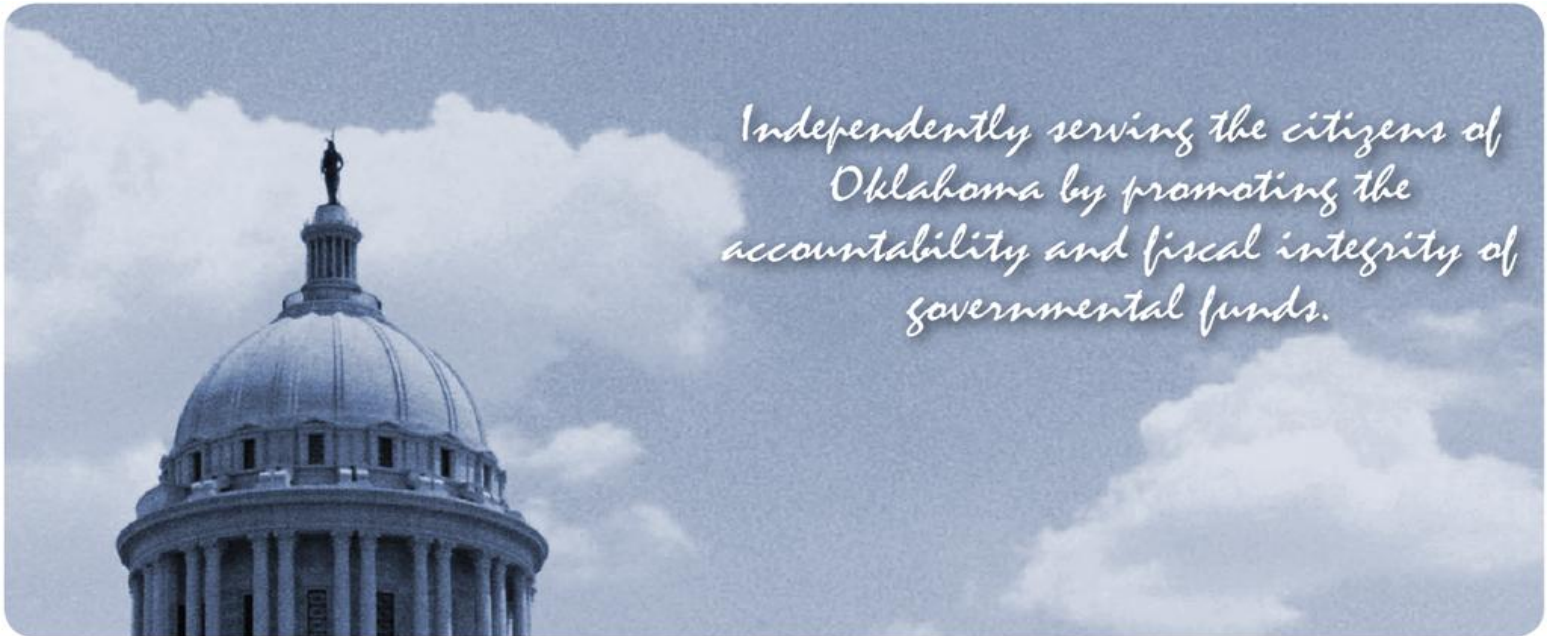


COUNTY AUDIT

# WASHINGTON COUNTY

For the fiscal year ended June 30, 2013



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**WASHINGTON COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

January 22, 2016

TO THE CITIZENS OF  
WASHINGTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Washington County, Oklahoma for the fiscal year ended June 30, 2013. 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.

Sincerely,

A handwritten signature in blue ink, reading "Gary A. Jones".

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**WASHINGTON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**WASHINGTON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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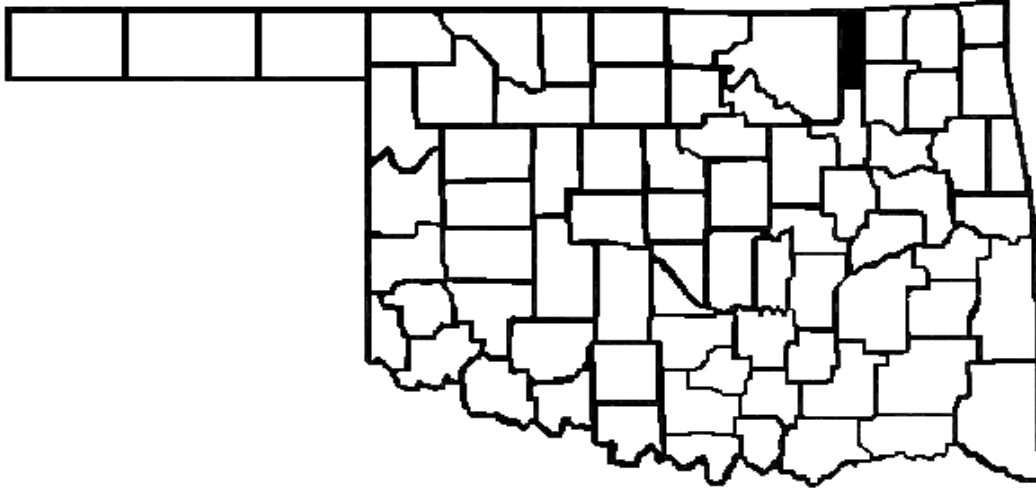
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**WASHINGTON COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Originally a part of the Cherokee Nation, Indian Territory, Washington County was created at statehood and named for President George Washington.

Bartlesville, the county seat, was the first oil-boom in Indian Territory. George B. Keeler, local fur trader, knew of the existence of oil in this area as early as 1875, but lacked the financial support and tribal permission necessary to exploit his discovery. It was not until April 15, 1897, that the No. 1 Nellie Johnstone, the first commercial oil well in Oklahoma, was brought in by the Cudahy Oil Company. W.W. “Bill” Keeler, grandson of George, eventually became head of Phillips Petroleum Company and chief of the Cherokee Nation.

Once headquarters of the former Phillips Petroleum Company, Bartlesville is also the site of the Frank Phillips Home, the restored twenty-six room mansion of the founder of Phillips Petroleum.

Dewey, the first town in Oklahoma to have electric lights, waterworks, and a telephone line, is the sight of the Tom Mix Museum. Mix, one-time deputy sheriff and night marshal in Dewey, was an early-day silent film star.

The Bartlesville Historical Commission published two volumes of *History of Washington County* by Margaret Teague. For more information, call the county clerk’s office at 918/337-2840.

County Seat – Bartlesville

Area – 424.15 Square Miles

County Population – 51,633  
(2012 est.)

Farms – 853

Land in Farms – 226,568 Acres

Primary Source: Oklahoma Almanac 2013-2014

**WASHINGTON COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Board of County Commissioners**

District 1 – Gary Deckard  
District 2 – Michael Bouvier  
District 3 – Mike Dunlap

**County Assessor**

Todd Mathes

**County Clerk**

Marjorie Parrish

**County Sheriff**

Rick Silver

**County Treasurer**

Brad Johnson

**Court Clerk**

Jill Spitzer

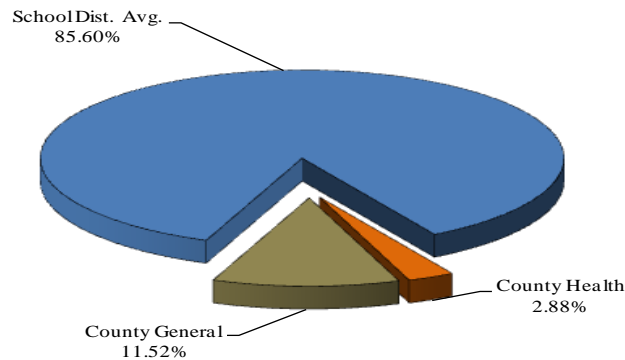
**District Attorney**

Kevin Buchanan



**WASHINGTON COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							Total
				Gen.	Bldg.	Sinking	Career Tech.	Common	
County General	10.44								
County Health	2.61	Bartlesville	I-30	36.49	5.21	25.83	15.66	4.17	87.36
		Dewey	I-7	36.45	5.21	17.79	15.66	4.17	79.28
		Copan	I-4	36.77	5.25	13.99	15.66	4.17	75.84
		Caney Valley	I-18	36.74	5.25	6.34	15.66	4.17	68.16
		Nowata	J-3	36.82	5.26	17.28	15.66	4.17	79.19
Bartlesville	14.30	Tulsa Co. Collinsville	J-6	36.68	5.24	22.76	13.91	4.17	82.76
Dewey	7.71	Tulsa Co. Skiatook	J-7	37.33	5.33	24.86	13.91	4.17	85.60
		Osage Co. Avant	J-35	37.15	5.31	-	15.66	4.17	62.29

**WASHINGTON COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## Sales Tax

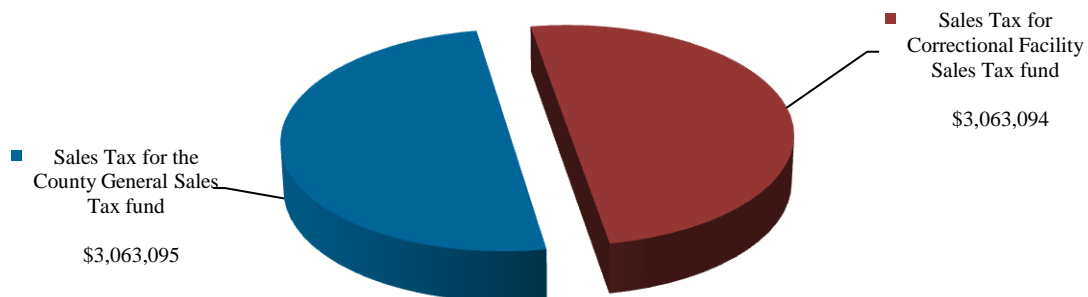
### **Sales Tax of December 1, 2002**

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.

### **Sales Tax of July 1, 2009**

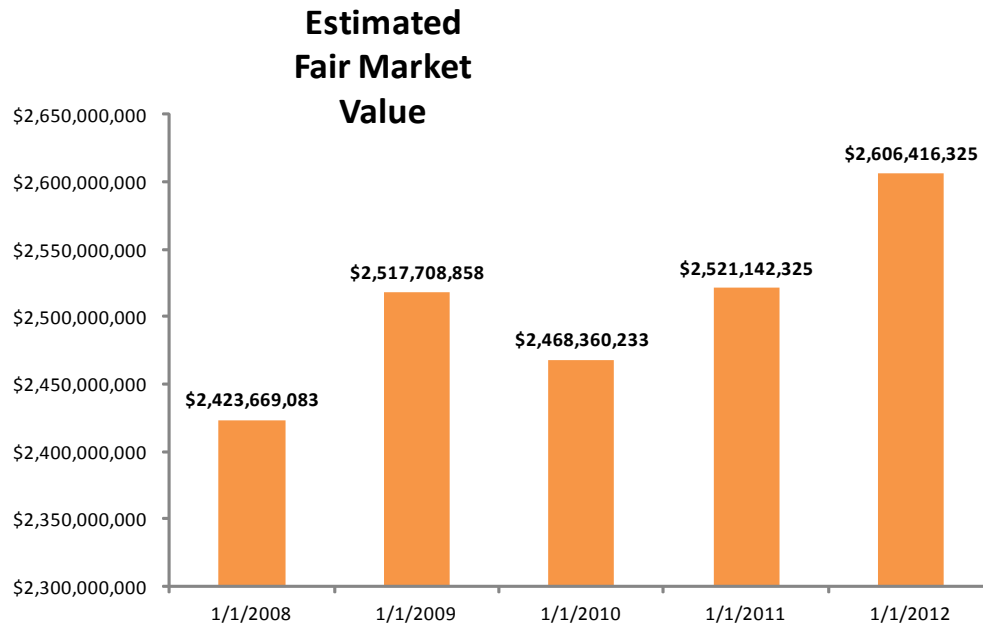
The voters of Washington County approved a one-half percent (1/2%) sales tax effective July 1, 2009. The revenue from this sales tax was pledged toward the retirement of indebtedness incurred for the acquisition, construction and equipping a new Washington County Detention Facility; operating and maintaining 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 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 the one-quarter (1/4%) of one cent to continue and be permanent.

During the fiscal year the County collected \$6,126,189 in total sales tax.



**WASHINGTON COUNTY, OKLAHOMA  
ASSESSED VALUE OF PROPERTY  
TREND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Veterans Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$43,205,032	\$23,842,507	\$260,045,423	\$12,047,353	\$2,275,650	\$312,769,959	\$2,606,416,325
1/1/2011	\$37,016,840	\$24,998,752	\$254,662,383	\$12,009,993	\$2,130,903	\$302,537,079	\$2,521,142,325
1/1/2010	\$35,601,840	\$25,307,751	\$249,403,903	\$12,153,237	\$1,957,029	\$296,203,228	\$2,468,360,233
1/1/2009	\$48,878,682	\$24,317,286	\$242,977,451	\$12,191,094	\$1,857,262	\$302,125,063	\$2,517,708,858
1/1/2008	\$49,644,580	\$22,677,771	\$232,659,935	\$12,505,675	\$1,636,321	\$290,840,290	\$2,423,669,083

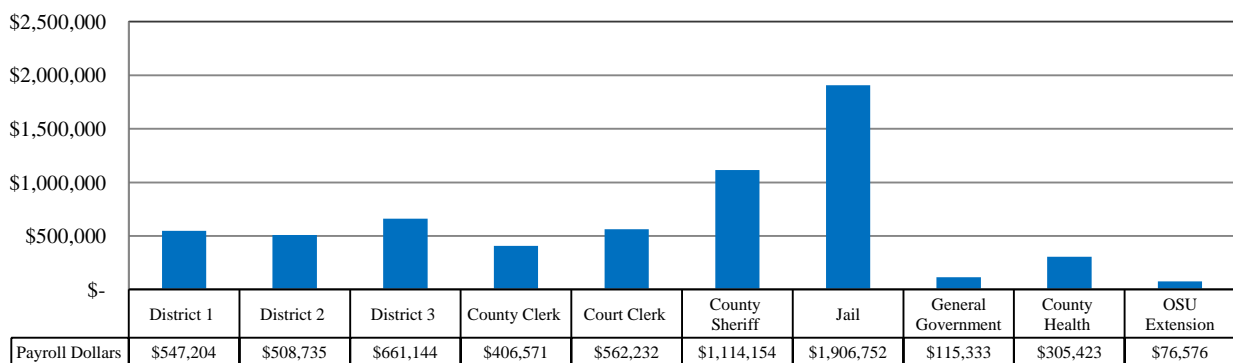


**WASHINGTON COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

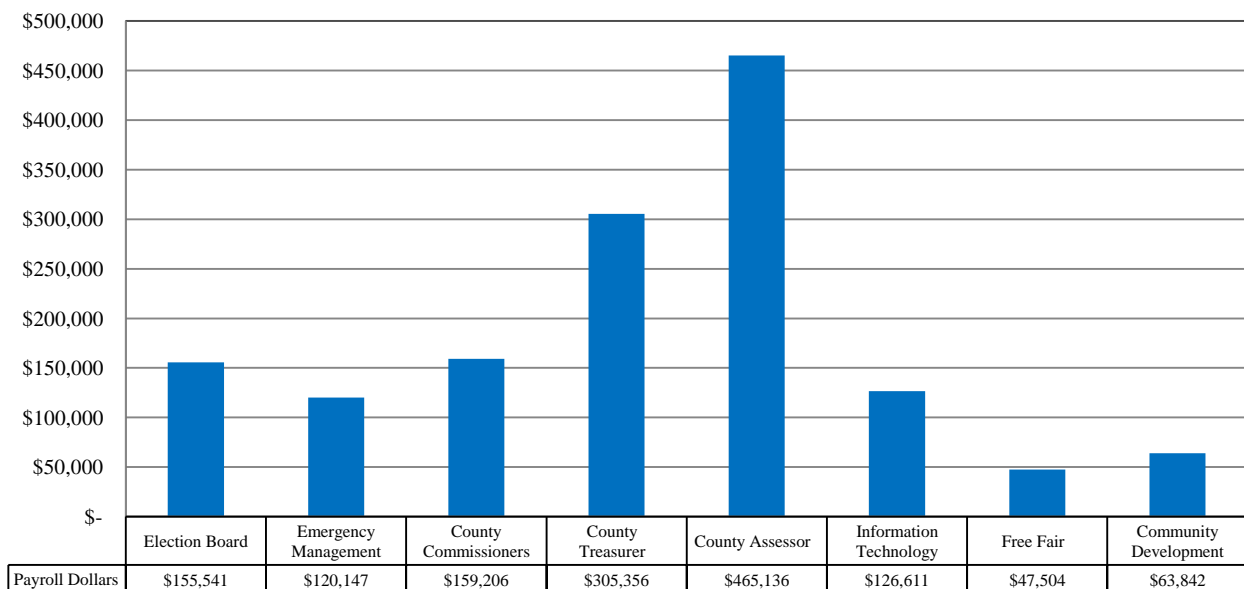
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County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**



**WASHINGTON COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.

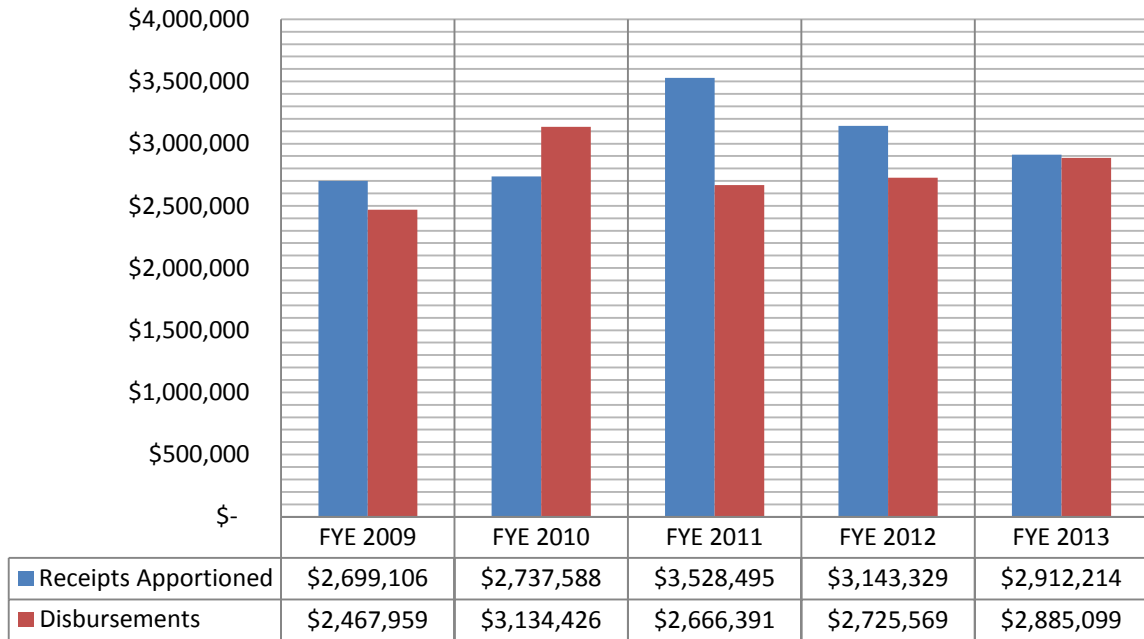


**WASHINGTON COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

---

## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



## **FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## **Independent Auditor's Report**

TO THE OFFICERS OF  
WASHINGTON COUNTY, OKLAHOMA

### ***Report on the Financial Statement***

We have audited the combined 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, 2013, listed in the table of contents as the financial statement.

### ***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 the 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 of the financial statement, 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 statements 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, 2013, or changes in its financial position for the year then ended.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Washington County, for the year ended June 30, 2013, on the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other 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 Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related 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 Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2016, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Washington County's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", with a stylized, flowing script.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

January 22, 2016

## **REGULATORY BASIS FINANCIAL STATEMENT**

**WASHINGTON COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)—MAJOR FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 3,125,024	\$ 7,254,295	\$ -	\$ -	\$ 7,002,646	\$ 3,376,673
Highway Cash	2,061,318	2,912,214	-	-	2,885,099	2,088,433
County Health	763,015	823,301	-	-	918,335	667,981
Correctional Facility Sales Tax	2,191,549	3,076,854	-	-	3,502,720	1,765,683
Remaining Aggregate Funds	1,868,102	1,208,494	-	-	942,272	2,134,324
<b>Combined Total - All County Funds</b>	<b>\$ 10,009,008</b>	<b>\$ 15,275,158</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,251,072</b>	<b>\$ 10,033,094</b>

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, 2013**

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**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, including 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.

Following are descriptions of the county funds included as combining information 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 collections and is disbursed for the purpose of construction, operation and maintenance of the road and bridge system of Washington County and to equip and maintain Washington County courthouse facilities.

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

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

Correctional Facility Sales Tax – accounts for the collection of ½ cent county sales tax collections and is disbursed for the purpose of the acquisition, construction, equipping, operating and maintaining of the Washington County Detention Center.

**WASHINGTON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**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 specifies the format and presentation for 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. 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. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**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 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.

**WASHINGTON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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. Unpaid real property taxes become a lien upon said property on October 1 of each year.

**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

**WASHINGTON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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; although, 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.

**D. Sales Tax**

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.

The voters of Washington County approved a one-half percent (1/2%) sales tax effective July 1, 2009. The revenue from this sales tax was pledged toward the retirement of indebtedness incurred for the 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 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 the one-quarter (1/4%) of one cent to continue and be permanent.



## **OTHER SUPPLEMENTARY INFORMATION**

**WASHINGTON COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,125,024	\$ 3,125,024	\$ -
Less: Prior Year Outstanding Warrants	(165,251)	(165,251)	-
Less: Prior Year Encumbrances	(389,811)	(389,811)	-
Plus: Prior Year Lapsed	-	67,989	67,989
Beginning Cash Balances, Budgetary Basis	2,569,962	2,637,951	67,989
Receipts:			
Ad Valorem Taxes	3,039,430	3,148,197	108,767
Charges for Services	328,500	360,800	32,300
Sales Tax	2,700,000	3,067,460	367,460
Intergovernmental Revenues	520,670	520,116	(554)
Miscellaneous Revenues	91,275	157,722	66,447
Total Receipts, Budgetary Basis	6,679,875	7,254,295	574,420
Expenditures:			
District Attorney	27,520	27,434	86
County Sheriff	979,490	955,202	24,288
County Treasurer	229,803	229,784	19
County Commissioners	187,570	177,760	9,810
OSU	122,001	119,810	2,191
County Clerk	402,058	405,197	(3,139)
Court Clerk	461,417	447,807	13,610
County Assessor	207,599	208,039	(440)
Revaluation of Real Property	300,137	303,677	(3,540)
General Government	1,109,703	240,815	868,888
Excise-Equalization Board	3,800	2,918	882
County Election Board	164,287	172,811	(8,524)
Insurance-Benefits	202,004	113,263	88,741
Information Technology	317,994	312,527	5,467
Charity	1,000	250	750
Fire Fighting Services	9,501	8,863	638
Emergency Management	134,294	140,373	(6,079)
Community Development	68,312	68,697	(385)
County Audit Budget Account	125,070	111,946	13,124
Free Fair	74,661	70,984	3,677
Sales Tax Jail	1,000,000	935,385	64,615
Sales Tax Dist #1	750,003	394,864	355,139
Sales Tax Dist #2	650,003	644,052	5,951
Sales Tax Dist #3	650,003	645,786	4,217
Sales Tax General	933,455	242,359	691,096
Sales Tax Renovation	103,152	103,152	-
Sales Tax Juvenile Detention	35,000	22,546	12,454
Total Expenditures, Budgetary Basis	9,249,837	7,106,301	2,143,536

Continued on next page

**WASHINGTON COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND - CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	General Fund		
	Budget	Actual	Variance
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	2,785,945	<u>\$ 2,785,945</u>
Reconciliation to Statement of Receipts,			
Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		58	
Add: Current Year Outstanding Warrants		315,802	
Add: Current Year Encumbrances		<u>274,868</u>	
Ending Cash Balance		<u>\$ 3,376,673</u>	

**WASHINGTON COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 763,015	\$ 763,015	\$ -
Less: Prior Year Outstanding Warrants	(25,969)	(25,969)	-
Less: Prior Year Encumbrances	(62,462)	(62,462)	-
Plus: Prior Year Lapsed	-	7,555	7,555
Beginning Cash Balances, Budgetary Basis	674,584	682,139	7,555
Receipts:			
Ad Valorem Taxes	759,858	786,704	26,846
Miscellaneous Revenues	35,277	36,597	1,320
Total Receipts, Budgetary Basis	795,135	823,301	28,166
Expenditures:			
Health and Welfare	1,469,719	938,032	531,687
Total Expenditures, Budgetary Basis	1,469,719	938,032	531,687
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	567,408	\$ 567,408
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		97,309	
Add: Current Year Outstanding Warrants		3,264	
Ending Cash Balance		\$ 667,981	

**WASHINGTON COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS—**  
**REMAINING AGGREGATE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:				
Emergency Operations Center Grant	\$ 45,593	\$ 60,177	\$ 63,476	\$ 42,294
Hazard Mitigation Emergency Preparedness Grant	5,255	-	2,950	2,305
Juvenile Detention	6,488	-	-	6,488
Sheriff Service Fees	529,684	354,460	369,025	515,119
Sheriff Lake Patrol	4,320	6,360	6,491	4,189
Treasurer Fees	17,380	11,000	7,374	21,006
County Clerk Lien Fees	40,473	16,084	19,330	37,227
Assessor Visual Inspection	17,912	1,104	3,723	15,293
D.A.R.E Program	13,398	3,114	1,689	14,823
Oklahoma Highway Safety Grant	6,621	20,225	25,971	875
Board of Prisoners	104,148	158,171	69,840	192,479
Sheriff Commissary	66,263	221,040	156,766	130,537
Forestry Grant	39,074	12,154	36,203	15,025
County Clerk Preservation	285,164	55,338	20,538	319,964
State Grant	119	-	-	119
Community Development	11,592	-	-	11,592
Tyler Agriculture Cash	11,109	13,906	15,651	9,364
Resale	662,009	275,361	143,245	794,125
Community Development Block Grant	1,500	-	-	1,500
<b>Combined Total - Remaining Aggregate Funds</b>	<b>\$ 1,868,102</b>	<b>\$ 1,208,494</b>	<b>\$ 942,272</b>	<b>\$ 2,134,324</b>

**WASHINGTON COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department 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 Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information 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.

**2. Remaining County Funds**

Remaining aggregate funds as presented on the financial statement are as follows:

Emergency Operations Center Grant – accounts for the receipt and disbursement of funds from federal, state, and local governments for the operations of the Emergency Management office.

Hazard Mitigation Emergency Preparedness Grant – accounts for revenues from an environmental protection grant. Disbursements are for the controlling of hazardous materials.

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

Sheriff Service Fees – accounts for the collection and disbursement of Sheriff process service fees as restricted by state statute.

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

Treasurer Fees – accounts for revenues from a fee for certifying mortgages. Disbursements are for any lawful expense of the Treasurer's office.

County Clerk Lien Fees – accounts for lien collections and disbursements as restricted by state statute.

Assessor Visual Inspection – accounts for revenues from fees collected from the Assessor's office. Disbursements are for any lawful expenses of the Assessor's office.

**WASHINGTON COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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 profits on commissary sales in the county jail and disbursements are for the operation of the jail as restricted by state statute.

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

County Clerk 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.

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

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

Tyler Agriculture Cash – accounts for revenues generated from renting the Tyler Agricultural Building. Disbursements are for the utilities of the building.

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

Community Development Block Grant – accounts for collections and disbursements of federal Community Development Block Grant monies.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**





# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## **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 the 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 combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Washington County, Oklahoma, as of and for the year ended June 30, 2013, which comprises Washington County's financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated January 22, 2016.

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 for the year ended June 30, 2013, 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) to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We

consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness: 2013-1.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2013-3 and 2013-4.

### **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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Responses to Findings**

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

### **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 result 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.

This report is also 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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

January 22, 2016

**WASHINGTON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**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 2013-1 – Inadequate County-Wide Controls and Disaster Recovery Plan (Repeat Finding)**

**Condition:** County-wide controls regarding Risk Assessment and Monitoring have not been designed. Further, the County Commissioners, County Treasurer, County Assessor, and the Information Technology Office do not have a Disaster Recovery Plan in place for the information systems used within their offices.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address risks of the County.

**Effect of Condition:** These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. Further, these conditions 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.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. 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. The County Commissioners County Treasurer, County Assessor, and the Information Technology Office should prepare a Disaster Recovery Plan in order to maintain operations in the event of a disaster.

**Management Response:**

**Board of County Commissioners Chairman:** As of December 10, 2015, the offices mentioned are in the process of preparing or have prepared Disaster Recovery plans. During Budget Board meetings, risks associated with revenue fluctuations and other concerns are or will be addressed

**County Treasurer:** As of August 8, 2014, the Treasurer's office has completed its Disaster Recovery Plan and is available for review.

**County Assessor:** We are in the process of preparing a Disaster Recovery Plan for the Assessor's office and plan to have one in effect by the end of the calendar year.

**Criteria:** Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

**WASHINGTON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Deliver 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 2013-3 – Financial Record Preparation (Repeat Finding)**

**Condition:** During our review of the procedures involved in the reconciliation of the County Treasurer's financial records to the County Clerk's financial records, the following was noted:

- Procedures have not been designed for the County Clerk and County Treasurer to work together to reconcile the warrants issued and warrants paid.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure reconciliation is performed between the warrants issued by the County Clerk to the warrants paid by the County Treasurer.

**Effect of Condition:** This condition could result in misappropriation of assets, unrecorded transactions, incomplete disbursement data, and undetected errors.

**Recommendation:** OSAI recommends management implement policies and procedures to ensure warrants issued are reconciled to warrants paid and all reconciliations are reviewed and approved by someone other than the preparer.

**Management Response:**

**County Clerk:** The County Clerk's office is now reconciling on a monthly basis.

**County Treasurer:** The County Treasurer and County Clerk will develop a process to reconcile warrants issued to warrants paid.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. 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 or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help ensure a proper accounting of funds,

**WASHINGTON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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warrants issued should be reconciled to warrants paid on a monthly basis and all the reconciliations should be reviewed and approved by someone other than the preparer.

**Finding 2013-4 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)**

**Condition:** Upon inquiry, observation, and testing of the County's payroll process, the following was noted:

Upon inquiry, observation, and testing of the County's payroll process, the following was noted:

- There is no indication payroll claim are independently reviewed by someone other than the Payroll Clerk to ensure that all changes made have been approved and that any unapproved changes have not gone undetected.
- Of the 25 finalized payroll claims tested, 4 were not signed by the elected official or department heads prior to the issuance of payroll.
- Prior to the issuance of payroll there is no independent verification of payroll; therefore, the Board of Count Commissioners is only approving preliminary payroll calculations.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to compensating internal controls over the payroll process.

**Effect of Condition:** This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends the County Clerk implement the following compensating control to mitigate the risks involved with a concentration of duties:

- The elected officials should review and sign payroll claims, after the Payroll Clerk has finalized payroll, to ensure that all changes made have been approved and that any unapproved changes have not gone undetected.

**Management Response:**

**County Clerk:** The Elected Officials are reviewing and signing the payroll claims as of 2013.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

**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.**

**WASHINGTON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Finding 2013-9 – Schedule of Expenditures of Federal Awards (Repeat Finding)**

**Condition:** The County has not designed and implemented formal internal controls for the reporting of its federal programs as required by OMB Circular A-133. During our review and reconciliation of the Schedule of Expenditures of Federal Awards as initially prepared by Washington County, errors in the reporting of receipts and expenditures resulted in receipts being understated in the amount of \$17,601.07 and expenditures being understated in the amount of \$85,396.77.

**Cause of Condition:** Policies and procedures have not been designed and implemented to accurately report federal expenditures on the Schedule of Expenditures of Federal Awards.

**Effect of Condition:** These conditions resulted in a misstatement of the Schedule of Expenditures of Federal Awards.

**Recommendation:** OSAI recommends Washington County have a policy for handling all federal grants awarded to the County. These policies could incorporate by reference applicable federal regulations to be followed, as well as the appropriate policy for the application, receipt, and expenditure of federal funds. OSAI also recommends that amounts reported on the Schedule of Expenditures of Federal Awards be reconciled to accounting records.

**Management Response:**

**County Commissioner District 1:** I was not in office during this period.

**County Commissioner District 2:** We will have these policies in place as soon as possible.

**County Commissioner District 3:** It is the opinion of the Board of County Commissioners that we have been tracking the federal grants in a timely manner. Maybe there has been some failure to provide them to the proper locations, which we will be glad to correct.

**County Sheriff:** The Washington County Sheriff's Office will create a policy and incorporate applicable federal regulations to be followed, as well as create an appropriate policy for the application, receipt, and expenditure of federal funds.

**County Clerk:** The County Clerk has not participated in the preparing of the Schedule of Federal Awards form.

**County Treasurer:** The Treasurer will continue to accurately book proceeds associated with federal programs.

**Emergency Management Director:** The Fire Management Assistance Grant Program (FMAG) was missed due to the fact that we were trying to retroactively prepare multiple years of SEFA reports and the fire department is a very small sub-division of the overall Emergency Management department and the accounting for that sub-division is kept separately. Therefore, the failure to report those FMAG receipts was a simple administrative oversight.

**WASHINGTON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Criteria:** *OMB A-133, Subpart C, §\_\_.300 (b)(d)* reads as follows:

Subpart C—Auditees

§\_\_.300 Auditee responsibilities.

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_.310.

Further, accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, an accurate record of federal expenditures should be maintained.

**Finding 2013-10 – Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following exceptions were noted:

- Inmate Trust Fund Checking Account bank reconciliations are not reviewed and approved by someone other than the preparer.
- Blank Inmate Trust checks are maintained in an unsecured area.
- Expenditures are made from the Inmate Trust Fund Checking Account for purposes other than to the Sheriff Commissary Fund or to refund inmates' funds.
- The Sheriff's office does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.

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

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

**Recommendation:** OSAI recommends the following:

- Bank reconciliations should be reviewed and approved by someone other than the preparer.
- Blank checks should be retained in a secure location.
- Expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 A.

**WASHINGTON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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- Expenditures from the Commissary funds should only for those items allowed by 19 O.S. § 180.43D.
- As prescribed by 19 O.S. § 180.43D, the Sheriff should file a report of the commissary with the Board of County Commissioners by January 15th, of each year.

**Management Response:**

**County Sheriff:** A letter has been sent to the DA for review of this process. The Washington County Sheriff has received court orders that have ordered this office to pay from the inmates trust account to the Court Clerk fines that is owed by the inmate.

Additionally, a process has been created whereby the Inmate Trust bank reconciliation will be reviewed by the Undersheriff after they have been prepared by the Jail Administrator, blank inmate trust account checks are locked up in the office of the Jail Administrator and the report prescribed by 19 O.S. 180.43 D, for commissary will be created and presented to the Board of County Commissioners.

**Auditor Response:** Since Title 19 O.S. § 531 A only allows for checks to be issued from the Inmate Trust Fund Checking Account to the Sheriff's Commissary Account or to the inmates, in the event that the Sheriff's office receives a court order to pay an inmate's fines from the inmate's trust account, a check should be written out to the inmate and inmate then pay the fines. Additionally, all commissary related expenditures should be paid for by issuing a purchase order and warrant from the Sheriff Commissary account as prescribed by Title 19 O.S. § 180.43 D.

**Criteria:** Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, bank reconciliations should be reviewed and approved by someone other than the preparer and blank checks should be retained in a secure area.

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."

Title 19 O.S. § 180.43 D. states in part, "The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures...The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."





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