



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Okanogan County

For the period January 1, 2016 through December 31, 2016

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Office of the Washington State Auditor
Pat McCarthy

November 20, 2017

Board of Commissioners
Okanogan County
Okanogan, 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,

Pat McCarthy
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 most areas we examined.

However, we identified areas in which the County could make improvements.

We recommended the County improve controls and procedures over Fairground operations to prevent or promptly detect loss. Specifically, the County should:

- Establish appropriate policies and procedures over fair and facilities operations, including receipting, contracting and purchasing.
- Ensure the reconciliation of receipts to deposits, Fair ticket pre-sales and campground fees.
- Implement independent monitoring of receipts, purchases and rental contract compliance.
- Reconcile manual receipts to the County Treasurer's deposits.
- Improve accountability for facility rentals by including clear rental rates, deposit fees and any other required terms. In addition, the County should adopt a comprehensive fee schedule for all facility rental contracts.

These recommendations were included in our report as a finding.

About the audit

This report contains the results of our independent accountability audit of Okanogan County from January 1, 2016 through December 31, 2016.

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:

- Financial condition
- Fair and facilities operations
- Annual leave
- Auditor's Office controls
- Restricted funds
- Procurement

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2016-001 The County did not have adequate controls over operations related to fairground activities, including cash receipting and credit account purchasing, which increased the risk that undetected errors or misappropriation could occur.

Background

In 2016, Okanogan County Fairgrounds office receipted about \$273,000 for camping fees, facility rentals, fair admission and fair vendor fees.

County management is responsible for designing and following internal controls that provide reasonable assurance of compliance with state laws, policies and the safeguarding of public resources. During this audit, we found the County did not have adequate controls over cash receipting, depositing and credit account use putting them at risk of loss or misappropriation.

Description of Condition

We tested all receipts and reviewed internal controls at the Fairgrounds office and noted the following concerns:

- The same people receipt and prepare deposits without adequate oversight or monitoring by County management to prevent or detect losses.
- County Management did not monitor facility rental contracts to comply with contract terms or to confirm collection of all deposits and rental fees.
- Fair staff allowed volunteers to charge on County credit accounts and could not assign responsibility for questionable purchases because users did not sign receipts and invoices.

These control weaknesses increase the risk that the County would not identify a potential loss promptly, if at all.

Cause of Condition

The County made managerial changes and experienced turnover in office staff, and it did not provide adequate training and oversight to safeguard public funds at the Fairgrounds office.

In addition, the County lacked policies to provide guidance over Fairgrounds operations.

Effect of Condition

The County's lack of internal controls and monitoring over transactions increases the risk that County resources could be misappropriated or misused without timely detection.

Our audit identified a known loss of \$1,232 of cash related to Fair ticket pre-sales receipted but not deposited with the County Treasurer. Our audit could not assign responsibility for this loss.

The Fairgrounds contracted for facility rentals totaling \$39,800; however, it receipted only about \$36,000 in facility rental and deposit fees. Because of inadequate documentation, we could not determine if a loss of funds occurred, or if the Commissioners waived fees.

Also because of inadequate documentation, we could not reconcile Fair ticket pre-sales of about \$40,000 or campground fees of about \$14,000 to determine if other losses occurred.

We identified additional exceptions of a less-serious nature, including small variances in receipts, duplicate payment of a fuel invoice and lack of documentation for credit account purchases.

Recommendations

We recommend the County improve controls and procedures over Fairground operations to prevent or promptly detect loss. Specifically, the County should:

- Establish appropriate policies and procedures over fair and facilities operations, including receipting, contracting and purchasing.
- Ensure the reconciliation of receipts to deposits, Fair ticket pre-sales and campground fees.
- Implement independent monitoring of receipts, purchases and rental contract compliance.
- Reconcile manual receipts to the County Treasurer's deposits.
- Improve accountability for facility rentals by including clear rental rates, deposit fees and any other required terms. In addition, the County should adopt a comprehensive fee schedule for all facility rental contracts.

County's Response

The county will:

Establish appropriate policies and procedures over fair and facilities operations, including receipting, contracting and purchasing. Staff is currently working on these documents and the procedures to ensure facility staff have clear expectations outlined for the various tasks involved in operating the fairgrounds and fair.

Ensure implementation of proper oversight and of reconciliations of receipts to deposits for Fair pre-tickets sales and campground fees. These controls and processes will be outlined in the policy and procedure document and oversight of them will be provided and documented regularly.

Improve accountability for facility rentals by including clear rental rates, deposit fees and any other required terms including adoption of a comprehensive fee schedule for all facility rental contracts. We are in discussions about the fee schedule details and intend to adopt one for the entire facility for the upcoming season.

We hope to have all these items in place for the 2018 season.

Auditor's Remarks

We thank Okanogan County for its cooperation and assistance throughout the audit, and the steps it is taking to address these concerns. We will review the status of the County's corrective action during our next audit.

Applicable Laws and Regulations

The Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

RCW 43.09.240 Local government accounting – Public officers and employees – Duty to account and report – Removal from office – Deposit of collections.

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

RELATED REPORTS

Financial

Our opinion on the County's financial statements and compliance with federal grant program requirements is provided in a separate report, 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 program, which is listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report.

INFORMATION ABOUT THE COUNTY

Okanogan County is located in the north-central part of Washington State and serves approximately 41,000 citizens.

The County is administered by an elected, three-member Board of Commissioners and 10 independently elected officials: Assessor, Auditor, Clerk, Coroner, District Court Judges, Prosecuting Attorney, Sheriff, Superior Court Judges and Treasurer. The County's 308 employees provide services including law enforcement, road improvement, judicial, community health and general administrative services. In 2016, the County had approximately \$48 million in expenditures.

Contact information related to this report	
Address:	Okanogan County 149 3rd N. Okanogan, WA 98840
Contact:	Laurie Thomas, Auditor
Telephone:	(509) 422-7240
Website:	www.okanogancounty.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for Okanogan 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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov