Performance Auditing at Johnson County Kansas

How Performance Auditing Can Improve Local Government
Agenda

Background

Audit Planning & Selection Techniques
  • Government Auditing Standards (GAS) Requirement
  • International Professional Practices Framework (IPPF) Auditing Standards Requirement

Audit Outcomes
  • Fleet Maintenance
  • Child Care Licensing
  • Sheriff’s Medical Contract
  • Sewer Connection Permit Process
Johnson County Kansas
Demographics

Founded August 25, 1855
• Six years prior to Kansas becoming 34th state

Today
• 20 incorporated cities
• Seven school districts
• 574,272 population (2014)
• Population expected to grow to 1,096,662 by 2064 (+91%) (Wichita State University Estimate)
Johnson County Kansas
Demographics

Accounts for more than half of new businesses and job growth in the KC Metro Statistical Area
  • Economic “engine” for entire State of Kansas

Average home price = $271,572

2014 unemployment rate = 5.4%
  • lower than national and state rates
Johnson County Kansas
Demographics

Poverty in Johnson County

Poverty by Age Group (2013)

- Children (0-17) 6.4%
- Young Adults (18-24) 11.0%
- Working Age (25-64) 5.0%
- Seniors (65+) 5.3%
- County-wide 5.9%

Poverty defined as $19,530 for a family of three (US Census Bureau)
Source: United Community Services of Johnson County
Johnson County Government

Board of County Commissioners
- 6 districts, one at-large (chairman)
- Governing & policy making body

Executive “Branch”
- County Manager

30 + departments and agencies
- Culture and Recreation
- Public Safety
- Health and Human services
- Infrastructure
- Support Services
Johnson County Government

Five “independent” agencies
• Library
• Airport Commission
• Mental Health
• Developmental Supports
• Park and Recreation District

Other elected officials
• District Attorney & Johnson County Sheriff

$928.7M expenditure budget

Employment = 3,841 FTEs
(4th largest employer in Johnson County)
Johnson County Audit Services

Demographics
- 5 Staff Auditors
- Certifications
  - Certified Internal Auditor
  - Certified Public Accountant
  - Certified Fraud Examiner
  - Certified Government Financial Manager
  - Certified in Risk Management Assurance

Office budget = $550K

Organizationally aligned to Board
- Independence
Review of AT&T Telephone and Communication Payments & Services

Purpose
Determine if Johnson County had been assessed unauthorized, or “cramming charges,” on AT&T monthly invoices. In the course of our review, we assessed internal controls involved in the management and payment of services.

Findings
- Evidence of cramming.
- Lack of adequate management oversight:
  - Service plan increased cost not questioned
  - Multiple pricing schedules for same service not questioned
  - Unique services plans not in use
  - Some departments not validating service need
- Procedural guidance outdated.
- Accounts Payable Internal Controls need strengthening.

Results
Johnson County has an opportunity to achieve better value for its telecommunications investment.

Recommendations
- Develop County-wide and department guidelines describing how services are to be obtained, validated, and paid for.
- Incorporate County departments who have a vested interest.

Conducted by Johnson County Audit Services – May 2015
Johnson County Election Office
Transition Audit

Executive Summary

Why We Did This Audit

The Johnson County Board of County Commissioners (BOCC) directed a transition audit be performed to identify operational risks, review management practices and assess the adequacy of internal controls.

What We Found

The Transition Audit found internal control weaknesses in the following areas:
- Payment of business travel expense
- Compliance with P-Card guidelines
- Inventories control records
- Invoicing jurisdictions for special election cost
- Cash collection and deposit activity
- Procurement activity

The Transition Audit found the Election Office’s spending behavior to be inconsistent with the County’s stewardship values. To illustrate, the audit questioned costs incurred for discretionary products and services in the amount of $39,601. The Transition Audit also discovered improper payments were made to, or on behalf of, the previous Election Commissioner in the amount of $5,476. As a result, Johnson County taxpayers did not receive reasonable value for these incurred expenses.

The BOCC lacks assurance the Election Office obtains goods and services “...at the lowest ultimate cost consistent with appropriate standards of quality and continuity of service, while establishing and maintaining a reputation for openness, fairness and integrity.”

These weaknesses may have been avoided had previous Election Office leadership developed and adopted an effective system of internal control which followed County policy and procedures and encompassed County values.

What We Recommended

The Election Commissioner:

- Design and implement an effective system of internal control ensuring proper stewardship of County resources and achievement of program objectives.
- Develop office procedures in support of County’s Policies and Procedures, leveraging each department’s expertise and resources in the following areas:
  - Purchase Card Activity
  - IT Asset Management
  - Billing special election costs
  - Cash handling and deposit activity
  - Grant management
  - Procurement and contract practices
- Re-evaluate the Knight Foundation grant to determine if the project has merit and is worth pursuing.

Assess Election Office’s procurement activity; designate and assign staff financial and contract management responsibilities.

Strengthen physical security measures of the Election Office.

Revitalize business continuity planning efforts.

The County Manager:

- Request reimbursement from the previous Election Commissioner in the amount of $5,476.
- Implement a process to prevent unallowable mileage from being paid or reimbursed.

Modify County Policy and Procedure to:
  - Clarify Kansas City metropolitan area and
  - Designate approving authority for business expenses.
Performance Audits

- Performed in accordance with Government Auditing Standards (Yellow Book)

“This performance audit was conducted in accordance with generally accepted government auditing standards with the exception Peer Review has not been performed......”
Johnson County Audit Services

Strategic Objective

Obtain and pass external Peer Review
Fall 2016
Audit Planning

Now let's try and figure out what the Audit Committee really wants us to do this year...
Audit Planning

ALL RIGHT, CHOOSE YOUR NEXT AUDIT.
Audit Planning

Government Auditing Standards

• Does not contain requirements pertaining to overall audit planning for the organization

IPPF

• Must establish risk based plans to determine priorities of the internal audit activity

• Internal audit activity’s engagements must be based on a documented risk assessment
Audit Planning

Audit Selection Process

Special Request

- Board of County Commissioners
- Executive Leadership

County Auditor initiated (recommended)

- Risk based approach

Risk Assessment
Audit Planning

Risk Assessment

Facilitate Countywide Risk Assessment
  • Year-long effort

Risk assessment initiative identified:
  • County programs & services
  • Program objectives & outcomes
  • Risk to achieving objectives
Audit Outcomes
Audit of Fleet Maintenance

County Auditor initiated

1,043 vehicles - acquisition cost $40M

- Sedans and sport utility vehicles (SUV)
- Police cruisers
- Ambulances
- Passenger and cargo vans & buses
- Hybrid sedans and SUVs
- Every kind of truck you can imagine
Audit of Fleet Maintenance

Condition

Decentralized ownership & maintenance responsibilities

Lacked an enterprise view of fleet maintenance

The County could not determine overall efficiency of operations
Audit of Fleet Maintenance

Condition

Preventive Maintenance Timeliness

% On-Time
% Late
% Early

Dept 1
Dept 2
Dept 3
Dept 4
Dept 5
Summary
Audit of Fleet Maintenance

Condition

Twenty five vehicles (one department) identified as “out of service” located in back lot of facility

- Out of service - average of 17 months
- Fleet Administrator found the process to surplus an out of service vehicle to be a nuisance
  - Reported directly to department head
  - Sold at auction - cost recovery = $110,709 (includes Sheriff vehicles) (results)
Audit of Fleet Maintenance

Recommendation

Develop an enterprise approach to fleet maintenance
Audit of Fleet Maintenance

Results

Facilities Management

Central Fleet Services

Provides County departments and agencies with vehicles and equipment necessary to provide services to their stakeholders in a safe, efficient and reliable manner.

- Management of County Vehicles and Equipment
- Management of Repairs and Fueling of County Vehicles
Audit of Fleet Maintenance

Condition

Different criteria and standards used for

• Performing maintenance

• Replacing vehicles
  ✓ Guidelines in-place but inconsistent

• Managing usage
  ✓ Lacked minimum usage standard

Lacked metrics to evaluate fleet activities

• Limited instances of incurring major repairs - then surplus the vehicle
Audit of Fleet Maintenance

Recommendations

Develop enterprise-wide management strategy and metrics to measure fleet efficiency

Results

Minimum usage standards - 5,000 miles

Replacement guidelines

• Every purchase approved by Fleet Manager

Vehicle Requirement Metrics in place

Include transportation strategy issues - CNG
Audit of Fleet Maintenance

**Condition**

Diverse information systems in use
- Four information systems in use (3 OTS and 1 in-house)
- Manual

Managing and reporting fleet information differently
Audit of Fleet Maintenance

**Recommendations**

Reduce the number of systems in use
- Adopt common set of reporting elements

**Results**

Selected Dossier fleet management system
- Common reporting elements and attributes
Audit of Fleet Maintenance

Condition

Three in-house maintenance activities

- The “Jo” - third party

- Public Works
  - Shop foreman did not “believe” in productivity rates

- Wastewater
  - Shop foreman surveyed dealerships to determine in-house “shop rate”
Audit of Fleet Maintenance

Recommendation

Consolidate the two in-house maintenance activities into one organization

- Management salary and position management structure was different
- Maintenance work performed at each activity was similar
- Eliminate duplicate oversight and supervision
Audit of Fleet Maintenance

Results

Today, both in-house maintenance activities report to Fleet Manager

• Single organizational structure
Audit of Fleet Maintenance

Overall Results

Management embraced audit recommendations

• In some instances, actions exceeded audit expectations
• Implemented major organizational and cultural change

Audit = catalyst for change
Child Care Licensing

County Auditor initiated

Lexie’s Law

• Kansas legislation effective July 2010

• Overhauled law regulating child care facilities
  ✓ 1st change to child care standards in 3 decades
  ✓ Eliminates the category of “registered” day care home
  ✓ Transition registered to licensed day care home
  ✓ Requires KDHE to inspect all child care facilities
    ➢ Performed by JOCO under contract
Child Care Licensing

Department of Health & Environment

• 49% increase in licensed day care homes to be inspected

• Total increase in homes to be inspected = 291
Child Care Licensing

Contract between KDHE and JOCO required (criteria)

- Timeliness standards for conducting surveys and complaint investigations

<table>
<thead>
<tr>
<th>Action</th>
<th>Time to Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Application</td>
<td>30 days</td>
</tr>
<tr>
<td>License Renewal</td>
<td>30 days</td>
</tr>
<tr>
<td>Complaints</td>
<td>60 days</td>
</tr>
</tbody>
</table>

Audit found (condition)

- JOCO management failed to track survey timeliness and depended on KDHE to track performance

Contract requires surveys and investigations to be complete on time 90% of the time.
Child Care Licensing

Audit found (condition)

• Management not collecting or using data to track violations
  ✓ Problematic facilities
  ✓ Repeatable problems

• Surveyor reporting & statistics
  ✓ Different reporting attributes
  ✓ Different reporting mediums leading to errors
Child Care Licensing

Using KDHE records, audit determined survey timeliness to be (condition)

<table>
<thead>
<tr>
<th>Program Year</th>
<th>Percentage Late</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>20</td>
</tr>
<tr>
<td>2011</td>
<td>20</td>
</tr>
<tr>
<td>2012</td>
<td>44</td>
</tr>
</tbody>
</table>

Results (effect)

- Noncompliance
- Program inefficiency & ineffectiveness
- Risk of life, harm or injury
Recommendations

Manage the program!

- Develop procedures for work performed
- Collect program success measurements
  ✓ timeliness and trends
- Establish a management reporting system
- Develop surveyor expectations and goals
Child Care Licensing

Surveyors (investigators) aligned into 2 teams
  • Team 1 - home child care facilities
  • Team 2 - center child care centers

Audit found (condition)
  • Inverse workload requirements/patterns
  • Minimal cross training of teams
    ✓ Created an imbalance in workload
  • Assignments not being rotated among surveyors
    ✓ Lack of objectivity over time

Silo approach
Child Care Licensing

Recommendation

Cross train staff
  • Assign staff based on program need

Implement procedures to rotate surveyors on assignments

Use technology resources more effectively
  • Eliminate dual entry of handwritten documents
Child Care Licensing Program’s Mission (condition)

- Ensure proper training is available to all child care providers
- Surveyors would either conduct the training or contract out
- If contracted out, surveyors would monitor training sessions

Result (effect)

- Surveyors not performing inspections
Child Care Licensing

Recommendations

Determine more efficient and effective ways to coordinate training

Reevaluate using surveyors to monitor sessions - maximize using surveyors to evaluate child care providers
Sheriff’s Office Contract Review

Requested by Johnson County Sheriff
  • Review specific medical services provided to inmate population

Multi-million ($) dollar contract over three years
  • Two additional three year periods possible

Contractor provides health care services IAW
  • AMA, ACA & NCCHC

American Correctional Association / National Commission on Correctional Health Care
Sheriff’s Office Contract Review

Medical contract required

- Perform Intake Medical Screening within 2 hours of placement in facility (criteria)

Audit found

- 110 unexcused late screenings (condition)

$27,500 owed Johnson County (effect)
Sheriff’s Office Contract Review

Medical contract required

• Complete Health Appraisal within 14 days after commitment (criteria)

Audit found

• 1,562 late health appraisals (condition)

$390,500 owed Johnson County (effect)
Medical contract required (criteria)
  • File appropriate claims with insurer if inmate has health insurance
  • Specific staffing levels

Audit found (condition)
  • No evidence of filing claims with health insurance
  • Unreliable reporting mechanism to support staffing levels

Audit recommended (effect)
  • Establish/designate a contract administrator
Sanitary Sewer Connection Process

Requested by Wastewater’s General Manager

Objective

- Determine if process improvements can be made

Issuing sewer permits are a leading indicator of economic growth!
Sanitary Sewer Connection Process

NOTE: Storm sewers or drains do not go to treatment plants. Water flows directly into waterways.
Sanitary Sewer Connection Process

Nelson Complex
Sanitary Sewer Connection Process

Collecting water-quality and algae samples from Indian Creek

National Pollutant Discharge Elimination System
Sanitary Sewer Connection Process

Audit approach

• Flowchart complete process
  ✓ Interviews
  ✓ Completed process flow approved by management

Highlighted

• Choke points & rework
  ✓ Identified reasons for rework
• Hand-offs
• Areas where technology could be inserted
Sanitary Sewer Connection Process

Audit found **(condition/effect)**

- Performance reporting to leadership non-existent
- Legal documents requiring multiple signature levels
- Legal documents delivered to Records and Tax (RTA) hand delivered or inter-office mail
- Inability to expand/contract staffing to correspond with workload
- Files physically transferred to multiple individuals within Wastewater for review/approval
Benchmarks & Best Practices (criteria)

Audit recommended

• Develop monthly reporting tool for leadership
• Pursue electronic or digital signatures
• Adopt “e-filing” for recording documents with RTA
• Obtain service contract with engineering firm to augment staffing in peak periods
• Adopt “case manager” role and hold the individual responsible from start to finish
• Engage stakeholders earlier in the process
  ✔ Initially screen (triage) applications
Sanitary Sewer Connection Process

Technology

Audit found (condition)

- Multiple databases with limited functionality/reporting (residential, commercial, industrial pre-treatment, grease)
  - Developed in-house

- Website design and layout “clunky”
  - Content focus
    - “Content is so comprehensive it can be overpowering”

Benchmarks & Best Practices (criteria)
Sanitary Sewer Connection Process

Audit recommended
- Pursue web based on-line solution for permitting
- Electronic permitting “system” *(best practice)*
  - Application
  - Plan submission
  - Plan review
  - Collaboration
  - Fee payment
  - Status updates
  - Permit issuance
- Develop *User’s Guide for Permitting* *(best practice)*
- Redesign website
  - Balance *content versus form* *(user experience)*

Johnson County Wastewater signed contract in February 2016. Implementation is anticipated October 2016.
Closing
Transparency

Accountability

Doing the right thing

Objective information

Culture of continuous improvement

Objective assurance and advisory services

Advance open and accountable government
“Leave every place a little better than you found it.”

by Lawrence Sawyer

The Internal Auditor, August 1995
“Whatever your role in government financial management, you have an obligation to uplift and support your fellow professionals.”

by Thomas J. Sadowski
Questions?

Thank You!

Johnson County Audit Services

www.jocogov.org/audit