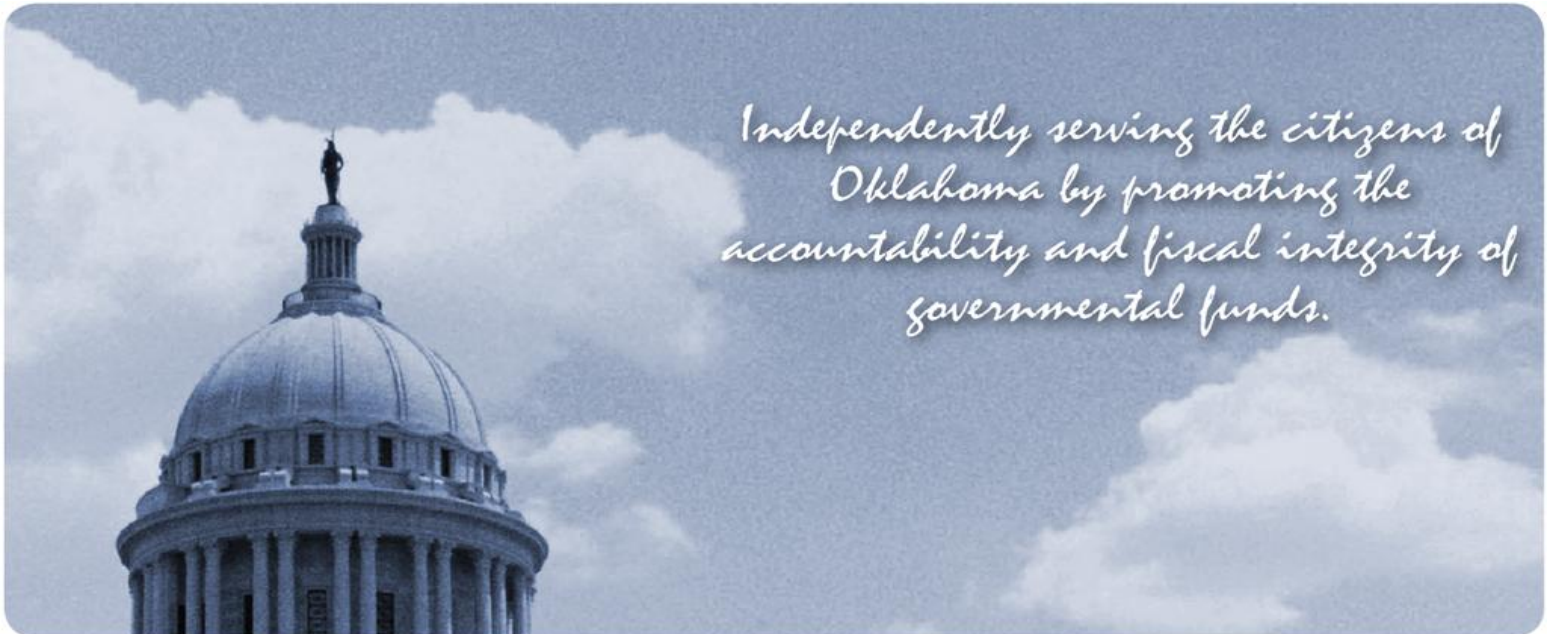


OPERATIONAL AUDIT

WASHITA COUNTY

For the fiscal year ended June 30, 2015



*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 THE FISCAL YEAR ENDED JUNE 30, 2015**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

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

July 20, 2016

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

Transmitted herewith is the audit report of Washita County for the fiscal year ended June 30, 2015.

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, 2015**

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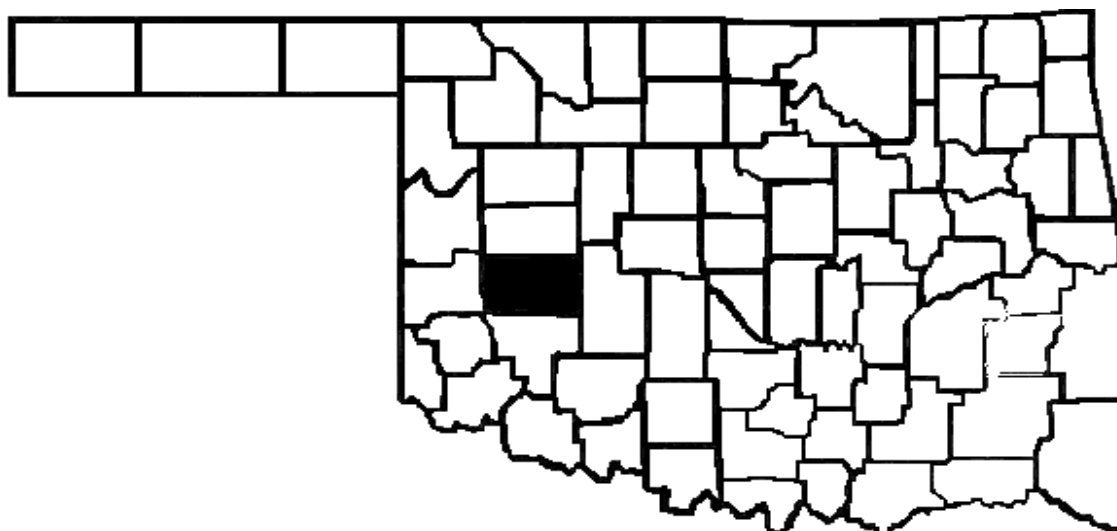
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**WASHITA COUNTY, OKLAHOMA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



Part of the Cheyenne-Arapaho lands opened to settlement in the land run on 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-Arapaho 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 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 1960’s 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 a city-wide garage sale in June. For more information, call the county clerk’s office at 580/832-2284 or the Cordell Chamber of Commerce at 580/832-3538.

County Seat – New Cordell

Area – 1,009.07 Square Miles

County Population – 11,547
(2014 est.)

Farms – 973

Land in Farms – 633,364 Acres

Primary Source: Oklahoma Almanac 2015-2016

**WASHITA COUNTY OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Shari Giblett

Court Clerk

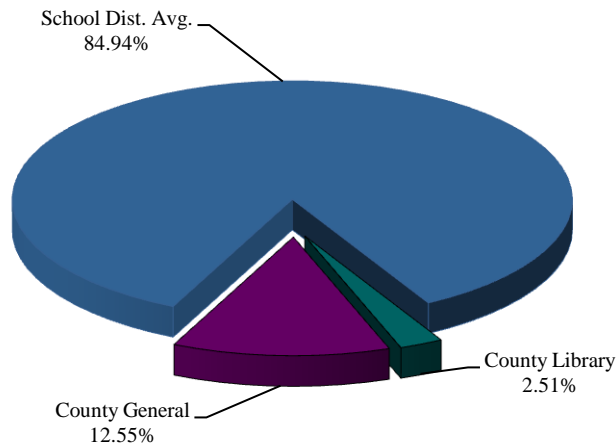
Carol Corbett

District Attorney

Angela Marsee

**WASHITA COUNTY, OKLAHOMA
AD VALOREM TAX DISTRIBUTION
SHARE OF THE AVERAGE MILLAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.	Career Tech.	EMS	Common	Total
County General	10.41									
County Library	2.08	Sentinel	I-1	36.21	5.17	-	12.33	-	4.16	57.87
		Cordell	I-78	36.52	5.22	14.20	12.33	-	4.16	72.43
		Canute	I-11	35.82	5.12	11.80	12.33	-	4.16	69.23
		Burns Flat-Dill City	I-10	35.97	5.14	9.17	12.33	-	4.16	66.77
		Weatherford	J-26	36.18	5.17	22.71	12.33	-	4.16	80.55
		Mountain View	J-003	36.95	5.28	-	11.57	3.17	4.16	61.13
		Hydro-Eakly	J-11	36.54	5.22	39.84	11.57	-	4.16	97.33
		Merritt	J-2	35.00	5.00	8.88	12.33	-	4.16	65.37
		Carnegie	J-33	36.28	5.18	12.14	11.57	-	4.16	69.33
		Elk City	J-6	36.53	5.22	-	12.33	-	4.16	58.24
		Clinton	J-99	35.94	5.13	18.88	12.33	-	4.16	76.44

**WASHITA COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sales Tax

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 sixty (60) months. This sales tax was established to provide revenue for the Cordell Memorial Hospital. This sales tax expired October, 2014. These funds are accounted for in the County Sales Tax fund.

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 Washita County Public Facility Authority 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 \$147,000.00.
- 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 \$63,000.00.
- 20% for the Washita County Capital Maintenance for the County Jail, and County Fair Facilities and Courthouse, not to exceed \$60,000.00.

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.

**WASHITA COUNTY, OKLAHOMA
SALES TAX DISTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sales Tax - Continued

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 \$396,000.00.
- 21.42% for the Washita County Ambulance Service, not to exceed \$108,000.00.

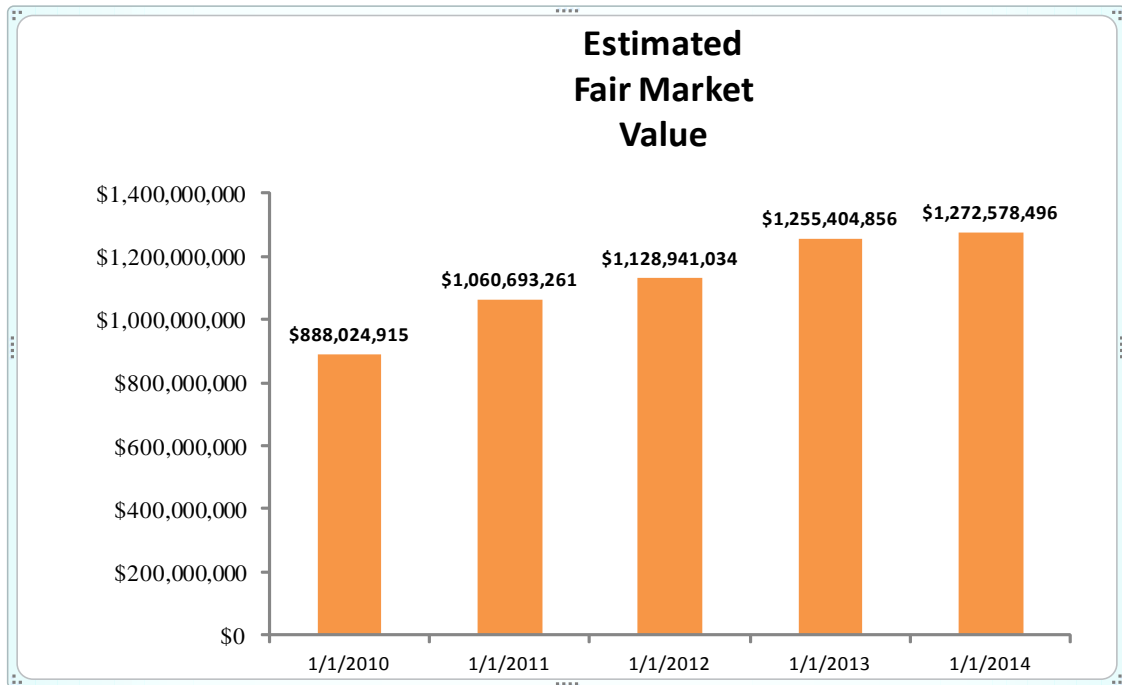
The allocation to the groups is not to exceed the amount stated above and any overage shall go to the County General Fund. This sales tax shall have duration of sixty (60) months. This sales tax is accounted for within the County Sales Tax fund and the County General Fund.

Sales Tax collections for the fiscal year ended June 30, 2015 were distributed as follows:

Revenue Use	Total Collections
Washita County Public Facility Authority	\$1,041,233
County General Fund	\$567,694
County Sales Tax Fund	
Washita County Fire Departments	\$359,963
Cordell Memorial Hospital	\$327,648
Washita County Cooperative Extension Service and 4-H	\$147,000
Washita County Ambulance Service	\$98,171
Washita County Senior Citizens Centers	\$63,000
Washita County Capital Maintenance, County Fair Facilities, and Courthouse	\$60,000
Washita County Free Fair and Junior Livestock Show	\$30,000
Total County Sales Tax Fund	\$1,085,782
Total Sales Tax Collected	\$2,694,709

**WASHITA COUNTY, OKLAHOMA
 ASSESSED VALUE OF PROPERTY
 TREND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

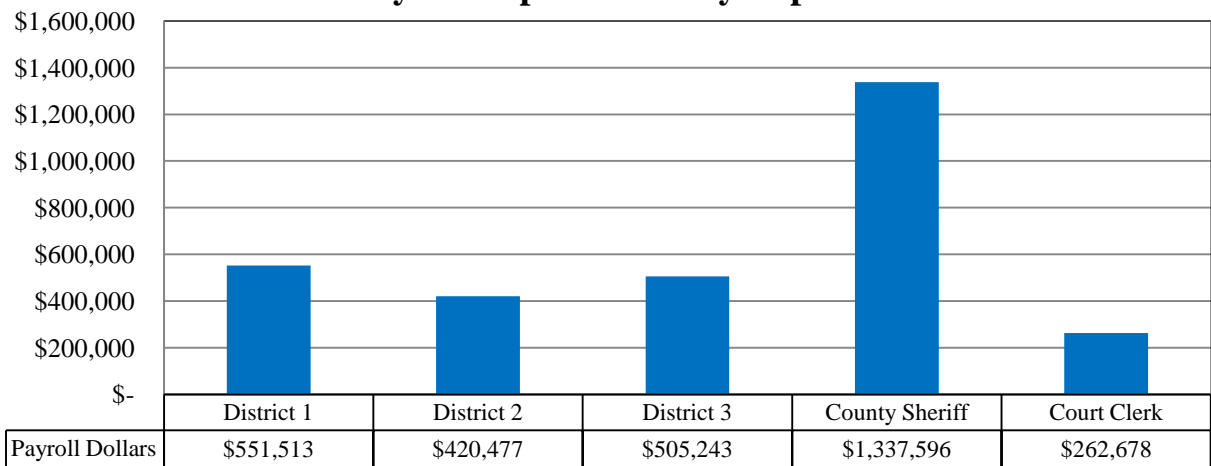
Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2014	\$80,213,561	\$10,875,101	\$46,311,167	\$2,924,641	\$134,475,188	\$1,272,578,496
1/1/2013	\$79,345,927	\$12,518,845	\$44,554,592	\$2,944,223	\$133,475,141	\$1,255,404,856
1/1/2012	\$67,503,622	\$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



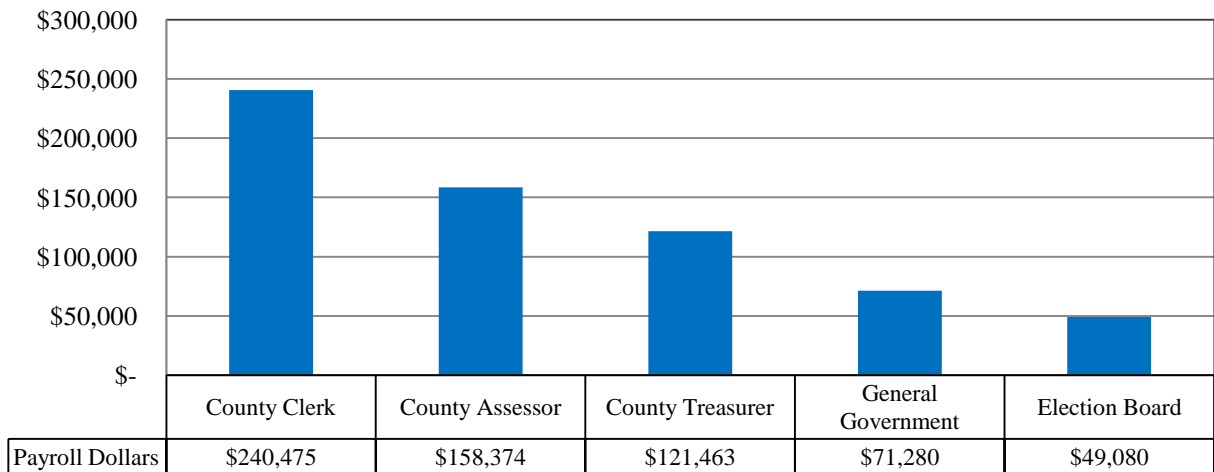
**WASHITA COUNTY, OKLAHOMA
COUNTY PAYROLL EXPENDITURES ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015.

Payroll Expenditures by Department



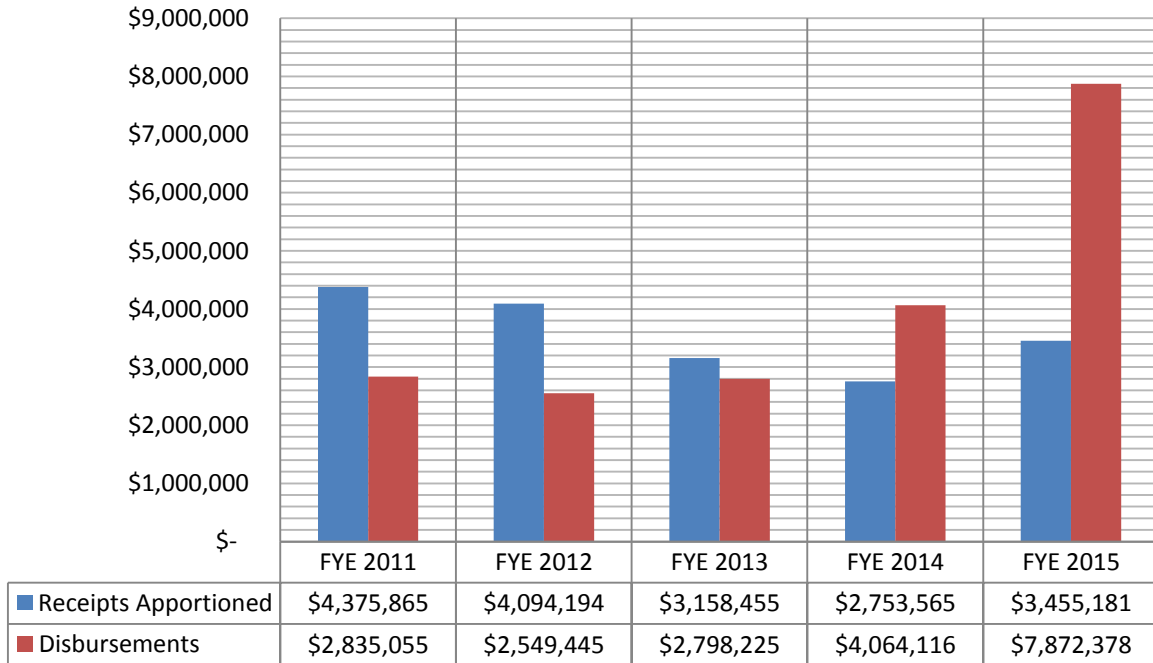
Payroll Expenditures by Department



**WASHITA COUNTY, OKLAHOMA
COUNTY GENERAL FUND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

County General Fund

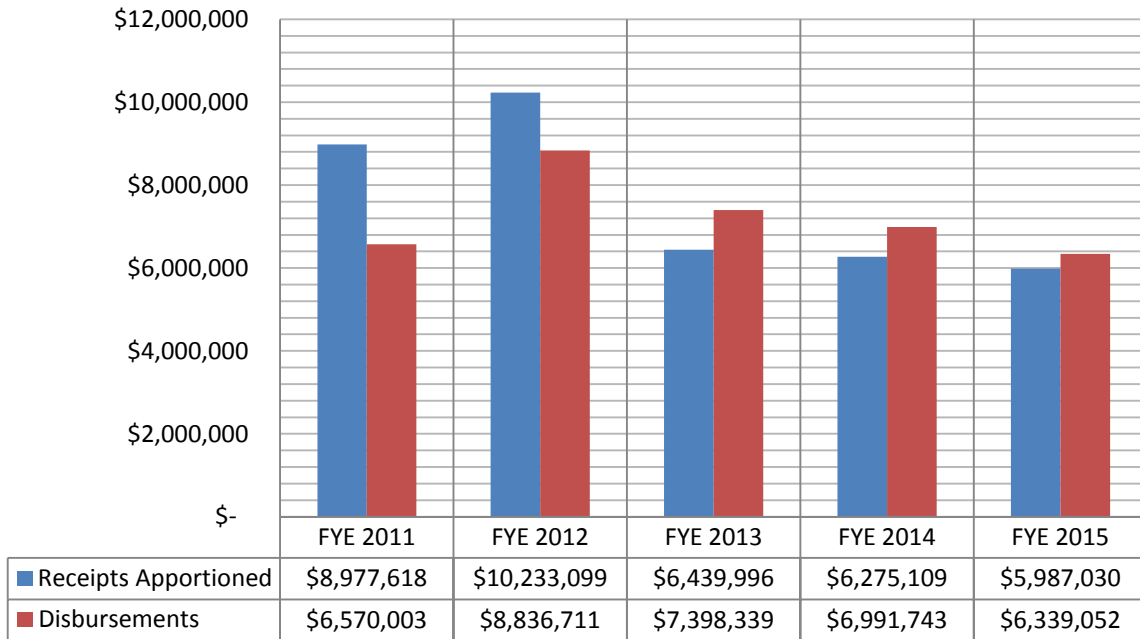
The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also 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, 2015**

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for Fiscal Year Ended June 30, 2015

	Beginning					Ending
Cash Balances	As Restated	Receipts	Transfer	Transfer	Disbursements	Cash Balances
	July 1, 2014	Apportioned	In	Out		June 30, 2015
Combining Information:						
County Funds:						
County General Fund	\$ 6,039,588	\$ 3,455,181	\$ 3,272	\$ -	\$ 7,872,378	\$ 1,625,663
County Highway Fund	6,110,718	5,987,030	-	-	6,339,052	5,758,696
County Sales Tax	375,149	1,085,782	-	-	653,471	807,460
Washita County Public Facility Authority	3,948,542	1,178,647	-	-	1,758,059	3,369,130
County Bridge and Road Improvement 105	1,694,067	343,628	-	-	386,563	1,651,132
Washita Sinking	1,200	-	-	-	-	1,200
County Building Insurance Fund	451	-	-	-	-	451
Washita Industrial Sinking	5,826	-	-	-	-	5,826
Sheriff Service Fee	315,566	112,240	-	-	161,131	266,675
Sheriff Contract	206,468	59,232	-	-	146,375	119,325
County Treasurer Certification Fee	14,889	3,060	-	-	3,298	14,651
Assessor Visual Reimbursement	244	-	-	-	-	244
County Clerk Lien Fee	99,293	19,954	-	-	29,873	89,374
County Clerk Preservation Fee	98,597	25,912	-	-	51,986	72,523
Assessor Fee Revolving	21,133	3,330	-	-	2,351	22,112
Health Department (MD)	11,239	-	-	-	-	11,239
Resale Property	191,942	40,100	-	-	25,400	206,642
County Bridge and Road Improvement 103	13,764	7	-	-	-	13,771
County Assessor Hardware Upgrade	46	-	-	-	-	46
Courthouse Security	97,464	11,448	-	-	-	108,912
CENA Grant Fund	-	2,517	-	-	2,517	-
E911	72,257	69,792	-	-	87,546	54,503
Commissary Profit Fund	57,161	9,268	-	-	5,486	60,943
Wellness Program Fund	-	4,000	-	-	4,000	-
Combined Total - All County Funds (As Restated)	\$ 19,375,604	\$ 12,411,128	\$ 3,272	\$ -	\$ 17,529,486	\$ 14,260,518

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

WASHITA COUNTY
DESCRIPTION OF COUNTY FUNDS, RESTATEMENT OF CASH BALANCES,
AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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.

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, Cordell Memorial Hospital, 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.

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.

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

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

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.

WASHITA COUNTY
DESCRIPTION OF COUNTY FUNDS, RESTATEMENT OF CASH BALANCES,
AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 the funds as restricted by state statute.

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

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 and the disbursement of funds as restricted by state statute for the preservation of records.

Assessor Fee Revolving – accounts for the collection of fees for copies and the disbursement of funds 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.

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 county fund.

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

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 fees collected on land line and cellular telephone bills and disbursed to establish and provide continuous 911 services for the County.

WASHITA COUNTY
DESCRIPTION OF COUNTY FUNDS, RESTATEMENT OF CASH BALANCES,
AND TRANSFERS
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Commissary Profit Fund – accounts for profits made from the sale of commissary items to inmates and disbursements as restricted by state statute.

Wellness Program Fund – accounts for rewards received from the participation of ACCO Wellness Competition. Disbursements are for the employees who participated in the competition.

Restatement of Prior Year Cash Balance

Due to the reclassification of the Sheriff Estray Cattle cash fund from a county fund to a Trust and Agency fund, the beginning balance for the fiscal year ended June 30, 2015, was reduced in the amount of \$4,208, resulting in the restatement of the ending cash balance at June 30, 2014.

Interfund Transfers

During the fiscal year, \$3,272 was transferred from Sheriff Estray Cattle (a Trust and Agency fund) to the County General Fund in accordance with Title 4 O.S. § 85.6d.

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, 2015

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 6,039,588	\$ 6,039,588	\$ -
Less: Prior Year Outstanding Warrants	(200,906)	(200,906)	-
Less: Prior Year Encumbrances	(314,401)	(294,969)	19,432
Beginning Cash Balances, Budgetary Basis	5,524,281	5,543,713	19,432
Receipts:			
Ad Valorem Taxes	1,272,624	1,407,097	134,473
Charges for Services	84,002	87,627	3,625
County Sales Tax	196,000	567,694	371,694
Intergovernmental Revenues	2,274,235	389,982	(1,884,253)
Miscellaneous Revenues	25,000	1,002,781	977,781
Total Receipts, Budgetary Basis	3,851,861	3,455,181	(396,680)
Expenditures:			
District Attorney - County	4,000	4,000	-
County Sheriff	1,043,050	929,692	113,358
County Treasurer	178,586	174,299	4,287
County Commissioners	112,434	104,400	8,034
County Clerk	317,800	316,549	1,251
Court Clerk	277,369	273,027	4,342
County Assessor	185,550	177,898	7,652
Revaluation	135,186	127,704	7,482
General Government	6,975,807	6,473,945	501,862
Excise Equalization	3,470	2,661	809
County Election Expense	103,074	84,638	18,436
FSA	900	900	-
County Audit Budget Account	38,916	29,621	9,295
Total Expenditures, Budgetary Basis	9,376,142	8,699,334	676,808
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	299,560	\$ 299,560
Interfund Transfer:			
Transfer In		3,272	
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		175,296	
Add: Current Year Encumbrances		1,147,535	
Ending Cash Balance		\$ 1,625,663	

Source: County Estimate of Needs (presented for informational purposes)

**WASHITA COUNTY
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015. 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,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- 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, 2015**

Objective 1: To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2015.

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 for FY 2015.

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 be used only for the purpose for which such sales tax was designated. Additionally, funds deposited into the General Fund were not discretely presented for expenditures; therefore, sales tax expenditures could not be tested. Further, the County directly remitted sales tax funds on purchase orders to the Washita County Senior Citizens Centers and the Washita County Public Facilities Authority; therefore, all sales tax expenditures could not be tested.

FINDINGS AND RECOMMENDATIONS

Finding 2015-2 - Inadequate Internal Controls and Noncompliance Over the Disbursements of County Sales Tax (Repeat Finding)

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

- A portion of 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.
- 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 the County Purchasing Act.

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Cause of Condition: Policies and procedures with regard to sales tax collections and disbursements have not been designed and implemented to ensure compliance with 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 nonconformity with the AG Opinions and the intent of the County sales tax statute.

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 accounts 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 ballot as outlined by Title 68 O.S. § 1370E.

Further, OSAI recommends the County comply with state statute which requires that funds be expended on purchase orders and approved by the Board of County Commissioners.

Management Response:

County Clerk: The Senior Citizen Sales Tax funds will be moved into the County Sales Tax fund and be 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.

Board of County Commissioner: 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.

Auditor Response: All sales tax collections should be deposited and expended from a sales tax revolving fund or the general revenue of the County in accordance with 68 O.S. § 1370E.

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."

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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.

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.

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: With respect to the items tested, 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.

All Objectives:

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

Finding 2015- 3 – Inadequate County-Wide Controls and Disaster Recovery Plan (Repeat Finding)

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

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- County-wide controls regarding Risk Management and Monitoring have not been designed.
- The County Sheriff, District 1, District 2, and District 3 have not designed a Disaster Recovery Plan over information systems operating within each office.
- There is a Disaster Recovery Plan in place for the office of the County Assessor; however, it does not address critical systems and vital records, identify an alternative site for operations, develop Emergency Assessment Strategy for the emergency response team, or provide offsite storage of the Disaster Recovery Plan.

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 internal controls, there is risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds. Further, the lack of a formal Disaster Recovery Plan could cause significant problems in ensuring county business could continue uninterrupted in an emergency situation and/or disaster.

Recommendation: OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook. OSAI further recommends that the offices should prepare a Disaster Recovery Plan in order to maintain operations in the event of a disaster.

Management Response:

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

County Sheriff: We will work toward the design of a Disaster Recovery Plan.

County Assessor: We will work toward updating the Disaster Recovery Plan to include all relevant information.

District 1: We will work toward the design of a Disaster Recovery Plan.

District 2: We will work toward the design of a Disaster Recovery Plan.

District 3: We will work toward the design of a Disaster Recovery Plan.

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.

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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 2015-4 – Inadequate Internal Controls and Noncompliance with State Statutes Regarding Acceptance of Bids (Repeat Finding)

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

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 statutes regarding the awarding of bids. The County did not comply with 19 O.S. § 1505(B), which requires that counties award bids to the lowest and best bidders.

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.

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Management Response:

BOCC Chairman: 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 73632

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, 2015:

- 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, there were no exceptions noted.

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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones", is written over a light blue horizontal line.

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

July 18, 2016



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