



WASHINGTON COUNTY

Financial Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**WASHINGTON COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

June 30, 2022

TO THE CITIZENS OF
WASHINGTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Washington County, Oklahoma for the fiscal year ended June 30, 2019. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**WASHINGTON COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Board of County Commissioners

District 1 – Mitch Antle
District 2 – Mike Bouvier
District 3 – Mike Dunlap

County Assessor

Todd Mathes

County Clerk

Annette Smith

County Sheriff

Scott Owen

County Treasurer

Melissa Thornbrugh

Court Clerk

Jill Spitzer

District Attorney

Kevin Buchanan

**WASHINGTON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
WASHINGTON COUNTY, OKLAHOMA

Report on the Financial Statement

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Washington County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statement is prepared by Washington County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Washington County as of June 30, 2019, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Washington County, as of and for the year ended June 30, 2019, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2022, on our consideration of Washington County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 14, 2022

REGULATORY BASIS FINANCIAL STATEMENT

**WASHINGTON COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | Beginning Cash Balances July 1, 2018 | Receipts Apportioned | Transfers In | Transfers Out | Disbursements | Ending Cash Balances June 30, 2019 |
|--|--|-------------------------|---------------------|---------------------|----------------------|--|
| County Funds: | | | | | | |
| County General Fund | \$ 3,712,178 | \$ 7,880,479 | \$ 203,459 | \$ 281,000 | \$ 7,844,316 | \$ 3,670,800 |
| County Highway Unrestricted | 2,147,315 | 2,290,901 | - | 1,128,170 | 2,470,494 | 839,552 |
| Health | 415,855 | 936,782 | - | - | 847,090 | 505,547 |
| Treasurer Mortgage Certification | 5,725 | 6,815 | - | - | 5,745 | 6,795 |
| Emergency Management | 109,307 | 111,022 | - | - | 127,321 | 93,008 |
| Safe Room Grant | 17,612 | 43,639 | - | - | 57,251 | 4,000 |
| Local Emergency Planning Committee | 456 | 1,000 | - | - | 1,260 | 196 |
| Occupational Assistance Grant | 36,124 | 32,019 | - | - | 12,448 | 55,695 |
| Court Clerk Payroll | 16,809 | 137,087 | - | - | 150,842 | 3,054 |
| Juvenile Detention | 409 | - | - | 409 | - | - |
| State Grant | 72 | - | - | 12 | 60 | - |
| Lake Patrol | 75 | - | - | - | 75 | - |
| Sheriff Service Fee | 285,705 | 486,289 | 600,411 | - | 814,727 | 557,678 |
| County Clerk Records Management and Preservation | 92,994 | 44,730 | - | - | 45,749 | 91,975 |
| County Clerk Lien Fee | 9,007 | 6,599 | - | - | 11,038 | 4,568 |
| Assessor Revolving Fee | 5,926 | 2,366 | - | - | 2,943 | 5,349 |
| D.A.R.E. Program | 22,981 | - | - | 22,981 | - | - |
| Oklahoma Highway Safety Grant | 110 | - | - | - | 110 | - |
| Board of Prisoners | 600,766 | - | - | 600,411 | 355 | - |
| Sheriff Commissary | 611,420 | 244,245 | - | - | 137,915 | 717,750 |
| Jail - ST | 745,418 | 3,129,776 | - | - | 3,419,971 | 455,223 |
| Washington County Mental Health | - | 30,873 | - | - | 19,826 | 11,047 |
| Fair Grounds HVAC Resolution 1 | - | 44,748 | 45,000 | 45,000 | 44,748 | - |
| Sheriff Grant | 9,428 | - | - | 9,428 | - | - |
| Reward Fund | 401 | - | - | - | - | 401 |
| Community Development | 158 | - | - | 158 | - | - |
| Drug Court | 31,738 | 71,773 | - | - | 74,997 | 28,514 |
| Resale Property | 834,181 | 365,867 | - | - | 127,816 | 1,072,232 |
| County Bridge and Road Improvement | - | 727,017 | 1,128,170 | - | 813,225 | 1,041,962 |
| Asphalt Overlay Project | - | 156,940 | 236,000 | 156,940 | 236,000 | - |
| County Donations | 1,980 | 1,734 | 45,957 | - | 7,436 | 42,235 |
| Washington County Fair Friends (WCFF) | 13,548 | - | - | 13,548 | - | - |
| Free Fair Board | 62,223 | 30,141 | - | - | 51,143 | 41,221 |
| Total - All County Funds, as Restated | \$ 9,789,921 | \$ 16,782,842 | \$ 2,258,997 | \$ 2,258,057 | \$ 17,324,901 | \$ 9,248,802 |

The notes to the financial statement are an integral part of this statement.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Summary of Significant Accounting Policies

A. Reporting Entity

Washington County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, school districts and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

B. Fund Accounting

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

During the fiscal year ended June 30, 2019, the County converted to a new chart of accounts; therefore, several fund names and descriptions change. However, these changes do not reflect a change in the sources and uses of revenues over the prior fiscal year.

Following are descriptions of the county funds included within the financial statement:

County General Fund – accounts for the general operations of the government. This fund also accounts for the collection of ½ cent sales tax revenue and the disbursement of funds as restricted by the sales tax resolution for the construction, operation, and maintenance of the road and bridge system of Washington County and to equip and maintain the County Jail and other Courthouse facilities.

County Highway Unrestricted – accounts for state, local, and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

Health – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues. Disbursements are for the operations of the county health department.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Treasurer Mortgage Certification – accounts for the collection of fees by the Treasurer for mortgage tax certification and the disbursement of the funds as restricted by state statute.

Emergency Management – accounts for the receipt and disbursement of funds from federal, state, and local governments for the operation of the Emergency Management office.

Safe Room Grant – accounts for federal grant revenues and disbursements to reimburse individuals for the construction of safe rooms.

Local Emergency Planning Committee – accounts for revenues from an environmental protection grant. Disbursements are for the controlling of hazardous materials.

Occupational Assistance Grant – accounts for revenues from federal, state, and local governments. Disbursements are for the purchase of communication equipment for the Emergency Management Office.

Court Clerk Payroll – accounts for collections from the state to pay for Court Clerk office employees' salaries.

Juvenile Detention – accounts for revenues from the State of Oklahoma. Disbursements are for travel reimbursements for juvenile offender transport.

State Grant – accounts for revenues from the State of Oklahoma. Disbursements are for REAP projects.

Lake Patrol – accounts for revenues from the Corps of Engineers. Disbursements are for the expense of patrolling Corps of Engineers' lands.

Sheriff Service Fee – accounts for the collection of sheriff process service fees to be disbursed as restricted by state statute, the collection of funding from the State Department of Corrections, local police department to be disbursed as restricted by state statute, fees collected through the courts to be disbursed for administrative expenses and supervision of offenders, and for fees collected through the courts to be disbursed for courthouse security.

County Clerk Records Management and Preservation – accounts for revenues from a fee charged by the County Clerk for recording instruments. Disbursements are for the maintenance and preservation of public records as restricted by state statute.

County Clerk Lien Fee – accounts for revenues from fees charged by the County Clerk for filing liens and disbursement of funds as restricted by state statute.

Assessor Revolving Fee – accounts for fees collected by the Assessor to maintain electronic databases and geographic information systems associated with the Assessor's statutory duties.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

D.A.R.E. Program – accounts for revenues from a federal grant and donations for drug education. Disbursements are for payroll of drug officers who teach Drug Abuse Resistance Education in schools.

Oklahoma Highway Safety Grant – accounts for revenues from grant monies received from the National Highway Traffic Safety Administration to be used to reimburse the County Sheriff's office for extra law enforcement shifts put in place to enforce seatbelt usage and to deter impaired driving.

Board of Prisoners – accounts for revenues from fees charged for boarding prisoners of non-county entities in the county jail. Disbursements are for feeding and housing inmates of the county jail.

Sheriff Commissary – accounts for collections from commissary sales in the county jail and disbursements for the operation of the jail as restricted by state statute.

Jail - ST – accounts for the collection of ½ cent sales tax revenue and the disbursement of funds as restricted by the sales tax resolution for the acquisition, construction, equipping, operating, and maintaining of the Washington County Detention Center.

Washington County Mental Health – accounts for contractual payments from State of Oklahoma Department of Mental Health and Substance Abuse and fees collected from participants to be used to assist in the cost associated with the Mental Health Court program.

Fair Grounds HVAC Resolution 1 – accounts for REAP grant to be used to replace the HVAC system and renovate the bathrooms at the Washington County Fairgrounds.

Sheriff Grant – accounts for donations received by the Board of County Commissioners (BOCC) from a local business and disbursed for the purpose designated at the time of the donation.

Reward Fund – accounts for revenue collected in accordance with Title 21 O.S. § 1753.3 and disbursements as restricted by state statute.

Community Development – accounts for monies received from private telephone companies for the operation of emergency 911 services.

Drug Court – accounts for revenues generated from fines and costs assessed to individuals participating in the Drug Court program and contractual payments from the State of Oklahoma Department of Mental Health and Substance Abuse to be used to offset costs associated with running the program.

Resale Property – accounts for revenues from interest and penalties on delinquent ad valorem taxes. Disbursements are to offset the expense of collecting delinquent ad valorem taxes.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

County Bridge and Road Improvement – accounts for state money received for the construction and/or improvement of bridges within the County.

Asphalt Overlay Project – accounts for donations received by the Board of County Commissioners from the Cherokee Nation to offset costs associated with the 2200 Road Overlay project.

County Donations – accounts for donations received by the BOCC and disbursed for the purpose designated at the time of the donation.

Washington County Fair Friends (WCFF) – accounts for revenues from rental fees of fairgrounds and buildings. Disbursements are for the maintenance and operations of the County Fairgrounds and buildings.

Free Fair Board – accounts for revenues from rental fees of fairgrounds and buildings. Disbursements are for the maintenance and operations of the County Fairgrounds and buildings.

C. Basis of Accounting

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 allows Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171, which specifies the format and presentation of such regulatory basis financial statements: county governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

D. Budget

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before May 31 of each year, each officer or department head submits an estimate of needs (budget) to the governing body. The budget is approved for the respective fund by office, or department and object. Within weeks, the County

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Budget Board may approve changes of appropriations within the fund by office or department and object.

E. Cash and Investments

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

3. Other Information

A. Pension Plan

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

B. Other Post Employment Benefits (OPEB)

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; however, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

D. Sales Tax

Sales Tax of November 7, 2000

On November 7, 2000, the voters of Washington County approved a permanent one-half percent (1/2%) sales tax effective December 1, 2002. This sales tax was established to provide revenue for the construction, operation and maintenance of the road and bridge system of Washington County and to equip and maintain the County Jail and other Courthouse facilities. These funds are accounted for in the County General Fund.

Sales Tax of June 9, 2009

On June 9, 2009, the voters of Washington County approved a one-half percent (1/2%) sales tax effective October 1, 2009. The revenue from this sales tax was pledged toward the retirement of indebtedness incurred for acquisition, construction and equipping a new Washington County Detention Facility; operating and maintaining the Washington County Detention Facility; and certain Courthouse improvements. One-quarter (1/4%) of one cent shall have a limited duration of ten (10) years from the date of commencement, or until the principal and interest upon indebtedness incurred on behalf of Washington County by the Washington County Correctional Facilities Authority in furtherance of the new County Detention Facility and certain Courthouse improvements is paid in full, whichever occurs earlier; while the remaining portion of such sales tax, one-quarter (1/4%) of one cent to continue until repealed by a majority of electors of Washington County. These funds are accounted for in the Jail – ST fund.

E. Interfund Transfers

During the fiscal year, the County made the following transfers between cash funds:

- \$45,000 was transferred from the County General Fund to the Fair Grounds HVAC Resolution 1 fund to meet the requirements of appropriation in accordance with 68 O.S. § 3021.
- \$45,000 was transferred from the Fair Grounds HVAC Resolution 1 fund to the County General Fund for the repayment of a loan in accordance with 68 O.S. § 3021.
- \$236,000 was transferred from the County General Fund to the Asphalt Overly Project fund to meet the requirements of appropriation in accordance with 68 O.S. § 3021.
- \$156,940 was transferred from the Asphalt Overly Project fund to the County General Sales Tax fund for the repayment of a loan in accordance with 68 O.S. § 3021.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

- \$940 was transferred from the Individual Redemption fund (a trust and agency fund) to the County General Fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$409 was transferred from the Juvenile Detention fund to the County General Fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$12 was transferred from the State Grant fund to the County General Fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$158 was transferred from the Community Development fund to the County General Fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$1,128,180 was transferred from the County Highway Unrestricted fund to the County Bridge and Road Improvement fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O. S. § 214.
- \$600,411 was transferred from the Sheriff Board of Prisoners fund to the Sheriff Service Fee fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$22,981 was transferred from the D.A.R.E. Program fund to the County Donations fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$9,428 was transferred from the Sheriff Grants fund to the County Donations fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.
- \$13,548 was transferred from the Washington County Fair (WCFF) Friends fund to the County Donations fund by BOCC approved transfer resolution to establish a uniform system of bookkeeping in accordance with 74 O.S. § 214.

F. Restatement of Fund Balance

During the fiscal year, the County had a reclassification of funds. The Washington County Fair Friends (WCFF) fund and Free Fair Board fund were both reclassified as a county funds and account for revenues generated from rental fees of fairgrounds and buildings and the disbursement of those revenues is for the maintenance and operations of the County Fairgrounds and buildings.

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | |
|--|---------------------|
| Prior year ending balance, as reported | \$ 9,714,150 |
| Funds reclassified to County Funds: | |
| Washington County Fair Friends (WCFF) reclassified from a Trust and Agency Fund to a County Fund | 13,548 |
| Free Fair Board reclassified from a Trust and Agency Fund to a County Fund | <u>62,223</u> |
| Prior year ending balance, as restated | \$ <u>9,789,921</u> |

SUPPLEMENTARY INFORMATION

**WASHINGTON COUNTY, OKLAHOMA
COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
BUDGETARY BASIS—GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | General Fund | | |
|---------------------------------------|----------------------|---------------------|---------------------|
| | Budget | Actual | Variance |
| District Attorney | \$ 27,250 | \$ 27,244 | \$ 6 |
| County Sheriff | 1,166,001 | 1,150,099 | 15,902 |
| County Treasurer | 332,622 | 319,657 | 12,965 |
| County Commissioners | 302,001 | 288,781 | 13,220 |
| County Commissioners O.S.U. Extension | 125,314 | 47,027 | 78,287 |
| County Clerk | 438,301 | 425,115 | 13,186 |
| Court Clerk | 525,656 | 525,653 | 3 |
| County Assessor | 242,275 | 241,607 | 668 |
| Revaluation of Real Property | 410,090 | 409,981 | 109 |
| Contracted Juvenile Detention | 40,000 | 20,205 | 19,795 |
| General Government | 910,355 | 248,246 | 662,109 |
| Excise - Equalization Board | 2,400 | 1,189 | 1,211 |
| County Election Expense | 250,685 | 250,283 | 402 |
| Insurance - Benefits | 156,002 | 150,222 | 5,780 |
| County Purchasing Agent | 81,201 | 77,448 | 3,753 |
| Information Technology | 378,487 | 372,081 | 6,406 |
| Emergency Management | 189,670 | 189,573 | 97 |
| Charity | 1,500 | 1,000 | 500 |
| Economic Development | 10,000 | - | 10,000 |
| E911 Coordinator | 64,926 | 63,830 | 1,096 |
| County Audit Budget Account | 74,670 | - | 74,670 |
| Free Fair Budget Account | 100,825 | 95,939 | 4,886 |
| Volunteer Fire | 12,001 | 11,974 | 27 |
| Sales Tax General | 1,154,599 | 129,933 | 1,024,666 |
| Sales Tax Building Maintenance | 187,500 | 108,350 | 79,150 |
| Sales Tax Jail | 1,183,438 | 1,077,315 | 106,123 |
| Sales Tax District 1 | 750,001 | 674,591 | 75,410 |
| Sales Tax District 2 | 620,941 | 601,401 | 19,540 |
| Sales Tax District 3 | 693,294 | 550,441 | 142,853 |
| Total Expenditures, Budgetary Basis | <u>\$ 10,432,005</u> | <u>\$ 8,059,185</u> | <u>\$ 2,372,820</u> |

**WASHINGTON COUNTY, OKLAHOMA
 COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—
 BUDGETARY BASIS—HEALTH FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

| | Health Fund | | |
|-------------------------------------|--------------|------------|------------|
| | Budget | Actual | Variance |
| Health and Welfare | \$ 1,173,263 | \$ 944,031 | \$ 229,232 |
| Total Expenditures, Budgetary Basis | \$ 1,173,263 | \$ 944,031 | \$ 229,232 |

**WASHINGTON COUNTY, OKLAHOMA
NOTE TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. Budgetary Schedules

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

INTERNAL CONTROL AND COMPLIANCE SECTION



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

TO THE OFFICERS OF
WASHINGTON COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Washington County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise Washington County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 14, 2022.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2019, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Washington County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Washington County's internal control. Accordingly, we do not express an opinion on the effectiveness of Washington County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2019-001, 2019-005, 2019-011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2019-005.

We noted certain matters regarding statutory compliance that we reported to the management of Washington County, which are included in Section 2 of the schedule of findings and responses contained in this report.

Washington County's Response to Findings

Washington County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Washington County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 14, 2022

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Finding 2019-001 – Lack of County-Wide Internal Controls and Disaster Recovery Plans (Repeat Finding – 2012-001, 2013-001, 2014-001, 2017-001, 2018-001)

Condition: Through the process of gaining an understanding of the County’s internal control structure, the following was noted:

- Although the County addresses some aspects of county-wide internal controls during their monthly budget board meeting, county-wide internal controls regarding Risk Assessment, Information and Communication, and Monitoring could be strengthened.
- The County Sheriff, District 1 Commissioner, District 2 Commissioner, and District 3 Commissioner have not designed a Disaster Recovery Plan over information systems operating within each office.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that an adequate system of county-wide controls exists and to ensure all county offices have a Disaster Recovery Plan.

Effect of Condition: Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds. Further, the lack of a Disaster Recovery Plan could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover from an emergency and/or disaster in a timely manner.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that the County design and implement a system of county-wide procedures to identify and address risks related to financial reporting and to ensure information is communicated effectively. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook.

OSAI further recommends all officials have a formal Disaster Recovery Plan for their office in order to maintain operations in the event of a disaster.

Management Response:

Chairman of the Board of County Commissioners: Washington County has recently updated our Multi-Hazard, Multi-Jurisdictional Hazard Mitigation plan to address issues relating to Disaster Recovery Plans specific to each Commissioner District and the County Sheriff. Additionally, as to county-wide internal controls, the recommendation of OSAI will be discussed with ACCO, our personnel policy arm, to

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

determine a course of action that may be more accommodating to any county in the state currently utilizing the ACCO SIG/SIF insurance pool.

Auditor Response: Internal controls are the mechanisms, rules, and procedures implemented by an entity to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud. Management is responsible for establishing, maintaining, and documenting effective county-wide internal controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring.

Additionally, to ensure the County can recover from an emergency and/or disaster in a timely manner, the County should design and implement a Disaster Recovery Plan in the form of a business continuity plan that addresses how an individual county office will get up and running and provide services to the constituents of the county if an event or events occur that interfere with the normal office operations.

District 2 County Commissioner: We now have a Disaster Recovery Plan in place as of May 10, 2022. In every budget board meeting we do risk management and address county-wide issues regarding information and communications.

District 3 County Commissioner: District 3 has implemented the Disaster Recovery Plan and received BOCC approval on May 9, 2022. In every budget board meeting we do Risk Assessment and address any county-wide issues regarding information and communication.

County Sheriff: Our office has a Disaster Recovery Plan in place, and we will work to update it per OSAI recommendations and ensure it is approved by the Washington County Board of County Commissioners. Additionally, I will continue to work with the other elected officials to utilize the County-Wide Internal Controls Checklist to help develop written policies and procedures to strengthen the County's internal control system.

Criteria: The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

Definition of Internal Control

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

Components, Principles, and Attributes

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Further, an important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a county being unable to function in the event of a disaster.

According to the standards of the Information Systems Audit and Control Association (CobiT Delivery and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

Finding 2019-005 – Lack of Internal Controls and Noncompliance Over Disbursement Process (Repeat Finding-2005-001, 2006-001, 2007-2009, 2017-006, 2018-006)

Condition: Upon inquiry of County personnel and observation of the County's disbursement process, we noted the following:

A sample of sixty-three (63) out of ten thousand three hundred and eighty-five (10,385) expenditures reflected the following:

- Two (2) expenditures totaling \$89,650 were not charged to the proper period.
- Three (3) expenditures totaling \$87,903 were not encumbered prior to receiving goods or services.

Cause of Condition: Policies and procedures have not been fully implemented with regard to the disbursement process to ensure compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, and a financial burden on the County.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Recommendation: OSAI recommends the County adhere to state purchasing guidelines to ensure encumbrances are made before goods or services are ordered and to ensure availability of funds. Additionally, OSAI recommends goods or services be paid from funds designated for use during the fiscal year from which the goods or services were obtained.

Management Response:

Chairman of County Commissioners: Washington County will continue to strive to achieve perfection in this finding, but we do not believe this is attainable and may require legislative action.

Auditor Response: Title 19 O.S. § 1505 requires funds to be encumbered prior to the ordering and/or purchasing of goods or services and 62 O.S. § 310.4 requires expenditures to be paid from appropriations from the same fiscal year as the expenditure.

District 2 Commissioner: Procedures have been put into place so this will not happen again.

District 3 Commissioner: Procedures have been put into place to avoid this happening again.

County Clerk: We have a stamp, and we stamp purchase orders that are not in compliance and convey to each office the importance of complying with state statute.

County Assessor: We have taken steps to ensure that a repeat of the above actions are not incurred going forward. Our Deputy Assessor that assumed the purchase order duties in the fiscal year 2019 has since taken several purchasing courses to learn all of the “ins and outs” of state purchasing procedures.

District Attorney: My office has implemented a plan to pre-encumber all purchase orders prior to any purchases or monthly payments.

Criteria: GAO Standards – Section 2 – Establishing an Effective Internal Control System – Objectives of and Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Effective internal controls require that management properly implement procedures to ensure that expenditures comply with 19 O.S. § 1505.

Title 62 O.S. § 310.4 states in part, “All unencumbered balances, if any, ... on hand at the close of day June 30, may remain as a credit for said fiscal year up to the close of day September 30, next[... Provided this act shall not be so construed to allow the incurring of a new indebtedness after June 30 chargeable to the appropriation account of the immediately preceding fiscal year.”

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Finding 2019-011 – Lack of Internal Controls Over Payroll (Repeat Finding – 2012-004, 2013-004, 2017-005, 2018-005)

Condition: Upon inquiry and observation of the County’s payroll process we noted the following:

- The County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
- Timesheets are not prepared and reviewed for accuracy for each pay period prior to the issuance of payroll.
- There is no policy in place indicating that both the employee and supervisor should sign the timesheets, and no one is reviewing that they are signed by both.
- Timesheets for the Sheriff and Court Clerk’s offices are not submitted to the County Clerk’s Office.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregation of duties and/or compensating controls of the payroll process. Additionally, procedures have not been designed and implemented to ensure time records are maintained in a manner to support payroll expenditures.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial records, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

Additionally, OSAI recommends the County design and implement policies and procedures to reduce the risk of an individual being paid for time not worked. These policies and procedures should at a minimum include:

- Timesheets be used to document hours worked and leave used each day.
- Timesheets be prepared and reviewed for accuracy for each pay period prior to the issuance of payroll for that time period.
- Timesheets be signed by both the employee and supervisor certifying the validity of the hours worked and/or leave used.
- Timesheets be submitted and filed with the County Clerk.

Management Response:

Chairman of the Board of County Commissioners: The Washington County Clerk has taken corrective action related to this finding and it was corrected prior to the 2020 audit.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

County Clerk: Although I was newly appointed June 30, 2019 , I have implemented a policy along with steps to separate the key processes to the semi-monthly payroll process which allows the segregation of payroll duties. I am working with the Court Clerk and Sheriff's office to ensure receipt of their timesheets.

Court Clerk: I have implemented a plan to ensure accuracy for each pay period prior to the issuance of payroll. I encourage my employees to fill in their time sheets daily to allow me to check their updated timesheets prior to each pay period. Our initials are entered after checking. The timesheets are printed, signed and dated at the end of the month by each employee. I keep track of vacation and sick leave on a separate form on a monthly basis. After I review and approve the timesheets I sign and date them and have my 1st Deputy review them. We attach a Total Hours Worked sheet to the time sheet, which is signed and dated by us both. We submit the timesheets and hours worked sheet to the County Clerk's Office and keep a copy for our records. The County Clerk's Office has us review and sign the payroll claims prior to each pay period.

County Sheriff: I have and will continue to work with the Sheriff's Office staff and County Clerk Office to provide timesheets to the County Clerk.

Since my appointment in January of 2019, internal hiring/termination paperwork is handled by an administrative assistant of the Sheriff's Office, after which the personnel and/or information are directed to the County Clerk's Office to complete required entry/ exit documents.

Timesheets are now completed and signed by the employee in their respective area of assignment, after which their immediate supervisor reviews and signs the timesheet.

Upon this approval process, the timesheets are forwarded to the Sheriff or Undersheriff in the absence of the Sheriff, who then reviews and signs the timesheets.

Following this approval process the timesheets are then forwarded to the administrative clerk to complete the payroll documentation for the office which is then forwarded to the County Clerk's Office for processing and issuing of payroll.

After timesheets are completed and processed copies of the timesheets are forwarded to the County Clerk's Office and a paper file of timesheets are retained within the Sheriff's Office.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk.

Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.

Finding 2019-010 – Lack of Internal Controls Over the Inmate Trust Fund Checking Account and Sheriff Commissary

Condition: Upon inquiry, observation of procedures and records, and testwork performed, OSAI noted the following regarding the Inmate Trust Fund Checking Account and Sheriff Commissary:

Inmate Trust Fund Checking Account:

- Expenditures are made from the Inmate Trust Fund Checking Account for purposes other than what is statutorily allowed.

Sheriff Commissary:

- Upon inquiry, observation, and testing of the Sheriff Commissary, we noted the County does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.

Cause of Condition: Policies and procedures have not been designed and implemented for proper administration regarding the Inmate Trust Fund Checking Account and the Sheriff Commissary.

Effect of Condition: These conditions resulted in noncompliance with state statute. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account and Sheriff Commissary, there is an increased risk of misappropriation of funds.

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

OSAI further recommends the County Sheriff implement procedures to ensure:

- Expenditures are made from the Inmate Trust Fund checking account in accordance with 19 O.S. § 531 (A).

Management Response:

County Sheriff: I have and will continue to work towards full compliance in these areas. Since my appointment, efforts and improvements have been made in the procedures and record to monitor and protect assets in both the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

- Checks that had previously been written from the Inmate Trust Fund Checking Account to the Court Clerk for the purpose of a prisoner paying for bonds from the inmate's account are now written to the inmate, who in turn endorses and signs over the check to the Court Clerk for the purposes of posting bonds.
- Since my appointment in January of 2019, and after meetings with Auditors, I have worked collectively with the Detention Management to define and segregate duties related to the Sheriff's commissary. In doing so, these duties assure separation of duties and better accountability. Additionally, policies or guidelines are being reviewed to see that no one person is responsible for multiple responsibilities within the commissary.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Establishment of review of performance measurers and indicators

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.23 states in part:

Objectives of an Entity – Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Furthermore, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.24 states in part:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Title 19 O.S. § 531 (A) states in part, "...The county sheriff may establish a checking account, to be designated the "Inmate Trust Fund Checking Account" ... The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



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