk, not a singular person, and operate accordingly.

**6.2** The Law Library already assists the clerk with treasurer’s duties, such as reviewing checks and managing the annual attorney registration. Neither the Trustees nor the Director believe that it would be appropriate for the Director to be a signatory—either as a co-signor or single signatory—on checks. The checks and balances currently in place, which assist the treasurer in carrying out her duties, go through a three-step review: the assistant librarian draws up the check,

the director reviews the check with the supporting documentation; the checks and supporting documentation are reviewed and initialed by a Judge (one of the Trustees), and finally, the clerk of the district court signs the checks, usually in the presence of the entire Board of Trustees.

## **7. Computer Equipment**

### **Management Comments**

**7.1** We concur with the recommendations and suggest the Law Library already keeps a basic inventory of computers and it contains a recommended replacement schedule. Because of a projected shortfall in revenue in 2015, replacements were deferred for approximately 18 months. JIMS is assisting--and has assisted in the past--the library with the inventory of computers (**7.2**). However, the library's basic inventory did not follow Auditor's recommendation 7.1. Going forward we will continue to work with JIMS following those policies in **7.1** and **7.3** as we develop the new inventory procedure.

## **8. Appointing the Law Librarian**

### **Management Comments**

**8.1** The Law Library agrees and will develop a procedure to address this aspect of the statute.

## **9. Director's Leave Approval Process**

### **Management Comments**

**9.1** The Trustees and the Director recognize that, as the Auditor surmises in the Discussion, the "organizational uniqueness of the Law Library may make the recommendation impractical to implement". We believe the most efficient method would resemble implementing a procedure in which the Director meets periodically with the Trustees, to review his accrued PTO balances. We foresee continuing the current process of the Director submitting an Excel spreadsheet as documentation of his vacation and sick time. The addition of the Trustees oversight and review of the Director's PTO, when adopted, would be included in our policy manual.