



**Performance Audit**  
Johnson County Audit Services  
Johnson County, Kansas

**Leadership Business Expense  
Authorization**

May 31, 2018

Report No. 2018 - 02





Johnson County Auditor  
Johnson County, Kansas  
**PERFORMANCE AUDIT**

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May 31, 2018

To: The Johnson County Board of County Commissioners,  
Interim County Manager,  
Director of Treasury and Financial Management

We performed a limited scope audit of County leaderships' P-Card and business expense reimbursements to determine if they were reviewed and authorized by the appropriate individual as defined in County guidance. We found most of the department and agency directors, elected and appointed officials and other County officials were compliant with County guidelines. However, not all were in compliance with County guidelines, increasing the county's compliance and reputational risks. We have coordinated with appropriate leaders and TFM officials to improve compliance.

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 County leadership and Treasury and Financial Management staff. I would like to acknowledge Michelle Cleveland, CFE, who performed this review.

Please don't hesitate to contact me if you have any questions. Thank you.

K. L. Kleffner, CIA  
County Auditor

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# Leadership Business Expense Authorization

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## **RESULTS**

### **1. Business Expenses For Most Leaders Were Approved By Correct Authorized Individual**

We reviewed expense reports for 43 County leaders and found 34 leaders had their business expenses approved by the correct authorized individual as defined in the County's administrative procedures and guidance. The remaining nine leaders had one or more business expense reports which were not authorized in accordance with County guidance. This can be attributed to a general unawareness of County guidance which designates specific authorized approvers for certain leadership positions' expenses. Those leaders whose expenses were not reviewed and authorized by the correct authorized individual were contacted during the course of our review and remedial action was taken. Had this issue not been addressed, the County's compliance and reputational risk would have been greater.

#### **Recommendation**

We recommend the Director of Treasury and Financial Management:

- 1.1 Update County expense and P-Card procedural guidance to provide instruction to agency directors and court officials who require approval of expenses from an authorized individual outside the normal Oracle processing business model.

#### **Management Comments**

*I concur with your finding and plan to provide written guidance from my office to those departments impacted by your finding. We will also update our procedure documentation to include the clarifications.*

## **Discussion**

#### **Review Results**

We found the majority of Department directors, appointed, elected and other County officials had their business expenses reviewed and approved by the appropriate authorized individual as defined in County policy and procedures. However, there were nine County leaders whose P-Card and/or travel reimbursement expenses were approved by a subordinate or a peer. The specific issues found are:

- Two department directors had travel expense reimbursements approved by a subordinate on one or more occasion. All P-Card expenses were approved by the appropriate authorized approver.
- One deputy director's P-Card expenses were approved by a subordinate on more than one occasion. All expense reimbursements were approved by the appropriate authorized approver.

- One elected official's expense reimbursements were approved by a subordinate on two occasions. This elected official does not have a P-Card.
- One leader who is second-in-command to an elected official had all expense reimbursements and P-Card expenditures approved by a subordinate.
- Two court officials had expense reimbursements approved by a peer (each other). One of the officials also had their P-Card expenditures approved by a subordinate.
- Two agency directors did not consistently attach supporting documentation in Oracle indicating their Board Chairs approved their business expenses. One of these Directors did not have a process in place for the Chairman of their governing board to review their expenses.

## **County Procedures and Guidelines**

County Administrative Procedure 120.120 defines the operational guidelines required for the proper authorization of business expenses as follows:

A.1 Chair of the Board: The Chair of the Board of County Commissioners (BOCC) shall be the authorized individual for any County Commissioner and the County Manager.

A.2 Vice-Chair of the Board: The Vice-Chair of the BOCC shall be the authorized individual for the Chair of the Board

A.3 Chairs of Governing Boards: Governing board chairs shall be the authorized individual for their respective governing board members and department directors that report to their board.

A.3.1 Vice-Chair of the Governing Board: The Vice-Chair of the Governing Board shall be the authorized individual for the Chair of the Governing Board.

A.4 County Manager: The County Manager or designee shall be the authorized individual for any department director that is not elected or is an appointed County official and that does not report to a governing board.

A.4.1 Elected officials that serve as department directors do not need County Manager approval and may approve his/her own expenditures.

A.5 Department Director: The department director, elected official, Chief Judge or designee responsible for the budget to which the expense will be charged will be the authorized individual for all other employees and non-employee expenditures.

The County's Government Purchasing Card Administrative Guidelines 110.525 discusses the responsibilities of Approving Officials for the review and approval of County P-Card purchases. Specifically, the guidelines state:

Subordinates and peers of the cardholder are not allowed to approve the electronic workflow

The policy, procedures and guidelines as described above were used as the criteria in our review of both P-Card and business expense reimbursement reports.

The above criteria presents a timing challenge for Agency Directors who must have their Governing Board Chair approve their business expenses. Typically, agency boards meet once a month for their business meetings. Consequently, Board Chairs are usually only available once a month to review their Director's business expenses. We noted in some cases, a Director's subordinate would approve the expense in Oracle, have their Board Chair approve the expenses at a later date and attach documentation in Oracle, as evidence, that a review was performed. This is an acceptable mitigating control that should be incorporated into County guidance.

### **Oversight**

Operational guidelines defining authorized individuals provide an acceptable level of oversight ensuring business expenses are:

- Necessary;
- Appropriate to the occasion;
- Reasonable in amount; and
- Serve a bona fide County purpose<sup>1</sup>.

### **Resolution and Conclusion**

Audit Services and/or TFM officials met with those leaders who were not in full compliance with County guidance. In all cases, leadership agreed to either change their authorized approver in Oracle, ensure the appropriate authorizing approver was the one signing off in Oracle, and/or attach documentation in Oracle indicating their Board Chair approved their expenses. Remedial action taken by leaders ensures compliance with County guidelines and reduces the risks associated with having a subordinate approve expenses.

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<sup>1</sup> Policy 120.120 – Operational Guidelines

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## **OBJECTIVES, SCOPE AND METHODOLOGY**

### **Objectives**

The objective of this audit was to determine if business expenses incurred by County leaders were approved by the appropriate “authorized individual” as defined by County policy and procedures.

### **Background**

In December 2016, Audit Services released its report titled *Countywide Review of Purchase Card Use*. That report focused on the system of internal controls designed for the P-Card program. We found the internal control framework for guiding and controlling program operations was in place and working as intended to ensure P-Card holders comply with the County guidelines. That audit did not review or test to determine if the appropriate authorized individuals, as defined in the County’s expense procedures, were reviewing and approving leadership’s expenses as prescribed. The intended outcome of this audit is to provide assurance that business expenses incurred by County leaders are approved by the appropriate “authorized individual” as defined by County policy and procedures.

### **Scope**

The scope of the audit included a review County leadership expense approvals for expense reimbursements and P-Card charges. County leadership included:

- Department Directors,
- Agency Directors,
- Elected Officials,
- Appointed Officials,
- Court Officials, and
- Some second level leadership.

Initially, we identified 46 leaders to be included in our review. However three did not file expense reimbursements and were not using Oracle. Therefore, they were excluded from our review. We reviewed leaderships’ most recent expense reimbursements and P-Card expense statements filed in 2017 and 2018.

### **Methodology**

We reviewed the approval notes and supporting documentation of at least four of the most recent iExpense and P-Card expenses for each County leader in Oracle (at least two of each type of expense report). The time frame reviewed depended on the number of expense reports the leader submitted, but all expense reports reviewed were submitted within the scope of our review described above.

We interviewed TFM leadership and County leaders who were not in compliance to determine causes of non-compliance and to resolve issues found during the review.

### Limitations to audit work performed

Our review was limited to determining who approved the expense claimed and was that approver the appropriate authorized individual as defined in County guidance. This review did not determine the appropriateness or correctness of expenses being claimed and reimbursed.

### Computer Data

We used data from the County's financial and human resources system (Oracle) to gather information and report on approval results. Oracle is regularly tested for accuracy and reliability by the data owners.

### Statistical Sampling

Sampling was not used in this review.