AGENDA ITEM
A14

AGENDA PLACEMENT FORM

(Submission Deadline – Monday, 5:00 PM before Regular Court Meetings)

Date: 07/16/2026

Meeting Date: 07/27/2026

Submitted By: Steve Watson

Department: County Auditor

Signature of Elected Official/Department Head:

Court Decision:
This section to be completed by County Judge's Office

Johnson County APPROVED Commissioners Court

07/27/2026

Description:

Consider and Approve the Special Request Audit Report with Findings for, Purchasing Department - Insurance Claims Audit

(May attach additional sheets if necessary)

Person to Present: Steve Watson

(Presenter must be present for the item unless the item is on the Consent Agenda)

Supporting Documentation: (check one) ☑ PUBLIC ☐ CONFIDENTIAL

(PUBLIC documentation may be made available to the public prior to the Meeting)

Estimated Length of Presentation: N/A minutes

Session Requested: (check one)

☑ Action Item ☐ Consent ☐ Workshop ☐ Executive ☐ Other _____

Check All Departments That Have Been Notified:

☐ County Attorney ☐ IT ☐ Purchasing ☑ Auditor

☐ Personnel ☐ Public Works ☐ Facilities Management

Other Department/Official (list) _____

Please List All External Persons Who Need a Copy of Signed Documents In Your Submission Email

Approved in CC on 9/11/2023

Lance Anderson
Purchasing Agent
landerson@johnsoncountytx.org

RE: Response to Auditor's Report on Insurance Claims – Findings

Dear Mr. Watson,

Thank you to you and your staff for the time, professionalism, and diligence demonstrated throughout the audit process regarding the handling of TAC Risk Management Pool claims. I appreciate the work of the Auditor's Office and Internal Audit staff in identifying areas where improvements are needed and accounting for all County funds.

I recognize the weight of the concerns identified in the report and acknowledge the importance of establishing and maintaining proper controls, documentation, and procedures related to claims processing and financial accountability.

Upon learning of the situation, we began implementing corrective measures. The process was immediately revised so that all TAC insurance proceeds are now sent directly to the County Treasurer to ensure timely and proper deposit handling. Additionally, we have been working with staff members from the Auditor's Office enhance tracking procedures, including the creation of invoices as "expected-payment records" when claims proceeds are anticipated. This process improvement will allow us to identify and address any missing or delayed payments promptly.

Further, we are in the process of developing formal written policies and procedures governing risk management claims processing, documentation retention, reconciliation, and oversight responsibilities. Training and process development efforts are also underway to ensure that all records are properly maintained and that responsibilities and expectations are more clearly defined moving forward.

I also acknowledge that personnel accountability is an important component of addressing this matter. Appropriate personnel action will be taken to address this failure and to reinforce expectations regarding stewardship of County resources.

I appreciate the cooperative approach taken by your Office throughout this review and remain committed to strengthening internal controls and processes to prevent similar issues in the future.

Sincerely,

Lance Anderson
Purchasing Agent
Johnson County

JOHNSON COUNTY AUDITOR
JOHNSON COUNTY COURTHOUSE
#2 N. MAIN
CLEBURNE, TEXAS 76033
Telephone (817) 556-6305 ~ Fax (817) 556-6075

Steven E. Watson
County Auditor

Jennifer R. Lyon
First Assistant County Auditor

May 13th, 2026

Mr. Lance Anderson
Purchasing Agent
Johnson County
411 Marti Dr.
Cleburne TX 76033

RE: Auditor's Report on Insurance Claims - Findings

Dear Mr. Anderson,

Summary

In accordance with Chapter 115 of the Local Government Code, we completed an audit of the Purchasing Department for the period ending April 2026.

Background

The Texas Association of Counties' Risk Management Pool (TAC RMP) provides Johnson County with a collective funding system that enables the County to share large, unpredictable financial risks in a structured and equitable manner. Current coverage includes Auto and Physical Damage, General Liability, Law Enforcement Liability, Privacy or Security Event Liability, Public Officials Liability, and Workers Compensation Insurance.
The Purchasing Agent serves as the County's Risk Claims Coordinator and is appointed by the Johnson County Purchasing Board, which consists of three County District Judges, the County Judge, and one County Commissioner. Claims are filed by a Deputy Purchasing Agent when a loss or injury is reported.

Scope

Our review was limited to the Texas Association of Counties (TAC) Risk Management Services Claims Report for January 2024 through April 2026 to ensure that claims were properly recorded.

Objectives

Verify the accuracy and completeness of TAC claims processed.
Confirm that claim proceeds were posted timely to the general ledger.

Conclusion

The audit was initiated after eight undeposited checks, dated between August 2025 and December 2025, were identified in the Deputy Purchasing Agent's office. At the time of review, the process for handling claims involved directing TAC to mail insurance proceeds to the Purchasing Department.

The Purchasing Agent responded proactively by immediately revising the process to direct TAC to send all insurance proceeds to the County Treasurer, establishing proper segregation of duties and promoting timely deposits. At the end of our review, four checks have been deposited, while the remaining four were voided and reissued by TAC and will be mailed directly to the Treasurer for deposit.

However, the Auditor's Office determined that the absence of formal policies and procedures governing Risk Management Pool claims contributed to ineffective claim processing.

Finding

Absence of Policies and Procedures Governing Risk Management Pool Claims:

Criteria: Established policies and procedures provide standards against which performance and compliance can be evaluated. They ensure consistency, accountability, and proper internal controls.

Condition: The Purchasing Department does not have formal, written policies or procedures related to the Risk Management Pool claims process. Additionally, no log or tracking system for open or pending claims is maintained, and staff were unaware of any unfiled claims.

Cause: The root cause appears to be the lack of documented procedures and oversight mechanisms, resulting in inconsistent practices and unclear responsibilities.

Consequence: Failure to properly process claims could result in inaccurate financial reporting, regulatory penalties, legal exposure, operational inefficiencies, and delays in reimbursement.

Corrective Action: Develop and implement formal policy and supporting procedures, addressing claim notification, claim creation, processing, escalation, final resolution, documentation standards, and cross-training. Establishing a structured process will strengthen internal controls and enhance the effectiveness of claim management.

Thank you and your staff for your courtesy and cooperation shown during this audit.

Sincerely,

Steven Watson
Johnson County Auditor

cc: Ricardo Ocegueda, Senior Internal Auditor
cc: Kathy Rice, Audit Manager