



# Washington State Auditor's Office

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## Accountability Audit Report Chelan County

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

**Published September 24, 2015**

**Report No. 1015006**





## Washington State Auditor's Office

September 24, 2015

Board of Commissioners  
Chelan County  
Wenatchee, 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 County 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 County'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,

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

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## AUDIT SUMMARY

### Results in brief

In most areas we audited, County operations complied with applicable requirements and provided adequate safeguarding of public resources. The County 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 County management in a letter dated August 31, 2015, related to management oversight and monitoring of County departments. We appreciate the County's commitment to resolving those matters.

### About the audit

This report contains the results of our independent accountability audit of Chelan County from January 1, 2014 through December 31, 2014.

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 County'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:

- Probation Daprtment cash receipting
- Farmworker housing cash receipting
- Safeguarding of assets – Information Technology and Sheriff's Office
- Public Defense contract
- Treasurer's Office cash receipting
- Confidential funds – Sheriff's Office
- General disbursements
- Payroll disbursements

## STATUS OF PRIOR AUDIT FINDINGS

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

<b>Audit Period:</b> January 1, 2013 – December 31, 2013	<b>Report Ref. No:</b> 1013421	<b>Finding Ref. No:</b> 1
<b>Finding Caption:</b> Chelan County's Probation Department does not have adequate internal controls over cash receipting and accounts receivable, increasing the risk that undetected errors or potential misappropriation could occur.		
<b>Background:</b> The Probation Department is responsible for ensuring collection and payment of fees for probation services based on its established policies and fee schedules. In 2013 the County's probation office receipted \$273,793 in probation fees assigned by the District Court. It recorded \$513,750 in adjustments and waivers to account balances, effecting 1,114 transactions. We reviewed internal controls over fee adjustments and accounts receivable and noted the following deficiencies: <ul style="list-style-type: none"> <li>Existing policies are outdated and vague in directing employees to follow a standardized receipting process or state law. These policies also do not identify individuals responsible for key control activities.</li> <li>Three cashiers, including the department manager, are responsible for collecting payments and adjusting account balances; however, no one reviews or approves the activity.</li> <li>The department does not maintain sufficient documentation to support adjustments or fee waivers made to accounts receivable. In addition, adjustment amounts are not consistently calculated.</li> </ul>		
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Action Taken <input type="checkbox"/> Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>The following corrective actions have been taken to address the Auditor's concerns in the prior audit period:</i>  <i>The prior policies and procedures for the probation department were rescinded and replaced with new policies and procedures adopted in March, 2015. The new policies and procedures provide clear direction to employees regarding the assessment of probation fees, cash receipting and collections for probation fees and restitution, and the segregation of duties. The new policies eliminate and prohibit any waivers and set forth strict limitations for adjustments which require approval by the Probation Director.</i>		

*All probation staff members have received a copy of the new policies and procedures, and have been trained regarding the relevant changes by the new Probation Director. The Administrative Specialists attended the Treasurer's Cash Handler's Policy and Certification Program and received a copy of the Treasurer's Cash Handler's Manual in February 2015. The Director attended the Department of Revenue Unclaimed Property training in July 2015.*

*A separate, secure cash drawer has been provided for each Administrative Specialist. The cash is counted at the beginning of each shift. All payments must be receipted by an Administrative Specialist or the Director. At the end of each cashier counts and balances her drawer and a second person verifies the calculation.*

*Adjustments are made only for errors or concurrent cases, and must be approved by the Director. Documentation of the Administrative Specialists' actions and the Director's review are maintained and stored with the probation fee account records at the time of reconciliation. Daily reconciliations and deposits are required for probation fee and restitution payments. The Probation Director reconciles the probation fee and restitution accounts monthly and the District Court Administrator reviews the reconciliation paperwork to ensure that it is timely completed.*

*All incoming and outgoing restitution transactions are recorded in CaseloadPro, our newly implemented case management system. In addition, the Director randomly verifies transactions through the month to ensure timely and accurate reimbursements are being made to crime victims. The Director has maintained a spreadsheet that details when a restitution payment is received, deposited and paid out to the victim. For the immediate future, this practice will continue. However, it is anticipated that this task will be replaced by data collection and reports in CaseloadPro that will be reconciled monthly.*

*The new case management system (CaseloadPro) for the Probation Department was implemented July 2015. CaseloadPro replaced the AS400, Access and Quickbooks systems. CaseloadPro will manage all of the Probation Department's responsibilities in one program. There will be no need to attempt to "work around" software program limitations.*

- The data transfer from AS400 to CaseloadPro occurred 7-27-15. The Director is reviewing each account to ensure that all balances accurately reflect the history of the account, including collection agency involvement.*
- CaseloadPro does not allow for edit of completed transactions.*
- CaseloadPro allows users to schedule one-time or ongoing fees, and for the adjustment from supervised probation (\$50/month fee) to bench monitoring (\$10/month fee). Such adjustments will be made only pursuant to Judicial direction and Director approval.*
- CaseloadPro provides a simple and efficient receipting screen, allowing the cashier to easily view all of the offender's financial obligations. A receipt will be provided to offenders, detailing the balance of all of their obligations with the probation department.*

- *Restitution payments will also be receipted into CaseloadPro and deposited to the County Treasurer. CaseloadPro will track and account for all restitution payments made by offenders as well as checks made to victims.*
- *CaseloadPro will allow us to run various reports for reconciliation, accounts receivable, fees assessed vs fees collected for any date or date range that we input.*

## RELATED REPORTS

### **Financial**

Our opinion on the County's financial statements and compliance with federal grant program requirements is provided in a separate report issued in September 2015, which includes the County'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 County's major federal programs, which are listed in the Federal Summary section of the financial statement and single audit report issued in September 2015. That report includes two federal findings regarding suspension and debarment requirements and compliance with allowable costs of Title III funds. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.



## INFORMATION ABOUT THE COUNTY

Chelan County serves over 75,000 citizens in north central Washington. The County is governed by an elected, three-member Board of Commissioners. Twelve additional elected officials help administer County operations including Assessor, Auditor, Clerk, Coroner, Prosecuting Attorney, Sheriff, Treasurer, two District Court Judges and three Superior Court Judges.

The County operates on an annual budget of approximately \$97 million and has approximately 500 employees. The County provides services including law enforcement and public safety, Juvenile, Superior and District Court systems, legal prosecution and indigent defense, jails and corrections. Additional services provided by the County include construction and maintenance of county roads, bridges and drainage systems, community planning, development and code compliance, parks and recreation activities management, property assessment, issuance of permits and licenses and elections.

### Contact information related to this report

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*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for Chelan County 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	
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