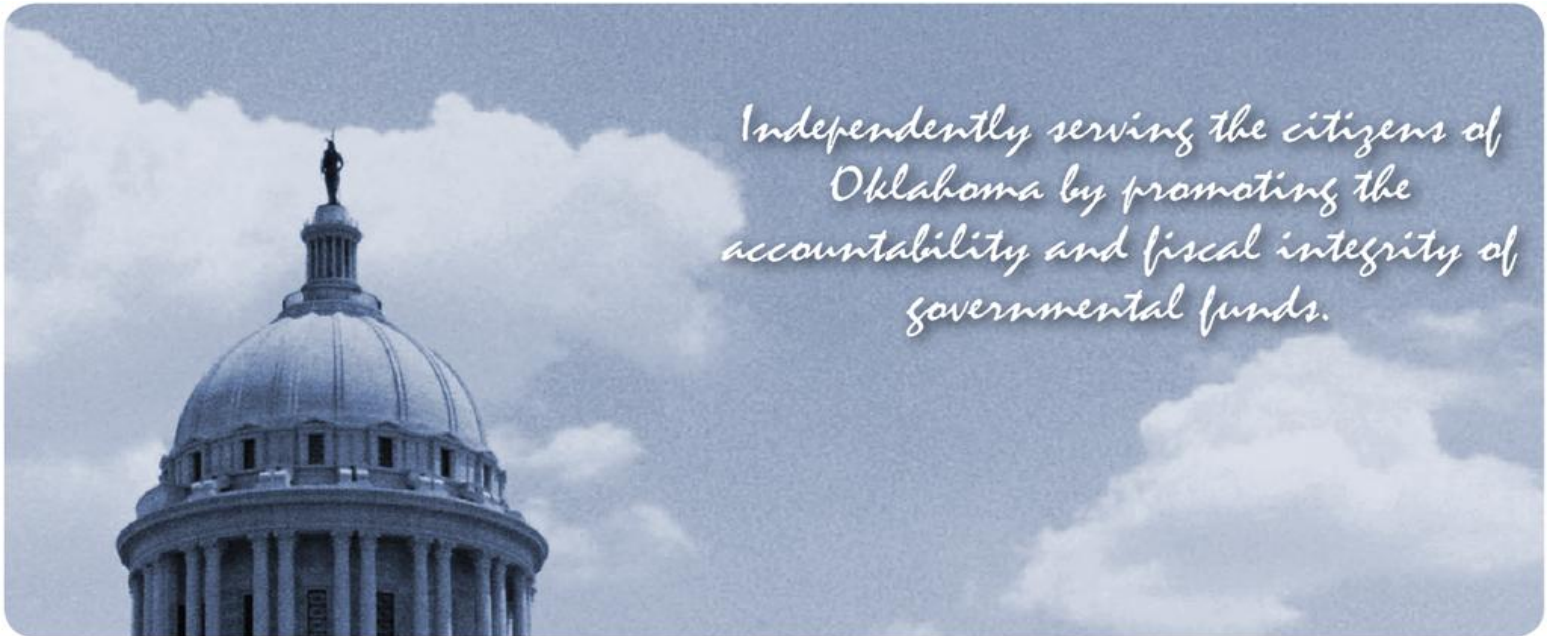


COUNTY AUDIT

WASHINGTON COUNTY

For the fiscal year ended June 30, 2014



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, 2014**

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) 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, 2014. 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, 2014**

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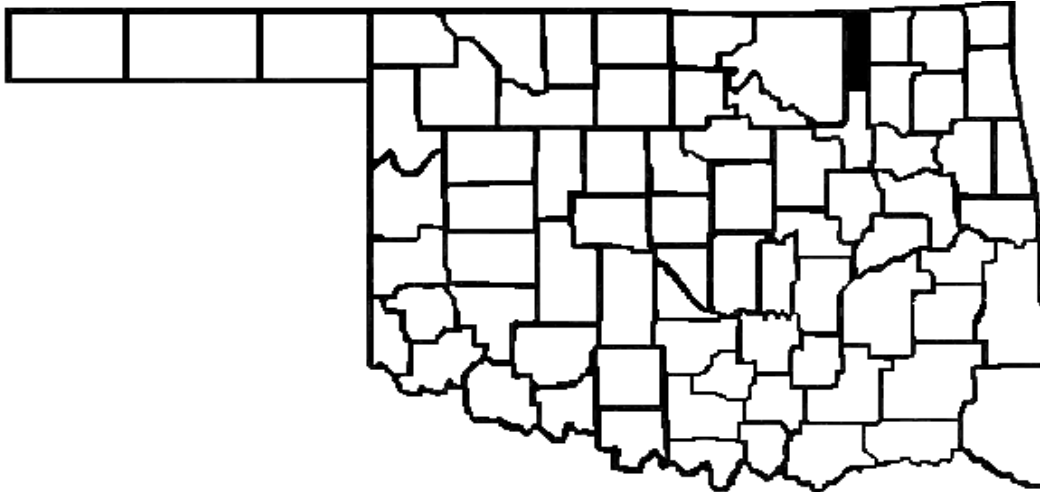
**WASHINGTON COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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PRESENTED FOR INFORMATIONAL PURPOSES ONLY

**WASHINGTON COUNTY, OKLAHOMA
STATISTICAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**



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, 2014**

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

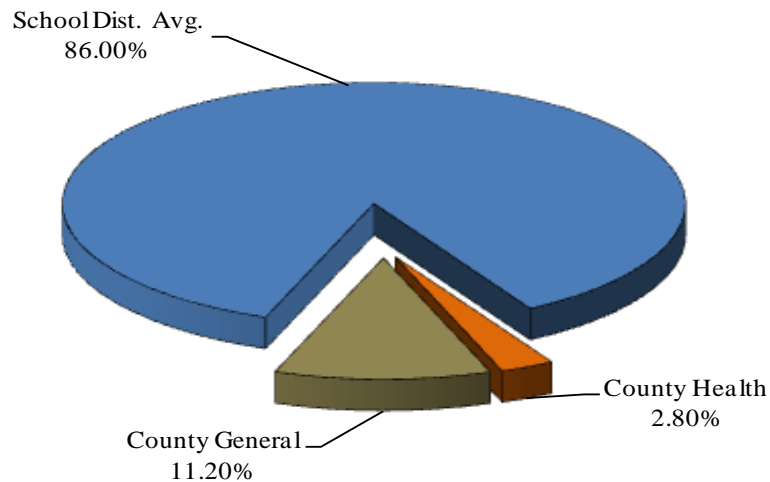
Jill Spitzer

District Attorney

Kevin Buchanan

**WASHINGTON COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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							
							Career		Total
County General	10.44			Gen.	Bldg.	Sinking	Tech.	Common	
County Health	2.61	Bartlesville	I-30	36.49	5.21	27.33	15.66	4.17	88.86
		Dewey	I-7	36.45	5.21	14.80	15.66	4.17	76.29
Cities and Towns		Copan	I-4	36.77	5.25	12.75	15.66	4.17	74.60
		Caney Valley	I-18	36.74	5.25	23.62	15.66	4.17	85.44
Bartlesville	15.72	Nowata	J-3	36.82	5.26	20.63	15.66	4.17	82.54
Dewey	7.73	Tulsa Co. Collinsville	J-6	36.68	5.24	24.16	13.91	4.17	84.16
		Tulsa Co. Skiatook	J-7	37.33	5.33	26.63	13.91	4.17	87.37
		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, 2014**

Sales Tax

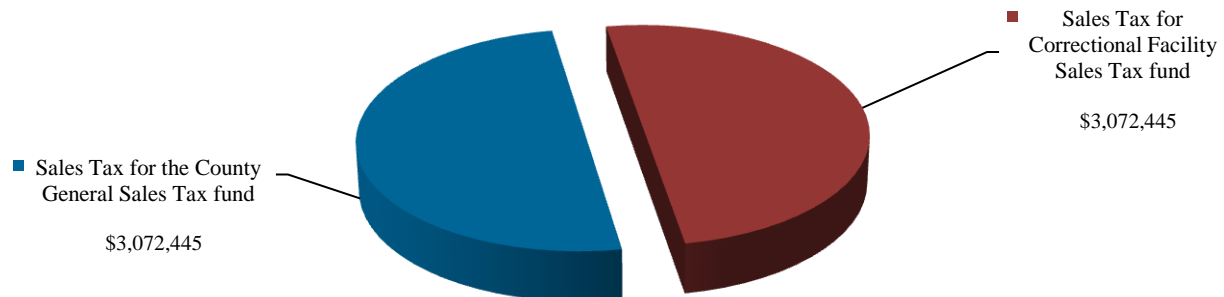
Sales Tax of December 1, 2002

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

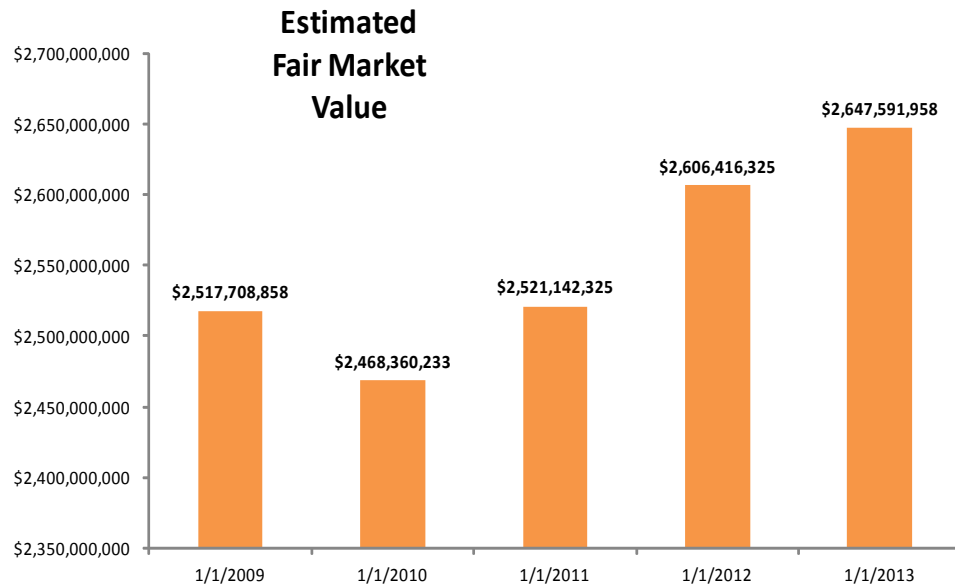
The voters of Washington County approved a one-half percent (1/2%) sales tax effective July 1, 2009. The revenue from this sales tax was pledged toward the retirement of indebtedness incurred for the acquisition, construction and equipping a new Washington County Detention Facility; operating and maintaining 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 \$6,144,890 in total sales tax.



**WASHINGTON COUNTY, OKLAHOMA
ASSESSED VALUE OF PROPERTY
TREND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

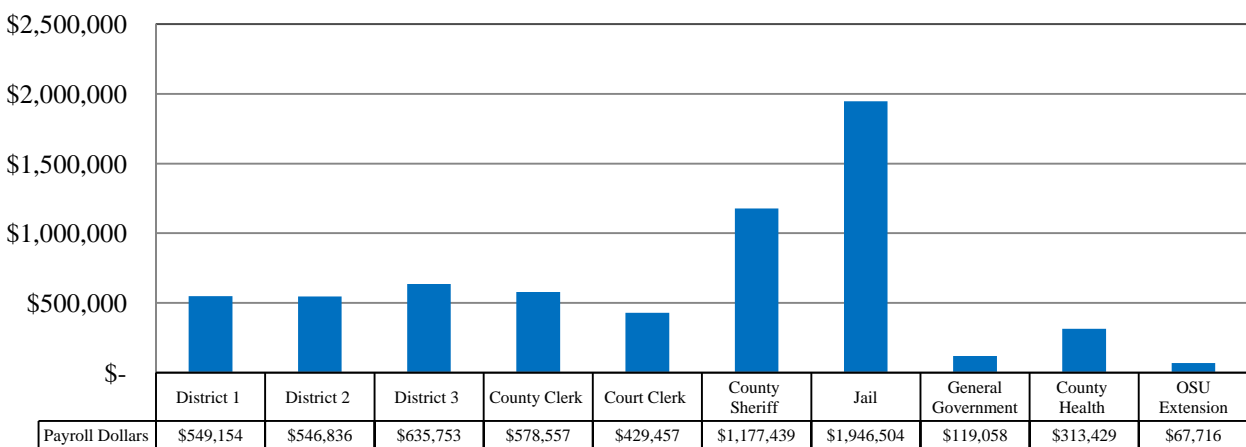
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Veterans Exemption	Net Value	Estimated Fair Market Value
1/1/2013	\$41,014,124	\$22,910,948	\$268,136,200	\$11,948,623	\$2,401,614	\$317,711,035	\$2,647,591,958
1/1/2012	\$43,205,032	\$23,842,507	\$260,045,423	\$12,047,353	\$2,275,650	\$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



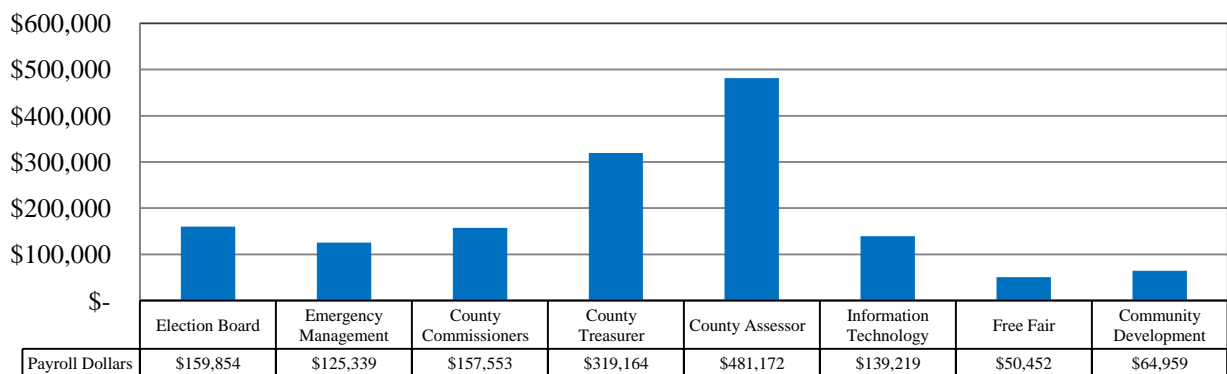
**WASHINGTON COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014.

Payroll Expenditures by Department



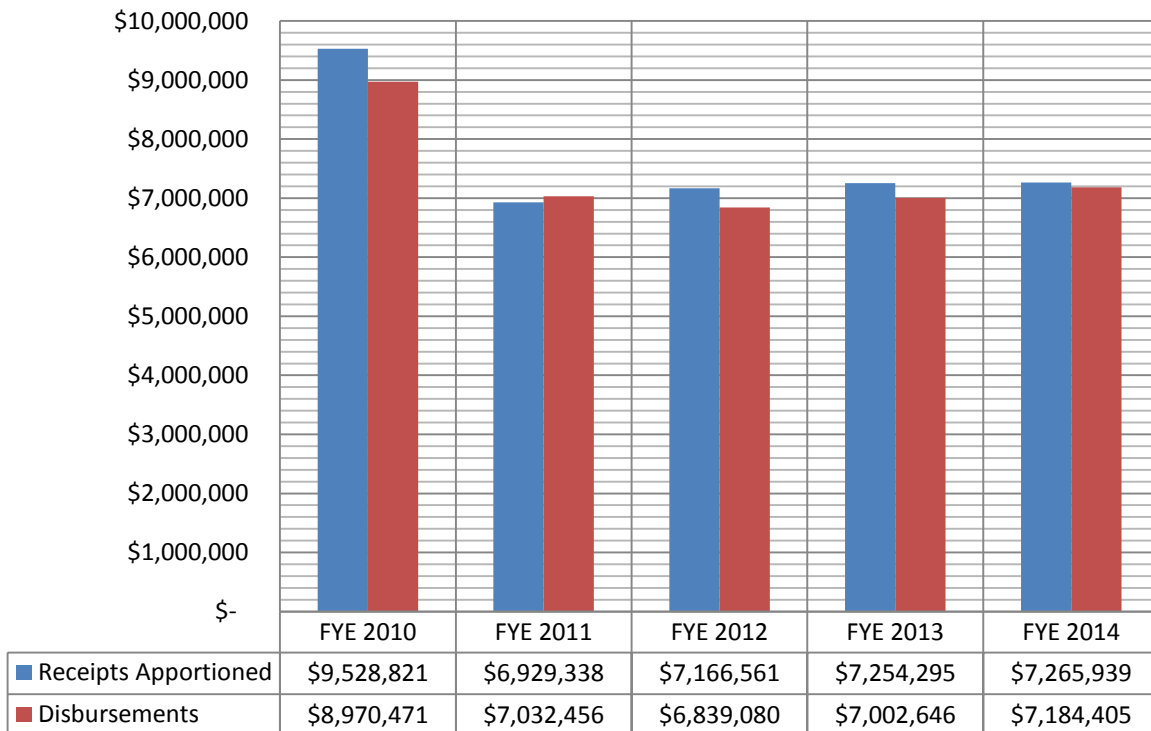
Payroll Expenditures by Department



**WASHINGTON COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County General Fund

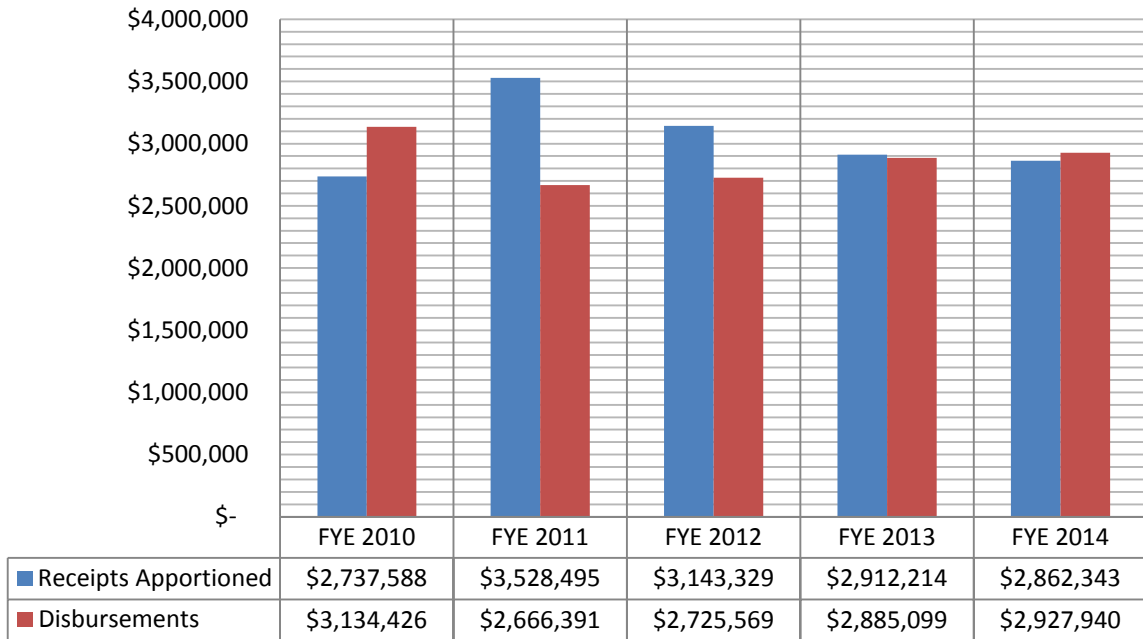
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2014**

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, 2014, 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, 2014, 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, 2014, 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, 2014

	Beginning Cash Balances July 1, 2013	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2014
Combining Information:						
Major Funds:						
County General Fund	\$ 3,376,673	\$ 7,265,939	\$ -	\$ -	\$ 7,184,405	\$ 3,458,207
Highway Cash	2,088,433	2,862,343	-	-	2,927,940	2,022,836
County Health	667,981	844,176	-	-	901,573	610,584
Correctional Facility Sales Tax	1,765,683	3,077,677	-	-	2,966,714	1,876,646
Remaining Aggregate Funds	2,134,324	1,805,965	11	-	1,267,370	2,672,930
Combined Total - All County Funds	\$ 10,033,094	\$ 15,856,100	\$ 11	\$ -	\$ 15,248,002	\$ 10,641,203

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, 2014**

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, 2014**

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, 2014**

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 group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

E. Interfund Transfers

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

- \$11 residual transfer from Excess Resale (a trust and agency fund) to the Resale fund.

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, 2014

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 3,376,673	\$ 3,376,673	\$ -
Less: Prior Year Outstanding Warrants	(315,801)	(315,801)	-
Less: Prior Year Encumbrances	(274,868)	(274,868)	-
Plus: Prior Year Lapsed	-	68,742	68,742
Beginning Cash Balances, Budgetary Basis	2,786,004	2,854,746	68,742
Receipts:			
Ad Valorem Taxes	3,090,201	3,234,350	144,149
Charges for Services	257,000	280,946	23,946
Sales Tax	2,800,000	3,072,445	272,445
Intergovernmental Revenues	531,890	550,990	19,100
Miscellaneous Revenues	82,000	127,208	45,208
Total Receipts, Budgetary Basis	6,761,091	7,265,939	504,848
Expenditures:			
District Attorney	27,520	27,514	6
County Sheriff	966,764	960,900	5,864
County Treasurer	229,803	229,800	3
County Commissioners	180,252	173,854	6,398
OSU	114,617	113,515	1,102
County Clerk	409,395	396,799	12,596
Court Clerk	433,322	434,257	(935)
County Assessor	207,388	207,620	(232)
Revaluation of Real Property	333,495	339,400	(5,905)
General Government	1,318,590	326,924	991,666
Excise-Equalization Board	3,800	1,714	2,086
County Election Board	175,064	177,864	(2,800)
Insurance-Benefits	130,182	115,529	14,653
Information Technology	323,197	309,766	13,431
Charity	1,000	1,000	-
Fire Fighting Services	9,501	9,204	297
Emergency Management	140,157	145,578	(5,421)
Community Development	68,198	69,159	(961)
County Audit Budget Account	47,000	1,377	45,623
Free Fair	72,305	72,655	(350)
Sales Tax Jail	1,100,000	1,037,918	62,082
Sales Tax Dist #1	850,003	817,332	32,671
Sales Tax Dist #2	600,003	600,609	(606)
Sales Tax Dist #3	600,003	543,490	56,513
Sales Tax General	1,072,383	203,503	868,880
Sales Tax Renovation	103,153	103,152	1
Sales Tax Juvenile Detention	30,000	15,156	14,844
Total Expenditures, Budgetary Basis	9,547,095	7,435,589	2,111,506

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, 2014

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Continued from previous page			
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	2,685,096	<u>\$ 2,685,096</u>
Reconciliation to Statement of Receipts,			
Disbursements, and Changes in Cash Balances			
Add: Cancelled Warrants		35	
Add: Current Year Outstanding Warrants		241,151	
Add: Current Year Encumbrances		<u>531,925</u>	
Ending Cash Balance		<u>\$ 3,458,207</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, 2014**

	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 667,981	\$ 667,981	\$ -
Less: Prior Year Outstanding Warrants	(3,263)	(3,263)	-
Less: Prior Year Encumbrances	(97,309)	(97,309)	-
Plus: Prior Year Lapsed	-	1,586	1,586
Beginning Cash Balances, Budgetary Basis	567,409	568,995	1,586
Receipts:			
Ad Valorem Taxes	772,550	808,251	35,701
Miscellaneous Revenues	34,571	35,925	1,354
Total Receipts, Budgetary Basis	807,121	844,176	37,055
Expenditures:			
Health and Welfare	1,374,530	890,757	483,773
Total Expenditures, Budgetary Basis	1,374,530	890,757	483,773
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	522,414	\$ 522,414
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		21,862	
Add: Current Year Outstanding Warrants		66,308	
Ending Cash Balance		\$ 610,584	

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, 2014

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Remaining Aggregate Funds:						
Emergency Operations Center Grant	\$ 42,294	\$ 91,052	\$ -	\$ -	\$ 81,699	\$ 51,647
Hazard Mitigation Emergency Preparedness Grant	2,305	329	-	-	1,014	1,620
Juvenile Detention	6,488	-	-	-	-	6,488
Sheriff Service Fees	515,119	320,830	-	-	423,774	412,175
Sheriff Lake Patrol	4,189	8,400	-	-	3,359	9,230
Treasurer Fees	21,006	8,920	-	-	20,308	9,618
County Clerk Lien Fees	37,227	14,264	-	-	30,006	21,485
Assessor Visual Inspection	15,293	1,862	-	-	845	16,310
D.A.R.E Program	14,823	1,786	-	-	1,139	15,470
Oklahoma Highway Safety Grant	875	30,307	-	-	17,637	13,545
Board of Prisoners	192,479	556,279	-	-	133,740	615,018
Sheriff Commissary	130,537	386,350	-	-	275,586	241,301
Forestry Grant	15,025	26,808	-	-	15,792	26,041
County Clerk Preservation	319,964	49,101	-	-	88,516	280,549
State Grant	119	-	-	-	-	119
Community Development	11,592	-	-	-	-	11,592
Tyler Agriculture Cash	9,364	7,565	-	-	10,787	6,142
Resale	794,125	301,912	11	-	163,168	932,880
Community Development Block Grant	1,500	-	-	-	-	1,500
Commissioners Trash Reward	-	200	-	-	-	200
Combined Total - Remaining Aggregate Funds	\$ 2,134,324	\$ 1,805,965	\$ 11	\$ -	\$ 1,267,370	\$ 2,672,930

**WASHINGTON COUNTY, OKLAHOMA
NOTES TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014**

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.

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

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, 2014, 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, 2014, 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: 2014-1.

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 deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2014-3.

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.



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, 2014**

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 2014-1 – 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, 2014**

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 2014-3 – 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, 2014**

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.

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 2014-8 – 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 \$22,097.00 and expenditures being understated in the amount of \$148,769.78.

Cause of Condition: 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.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

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 2014-9 – 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 refund to inmates.
- 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.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.
- 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."

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.”

Finding 2014-11 – Inadequate Internal Controls and Noncompliance Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping process regarding fixed assets inventory, the following was noted:

District 1:

- Of the five (5) disposed items tested, one (1) item, D354.10, was not actually disposed of but remained in the possession of the County and one item, D406.101, did not have a resolution of disposal.
- There appears to be a lack of internal controls over fixed assets in that one person is responsible for all recordkeeping.

District 2:

- Of the twenty (20) fixed asset items tested, three (3) pieces of equipment were not recorded on the District’s inventory list and one piece of equipment had no asset tag.
- There appears to be a lack of controls over fixed assets in that one person is responsible for all recordkeeping and performance of physical counts.

District 3:

- There appears to be a lack of internal controls over fixed assets in that one person is responsible for all recordkeeping and performance of physical counts.

County Sheriff:

- There were no records indicating when the last physical inventory of fixed assets was taken.

Emergency Management:

- Of the ten (10) fixed assets items tested, three (3) pieces of equipment were not marked with “Property of Washington County.”
- There were no records indicating when the last physical inventory of fixed assets was taken.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to effective internal controls over safeguarding of fixed assets by performing an annual physical inventory count and creating and maintaining a fixed assets inventory record.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Effect of Condition: Failure to maintain accurate records of fixed asset inventories and perform a periodic physical count of fixed asset inventories could result in inaccurate records, unauthorized use, or misappropriation of fixed asset inventories.

Recommendation: OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process.

Management Response:

County Commissioner District 1: I assert one set of hands to control the records is not a lack of control, but the essence of control. The more hands touching a particular project increases the likelihood of error. Having said that, one person is handling the recordkeeping, not the actual testing of the inventory. The actual collection of the inventory is done on a rotating basis between all road hands. Furthermore, the road foreman and myself review these records.

Auditor Response: The duties of recordkeeping and custody of assets should be separated.

County Commissioner District 2: Recordkeeping will be done by the secretary and the count will be done by the road foreman. Also, the three (3) fixed assets are being tagged as of December 10, 2015.

County Commissioner District 3: I have appointed three employees to do inventory control over capital equipment.

County Sheriff: The Sheriff's office will implement a process where fixed assets will be periodically inventoried and a report filed within the office. The inter-office audit for fixed assets will be conducted by someone different than the person responsible for keeping and maintaining a record of our fixed assets.

Emergency Management: We were not aware of the exact procedure for the annual physical inventory documentation. Inventory is performed on an annual basis but not documented. After consultation with SAI, we are implementing a documentation process that should satisfy the requirements. Additionally, the items found "not marked" were inventoried, but we were waiting on a number assignment. Current procedure requires an inventory number assignment from another office that is outside of our control.

Criteria: Title 19 O.S. § 178.1 requires the maintenance of inventory records and periodic inventory verifications.

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 acquisition, use, or disposition of fixed assets, and safeguard fixed assets from loss, damage, or misappropriation.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Finding 2014-12 – Inadequate Internal Controls and Noncompliance Over Consumable Inventories (Repeat Finding)

Condition: Upon inquiry and observation of the recordkeeping process regarding consumable inventories, the following was noted:

District 1:

- Fuel logs/records were not maintained on the 550 gallon remote fuel tank.
- There appears to be a lack of internal controls over consumable inventories in that one person is responsible for all recordkeeping.

District 2:

- Assets are unsecured, as there is no fence and all employees have keys to the shop.
- Transfer documents are not being used.
- Consumable records were not being updated; of the four (4) items tested, two (2) items did not reconcile to recorded amounts.
- Fuel conversion charts are not used; therefore, there are significant variances between consumable records and the actual amount of fuel in the tanks. Fuel records for the gasoline tank indicate 3,201 gallons and the measurement indicated only 350 gallons. Fuel records for the diesel tank indicated 359 and the measurement indicated 500 gallons.
- There appears to be a lack of internal controls over consumable inventories in that one person is responsible for all recordkeeping and performs physical counts.

District 3:

- Consumable records do not indicate running balances.
- Fuel records indicated 1,263 gallons of diesel fuel and measurements indicated 1,737 gallons.
- There were no records indicating when the last physical inventory of consumable assets was taken.
- There appears to be a lack of internal controls over consumable inventories in that one person is responsible for all recordkeeping and performs physical counts.

Cause of Condition: Policies and procedures have not been implemented for the accurate reporting of consumable inventories.

Effect of Condition: These conditions could result in inaccurate records, unauthorized use, or loss of consumable inventories.

Recommendation: OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 1504A. These controls would include:

- Maintaining cards or records of actual consumable inventories on hand.

**WASHINGTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- Visually inspecting and maintaining documentation for periodic reviews of consumable inventories. Verification should be performed by an individual independent of the consumable recordkeeping process.
- Maintaining a fuel log with all pertinent information including a current balance.
- Reconciling fuel log periodically to fuel on hand and explain any variance or adjustments.

Management Response:

County Commissioner District 1: I assert one set of hands to control the records is not a lack of control, but the essence of control. The more hands touching a particular project increases the likelihood of error. Having said that, one person is handling the recordkeeping, not the actual testing of the inventory. The actual collection of the inventory is done on a rotating basis between all road hands. Furthermore, the road foreman and myself review these records.

Auditor Response: The duties of recordkeeping and custody of assets should be separated.

County Commissioner District 2: Consumable records will be updated. We will get a fuel conversion chart and a fuel measuring stick and measure every Monday.

County Commissioner District 3: A procedure has been put in place to track running balances of consumables. In the past the running balance of gas and diesel has been in place.

Criteria: Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by their department comply with 19 O.S. § 1504A.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV