



May 3, 2017

To: The Johnson County Board of County Commissioners
County Manager

The attached report contains the results of our audit of payment processing at the Mental Health Center (MHC). The objective of the audit was to determine if remittance processing is well defined, with sound controls in place, and effectively managed to ensure all payments are safeguarded and recorded when appropriate.

The audit found the MHC's remittance processing activities contain controls for the proper recording and safeguarding of payments, however, they are largely undocumented and not well defined.

We recommended MHC leadership develop and implement written procedures for accepting, posting, reconciling and safeguarding client payments. The MHC concurred with the audit results and recommendation. Their response is included in the attached report.

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

Ken Kleffner, CIA
County Auditor



Date: April 21, 2017
To: Tim DeWeese, Director Mental Health Center
From: County Auditor
Subject: Mental Health Center Remittance Processing Audit
Report No. 2017-02

At your request, we performed an audit of payment processing at the Mental Health Center (MHC). The objective of the audit was to determine if remittance processing is well defined, with sound controls in place, and is effectively managed to ensure all payments are safeguarded and recorded when appropriate.

Currently, remittance processing activities contain controls for the proper recording and safeguarding of the payments. However, they are largely undocumented and not well defined. Lack of detailed written procedures weakens the internal control structure and can lead to inconsistency in operations and business discontinuity.

Detailed written policies and procedures describing the functions in support of accepting, posting, reconciling and safeguarding client payments is a key control activity in the overall system of internal control. They maintain a level of quality for the remittance process as well as unlock opportunities to improve business performance. Other benefits of having written procedures include:

- Reduced learning curve/training time for new employees,
- Incorporation of worker experience, and
- Foundation for process improvement.

We recommend the Mental Health Center develop and implement written procedures for accepting, posting, reconciling and safeguarding client payments ensuring the following are defined:

- Who is responsible for action,
- When processes are to be performed,
- What detailed steps are taken to complete the process and,
- What documentation is required to be reviewed and maintained.

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 cooperation received from leadership and staff within the Mental Health Center. I want to recognize John Halliday, Senior Auditor, who performed this review and was the primary contributor to this report.

I would appreciate your response to the audit recommendation by Friday, April 28, 2017. Please do not hesitate to contact John Halliday or me if you have any questions. Thank you.

K. L. Kleffner, CIA
County Auditor

Management's Response dated April 26, 2017:

Management agrees with the findings and the recommendation prepared by the County Auditor regarding written procedures for remittance processing. The Operations Division staff have already started the process of updating the protocols and procedures mentioned in the audit report with a focus on clarity and detail. Staff will provide the revised documents to the County Auditor for final review prior to implementation; we expect these revisions to be completed within the next 4-6 weeks.

Report No. 2017-02

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Scope and Methodology

Scope

The scope of the audit included an assessment of the following Mental Health offices that accept cash, check or credit card payments via walk-in, mail or by phone:

- Mission Office
- Olathe Office
- Shawnee Office
- Adolescent Center for Treatment (ACT)

These four locations represent all MHC offices where a payment can be made in person or by mail. We met with supervisors or coordinators at each office listed above to discuss and observe procedures for accepting, recording, reconciling and posting payments to Oracle.

The audit scope included reviewing procedures regarding the acceptance and safeguarding of payments and the daily reconciliation of payments received over the counter or through the mail. The audit scope did not include a review of posting payments to patient accounts maintained in Avatar or reconciliation with Oracle deposit data.

Table 1.1 below represents the client payment structure for all the payments received over the counter or the mail for 2016:

Table 1.1 – 2016 Payments by Office

Payment Type	Total Transactions	Total Dollars	Transaction %	Dollar %
Mission Office	784	\$35,962	16%	12%
Mission Mail	1,929	\$130,923	39%	42%
Olathe Office	988	\$44,713	20%	14%
Shawnee Office	1,147	\$56,629	24%	18%
Adolescent Center for Treatment	58	\$43,954	1%	14%
Total Payments	4,906	\$312,182	100%	100%

Source: Audit Services Analysis of 2016 Avatar payment detail

Methodology

In order to accomplish all our objectives we:

- Reviewed Johnson County Financial, Administrative and Human Resource:
 - Policies and procedures and Guidelines



- Reviewed Johnson County Mental Health policies and procedures for all of the offices reviewed
- Interviewed key leadership and staff of Johnson County Mental Health
- Observed the following procedures and compared the observation to written procedures for each Mental Health office (Mission, Olathe, Shawnee):
 - Opening procedures
 - Closing procedures
 - Reconciliation procedures
- Observed the discharge procedures for the ACT and compared to written procedures for the ACT office
- Analyzed remittance payment data from Avatar, the client electronic medical records (EMR) system