Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57951

CLARK COUNTY, WASHINGTON

January 1, 1995 Through December 31, 1995

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CLARK COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Compliance With Laws And Regulations At The Financial Statement Level (Plus Additional State Compliance Requirements Per RCW 43.09.260)

Board of Commissioners
Clark County
Vancouver, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of Clark County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Clark County is the responsibility of the county's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the county complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the county's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the county and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted instances of noncompliance immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

June 21, 1996

Independent Auditor's Report On Internal Control Structure At The Financial Statement Level

Board of Commissioners
Clark County
Vancouver, Washington

We have audited the general-purpose financial statements of Clark County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the county, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Findings is a material weakness.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

June 21, 1996

Schedule Of Findings

1. The Sheriff's Office Finance And Planning Department Should Improve Accounting Controls And Comply With State Laws Over Inmate And Commissary Account Activity

During our audit of the sheriff's office finance and planning department, we discovered weaknesses in administration of the inmate trust accounts and county jail commissary as discussed below.

Independent Accounts Established:

The sheriff's office inmate trust and jail commissary bank accounts were each inappropriately established independently at the department and not recorded with the county treasurer or the county auditor. One account is used to hold money in trust on behalf of over 400 jail inmates, while the other is used for inmate welfare expenses including the purchase and sale of commissary products and other supplies and services. During 1995, these accounts had activity (revenues and expenditures) of approximately $700,000 and $400,000, with year end balances of $10,317 and $138,557, respectively. These accounts must be accounted for in the county records as required by law.

RCW 36.29.020 states in part:

> The county treasurer shall keep all moneys belonging to the state, or to the county, in his or her possession until disbursed according to law . . . .

RCW 43.09.240, further states in part:

> Every public officer and employee of a local government shall keep all accounts of his or her office in the form prescribed and make all reports required by the state auditor . . . .

The *Budgeting, Accounting, and Reporting System* (BARS) manual, prescribed by the State Auditor, Vol. 1, Part 1, Chapter 2, page 3, requires inmate trust accounts to be recorded in the county's records under "Other Internal Trusts (Not in Treasury) **)** Merchandise." Commissary expenditures are required to be recorded in the county's records under "Care and Custody of Prisoners."

During discussions with the sheriff's office director of finance and planning and the internal audit staff, management indicated they did not believe the inmate trust and jail commissary accounts were public funds. The county, however, has a fiduciary responsibility in the administration and custody of these funds which requires they be included in county systems and properly reflected in the financial records.

Because these accounts were outside the county auditor's and county treasurer's records, commissary revenues and expenditures were not budgeted; expenditures were not certified or approved; and purchases were not properly bid according to state law. Additionally, failure to properly record these accounts contributes to weakened cash controls, as noted below, and an understatement of the county's assets and liabilities.

Internal Control Weaknesses:

Inmate Trust Account

a. Inappropriate Accounting For Outstanding Checks **)** Checks issued to inmates that are outstanding for over one year are routinely canceled with no corresponding reclassification made to individual inmate records. These canceled checks amount to approximately $100 to $200 per month and cause the bank account to be out of balance with the inmate records by increasing amounts.

b. Inmate Accounts Not Reconciled **)** Our examination of inmate accounts, which reflect sources and uses of their funds and the balance held in trust, were not reconciled with the amount of cash in bank. Such a reconciliation is a common internal control practice and necessary to properly account for inmate cash.

c. Discrepancies In Account Balances **)** The automated accounting system used to track inmate account activity contains unexplained discrepancies in the balances from month to month. We compared April, May, and June 1996 for consistency and found that month-end balances did not agree with the beginning balances of the following month, as illustrated below:

Month	Balances	Month	Balances
April Ending	$14,884.22	May Ending	$13,748.42
May Beginning	13,448.42	June Beginning	12,374.63
Discrepancy	$ 1,435.80	Discrepancy	$ 1,373.79

The discrepancies in the inmate ledger account balances were the result of flaws in the computer program used to track inmate accounts activity. The sheriff's office finance and planning department was not aware of the balance discrepancies because they were not reconciling the inmate ledger account balances to the inmate trust bank account.

Jail Commissary Account

a. No Receipting System In Place **)** During calendar year 1995, the finance and planning department reported $491,186.43 in sales from commissary products and telephone charge rebates, as well as other revenues. Our examination revealed there is no system in place to initially record these revenues as they are received in this department. Without a receipting system in place, we were unable to determine whether all revenues received were, in fact, deposited.

RCW 43.09.200 states in part:

> The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents . . . necessary to isolate and prove the validity of every transaction . . . .

b. Improper Purchases **)** Additional testing disclosed the purchase of a computer and related equipment for $5,489. According to the director of finance and planning, the computer was located at his home and not used for commissary purposes.

The *Washington Administrative Code* (WAC) 289-22-200 states:

> (1) Commissary.
>
> Proceeds from a jail facility store shall be used for operation and maintenance of the commissary service and/or prisoner welfare expenses . . . .

RCW 42.24.090 states:

> No claim for reimbursement of any expenditures by officers or employees of any municipal corporation or political subdivision of the state for transportation, lodging, meals or any other purpose shall be allowed by any officer, employee or board charged with auditing accounts . . . All claims authorized under this section shall be duly certified by the officer or employee submitting such claims on forms and in the manner prescribed by . . . the office of the state auditor.

c. Weaknesses In Voucher Review **)** We found that when payments are made for pharmaceuticals and commissary products, the finance and planning department does not verify the amount of the invoice to ensure only those items received are paid for.

The effect of these weaknesses and violations of state law are cited below:

- Places public funds at increased risk that errors and irregularities could occur and not be detected in a timely manner. Further exposes the county to increased risk of misuse, abuse, or loss of public funds.

- Jeopardizes the process of public involvement and scrutiny in how public funds are managed, as well as the process which assists in assuring the public receives the benefit of the lowest possible price for purchased goods and services.

- Results in higher audit costs due to the increased risk from lack of adequate internal control.

- Distorts the financial reporting for operations of the sheriff's office and could have an affect on the decision making process.

We recommend the sheriff's office finance and planning department and the county's internal audit staff develop procedures to correct the internal control weaknesses and comply with state law as follows:

a. Bank account activity should be reported as required by the BARS.

b. Individual inmate accounts should be routinely reconciled with the amount of cash in bank. Inconsistencies in the automated system for inmate accounts should be resolved to ensure the integrity and accuracy of this system.

c. A sequentially numbered receipting system should be implemented that records all proceeds received within the department. The daily deposits to the county treasurer should be verified to the sequential use of these receipts and verified by separate individuals to ensure they are intact and accurate.

d. Commissary account activity should be included in the annual budgetary process.

e. Commissary expenditures should be certified by the county's auditing officer in the Clark County Auditor's Office and approved in a public meeting as required by law.

f. Estimated expenditures exceeding the statutory threshold should go through the formal bidding process as required by law.

g. Controls should be improved to ensure that only those products and services received are paid for.

Auditee's Response

Clark County Administrator, Pat McDonnell responded to our finding as follows:

Independent Accounts

The County will include the Inmate Trust Account and the Commissary Account in the County's Annual Financial Report as Trust Account activity. In addition, commissary expenditures will be budgeted, certified, and bid in accordance with County policies.

Inmate Trust Account

The Inmate Trust Account will be reconciled to the inmate ledgers on a monthly basis and the discrepancies in the beginning and ending inmate account balances will be corrected by having the Data Processing Department modify the report generation program.

Jail Commissary Account

We disagree with this finding.

Other than internal book entries from the inmate trust account, the only revenue source is a small number of refund checks received in the mail from various telephone vendors. We will be happy to provide a log of these telephone refunds if requested.

Improper Purchases

While it is true that the personal computer in question is not solely used for commissary purposes, it is also true that it and several other computers are used a portion of the time for commissary purposes. These other computers were purchased with General Fund monies,

which, in our opinion, qualifies this mixed-use practice as being within the spirit of WAC 289-22-200.

Weaknesses in Voucher Review

We agree with the finding and will have the medical section of the jail approve all pharmaceutical vouchers before payment.

Auditor's Concluding Remarks

County officials apparently agree with most aspects of this finding. However, they disagree with our recommendation that a cash receipting system be established for jail commissary activity. A properly established cash receipting system is a fundamental accounting control which needs to be established to enable the entity to reconcile cash receipts to deposits. Without such a system, internal controls are not adequate at the jail commissary. All aspects of our finding and recommendations are reaffirmed and we will review inmate trust and jail commissary activity during our next audit to determine if improvements have been made.

2. Cash Control And Accounting In The Corrections Department Should Be Improved

The Clark County Corrections Department receives payments for monitoring offenders from a variety of sources including compliance monitoring fees, supervised probation fees, indigent defense cost recovery payments, DWI center fees, deferred prosecution payments, electronic home confinement fees, and work crew fees. In 1995, corrections served over 3,000 offenders and collected fees in excess of $308,000, much of it cash. Because of the large amount of cash received, and the system's complexity, strong internal controls are essential. However, during our examination of corrections, we discovered significant internal control weaknesses as follows:

Incompatible Duties: Employee duties are not properly segregated. The employee who prepares the deposit also records the daily receipts in the various data bases. Additionally, this individual can enter noncash credits into the system. Although we found no evidence of misuse of funds, these system weaknesses should be eliminated because they unnecessarily place the county's funds at risk. Additionally, they unfairly place county employees in a compromised position. The system should be constructed so that no individual has both access to cash and the ability to manipulate records which account for cash. Without these controls, funds could be misappropriated and the accounts altered to conceal the loss.

Cash/Check Composition Unreconciled: The mode of payment recorded on the cash register tape is not reconciled to the cash and checks in the bank deposit. Without this control, transactions paid by check may not be recorded while the system is balanced by removing cash from the deposit, resulting in the loss of public funds. During our tests of February 1996 activity, we discovered eight instances where the mode of payment in the deposit didn't agree with the cash register tape. Cash and check distinction is not entered properly and miscellaneous revenues were not rung through the cash register. Because of these weakness, we could not determine if all cash had been properly recorded.

Untimely Deposits: Deposits are routinely made one or two times a week. Four nonsequential days' cash collections totaling $3,590 were inappropriately held and deposited together at a later date. In one case, the deposit for February 7th and 8th was not made intact. The $405 difference was deposited nearly one month later on March 5, 1996. Daily intact deposits, where the cash and check composition match actual receipts, are a necessary element in a strong system of cash controls. In addition, daily deposits are required by RCW 43.09.240, which states:

> Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four hours. (Emphasis ours.)

Weak Database Controls: Eight different databases are maintained. The databases can not readily generate accounts receivable balances. As a result, no accounts receivable control is maintained nor is an aged accounts receivable analysis performed. Additionally, past due accounts are not reviewed or routinely collected. The cash collection database is not tied to the seven databases which track each different type of fee collected. Manual entries are made from the cash register tape to the cash collection database to the fee databases. In many instances, manual calculations are made to determine the new balance owing. We found one account where the fee assessed less the amounts collected did not agree to the balance owing. The balance was reduced by $50 with no cash receipt to support the reduction. In addition; update, edit, and delete access is given to employees who handle the cash.

The weaknesses place public funds at a significantly higher risk that errors and irregularities could occur and not be detected in a timely manner. Further, these weaknesses could result in loss, misuse or abuse of public money.

These weaknesses are the apparent result of a lack of management review, high staff turnover, and a lack of written polices and procedures.

We recommend that the corrections department:

- Develop written cash handling policies and procedures.
- Segregate cash collection from input of receipts and non-cash credits into the database.
- Restrict cash access to cashiers.
- Deposit revenue daily.
- Ensure that all deposits are made intact.
- Develop procedures for collection of past due accounts.
- Establish and maintain an accounts receivable control account.
- Perform regular aged accounts receivable analyses.

Auditee's Response

The Correction's Department has rectified the cash receipting internal control problem by separating the functions of receipting and balancing, depositing funds with the Treasurer's office, and entering data in the various tracking systems. In addition, we are in process of putting these cash handling procedures in written form. We are also looking into the practicality of linking the cash receipting system directly to the various databases that track the progress of clients through the various corrections programs. It is important to note, however, that it is appropriate for program managers to waive or credit fees under a variety of circumstances.

Auditor's Concluding Remarks

We appreciate the county's response and its commitment to improving controls in the corrections department. We will review the effectiveness of the control improvements in our next audit.

3. Clark County Should Improve Controls Over Contract Administration

During the course of business, the county routinely contracts for a variety of goods and services such as public works construction, legal assistance, architect and engineering, and other professional services. We selected numerous contracts in effect during calendar years 1994 and 1995 for testing. We reviewed the contracts to ensure the county-wide system in place for controlling the approval, execution, and requirements of the agreements, is functioning as designed. The results of our examination revealed weaknesses in the administration of professional service contracts.

Contract Monitoring **)** Administrative procedures identified in the county's Contract Administration Form (1/15/88) place responsibility with the Clark County Auditor's Office for ensuring payments do not exceed the amount or the duration established in individual contracts. The auditor's office prepares a contract listing used for monitoring the county's contracts. However, we found that the list of contracts was not reliable when compared to contracts approved by the county commissioners. Without having a complete list of all contracts, the auditor's office cannot adequately monitor all county contract payments as required. This increases the risk that the county will overpay contracts, pay for uncontracted services, or inappropriately pay for services after the expiration of the contract.

Prescribed Contract Administration Documents Not Consistently Used By County Departments **)** Many county departments initiating contracts we tested failed to prepare the required Contract Administration Form (1/15/88). In its instructions, this document states in its Purpose paragraph:

> This contract administration form has been developed to provide centralized contract monitoring and control for Clark County.

Without the required form being filed by the contracting departments, it is difficult for the county auditor's office to monitor contracts as required by the county administrative procedures cited above.

Individuals Delegated With Authority to Sign County Contracts Is Unclear **)** County officials were also unable to provide a list of "delegated signees" who are authorized to sign contracts. Because of this we were unable, in some cases, to determine if the county's signee actually had the authority to contractually obligate the county.

Contract Administration Form (1/15/88), Instruction Page, Section 4, Contracting Authority, Paragraph 1 states:

> The authority to bind the County in a contractual relationship is held by the Board of County Commissioners and by delegation, the Purchasing Department. That authority may be delegated further by resolution. All contracts must be signed and dated by the County Commissioners, the Purchasing Department, or a delegated signee. The resolution number supporting the delegation of contracting authority is to be noted. (Emphasis ours.)

The director of finance indicated that, in 1988, the auditor's office attempted to provide additional internal controls over contract administration by adding the centralized monitoring

aspects of the Contract Administration Form (1/15/88) to the responsibilities of those department heads with contracts under their control. This attempt was abandoned a short time later as impractical given the technology available at the time. County officials also noted that no alternative guidance was provided to departments regarding contract administration. We also found that the practice of using manually prepared contract payments, instead of the automated system in place, made contract monitoring more difficult.

The county was unable to readily provide us with a complete list detailing the total number of contracts or personal service agreements in place during 1994 and 1995. However, from those personal service contracts we identified during the audit, we reviewed the 29 contracts represented in the table below:

Contractor	Contracts Reviewed	Contract Payments Reviewed	Contract Overpayments	Paid After Contract Expired	Paid Without Contract
Dygert & Simpson	14	$ 165,313	$2,818	$ 2,980	$42,120 4,000*
Hopper & Dennis	6	80,503	597	6,762	-0-
JD White Company	4	126,441	5,055	2,749	-0-
Ed Murphy	2	23,214	214	-0-	-0-
Motorola	1	274,328	-0-	-0-	-0-
Space Management Consultants	1	212,950	-0-	-0-	-0-
John Graham	1	25,000	-0-	-0-	-0-
Totals	29	$907,749	$8,684	$12,491	$46,120

* $4,000 for additional services were paid under contract number PK94-136, but were unrelated to this contract.

Of the 29 professional service contracts reviewed, 11 were overpaid or paid without a contract. Five had payments made after the expiration date and one was split into two separate contracts to bypass the requirement for board approval of all contracts over $7,500 and to expedite the process. One contract was "open ended" with no established dollar limit, while another had no expiration date.

We recommend the county implement internal controls over contract administration to ensure payments are not made in excess of the contract amount or outside the expiration date, personal service vendors are not paid without a contract, and all projects and contracts over $7,500 are approved by the board. We further recommend the county maintain a list of all authorized designees for signing contracts, along with the authorizing resolution number.

Auditee's Response

The County agrees that contract terms should be adhered to. There are several options available to promote this goal: hold department managers responsible for this without a comprehensive central monitoring program (the current practice); provide a central monitoring function managed by either the Purchasing Department or the Auditor's Office, while still holding department managers accountable; or monitor the extent of department compliance with contract terms through increased periodic internal audit tests.

We will be examining these options bearing in mind the nature and extent of the finding and the relative expense of additional administration. This evaluation will include determining if the cost of additional monitoring can be minimized by modifying the RPO (registration and purchase order) system.

We also agree that the authority to sign contracts should be clarified. The Purchasing Department will document this policy and obtain the necessary authorization from the Board of County Commissioners.

Auditor's Concluding Remarks

Our finding and recommendations are reaffirmed and we will review contract controls during our next audit.

CLARK COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Financial Statements And Additional Information

Board of Commissioners
Clark County
Vancouver, Washington

We have audited the accompanying general-purpose financial statements of Clark County, Washington, as of and for the fiscal year ended December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clark County at December 31, 1995, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the fiscal year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of State Financial Assistance and Special Purpose Districts Included In Trust and Agency Funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

As disclosed in Note 1 to the financial statements, the county changed its method of accounting for the maintenance and operations department of the Road Fund. The accounting for this department is now reported in a newly created Internal Service Fund. All remaining departments of the Road Fund continue to be reported as a special revenue fund. Additionally, as disclosed in Note 1, regarding the Statement of Cash Flows, the county changed its definition of cash and cash equivalents to include pooled investments as well as cash and deposits, which have the same general characteristics of demand deposit accounts.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 1996, on our consideration of the county's internal control structure and a report dated June 21, 1996, on its compliance with laws and regulations.

Brian Sonntag
State Auditor

June 21, 1996

CLARK COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Board of Commissioners
Clark County
Vancouver, Washington

We have audited the general-purpose financial statements of Clark County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Clark County taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

June 21, 1996

Independent Auditor's Report On Compliance With The General Requirements Applicable To Federal Financial Assistance Programs

Board of Commissioners
Clark County
Vancouver, Washington

We have audited the general-purpose financial statements of Clark County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996.

We have applied procedures to test the county's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements, including subrecipient monitoring

The following requirement was determined to be not applicable to its federal financial assistance programs:

- Relocation assistance and real property acquisition

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the county had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

June 21, 1996

Independent Auditor's Report On Compliance With Specific Requirements Applicable To Major Federal Financial Assistance Programs

Board of Commissioners
Clark County
Vancouver, Washington

We have audited the general-purpose financial statements of Clark County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996.

We also have audited the county's compliance with the requirements applicable to its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995. Those requirements include:

- types of services allowed or unallowed
- eligibility
- matching, level of effort, or earmarking
- reporting
- special tests and provisions related to program income and subrecipient agreements for Community Development Block Grant (CFDA 14.218); certified vouchers and sampling and testing for the Highway Planning and Construction Grant (CFDA 20.205); expenditure timeframe for Substance Abuse Treatment and Prevention Block Grant (CFDA 93.959); establish paternity, locate parents, distribute support collections, and separation of cash and accounting functions for Child Support Enforcement Grant (CFDA 93.563); timely assistance, outreach, equitable treatment, payment to energy suppliers, and hearings for Low Income Housing Energy Assistance Program Grant (CFDA 93.568); handicapped accessibility, historic preservation, hazards of lead-based paint, housing inspections for the Home Investment Partnerships Programs (CFDA 14.239) as described in the OMB *Compliance Supplement for Single Audits of State and Local Governments* and *Catalog of Federal Domestic Assistance*
- claims for advances and reimbursements
- and amounts claimed or used for matching

The management of the county is responsible for the county's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Clark County complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance programs for the fiscal year ended December 31, 1995.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

June 21, 1996

Independent Auditor's Report On Compliance With Specific Requirements Applicable To Nonmajor Federal Financial Assistance Program Transactions

Board of Commissioners
Clark County
Vancouver, Washington

We have audited the general-purpose financial statements of Clark County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996.

In connection with our audit of the financial statements of the county and with our consideration of the county's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the fiscal year ended December 31, 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures and eligibility of the individuals or groups to whom the county provides federal financial assistance that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that Clark County had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

June 21, 1996

Independent Auditor's Report On Internal Control Structure Used In Administering Federal Financial Assistance Programs

Board of Commissioners
Clark County
Vancouver, Washington

We have audited the general-purpose financial statements of Clark County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated June 21, 1996. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated June 21, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the county complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the county's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated June 21, 1996.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
  - Cash receipts
  - Cash disbursements
  - Receivables
  - Accounts payable
  - Purchasing and receiving
  - Payroll
  - Property, plant, and equipment
  - General ledger

- **General Requirements**
  - Political activity
  - Davis-Bacon Act
  - Civil rights
  - Cash management
  - Federal financial reports
  - Allowable costs/cost principles
  - Drug-Free Workplace Act
  - Administrative requirements, including subrecipient monitoring

- **Specific Requirements**
  - Types of services
  - Eligibility
  - Matching, level of effort, earmarking
  - Reporting
  - Special requirements

- **Claims For Advances And Reimbursements**

- **Amounts Claimed Or Used For Matching**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
  - Inventory control

- **General Requirements**
  - Relocation assistance and real property acquisition

During the fiscal year ended December 31, 1995, the county expended 77 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the county's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

June 21, 1996