WHITMAN COUNTY, WASHINGTON
January 1, 1993 Through December 31, 1993

Schedule Of Findings

1. County Officials Performed Private Consultant Work Using County Resources

Jack Lien, Director of Juvenile Court Services, used Whitman County resources and facilities for private gain.

In March 1992, Whitman County Superior Court Judge Wallis Friel ordered the Juvenile Court Director to conduct an investigation and file a report concerning parenting arrangements for a minor child in a petition for dissolution of marriage. The investigation was conducted by and the report was made to the court by Mr. Lien. Judge Friel also ordered the costs of the investigation and report be paid 2/3 by the respondent and 1/3 by the petitioner. Per Judge Friel, payment was to be made directly to Jack Lien.

Whitman County compensated Lien as a county employee for performing this work and paid for travel expenses associated with the investigation. Mr. Lien used county facilities on at least five occasions when he met with both parties of the petition at his Whitman County office. County phone message records prepared by county employees documented 33 calls to Mr. Lien from both parties during the period.

In November and December 1992, as a county employee, Mr. Lien submitted and was reimbursed for 2 vouchers totaling $409.33, which included $131.84 of travel costs he certified he had incurred associated with the investigation for the court.

On February 22, 1993, Mr Lien privately billed the parties $840 for 2 home visits, 2 office visits, mediation, and collateral contacts. During our investigation, Mr. Lien stated that he had received 3 payments totaling about $270 "about a year ago this time." He said that he cashed the checks and converted the proceeds to personal use because he felt he had earned them and was entitled to them. He maintained that any time spent in his private capacity during regular business hours had been offset by time spent working on county business after normal business hours. He also stated that he did not record overtime on his timesheets or take leave during the day while conducting his private consulting on this investigation. He stated that this practice had been followed with the approval of his supervisor, Judge Wallis Friel.

Lien stated that there is no written contract with Whitman County or his supervisor which covers use of county resources while conducting an outside business.

RCW 42.20.101 states in part:

> Every public officer who shall **)** . . .
>
> > (3) employ or use any person, money, or property under his official control or direction, or in his official custody, for the private benefit or gain of himself or another;

Shall be guilty of a gross misdemeanor . . . .

We recommend county employees neither use county resources, unless a written contract establishes the conditions and limitations of such activity, nor be reimbursed by the county for travel expenses when performing private work.

2. Accounting Procedures At Whitman County Chemical Dependency Center Are Inadequate

The accounting procedures employed at the Chemical Dependency Center:

a. Do not ensure that all revenues received at the center are receipted.

b. Do not preserve the integrity of accounts receivables balances.

c. Do not facilitate accurate reporting to the county and other funding agencies.

Our audit disclosed weaknesses in the following areas:

a. Segregation of Duties) The accounting clerk performs the following incompatible duties with no compensating internal controls noted:

(1) Prepares the daily deposits.
(2) Transports the deposits to the bank.
(3) Prepares the journal voucher for revenue account coding and submission to the county treasurer's office.
(4) Posts payments to the client accounts.
(5) Approves and records adjustments to client accounts.
(6) Prepares client billings.
(7) Prepares third party billings.
(8) Monitors federal and state grants.
(9) Prepares and certifies expenditure vouchers.

b. Cash Receipting

(1) Cash receipts are not written until the following day for client payments received by counselors during evening sessions. The money is placed in individual envelopes with the client's name on the front and stored in an unlocked cash box which is placed in an unlocked file cabinet. Clients are given cash receipts only upon request. Original copies of the receipts are not filed in numerical order in a timely manner. Voided receipts could not be located. No explanations were available for voided receipts noted during the audit. Client payments had not been posted for over a month at the time of our audit.

(2) The county treasurer's office utilizes monthly journal vouchers to record the center's cash receipts on the county's accounting records. The journal voucher should agree with the total of the amounts deposited in the bank by the center. During 1993, the monthly journal vouchers agreed with the amounts shown on the bank deposit slips and bank statements for only two out of 12 months.

c. Accounts Receivable) We were unable to determine the validity of accounts receivable balances and the write off of bad debts for the following reasons:

(1) We found that some amounts billed to clients were not supported by client contracts. According to the accounting clerk, client receivables are established using the amounts agreed to in the contract with the client. In order to bill for client services a contract must be on file.

Our testing also disclosed amounts billed which did not agree with contractual amounts in the client files.

Client contracts are often amended due to changing financial circumstances of the

clients. Client accounts were not always adjusted to properly reflect subsequent amended contracts. Some client accounts also showed changes to original contractual amounts which were not supported by an amended contract.

(2) Documentation was not present to support the bad debt write off of client accounts. During 1993, the county commissioners approved the write off of 57 client accounts totaling $15,146 (balances ranged from $10 to $1,305) as bad debts. The county commissioners were not allowed to inspect the accounts receivable or any documentation supporting the write off of these accounts. The Chemical Dependency Center Director stated confidentiality considerations prevented the commissioners from inspection of the accounts, but that each write off was reviewed and supported. We also found that some of these accounts were not written off in the accounting records.

(3) Documentation was not present to support the validity of noncash adjustments to client accounts. There was no evidence of supervisory approval of noncash adjustments.

(4) Numerous client accounts have negative balances which may indicate an overpayment by either clients, insurance companies, and/or funding agencies. Refunds for overpayments of client accounts were either not made or not processed in a timely manner. Our audit disclosed at least one instance for which an account had been paid twice for the same services by an insurance carrier and the center did not refund the insurance carrier.

(5) Almost all of the responses received from account balance confirmations sent to clients disagreed with the amount. Clients indicated large differences in the amounts that they felt was outstanding. Numerous clients indicated their dissatisfaction with the center in its account billing and handling of client accounts.

(6) A control account is not maintained for accounts receivable.

(7) Accounts had not been posted for services provided or client payments for over a month at the time of the audit. There are no posting references on account transactions. The posting documents are not prenumbered.

(8) There is no accounts receivable aging schedule.

(9) There was no evidence of supervisory monitoring of accounts receivable transactions.

d. Grant Funding

(1) Some expenditures incurred by the center are reimbursable from federal grant funds under Department of Social and Health Services (DSHS), Title XIX programs. We found, however, that the center failed to process Title XIX billings for a period exceeding two years (March 1991 to May 1993). Thus, Whitman County did not receive reimbursement of program costs to which it was entitled. Grant revenues could not be reconciled to accounting records in an efficient manner.

(2) A personal services contract was not obtained for the position of grant coordinator for the Community Mobilization Against Substance Abuse (CMASA) grant as required by the grant contract. The grant coordinator was not bonded

which was also required by the grant contract.

e. Expenditures

(1) Travel expenses were not supported by an employee certification of expenses incurred. Some of the travel expenses reviewed were not adequately supported. The purpose of the travel was not always documented by the employee.

(2) Expenditures were not always supported by original invoices.

Due to the conditions cited above, we were unable to determine that all revenues received were recorded in the accounting records. Further, unsupported entries to accounts receivable resulted in unreliable accounts receivable balances. Poor accounting controls over grant reimbursement requests resulted in inaccurate grant revenue balances. These internal control weaknesses could result in the failure to detect errors and omissions in a timely manner.

We recommend that management establish, implement, and monitor accounting procedures to ensure safeguarding of the county's assets.