

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.