



WASHITA COUNTY

County Audit

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**WASHITA COUNTY, OKLAHOMA
FINANCIAL STATEMENT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

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May 2, 2019

TO THE CITIZENS OF
WASHITA COUNTY, OKLAHOMA

Transmitted herewith is the audit of Washita County, Oklahoma for the fiscal year ended June 30, 2017. 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 that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**WASHITA COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Board of County Commissioners

District 1 – Bart Gossen
District 2 – Leo Goeringer
District 3 – Raydell Schneberger

County Assessor

Clayton Twyman

County Clerk

Kristen Dowell

County Sheriff

Roger Reeve

County Treasurer

Sherry Nightengale

Court Clerk

Carol Corbett

District Attorney

Angela Marsee

**WASHITA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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FINANCIAL SECTION

Independent Auditor's Report

TO THE OFFICERS OF
WASHITA 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 Washita County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Washita County as of June 30, 2017, or changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Washita County, for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

Other Matters

Supplementary and 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statement.

The schedule of expenditures of federal awards and the remaining supplementary information 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 schedule of expenditures of federal awards and the remaining supplementary information is fairly stated, in all material respects, in relation to the financial statement.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2019, on our consideration of Washita County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide

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



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 22, 2019

REGULATORY BASIS FINANCIAL STATEMENT

WASHITA COUNTY, OKLAHOMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES—REGULATORY BASIS
(WITH COMBINING INFORMATION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Beginning Cash Balances July 1, 2016	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2017
Combining Information:						
County General Fund	\$ 1,131,653	2,242,202	\$ 2,516	-	2,786,214	\$ 590,157
County Highway Fund	5,525,178	5,891,407	-	-	5,362,252	6,054,333
County Sales Tax	1,040,864	1,466,432	-	-	1,244,910	1,262,386
Detention Center Sales Tax	33,384	1,073,946	-	-	1,010,152	97,178
County Bridge and Road Improvement 105	1,052,495	221,306	-	-	113,786	1,160,015
E911	22,518	69,792	-	-	59,532	32,778
CENA Grant Fund	-	2,821	-	-	2,821	-
Washita Sinking	1,200	-	-	-	-	1,200
County Building Insurance Fund	451	-	-	-	-	451
Washita Industrial Sinking	5,826	-	-	-	-	5,826
Sheriff Service Fee	247,342	123,737	-	-	140,839	230,240
Sheriff Contract	74,378	62,899	-	-	7,839	129,438
County Treasurer Certification Fee	12,149	2,788	-	-	3,975	10,962
Assessor Visual Reimbursement	244	-	-	-	-	244
County Clerk Lien Fee	90,851	20,920	-	-	19,960	91,811
County Clerk Preservation Fee	23,164	22,045	-	-	36,664	8,545
Assessor Fee Revolving	21,712	4,067	-	-	4,857	20,922
Health Department (MD)	11,239	-	-	-	-	11,239
Resale Property	223,658	52,897	1,295	-	58,611	219,239
County Bridge and Road Improvement 103	13,778	7	-	-	-	13,785
County Assessor Hardware Upgrade	46	-	-	-	-	46
Courthouse Security	118,611	11,241	-	-	-	129,852
Commissary Profit Fund	71,605	50,374	-	-	32,316	89,663
Court Fund Payroll	4,025	48,767	-	-	48,728	4,064
Washita/Custer Drug Court	201,785	119,984	-	-	161,339	160,430
Combined Total - All County Funds	\$ 9,928,156	\$ 11,487,632	\$ 3,811	\$ -	\$ 11,094,795	\$ 10,324,804

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

WASHITA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT AND TRANSFERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

1. Summary of Significant Accounting Policies

A. Reporting Entity

Washita 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 emergency medical districts, libraries, 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.

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

County Sales Tax – accounts for collection of sales tax and distributed to the Washita County Fire Departments, Washita County Cooperative Extension and 4-H, Washita County Ambulance Service, Washita County Senior Citizens Centers, Washita County Capital Maintenance, County Fair Facilities, Courthouse, and Washita County Free Fair and Junior Livestock Show.

Detention Center Sales Tax – accounts for monies collected from the Washita Public Facilities Authority to operate the detention center.

**WASHITA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT AND TRANSFERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

County Bridge and Road Improvement 105 – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

E911 – accounts for a grant received from the Oklahoma Corporation Commission and fees collected on land line and cellular telephone bills and disbursed to establish and provide continuous 911 services for the County.

CENA Grant Fund – accounts for the collection of grant money and disbursed for operation of the Cloud Chief Community Center and Cowden Community Center.

Washita Sinking – accounts for the remaining balance of ad valorem taxes collected to pay off the debt of the chicken plant. Since fiscal year end 2009, there has been no activity in this fund.

County Building Insurance Fund – accounts for the remaining balance from an insurance claim. Since fiscal year end 2013, there has been no activity in this fund.

Washita Industrial Sinking – accounts for the remaining balance of ad valorem taxes collected to pay off the debt of the Robertson Factory. Since fiscal year end 2013, there has been no activity in this fund.

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

Sheriff Contract – accounts for the collection of funding from the State Department of Corrections for administrative expenses and supervision of offenders.

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

Assessor Visual Reimbursement – accounts for the collection and expenditure of monies by the Assessor as restricted by state statute for the visual inspection program.

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

County Clerk Preservation Fee – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for the preservation of records.

Assessor Fee Revolving – accounts for the collection of fees for copies as restricted by state statute.

Health Department (MD) – accounts for monies collected on behalf of the county health department from fees. Since fiscal year ended 2001, there has been no activity in this fund.

**WASHITA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT AND TRANSFERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and the disposition of same as restricted by state statute.

County Bridge and Road Improvement 103 – accounts for state receipts and disbursements for the purpose of maintaining bridges.

County Assessor Hardware Upgrade – accounts for the collection of funds received from the State of Oklahoma and disbursed for the upgrade of Assessor computer equipment. Since fiscal year end 2009, there has been no activity in this fund.

Courthouse Security – accounts for fees collected through the courts and disbursed for courthouse security.

Commissary Profit Fund – accounts for profits made from the sale of commissary items to inmates and disbursed on operations of the Sheriff's office.

Court Fund Payroll – accounts for monies received from the Court Clerk's Court Fund for the disbursement of payroll to Court Fund employees.

Washita/Custer Drug Court – accounts for monies collected from the Oklahoma Department of Mental Health and Substance Abuse Services and is disbursed for salaries of the drug court administration.

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 with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

WASHITA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT AND TRANSFERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

E. Cash and Investments

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

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

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

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

2. Ad Valorem Tax

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

**WASHITA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT AND TRANSFERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

3. Other Information

A. Pension Plan

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

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

B. Other Post Employment Benefits (OPEB)

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

C. Contingent Liabilities

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

**WASHITA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT AND TRANSFERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Sales Tax of June 9, 2009

On June 9, 2009, the voters of Washita County approved a sales tax of three-quarters (3/4) of one cent (1%). This sales tax was established to provide revenue for the retirement of indebtedness incurred for the construction and equipping of a new Washita County Detention Facility and the operation and maintenance of the Washita County Detention Facility and existing jail renovations.

Half of the sales tax, three-eighths (3/8) of one cent (1%) sales tax shall have a limited duration of twenty (20) years from the date of commencement or until the principal and interest upon indebtedness incurred is paid in full, whichever occurs earlier. The remaining half of sales tax, three-eighths (3/8) of one cent (1%) will terminate after twenty (20) years unless continued by a majority of the voters of Washita County. These funds are accounted for in the County Sales Tax fund.

Sales Tax of February 11, 2014

On February 11, 2014, the voters of Washita County approved a five-eighths (5/8) of one percent (1%) sales tax. This sales tax was established to provide revenue as follows:

- 49% for the Washita County Cooperative Extension Service and 4H, not to exceed \$147,000.
- 10% for the Washita County Free Fair and Junior Livestock Show, not to exceed \$30,000.
- 21% for the Washita County Senior Citizens Centers, not to exceed \$63,000.
- 20% for the Washita County Capital Maintenance for the County Jail, and County Fair Facilities and Courthouse, not to exceed \$60,000.

The allocation to the groups is not to exceed the amount stated above and any overage shall go to the County General Fund. This sales tax shall have a duration of sixty (60) months. This sales tax is accounted for within the County Sales Tax fund and the County General Fund.

Sales Tax of June 24, 2014

On June 24, 2014, the voters of Washita County approved a five-eighths (5/8) of one percent (1%) sales tax. This sales tax was established to provide revenue as follows:

- 78.57% for the Washita County Fire Departments, not to exceed \$396,000.
- 21.43% for the Washita County Ambulance Service, not to exceed \$108,000.

**WASHITA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENT AND TRANSFERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The allocation to the groups is not to exceed the amount stated above and any overage shall go to the County General Fund. This sales tax shall have duration of sixty (60) months. This sales tax is accounted for within the County Sales Tax fund and the County General Fund.

E. Tax Abatements

The County is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article 10 Section 6B for qualifying manufacturing concern—ad valorem tax exemption.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. Under Title 68 O.S. § 2902, in exchange for the five-year exemption, qualifying manufacturing concerns must meet certain minimum investment requirements for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer basic health benefit plans to all full-time employees within 180 days of employment.

The County had \$374,445 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. § 193 that is used to reimburse the County for the loss of revenue. Monies apportioned to this fund by the State also may be transferred to other state funds or otherwise expended as directed by the Legislature. In the event monies apportioned to the Fund are insufficient to pay all claims for reimbursement, claims for reimbursement for loss of revenue due to manufacturing exemptions of ad valorem taxes shall be paid first, and any remaining funds shall be distributed proportionally among the counties making claims for reimbursement for loss of revenue for school district exemptions. The County has an outstanding, unpaid claim of \$374,445 of reimbursement from the State as of June 30, 2017.

F. Interfund Transfers

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

- \$1,295 was transferred from Excess Resale Fund (a trust and agency fund) to Resale Property in accordance with 68 O.S. § 3131c.
- \$2,516 was transferred from Sheriff Estray Cattle Fund (a trust and agency fund) to County General Fund in accordance with Title 4 O.S. § 85.6d.

OTHER SUPPLEMENTARY INFORMATION

WASHITA 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, 2017

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,131,655	\$ 1,131,653	\$ (2)
Less: Prior Year Outstanding Warrants	(152,210)	(152,210)	-
Less: Prior Year Encumbrances	(83,684)	(57,993)	25,691
Beginning Cash Balances, Budgetary Basis	895,761	921,450	25,689
Receipts:			
Total Receipts, Budgetary Basis	1,933,554	2,242,202	308,648
Expenditures:			
Total Expenditures, Budgetary Basis	2,829,315	2,732,371	96,944
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	431,281	\$ 431,281
Operating Transfers		2,516	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		137,914	
Add: Current Year Encumbrances		18,446	
Ending Cash Balance		\$ 590,157	

WASHITA COUNTY, OKLAHOMA
NOTE TO OTHER SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

1. Budgetary Schedules

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WASHITA COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226		\$ 106
Total U.S. Department of Interior			<u>106</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4222, 4256	3,318,482
Total U.S. Department of Homeland Security			<u>3,318,482</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,318,588</u></u>

WASHITA COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Washita County, and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Indirect Cost Rate

Washita County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR§ 200.414(f).

Eligible Expenditures Incurred in the Prior Fiscal Year

On February 10, 2016 the President of the United States approved a Major Disaster Declaration for Washita County in response to winter storms and flooding ranging from December 26, 2015 to January 5, 2016. The County incurred \$790,637 in eligible expenditures in the prior fiscal year ending June 30, 2016. The Federal Emergency Management Agency approved all project worksheets for this disaster in the fiscal year ending June 30, 2017. Therefore, expenditures on the schedule of expenditures of federal awards for CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters) will include \$790,637 in eligible expenditures incurred in the fiscal year ending June 30, 2016 and all eligible expenditures that were incurred in the fiscal year ending June 30, 2017.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

TO THE OFFICERS OF
WASHITA 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 Statement of Receipts, Disbursements, and Changes in Cash Balances (with Combining Information) of Washita County, Oklahoma, as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprises Washita County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated April 22, 2019.

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, 2017, 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 Washita 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 Washita County's internal control. Accordingly, we do not express an opinion on the effectiveness of Washita 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 questioned



costs, 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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2017-002, 2017-003, 2017-006, and 2017-016.

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 questioned costs to be a significant deficiency: 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washita 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-006.

We noted certain matters regarding statutory compliance that we reported to the management of Washita County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Washita County's Response to Findings

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

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 that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 22, 2019

**Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by
the Uniform Guidance**

TO THE OFFICERS OF
WASHITA COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Washita County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Washita County's major federal program for the year ended June 30, 2017. Washita County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washita County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Washita County's compliance.

Opinion on Each Major Federal Program

In our opinion, Washita County, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Washita County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Washita County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washita County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-004, 2017-013, and 2017-014, that we consider to be material weaknesses.

Washita County's Response to Findings

Washita County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Washita County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. This report is also a public

document pursuant to the Oklahoma Open Records Act (51 O.S., section 24A.1 et seq.), and shall be open to any person for inspection and copying.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 22, 2019

**WASHITA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:..... Adverse as to GAAP; unmodified as to statutory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted?..... Yes

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on
compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? Yes

Identification of Major Programs

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Grants - Public Assistance
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between

Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?..... No

**WASHITA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 2—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 2017-001—Inadequate Internal Controls over the Collection Process

Condition: Upon inquiry and the observation of records, within the office of the County Treasurer, the following was noted:

- There is no documentation maintained of a review over the input of ad valorem tax levies into the software system for accuracy.
- There is no documentation maintained that bank balances are compared daily to pledge amounts.
- There is no documentation maintained that there is a review over daily reports to ensure accurate reporting of daily county business.

Cause of Condition: Internal controls have not been designed and implemented by the County Treasurer to ensure ad valorem tax levies are properly input into the software system and bank balances are fully pledged. Internal controls have not been designed and implemented to maintain documentation supporting review processes that ensure accuracy of daily reports.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, or misappropriation of funds which would not be detected in a timely manner.

Recommendation: Oklahoma State Auditor and Inspector's Office (OSAI) recommends that documentation be maintained to ensure that the ad valorem tax levies entered into the software system are accurate, that bank balances are compared to pledged amounts, and that daily reports are reviewed for accuracy.

Management Response:

County Treasurer: We will work towards reviewing the input of ad valorem taxes for accuracy, bank balances and pledge amounts, and will maintain documentation of review processes on these as well as the review of the daily reports.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, and completeness of the County financial statements. 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.

**WASHITA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Finding 2017-002—Inadequate Internal Controls and Noncompliance Over the Disbursements of County Sales Tax (Repeat Finding 2016-002)

Condition: Upon inquiry and observation of the recordkeeping process of expending county sales tax, the following was noted:

- The sales tax appropriations and expenditures were not discretely presented within the County General Fund. The County apportioned \$247,218 in sales tax collections to the County General Fund during the fiscal year ended June 30, 2017. Since the sales tax collections were commingled with other sources of revenue, we could neither determine how much sales tax was expended nor perform a test of sales tax expenditures for the County General Fund.
- Expenditures of the sales tax for the Washita County Public Facility Authority and the Washita County Senior Citizens Centers were not made in accordance with 68 O.S. § 1370E and AG Opinions 2005 OK AG 23 and 2014 OK AG 15.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with AG Opinions and 68 O.S. § 1370E.

Additionally, the County was advised by legal representation of the Washita County Public Facility Authority in the establishment of the Washita County Public Facility Authority Fund allowing for direct remittance of county sales tax collections.

Effect of Condition: These conditions resulted in noncompliance with the AG Opinions and the state statute.

Recommendation: OSAI recommends that the County sales tax apportioned to the County General Fund be accounted for in a separate account so as to discretely present the expenditures. In addition, the sales tax should be expended in such a manner to provide assurance that expenditures are made in accordance with the purposes specified by the ballot as outlined by 68 O.S. § 1370E and AG Opinions 2005 OK AG 23 and 2014 OK AG 15.

Management Response:

Chairman of the Board of County Commissioners: We will work toward presenting the sales tax in the County General Fund in a separate account to identify sales tax expenditures. Regarding expenditures for the payment of debt on the Detention Center, the County was advised by legal representation of the Washita County Public Facility Authority in the establishment of the fund.

County Clerk: We will discuss moving the sales tax for the County General Fund into a separate account within the County General Fund.

**WASHITA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Criteria: Title 68 O.S. § 1370E, requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

3. Proceeds of a county sales tax voted for a specific purpose but placed in the county's general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose."

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; Cavin v. Bd. of County Comm'rs, 1934 OK 245, 11, 33 P.2d 477, 479.

Finding 2017-003—Inadequate County-Wide Controls (Repeat Finding 2016-003)

Condition: When assessing the county-wide controls the following weaknesses were noted:

- County-wide controls regarding Risk Assessment and Monitoring have not been designed.

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

Effect of Condition: Without an adequate system of county-wide controls, there is risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that the County design and implement 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.

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide controls and procedures regarding county-wide controls.

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

**WASHITA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding 2017-006—Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding 2016-006)

Condition: The audit of sixty (60) disbursements, reflected the following:

- One (1) instance was noted in which the disbursement was not authorized/approved by the County Clerk/Deputy.
- Six (6) instances were noted in which the disbursement was not properly encumbered.
- Two (2) instances were noted in which the disbursement was not requisitioned.

Cause of Condition: Policies and procedures have not been designed over the disbursement process to strengthen internal controls and ensure compliance with state statutes.

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

Recommendation: OSAI recommends all disbursements be properly authorized, approved, have proper supporting documentation, and be encumbered prior to receiving goods in accordance with 19 O.S. § 1505.

Management Response:

County Clerk and Chairman of the Board of County Commissioners: The Board of County Commissioners will express to fellow County officials the importance of County funds being encumbered prior to the receipt of goods and/or services in accordance with Oklahoma Statutes. Also, we will work

**WASHITA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

towards all purchases having proper requisitioning signatures as well as being reviewed and approved by signing the purchase order.

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

Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

**Finding 2017-016—Inadequate Internal Controls Over the Financial Statement Presentation
(Repeat Finding 2016-016)**

Condition: The County has not designed and implemented internal controls to ensure the accurate presentation of the County's financial statement. During the review and reconciliation of the financial statement as initially prepared by the County, we determined that the beginning balance was overstated \$2,366,890, the revenues were understated \$1,012,178, and the disbursements were understated \$248,871, which resulted in the ending balance being overstated \$2,000,231. The misstatement was due to the County reporting the Washita County Public Facilities Authority, a trust and agency fund, as a county fund.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the County's financial statement is accurately presented.

Effect of Condition: This condition resulted in the County's financial statement being materially overstated.

Recommendation: OSAI recommends the County design and implement policies and procedures to ensure the County's financial statement is accurately presented.

Management Response:

Chairman of the Board of County Commissioners and County Treasurer: We will implement policies and procedures to ensure accurate presentation of the financial statement.

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization.

The County's management is responsible for establishing internal control procedures to prevent or detect misstatements in a timely manner. Professional audit standards preclude the external financial statement auditor from performing any part of management's control activities or be a component of the internal controls over financial reporting as this would impair their independence.

**WASHITA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 3— Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Finding 2017-004—Inadequate Internal Controls Over Schedule of Expenditures of Federal Awards (Repeat Finding 2008-004, 2016-004)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions.

QUESTIONED COSTS: \$-0-

Condition: During our audit, we identified total federal expenditures were understated by \$163,166.

- For Disaster Grants - Public Assistance (Presidentially Declared Disasters) CFDA #97.036 actual expenditures were \$3,318,481, while \$3,155,315 was reported a variance of \$163,166.

Cause of Condition: Internal controls over the Schedule of Expenditures of Federal Awards (SEFA) have not been designed and implemented to ensure accurate reporting of expenditures for federal awards.

Effect of Condition: Lack of internal controls over federal program expenditures could lead to erroneous reporting and/or a material misstatement of the County's SEFA and increases the potential for material noncompliance.

Recommendation: OSAI recommends County Officials and department heads gain an understanding of federal programs awarded to Washita County. Internal control procedures should be designed and implemented to ensure accurate reporting of expenditures on the SEFA. Further, OSAI recommends county officials and department heads gain an understanding of requirements for federal programs and implement internal control procedures to ensure compliance with federal requirements.

Management Response:

Board of County Commissioners District 1, 2, and 3: The BOCC will work to design and implement internal controls to ensure accurate reporting of expenditures on the SEFA and ensure compliance with federal requirements over federal awards.

Criteria: Title 2 *CFR* 200 § 510 (a)(b) Financial Statements, reads as follows:

- (a) *Financial statements.* The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same

**WASHITA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

organizational unit and fiscal year that is chosen to meet the requirements of this part. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with §200.514 Scope of audit, paragraph (a) and prepare separate financial statements.

(b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. [...]

Finding 2017-013—Inadequate County-Wide Controls Over Major Federal Programs – FEMA (Repeat Finding 2016-013)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions.

QUESTIONED COSTS: \$-0-

Condition: County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the compliance with grant requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements.

Recommendation: OSAI recommends that the County design and implement a system of internal controls to ensure compliance with grant requirements.

Management Response:

Board of County Commissioners District 1, 2, and 3: We will work to implement a risk management plan. We will implement controls to help make sure we comply with all grant requirements and that federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure that employees have the current and correct compliance supplement to work from.

Furthermore, we will work with the County Treasurer and County Clerk's office to ensure that all checks and balances are done correctly.

**WASHITA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

Control environment is the foundation for all other components of internal control. When management believes that internal controls are important to meeting its goals and objectives and communicates this belief to its employees at all levels, internal controls are more likely to be functioning well. However, if management views internal controls as unrelated to achieving its goals and objectives, or even as an obstacle, it is almost a certainty that this attitude will be held by all employees, despite official statements or policies to the contrary. This understanding by management of the importance of internal controls and the communication of this importance to its employees are key elements of the control environment.

Risk assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then must formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

Information and Communication is a component of internal control which should provide for a county to run and control its operations. A county must have relevant, reliable information, both financial and nonfinancial. The information should be recorded and communicated to management and others within the county who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the county needs to make sure that the forms of communication are broad-based and that information technology management assures useful, reliable, and continuous communications.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**WASHITA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Finding 2017-014—Inadequate Internal Controls Over Major Federal Programs – FEMA (Repeat Finding 2016-014)

PASS-THROUGH GRANTOR: Oklahoma Department of Emergency Management

FEDERAL AGENCY: United States Department of Homeland Security

CFDA NO: 97.036

FEDERAL PROGRAM NAME: Disaster Grants - Public Assistance (Presidentially Declared Disasters)

FEDERAL AWARD YEAR: 2016

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions.

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County's internal controls regarding federal disbursements, we noted that Washita County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with federal compliance requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements and could lead to a loss of federal funds to the County.

Recommendation: OSAI recommends the County gain an understanding of requirements for these programs and implement internal control procedures to ensure compliance with requirements.

Management Response:

Board of County Commissioners District 1, 2, and 3: The Board of County Commissioners will work with all County Officials to go over all grants and federal monies that Washita County receives to ensure that proper internal controls are implemented.

Criteria: Title 2 *CFR* § 200.303(a) *Internal Controls* reads as follows:

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**WASHITA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

SECTION 4—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 2017-008—Inadequate Internal Controls and Noncompliance Over Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding 2016-008)

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

- The Inmate Trust Fund Checking Account balance is not reconciled to the total of the individual inmates' ledger balance.
- The Annual Report of Sheriff Commissary Fund beginning balance, deposits, disbursements, and ending balances do not agree to the County Treasurer's general ledger.

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 undetected errors and possible misappropriation of funds.

Recommendation: OSAI recommends the following:

- Inmate trust fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's trust fund balances should be reconciled to the bank statements each month.
- It should be ensured that all balances on the Annual Report of Sheriff Commissary Fund agree to balances reported on the County Treasurer's general ledger.

Management Response:

County Sheriff: I will work with my assistant to establish a reconciling of each inmate's account to the bank statement monthly. Also, I will reconcile the annual report of the Sheriff Commissary Fund to the County Treasurer's ledger. This will be done annually, and report filed with the Commissioners.

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

**WASHITA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

disbursement calculations and/or transactions. To help ensure a proper accounting of funds, ledgers should be reconciled monthly and the annual report should reconcile to the County Treasurer's general ledger.

Title 19 O.S. § 180.43 D. states in part, "The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

WASHITA COUNTY CLERK

KRISTEN DOWELL

P.O. Box 380

Cordell, Oklahoma 73632

Phone (580) 832-2284

COMMISSIONERS PURCHASING

(580) 832-5016

LAND RECORDS

(580) 832-3548

WASHITA County

Corrective Action Plan in accordance with 2 CFR 200.511c

FAX
(580) 832-3526

For the fiscal year ended June 30, 2017

Finding No.	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Inadequate Internal Controls over the Collection Process	We will ensure that the input of ad valorem levies is reviewed and that the documentation is maintained. We will also maintain documentation that all bank reconciliations and pledged securities are reviewed.	7-01-2018	Sherry Nightengale, County Treasurer
2017-002	Inadequate Internal Controls and Noncompliance Over the Disbursements of County Sales Tax	We will work toward presenting the sales tax in the County General Fund in a separate account to identify sales tax expenditures. Regarding expenditures for the payment of debt on the Detention Center, the County was advised by legal representation of the Washita County Public Facility Authority in the establishment of the fund. As of FY 2017, the Senior Citizen Sales Tax funds are being disbursed on purchase orders with adequate supporting documentation. We will discuss moving the sales tax for the County General Fund into a separate account within the County General Fund.	7-01-2018	Leo Goeringer, BOCC Chairman
2017-003	Inadequate County-Wide Controls	The Board of County Commissioners will work towards assessing and identifying risks to design written county-wide controls and procedures regarding county-wide controls.	7-01-2018	Leo Goeringer, BOCC Chairman
2017-004	CFDA No. 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	The BOCC will work to design and implement internal controls to ensure accurate reporting of expenditures on the Schedule of Federal Awards (SEFA) and ensure compliance with federal requirements over federal awards.	7-01-2018	Leo Goeringer, BOCC Chairman

WASHITA COUNTY CLERK

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WASHITA County

Corrective Action Plan in accordance with 2 CFR 200.511c - Continued

For the fiscal year ended June 30, 2017

Finding Number	Title (Financial) or CFDA No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-006	Inadequate Internal Controls and Noncompliance over the Disbursement Process	The Board of County Commissioners will express to fellow County officials the importance of County funds being encumbered prior to the receipt of goods and/or services in accordance with Oklahoma Statutes. Also, we will work towards all purchases having proper requisitioning signatures as well as being reviewed and approved by signing the purchase order.	7-01-2018	Leo Goeringer, BOCC Chairman
2017-013	CFDA No. 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	The Board of County Commissioners will work to ensure internal controls are designed and implemented.	7-01-2018	Leo Goeringer, BOCC Chairman
2017-014	CFDA No. 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	The Board of County Commissioners will work with all County Officials to go over all grants and federal monies that Washita County receives to ensure that proper internal controls are implemented.	7-01-2018	Leo Goeringer, BOCC Chairman
2017-016	Inadequate Internal Controls Over the Financial Statement Presentation	The Board of County Commissioners will work with all County Officials to implement policies and procedures to ensure accurate presentation of the financial statements.	7-01-2018	Leo Goeringer, BOCC Chairman



APPENDIX B

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

(Prepared by County Management)

WASHITA COUNTY CLERK

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Schedule of Prior Year Findings and Questioned Costs in accordance with 2 CFR 200.511c For the fiscal year ended June 30, 2017

FINANCIAL AUDIT FINDINGS

Finding 2013-002, 2014-002, 2015-002, 2016-002

Inadequate Internal Controls and Noncompliance Over the Disbursements of County Sales Tax Finding Summary:

The sales tax appropriations and expenditures were not discretely presented within the County General Fund, and sales tax expenditures for the Washita County Public Facility Authority and the Washita County Senior Citizens Centers were not made in accordance with the County Purchasing Act.

Status: Partially corrected. The sales tax expenditures for the Washita County Senior Citizens Centers is now on purchase orders.

Finding 2013-003, 2014-003, 2015-003, 2016-003

Inadequate County-Wide Controls

Finding Summary: County-wide controls regarding Risk Assessment and Monitoring have not been designed.

Status: No corrective action taken.

Finding 2016-006

Inadequate Internal Controls and Noncompliance over the Disbursement Process

Finding Summary: The audit of disbursements revealed that the disbursements were not always authorized/approved by the County Clerk/Deputy, not always properly encumbered, and not always signed by the requisitioning officer.

Status: No corrective action taken.

Finding 2016-016

Inadequate Internal Controls Over the Financial Statement Presentation

Finding Summary: The County has not designed and implemented internal controls to ensure the accurate presentation of the County's financial statement. The County's financial statements were materially overstated.

Status: This has been corrected for the fiscal year 2018.

FEDERAL AUDIT FINDINGS

Finding 2016-004

Inadequate Internal Controls Over Schedule of Expenditures of Federal Awards

Pass-Through Grantor: Oklahoma Department of Homeland Security

Federal Agency: United States Department of Homeland Security

CFDA No: 97.036

Federal Program Name: Disaster Grants - Public Assistance

Federal Award Year: 2016

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Questioned Costs: \$-0-

Finding Summary: The County has not designed and implemented formal internal controls for the reporting of its major program for Disaster Grants- Public Assistance.

Status: No corrective action taken.

Finding 2016-013

Inadequate County-Wide Controls Over Major Federal Programs – FEMA

Pass-Through Grantor: Oklahoma Department of Homeland Security

Federal Agency: United States Department of Homeland Security

CFDA No: 97.036

Federal Program Name: Disaster Grants - Public Assistance

Federal Award Year: 2016

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Questioned Costs: \$-0-

Finding Summary: County-wide controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Status: No corrective action taken.

Finding 2016-014

Inadequate Internal Controls Over Major Federal Programs – FEMA

Pass-Through Grantor: Oklahoma Department of Homeland Security

Federal Agency: United States Department of Homeland Security

CFDA No: 97.036

Federal Program Name: Disaster Grants - Public Assistance

Federal Award Year: 2016

Control Category: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Matching, Level of Effort, Earmarking; Period of Performance of Federal Funds; Procurement and Suspension and Debarment; and Special Tests and Provisions.

Questioned Costs: \$-0-

Finding Summary: County has not established procedures to ensure compliance with the compliance requirements applicable to its major federal programs.



Cindy Byrd, CPA | State Auditor & Inspector

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