



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Town of Winthrop

Okanogan County

For the period January 1, 2014 through December 31, 2015

Published January 26, 2017

Report No. 1018384





**Office of the Washington State Auditor
Pat McCarthy**

January 26, 2017

Mayor and Town Council
Town of Winthrop
Winthrop, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Town operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Town's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT SUMMARY

Results in brief

In most areas we audited, Town operations complied with applicable requirements and provided adequate safeguarding of public resources. The Town also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we noted certain matters that we communicated to Town management in a letter dated December 27, 2016, related to the Town's internal controls over municipal court operations. We appreciate the Town's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of the Town of Winthrop from January 1, 2014 through December 31, 2015.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Town's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Municipal court
- Payroll

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Town of Winthrop
Okanogan County
January 1, 2014 through December 31, 2015

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Town of Winthrop. The State Auditor's Office has reviewed the status as presented by the Town.

Audit Period: 2011-2013	Report Ref. No: 1011663	Finding Ref. No: 1				
Finding Caption: Insufficient internal controls over Municipal Court created a high risk of loss or misappropriation.						
Background: The Town of Winthrop operates a Municipal Court that typically issues approximately 30 citations and collects between \$1,500 and \$6,000 annually, and accounts for these activities in the Judicial Information System (JIS). We found that the Court did not: <ul style="list-style-type: none">• Create a JIS receivable record for 40 of 96 traffic citations tested, nor did it create a JIS receivable for 416 cases representing roughly \$118,000 owed to the Court.• Process all citations or fees through the JIS system• Issue a Failure to Appear with the Department of Licensing for 44 of the 96 cases tested• Deposit Court funds at least weekly to comply with RCW 43.09.240 The Town's Court Clerk did not have adequate knowledge of the JIS system to perform these duties or to perform effective review of these duties. At the end of 2013 the court was owed approximately \$37,000 in accounts receivable as well as an additional \$118,000 in cases where a receivable was never created. We recommend the Town develop and follow an effective internal control system for Municipal Court activities that will allow it to prevent and detect errors and losses in a timely manner.						
Status of Corrective Action: <table style="width: 100%;"><tr><td style="width: 25%;"><input type="checkbox"/> Fully Corrected</td><td style="width: 25%;"><input checked="" type="checkbox"/> Partially Corrected</td><td style="width: 25%;"><input type="checkbox"/> Not Corrected</td><td style="width: 25%;"><input type="checkbox"/> Finding is considered no longer valid</td></tr></table>			<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid			

Corrective Action Taken:

Since the Town of Winthrop was issued a Finding for the Winthrop Municipal Court for the 2011-2013 audit period the following corrective action has been taken:

- *JIS receivable records are created for all citations issued.*
- *All citations or fees are processed through the JIS system.*
- *All Failure to Appear are issued to the Department of Licensing.*
- *Court funds are deposited on a weekly basis.*
- *Current Court Clerk has attended two AOC training sessions in Olympia since she took over duties in May 2016.*
- *Contracted with a collection company to collect on court receivables.*
- *Performed extensive research to accurately create JIS receivable for past citations and provide a ten year write off report to Town Council.*
- *Approved ten year accounts have been wrote off in JIS system.*
- *Per judge request, all past due accounts were sent the same letter with the amount due in mid-September 2016 and were given until the end of October 2016 to pay outstanding citation amounts. Currently in the process of issuing FTA's for all of the old, past due accounts. Also in the collection process for these accounts.*
- *Reports are reviewed monthly by Judge and Court Administrator.*
- *Checkbook balanced monthly.*
- *Clerk/Treasurer was appointed Court Administrator to help facilitate court.*

There have been numerous issues which made an immediate resolution to all issues difficult. These include:

- *Basement flood in summer of 2014 which is where the court is located. The court was inoperable for over one month.*
- *Basement flood in summer of 2016 creating for court to temporarily move upstairs and difficulty in accessing court records.*
- *The current Court Clerk is the fourth Court Clerk since the 2011-2013 audit period. This turnover has made it difficult to resolve court issues as timely as we hoped.*

The Town has developed, although not as quickly as we had hoped, an effective internal control system for court activities to prevent and detect errors and losses.

RELATED REPORTS

Financial

Our opinion on the Town's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the Town's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Town's major federal program, which is listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE TOWN

The Town was incorporated March 12, 1924 and uses Okanogan County as its Treasurer. The Town operates under a mayor-council form of government with an elected, five-member Council.

With a staff of approximately 10 full-time employees, the Town provides water, sewer, police, Municipal Court and fire protection to its citizens. For 2014 and 2015, the Town operated on annual budgets of approximately \$6.2 and \$7.2 million respectively.

Contact information related to this report	
Address:	Town of Winthrop P.O. Box 459 Winthrop, WA 98862
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Town of Winthrop at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov