

OPERATIONAL AUDIT

# WASHITA COUNTY

For the fiscal year ended June 30, 2013



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



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

**WASHITA COUNTY OPERATIONAL AUDIT  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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# Oklahoma State Auditor & Inspector

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

December 22, 2015

**TO THE CITIZENS OF  
WASHITA COUNTY, OKLAHOMA**

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

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 "Gary A. Jones".

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

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

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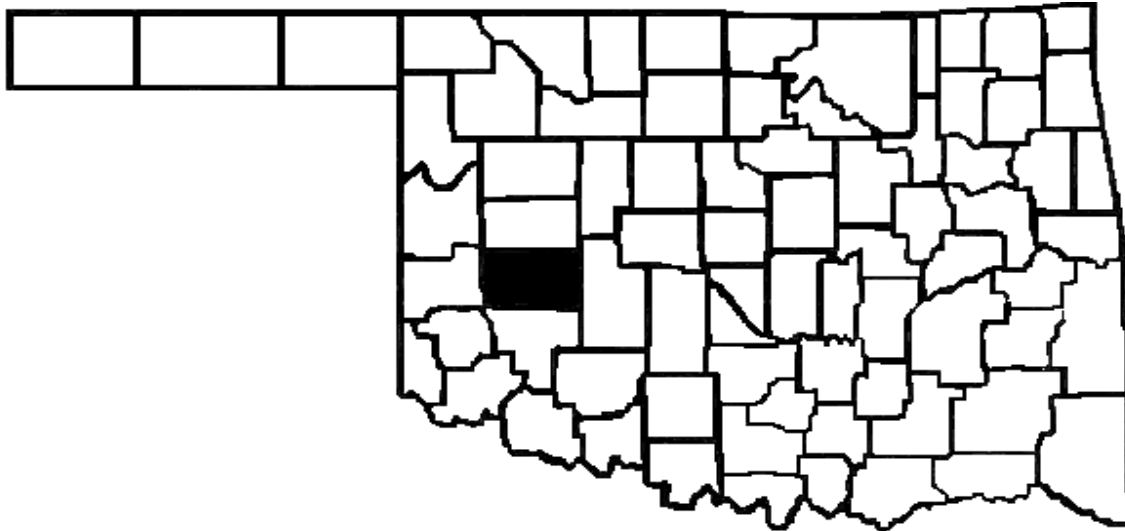
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

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

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Part of the Cheyenne-Arapahoe lands opened to settlement in the land run of April 19, 1892, this area was settled originally in 1886, when a white man named John M. Seger and 500 Indians left the old Cheyenne-Arapahoe Agency at Darlington, near El Reno, and established a colony on the banks of Cobb Creek. This settlement was on the site of present-day Colony in eastern Washita County.

Designated as County “H,” it was named Washita after the Washita River. The word is Choctaw meaning “big hunt.” Washita County has ranked as one of Oklahoma’s leading agricultural counties, and the Anadarko Basin made it famous for oil and gas production.

During World War II, a United States Naval Air Station was established at Burns Flat. Closed after the war, the base was reopened in 1959 as the Clinton-Sherman Air Force Base. Many of its squadrons flew missions over Vietnam in the 1960s before the base was closed on December 31, 1969. It has since become the Clinton-Sherman Airport, used by Altus AFB pilots for practice landings and takeoffs. The Oklahoma Space Authority (now the Oklahoma Space Industry Development Authority) took title to the Clinton-Sherman Airpark on December 5, 2006.

Events include the Cheyenne-Arapahoe Celebration held on April 16 every five years, the Cordell Pumpkin Festival in October, and the city-wide garage sale in June. For more county information, call the county clerk’s office at 580-832-2284 or the chamber of commerce at 580-832-3538.

County Seat – Cordell

Area – 1,009.07 Square Miles

County Population – 11,622  
(2012 est.)

Farms – 975

Land in Farms – 591,031 Acres

Primary Source: Oklahoma Almanac 2013-2014

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

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**Board of County Commissioners**

District 1 – James Woodrow Gee  
District 2 – Leo Goeringer  
District 3 – Raydell Schneberger

**County Assessor**

Clayton Twyman

**County Clerk**

Kristen Dowell

**County Sheriff**

Roger Reeve

**County Treasurer**

Shari Giblett

**Court Clerk**

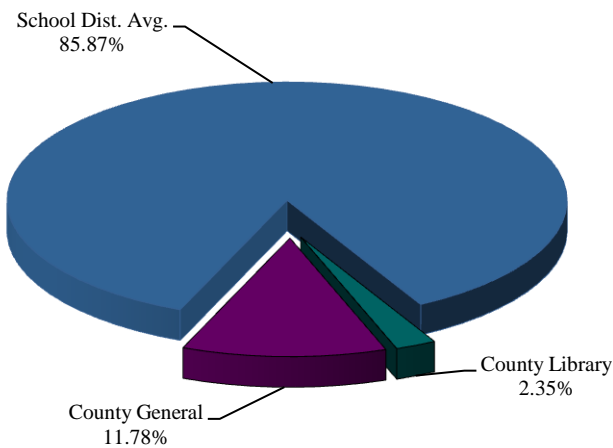
Carol Corbett

**District Attorney**

Dennis Smith

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

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



County-Wide Millages		School District Millages								
				Gen.	Bldg.	Skg.	Common	EMS	Career Tech	Total
County General	10.41									
County Library	2.08	Sentinel	I-1	36.21	5.17	-	4.16	-	12.33	57.87
		Cordell	I-78	36.52	5.22	8.54	4.16	-	12.33	66.77
		Canute	I-11	35.82	5.12	7.28	4.16	-	12.33	64.71
		Burns Flat-Dill City	I-10	35.97	5.14	5.08	4.16	-	12.33	62.68
		Weatherford	J-26	36.18	5.17	16.33	4.16	-	12.33	74.17
		Mountain View	J-003	36.95	5.28	-	4.16	3.17	-	49.56
		Hydro-Eakly	J-11	36.54	5.22	22.21	4.16	-	-	68.13
		Merritt	J-2	35.00	5.00	-	4.16	-	12.33	56.49
		Carnegie	J-33	36.28	5.18	17.53	4.16	-	-	63.15
		Elk City	J-6	36.53	5.22	-	4.16	-	12.33	58.24
		Clinton	J-99	35.94	5.13	17.87	4.16	-	12.33	75.43



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

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## Sales Tax

### Sales Tax of February 10, 2009

On February 10, 2009, the voters of Washita County approved a five-eighths (5/8) of one percent (1%) sales tax effective October 1, 2009 for a duration of 60 months. This sales tax was established to provide revenue as follows:

1. 49.5% for the Washita County Cooperative Extension Service and 4-H, not to exceed \$118,190.00.
2. 9% for the Washita County Free Fair and Junior Livestock Show, not to exceed \$21,510.00.
3. 13% for the Washita County Health Services, not to exceed \$31,185.00.
4. 13.5% for the Washita County Senior Citizens, not to exceed \$32,265.00.
5. 15% for the Washita County Capital Maintenance for the County Jail, Legal County Documents, and County Fair Facilities and Courthouse, not to exceed \$35,850.00.

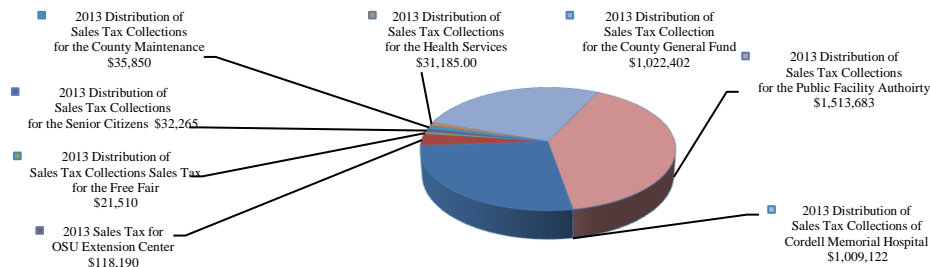
The allocation to the groups is not to exceed the amount and any overage shall go to the County General Fund.

### Sales Tax of June 9, 2009

On June 9, 2009, the voters of Washita County approved a sales tax of one half (1/2%) of one cent (1%) to become effective October 1, 2009 for a duration of 60 months. This sales tax was established to provide revenue for the Cordell Memorial Hospital.

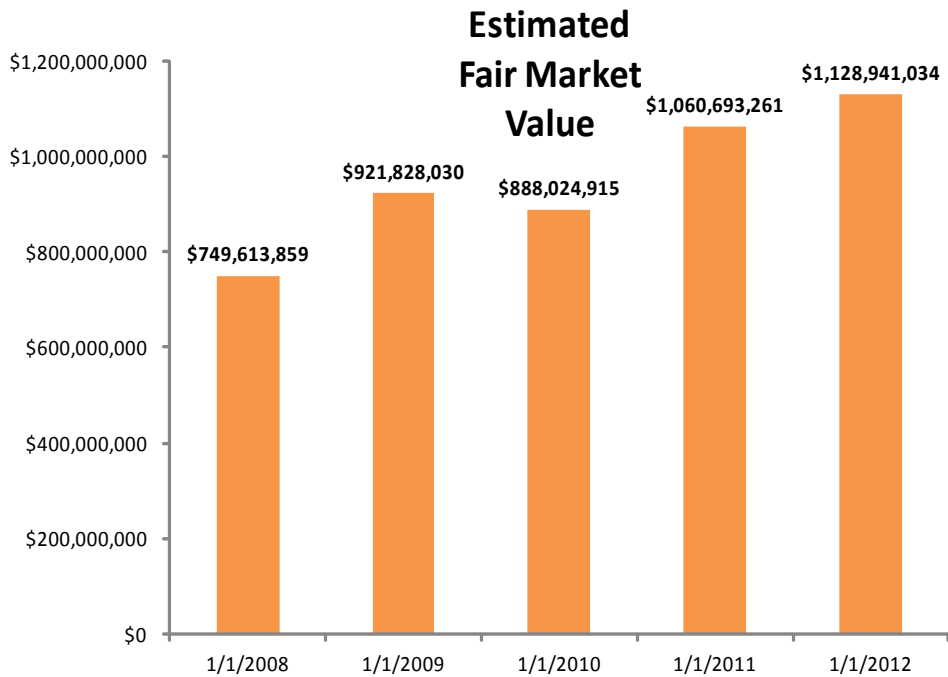
Also in June 2009, a new three-fourth cent sales tax was approved by Washita County voters for the “acquisition, construction and equipping of a new County detention facility and renovating the old jail facility. Half of the three-fourth cent sales tax will be used to pay the principal and interest for indebtedness incurred in building the new facility and is for a period of up to 20 years or the final payment of bonded indebtedness. The second half of the three-fourth cent sales tax will be used for operating and maintaining the new facility and will be in place for 20 years. These funds are accounted for in the Washita County Public Facility Authority fund.

During the fiscal year the County collected \$3,784,207 in total sales tax. These funds are accounted for in the County Sales Tax fund, County General Fund, and the Washita County Public Facility Authority fund.



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

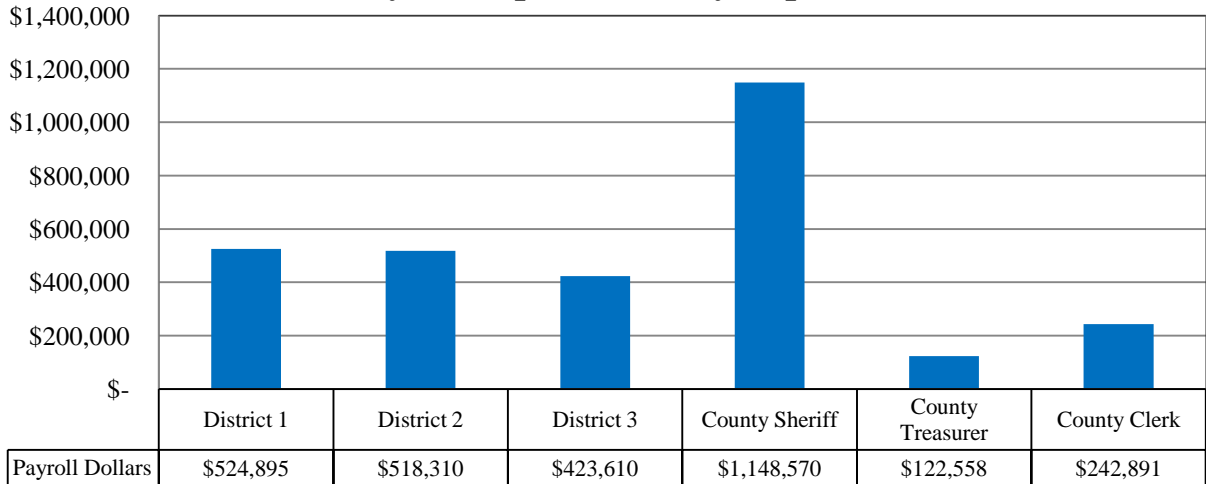
Valuation Date	Personal	Public Service	Real Estate	Total Exemption	Net Value	Estimated Fair Market Value
1/1/2012	\$67,503,622	\$13,430,479	\$43,214,290	\$2,942,193	\$121,206,198	\$1,128,941,034
1/1/2011	\$61,518,022	\$14,239,067	\$41,886,901	\$2,951,350	\$114,692,640	\$1,060,693,261
1/1/2010	\$46,716,167	\$12,076,836	\$40,256,539	\$2,929,654	\$96,119,888	\$888,024,915
1/1/2009	\$51,029,273	\$12,056,588	\$39,240,589	\$2,903,451	\$99,422,999	\$921,828,030
1/1/2008	\$40,804,664	\$11,906,731	\$37,664,719	\$2,875,682	\$87,500,432	\$749,613,859



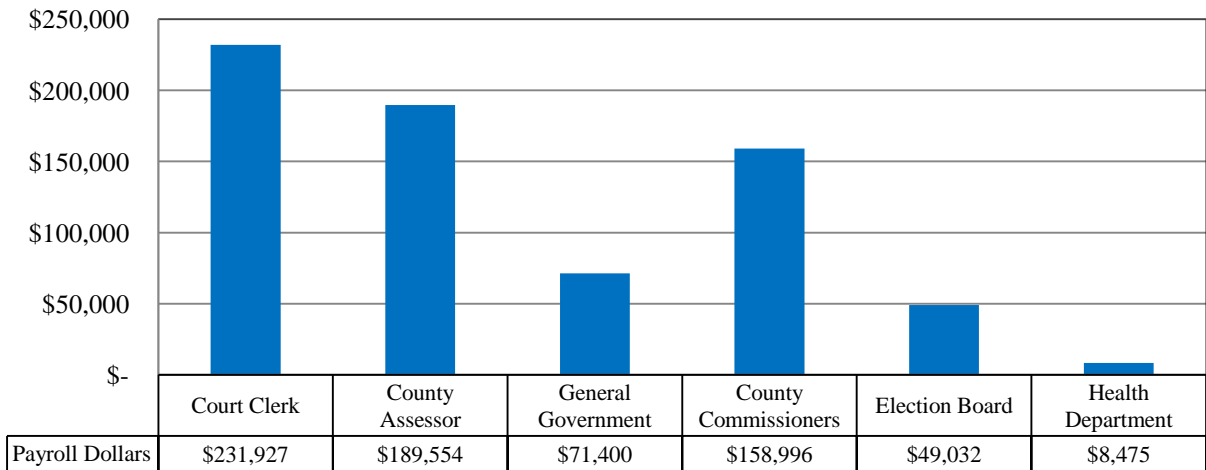
**WASHITA COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

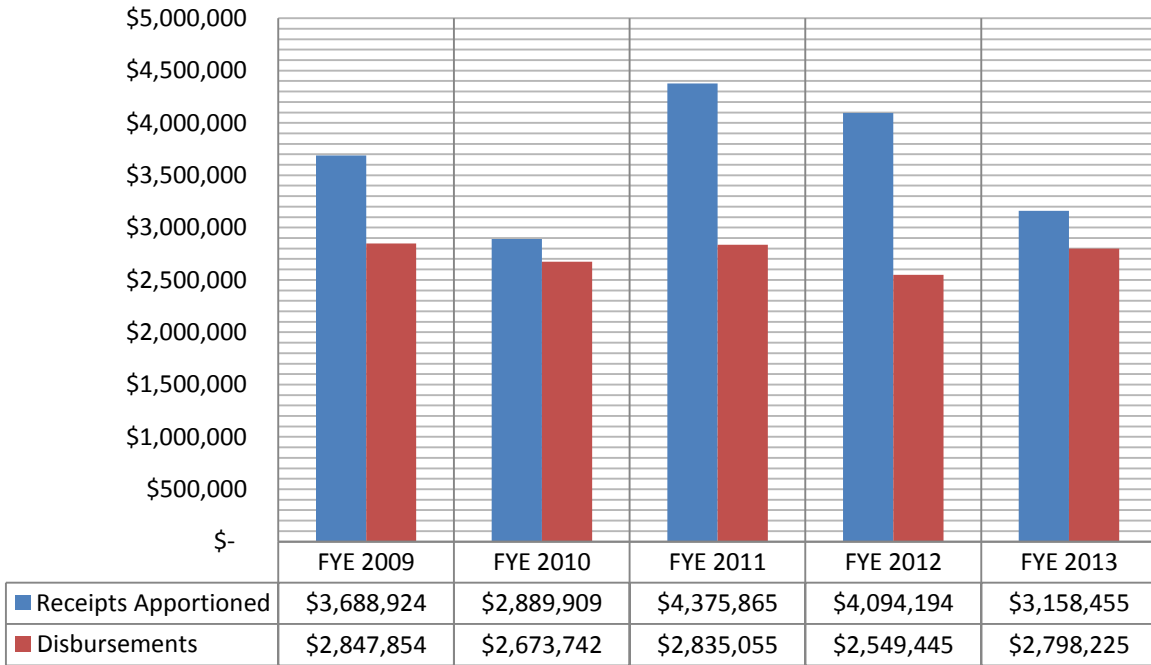


**WASHITA COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## County General Fund

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

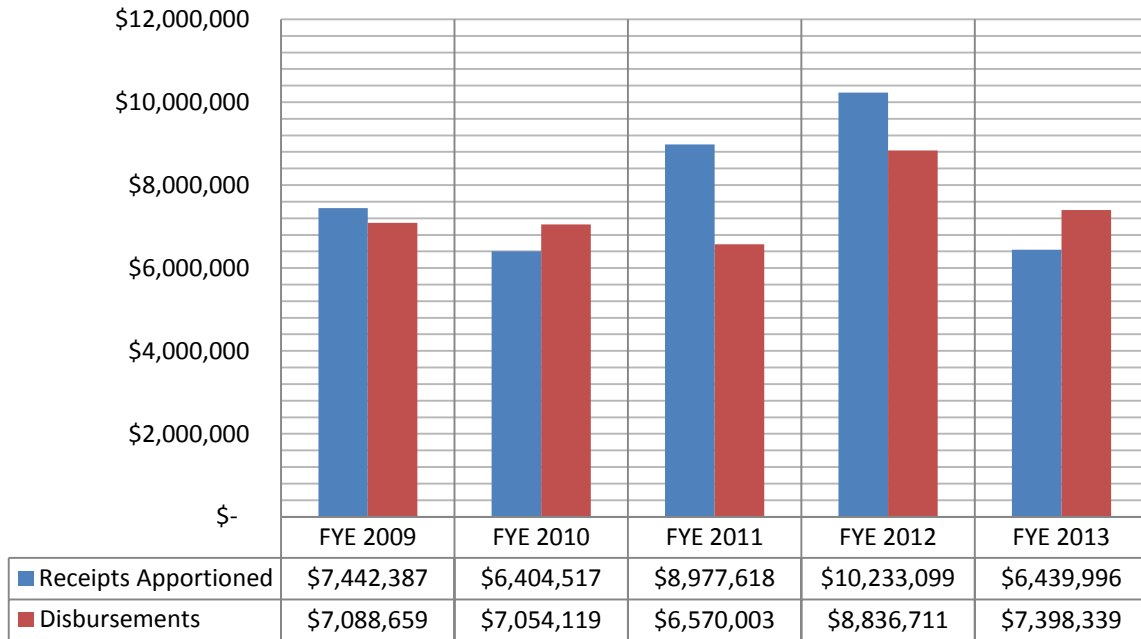


**WASHITA COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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## 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.



**WASHITA COUNTY  
OPERATIONAL AUDIT**

**Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ending June 30, 2013**

	Beginning Cash Balances July 1, 2012	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2013
Combining Information:						
Major Funds:						
County General Fund	\$ 6,989,909	\$ 3,158,455	\$ -	\$ -	\$ 2,798,225	\$ 7,350,139
Highway Cash	7,785,695	6,439,996	-	-	7,398,339	6,827,352
County Sales Tax	502,127	1,248,122	-	-	1,428,713	321,536
Washita County Public Facility Authority	4,590,451	1,841,255	-	-	1,921,573	4,510,133
CBRI 105	1,646,206	344,869	-	-	112,808	1,878,267
Washita Sinking	1,200	-	-	-	-	1,200
County Building Insurance Fund	451	-	-	-	-	451
OBF Donations	-	8,289	-	-	8,289	-
Hazard Mitigation	-	22,792	-	-	22,792	-
Washita Industrial Sinking	5,826	-	-	-	-	5,826
Sheriff Service Fee	394,924	128,042	-	-	166,022	356,944
Sheriff Estray Cattle	4,238	-	-	-	-	4,238
Sheriff Contract	130,773	86,648	-	-	24,747	192,674
County Treasurer Certification Fee	14,406	2,770	425	-	2,581	15,020
Assessor Visual Reimbursement	244	-	-	-	-	244
County Clerk Lien Fee	134,510	19,691	-	-	38,595	115,606
County Clerk Preservation Fee	74,504	27,150	-	-	6,542	95,112
Assessor Fee Revolving	17,696	5,027	-	-	3,205	19,518
Health Department MD	11,239	-	-	-	-	11,239
Resale Property	161,082	35,457	-	-	18,378	178,161
CBRI 103	55,876	24	-	-	42,143	13,757
County Assessor Hardware Upgrade	46	-	-	-	-	46
Courthouse Security	72,739	11,311	-	-	-	84,050
CENA Grant Fund	5	2,034	-	-	2,012	27
E911	-	13,976	-	-	-	13,976
Commissary Profit Fund	40,404	9,402	-	-	1,634	48,172
<b>Combined Total - All County Funds</b>	<b>\$ 22,634,551</b>	<b>\$ 13,405,310</b>	<b>\$ 425</b>	<b>\$ -</b>	<b>\$ 13,996,598</b>	<b>\$ 22,043,688</b>

\*The Combined Total – All County Funds beginning fund balances as presented have been adjusted from the balances as presented in the prior year report. The adjustment is to reflect the reclassification of \$700,000 for the Emergency Transportation Revolving (ETR) fund loan, and \$3,371 for the County Graduated Sanctions fund, to Trust and Agency funds. Additionally, an error in County General Fund apportionments resulted in an increase to the beginning fund balance of \$6,514 in the current year.

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**WASHITA COUNTY  
DESCRIPTION OF COUNTY FUNDS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR JUNE 30, 2013**

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**Description of County Funds**

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 within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

County General Fund – accounts for the general operations of the government.

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

County Sales Tax – accounts for collection of sales tax and disbursed to the Cordell Memorial Hospital, OSU Extension, Free Fair, County Health, Senior Citizen Centers, Washita County Capital Maintenance for County Jail, Legal County Documents, County Fair Facilities, and Courthouse.

Washita County Public Facility Authority – accounts for sales tax collected for the Washita County Public Facility Authority and disbursed to pay the bond payment and operate the Detention Center.

CBRI 105 – accounts for money received from the state for county bridge and road improvements to be disbursed for the maintenance of county roads and bridges.

Washita Sinking – accounts for the remaining balance of ad valorem taxes collected to pay the debt of the chicken plant. This fund is inactive.

County Building Insurance Fund – accounts for the remaining balance from an insurance claim. This fund is inactive.

OBF Donations – accounts for grant money received from the Oklahoma Bar foundation and disbursed by the court for equipment to be used by the court reporter.

Hazard Mitigation – accounts for grant money received and paid to South Western Oklahoma Development Authority (SWODA) to facilitate and document the mitigation planning process for Washita County.

Washita Industrial Sinking – accounts for the remaining balance of ad valorem taxes collected to pay the debt of the Robertson Factory. This fund is inactive.

**WASHITA COUNTY  
DESCRIPTION OF COUNTY FUNDS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR JUNE 30, 2013**

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Sheriff Service Fee – accounts for the collection of fees for the services provided by the County Sheriff’s office and disbursed for the operations of the County Sheriff’s office.

Sheriff Estray Cattle – accounts for the collection of selling cattle found and unclaimed. Disbursements are made for the costs associated with the unclaimed cattle.

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 County Treasurer for mortgage tax certificates and the disbursement of funds are restricted by state statute.

Assessor Visual Reimbursement – accounts for the collection and disbursement of monies by the County Assessor as restricted by state statute for the visual inspection program. This fund had no activity during the fiscal year.

County Clerk Lien Fee – accounts for lien fee 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 preservation of records.

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

Health Department MD – accounts for fees collected medical services and disbursed for the maintenance and operation of a clinic in the County. This fund had no activity during the fiscal year.

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

CBRI 103 – accounts for money received from the state for county bridge and road improvement to be disbursed for the maintenance of county bridges.

County Assessor Hardware Upgrade – accounts for the collection of funds received from the state and disbursed for the upgrade of County Assessor computer equipment. This fund had no activity during the fiscal year.

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



**WASHITA COUNTY  
DESCRIPTION OF COUNTY FUNDS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR JUNE 30, 2013**

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

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.

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

**WASHITA COUNTY, OKLAHOMA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 6,983,395	\$ 6,989,909	\$ 6,514
Less: Prior Year Outstanding Warrants	(179,183)	(179,183)	-
Less: Prior Year Encumbrances	(68,669)	(59,879)	8,790
Beginning Cash Balances, Budgetary Basis	<u>6,735,543</u>	<u>6,750,847</u>	<u>15,304</u>
Receipts:			
Ad Valorem Taxes	1,147,051	1,258,567	111,516
Charges for Services	115,253	95,434	(19,819)
Sales Tax	196,000	1,022,402	826,402
Intergovernmental	33,000	662,464	629,464
Miscellaneous Revenues	30,000	119,588	89,588
Total Receipts, Budgetary Basis	<u>1,521,304</u>	<u>3,158,455</u>	<u>1,637,151</u>
Expenditures:			
District Attorney	4,000	3,534	466
County Sheriff	1,113,965	893,194	220,771
County Treasurer	176,359	175,447	912
County Commissioners	306,545	248,866	57,679
County Clerk	373,658	355,695	17,963
Court Clerk	274,693	257,287	17,406
County Assessor	184,073	177,391	6,682
Revaluation	130,260	118,189	12,071
General Government	5,533,312	678,013	4,855,299
Excise Equalization	3,688	3,198	490
County Election Expense	110,750	79,431	31,319
Insurance - Benefits	2,400	-	2,400
County Audit Budget Account	43,144	29,935	13,209
Total Expenditures, Budgetary Basis	<u>8,256,847</u>	<u>3,020,180</u>	<u>5,236,667</u>
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	6,889,122	<u>\$ 6,889,122</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		266,524	
Add: Current Year Encumbrances		194,493	
Ending Cash Balance		<u>\$ 7,350,139</u>	

### **PURPOSE, SCOPE, AND SAMPLE METHODOLOGY**

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2013. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers, and
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures.
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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

**WASHITA COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Objective 1:** To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2013.

**Conclusion:** With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports.

**There were no findings noted.**

**Objective 2:** To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to 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.

**Conclusion:** With respect to the items tested, the County did not comply with 68 O.S. § 1370E, which requires the sales tax collections to be deposited in the general revenue or Sales Tax Revolving Fund of the County and to be used only for the purpose for which such sales tax was designated.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2013-2 – Inadequate Internal Controls and Noncompliance Over Disbursement of County Sales Tax Collections**

**Condition:** Upon inquiry and observation of the recordkeeping process of collecting and expending county sales tax, the following weaknesses were noted:

- The County sales tax collections were deposited into the County General Fund as specified by Title 68 O.S. § 1370E; however, the funds were not discretely presented in a separate account within the County General Fund.
- County sales tax collections for the County General Fund were commingled with other sources of revenue; thus, specific expenditures made with sales tax funds could not be identified.
- County sales tax collections were distributed directly to the Senior Citizen Centers in Washita County, which resulted in these sales tax expenditures not being monitored to determine they are expended in accordance with the sales tax ballot.

**WASHITA COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Cause of Condition:** Policies and procedures with regard to sales tax collections and disbursements processes for the County General Fund have not been designed and implemented due to the officials being unaware of the necessity of such procedures.

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

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County sales tax apportioned to the County General Fund be accounted for in 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 to the purposes specified by the sales tax ballot as outlined by Title 68 O.S. § 1370E. OSAI further recommends the County incorporate the Senior Citizens account into the County Sales Tax fund in order to monitor the expenditures of the sales tax in accordance with Title 68 O.S. § 1370E.

**Management Response:**

**County Clerk:** We will move the Senior Citizens sales tax money into the County Sales Tax Fund upon relocation back into the County Courthouse beginning July, 2015. We will discuss moving the sales tax for the County General Fund into a separate account within the County General Fund.

**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.

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**Objective 3:** To determine the County’s financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

**Conclusion:** With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

**There were no findings noted.**

**Objective 4:** To determine whether the County’s internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

**Conclusion:** The County’s internal controls did provide reasonable assurance that expenditures, including payroll, were accurately reported in the accounting records. However, the County’s financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be properly supported and charged to the appropriate fund and account.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2013-3 – Inadequate Internal Controls and Noncompliance with State Statute Over the Disbursement Process (Repeat Finding)**

**Condition:** Based on discussion with the purchasing agent, we noted that requisitions from the District offices do not always sufficiently describe the goods or services to be purchased.

Our test of seventy-seven (77) purchase orders reflected the following noncompliance with regard to purchasing statutes:

- Three purchase orders were not timely encumbered before the purchase was made.

<b>Fund</b>	<b>Responsible Office</b>	<b>Purpose</b>
County General	Sheriff’s Department	Registration
Sheriff Service Fees	Sheriff’s Department	Parts
Highway Cash	Commissioner’s District 1	Travel

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- One purchase order did not have supporting documentation attached to the purchase order.

Fund	Responsible Office	Purpose
Highway Cash	Commissioner's District 1	Travel

**Cause of Condition:** Policies and procedures regarding the purchasing process have not been fully implemented to provide compliance with the state statute.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in inaccurate records, incomplete information, or misappropriation of assets.

**Recommendation:** OSAI recommends management implement procedures to ensure compliance with purchasing statutes. Additionally, we recommend that requisitions should be detailed enough that the receiving officer knows what is being purchased.

**Management Response:**

**County Clerk:** We will encumber funds for all goods or services before issuing the purchase order, unless there is an emergency. We will make an effort to obtain supporting documentation and attach it to the travel claims.

**Criteria:** Effective internal controls require that management properly implement procedures to ensure that purchases are made in compliance with 19 O.S. § 1505.

**All Objectives:**

The following finding is not specific to any objective, but is considered significant to all of the audit objectives.

**Finding 2013-4 - Inadequate County-Wide Controls (Repeat Finding)**

**Condition:** County-wide controls regarding Risk Management and Monitoring have not been designed. Also, the County Sheriff, the District 1 Commissioner, the District 2 Commissioner, and the District 3 Commissioner did not have a Disaster Recovery Plan for 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. These conditions could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover in an emergency situation and/or disaster.

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**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.

Further, a Disaster Recovery Plan should be designed and implemented with the inclusion of all information systems used by each office in order to maintain operations in the event of a an emergency situation and/or disaster.

**Management Response:**

**All Officers:** We will meet with all elected officials on a quarterly basis to discuss risks to the County and controls to prevent risks.

**County Sheriff, District 1 Commissioner, District 2 Commissioner, and District 3 Commissioner:** I will create a Disaster Recovery Plan for my office/district.

**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.

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.



**Other Item(s) Noted:**

Although not considered significant to the audit objectives, we feel the following issue should be communicated to management.

**Finding 2013-5 – Inadequate Internal Controls and Noncompliance with State Statute Over Acceptance of Bids**

**Condition:** The Board of County Commissioners (BOCC) solicited bids for commonly-used goods and services; however, the BOCC accepted all bids for these items. This practice does not appear to comply with the state statute regarding the purchase of commonly-used items and the purchase of “processed native materials for road and bridge improvements.”

Our review of the BOCC meeting minutes reflected four instances in which all bids were accepted.

**Cause of Condition:** Policies and procedures have not been designed and implemented for the BOCC to comply with state statute regarding the awarding of bids for the purchase of commonly-used items.

**Effect of Condition:** These conditions resulted in noncompliance with state statute regarding the awarding of bids. As a result, the County may not have obtained the best prices for road projects or for materials purchased from the commonly-used goods bid lists.

**Recommendation:** OSAI recommends the County discontinue its practice of accepting all bids for services or for commonly-used goods that are not processed native materials for road or bridge improvements and award the contract to the lowest and best bidder. County officials should clearly document the reason for awarding a bid to a vendor that is not the lowest bidder.

**Management Response:**

**BOCC:** We will award the bid to the lowest and best bidder and state in the minutes the bid award.

**Criteria:** Best business practices would include soliciting bids from vendors with the goal of obtaining quality goods and/or services for the best price.

When counties purchase “needed or commonly [-] used supplies, materials, [or] equipment,” 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

**REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS**



# Oklahoma State Auditor & Inspector

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Washita County  
Board of County Commissioners  
Washita County Courthouse  
Cordell, Oklahoma 74632

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2013:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1 and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Washita County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

December 21, 2015

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2013-6 – Inadequate Internal Controls and Noncompliance with State Statutes Over Fixed Assets and Consumable Inventories (Repeat Finding)**

**Condition:** Upon inquiry of officers and staff, and observation of fixed assets inventory items, we noted the following weaknesses:

**District 1, District 2, and District 3:** Annual physical fixed assets inventory verifications were not performed.

Upon inquiry of officers and staff, and observation of consumable items for Districts 1 and 3, we noted the following weaknesses:

**District 1:**

- A monthly physical count of consumable inventories is not performed.
- There was no review of the “Fuel Usage” printout.

**District 3:**

- A fuel log was not maintained.

**Cause of Condition:** Policies and procedures have not been designed to ensure compliance with state statutes regarding maintaining and properly identifying fixed assets. Additionally, procedures have not been designed and implemented to provide for accurate inventory records and the safeguarding of consumable inventories.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur. Additionally, when consumable inventories are not monitored on a monthly basis, opportunities for misuse or theft of items are more likely to occur.

**Recommendation:** OSAI recommends management implement internal controls to ensure compliance with 19 O.S. § 178.1 and 19 O.S. § 1502(A) (1), by maintaining inventory records of fixed assets and consumable items. OSAI recommends the performing and documenting a periodic inventory of fixed assets.

OSAI also recommends the performing, documenting, and verification of monthly consumable inventories. Verifications should be initialed and dated by the employee performing the physical count and retained to show the design and implementation of internal controls by the officers.

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**Management Response:**

**District 1, District 2, and District 3:** We will perform an annual verification of fixed assets and maintain documentation with the signature of the individual that performed the verification and the date it was performed.

**District 1 and District 3:** We will perform a monthly verification of consumable inventories including fuel usage. We will keep documentation of the monthly verification with the signature of the individual that performed the verification and the date it was performed.

**Criteria:** 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.

**Finding 2013-7 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** An audit of the Inmate Trust Fund Checking Account reflected the following:

- One employee performed most of the accounting duties in the Inmate Trust Fund Checking Account such as preparing deposit slips, posting payments to inmate records, and issuing checks. In addition, this employee has custody of the bank statements and performs the account reconciliation.
- Passwords to access the commissary system have not been changed since the system was purchased.
- The Sheriff does not file an annual report for the Commissary Fund with the Board of County Commissioners by January 15th, of each year.

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

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

**Recommendation:** OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Management should provide segregation of duties so that no one employee is able to perform all accounting functions.

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OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.
- The Sheriff should file a report of the commissary with the County Commissioners by January 15th of each year.

**Management Response:**

**County Sheriff:** I will implement a review for accuracy on the deposits made for the Inmate Trust Fund Checking Account. I will implement a policy to change passwords every 90 days. I will prepare an annual report of the commissary and file the report with the Board of County Commissioners by January 15<sup>th</sup> of each year.

**Criteria:** The overall goal of effective internal controls is to demonstrate accountability and stewardship. To help ensure a proper accounting of funds, no one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Additionally, the following state statutes provide guidance with regard to the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

19 O.S. § 180.43 E. and D. states in part, “Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff’s Commissary Account. 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 claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The Sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year.”

19 O.S. § 531 A. states in part, “The county sheriff may establish a checking account, to be designated the “Inmate Trust 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.”



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