



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Okanogan County

For the period January 1, 2017 through December 31, 2017

Published September 17, 2018

Report No. 1022157





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

September 17, 2018

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 independent audit report on the County's compliance with applicable requirements and safeguarding of public resources for the 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

TABLE OF CONTENTS

Audit Results.....	4
Summary Schedule of Prior Audit Findings	5
Related Reports	7
Information about the County	8
About the State Auditor's Office.....	9

AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, County operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we noted certain matters that we communicated to County management and the Board of Commissioners in a letter dated September 10, 2018, related to control deficiencies at the fairgrounds. We appreciate the County's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of Okanogan County from January 1, 2017 through December 31, 2017.

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.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. 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, based on our risk assessment for the year ended December 31, 2017, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- County road levy diversion
- Solid waste department – fuel card use and cash receipts
- Cash receipting – County Fair
- Payroll – employee salaries and wages
- Vendor payments
- Selected IT security policies and procedures over financial systems and data
- Financial condition and fiscal sustainability



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Okanogan County
January 1, 2017 through December 31, 2017**

This schedule presents the status of findings reported in prior audit periods.

Audit Period:	Report Ref. No.:	Finding Ref. No.:
January 1, 2016 through December 31, 2016	1020183	2016-001
Finding Caption: 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. During the 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. All receipts were tested and internal controls were reviewed at the Fairgrounds office and noted the following concerns: <ul style="list-style-type: none">• 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.		

The 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 presales of about \$40,000 or campground fees of about \$14,000 to determine if other losses occurred.

Status of Corrective Action:

☐ Fully
Corrected

☒ Partially
Corrected

☐ Not Corrected

☐ Finding is considered no
longer valid

Corrective Action Taken:

The County is in the process of creating and adopting new policies and procedures to provide adequate oversight and monitoring of all facility and fair operations, contracts and fees. We will no longer hand write receipts. All receipts will be entered into a software program and the report for the daily deposit from the software will be included in the deposit that goes to the Treasurer and an independent staff member will reconcile deposits. Temporary employees no longer have access to credit cards or charge accounts and regular employees must sign an acknowledgement form which outlines the proper usage of a county card and the responsibility of the card to be solely on the staff member using it.

RELATED REPORTS

Financial

Our opinion on the County's financial statements 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>.

That report includes a finding for a significant deficiency in internal controls over financial reporting regarding reporting of federal expenditures.

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 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 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 ten 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 2017, the County had approximately \$47 million in expenditures.

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 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