



# JACKSON COUNTY

## Financial Report

For the fiscal year ended June 30, 2021

**Cindy Byrd, CPA**  
State Auditor & Inspector

**JACKSON COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



August 4, 2023

TO THE CITIZENS OF  
JACKSON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Jackson County, Oklahoma for the fiscal year ended June 30, 2021. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

**JACKSON COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Board of County Commissioners**

District 1 – Mike Wallace

District 2 – Kirk Butler

District 3 – Rhet Johnson

**County Assessor**

Lisa Roberson

**County Clerk**

Robin Booker

**County Sheriff**

Roger LeVick

**County Treasurer**

Robin Fleming

**Court Clerk**

Tina Swailes

**District Attorney**

David Thomas

**JACKSON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**FINANCIAL SECTION**



## **Independent Auditor's Report**

TO THE OFFICERS OF  
JACKSON COUNTY, OKLAHOMA

### ***Report on the Financial Statement***

We have audited the total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Jackson County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, the financial statement is prepared by Jackson County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Jackson County as of June 30, 2021, or changes in financial position for the year then ended.

### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the total receipts, disbursements, and changes in cash balances for all county funds of Jackson County, as of and for the year ended June 30, 2021, in accordance with the basis of accounting described in Note 1.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the total of all county funds on the financial statement. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statement.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2023, on our consideration of Jackson County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part



of an audit performed in accordance with *Government Auditing Standards* in considering Jackson County's internal control over financial reporting and compliance.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

July 31, 2023

**REGULATORY BASIS FINANCIAL STATEMENT**

**JACKSON COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Beginning Cash Balances July 1, 2020	Receipts Apportioned	Transfers In	Transfers Out	Disbursements	Ending Cash Balances June 30, 2021
County Funds:						
County General Fund	\$ 1,199,627	\$ 2,552,286	-	-	\$ 2,367,266	\$ 1,384,647
County Highway Unrestricted	1,179,101	3,084,378	153,218	-	2,858,931	1,557,766
County Bridge and Road Improvement	1,058,484	416,939	-	-	574,904	900,519
Health	655,339	474,743	-	-	362,485	767,597
Resale Property	321,129	162,896	-	-	85,545	398,480
Treasurer Mortgage Tax Certification Fee	40,482	5,014	-	-	-	45,496
County Clerk Lien Fee	49,740	3,182	-	-	6,694	46,228
County Clerk Records Management and Preservation	59,817	59,573	-	-	50,304	69,086
Assessor Revolving Fee	6,272	2,316	-	-	1,301	7,287
Assessor Visual Inspection	256	-	-	-	-	256
Sheriff Service Fee	827,957	623,386	-	-	465,880	985,463
Sheriff Commissary	80,401	92,559	-	-	78,113	94,847
Sales Tax Revolving	229,983	1,769,609	-	-	1,519,072	480,520
Emergency Management Preparedness Grant	59,211	22,500	-	-	10,940	70,771
Sheriff Criminal Interdiction	1,600	-	-	-	-	1,600
Expo Center	5,557	1,725	-	-	4,109	3,173
Reward Fund	2,152	-	-	-	-	2,152
FEMA Disaster 4222	182,142	-	-	153,218	28,924	-
Court Clerk Payroll	4,695	178,501	-	-	179,547	3,649
REAP 20 Friendship	45,000	-	-	-	45,000	-
Rural Fire Sales Tax	418,588	349,637	-	30,409	203,168	534,648
National Association of County and City Health Officials Grant	7,500	-	-	-	1,386	6,114
Jackson County Local Emergency Planning Committee	2,744	2,000	-	-	585	4,159
E-911 Sales Tax	-	9,876	11,749	-	-	21,625
Ambulance Service District Sales Tax	-	35,556	18,660	-	10,263	43,953
American Rescue Plan Act	-	2,382,333	-	-	-	2,382,333
<b>Total - All County Funds</b>	<b>\$ 6,437,777</b>	<b>\$ 12,229,009</b>	<b>\$ 183,627</b>	<b>\$ 183,627</b>	<b>\$ 8,854,417</b>	<b>\$ 9,812,369</b>

The notes to the financial statement are an integral part of this statement.

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Jackson County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects, and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**B. Fund Accounting**

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included within the financial statement:

County General Fund – accounts for the general operations of the government.

County Highway Unrestricted – accounts for state, local, and miscellaneous receipts and disbursements for the purpose of constructing and maintaining county roads and bridges.

County Bridge and Road Improvement – accounts for state receipts and disbursements are for the purpose of maintaining bridges and roads.

Health – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

Resale Property – accounts for the collection of interest and penalties on delinquent taxes and disposition of same as restricted by state statute.

Treasurer Mortgage Tax Certification Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of funds as restricted by state statute.

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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County Clerk Lien Fee – accounts for lien collections and disbursements as restricted by state statute.

County Clerk Records Management and Preservation – accounts for fees collected for instruments filed in the County Clerk’s office as restricted by state statute to be used for preservation of records.

Assessor Revolving Fee – accounts for the collection of fees for copies and disbursements by the Assessor as restricted by state statute.

Assessor Visual Inspection – accounts for the receipt and disbursement of funds by the Assessor as restricted by state statute for the visual inspection program.

Sheriff Service Fee – accounts for the collection and disbursement of sheriff process service fees as restricted by state statute.

Sheriff Commissary – accounts for the collection of sale of items to inmates and disbursement of funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus for administering expenses for training equipment, travel or for capital expenditures.

Sales Tax Revolving – accounts for the collection of sales tax monies received from Oklahoma Tax Commission. Disbursements are for the general operations of the County Jail and the Sheriff’s Office.

Emergency Management Preparedness Grant – accounts for the collection of grant money to be disbursed for the purpose of maintenance and operations of the Safety Director.

Sheriff Criminal Interdiction – accounts for the collection of grant money and disbursement as restricted by grant agreement.

Expo Center – accounts for collection of rental/leasing monies and disbursements are for the purpose of maintenance and operations of the expo center.

Reward Fund – accounts for collections of a fee from district court for the dumping of trash. Disbursements account for awards paid to citizens for reporting illegal dumping to the local policing department.

FEMA Disaster 4222 – accounts for monies received from a federal grant and disbursed as restricted by grant agreement.

Court Clerk Payroll – accounts for funds deposited by the Court Clerk and disbursed for payroll for the Court Clerk’s office.

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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REAP 20 Friendship – accounts for the collection of grant money awarded to Friendship Volunteer Fire Department, to be used for purchase of bunker gear.

Rural Fire Sales Tax – accounts for the collections of sales tax money collected for ten (10) Fire Departments and Jackson County Fire Chief’s Association.

National Association of County and City Health Officials Grant – accounts for grant funds awarded to the Health department and disbursements as restricted by grant agreement.

Jackson County Local Emergency Planning Committee – accounts for the collection of grant funds and disbursements are in accordance with grant agreement.

E-911 Sales Tax – accounts for the collection of county fire sales tax to be used to update and maintain the E-911 system.

Ambulance Service District Sales Tax – accounts for the collection of sales tax to be used to update and operate the Ambulance Service.

American Rescue Plan Act – accounts for monies received from the United States Department of Treasury and disbursed for responding to the COVID-19 public health emergency and its negative economic impact, premium pay to eligible workers, the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, and investments in water, sewer, and broadband infrastructure as restricted by federal requirements.

**C. Basis of Accounting**

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 allows Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171, which specifies the format and presentation of such regulatory basis financial statements: county governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue with all other funds included in the audit presented in the aggregate in a combining statement. However, the County has elected to present all funds included in the audit in the Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis.

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**E. Cash and Investments**

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**2. Ad Valorem Tax**

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

Unpaid delinquent personal property taxes are usually published in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

**B. Other Post-Employment Benefits (OPEB)**

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**C. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; however, the County expects such amounts, if any, to be immaterial.



**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

**D. Sales Tax**

**Sales Tax of 1999 and 2007**

In a special election on November 9, 1999, the citizens of Jackson County approved one-half percent (1/2%) sales tax to be collected beginning April 1, 2002, which 50% of the sales tax was to end on March 31, 2007. However, in a special election on February 13, 2007 the citizens of Jackson County approved the entire one-half percent (1/2%) sales tax for an unlimited duration beginning April 1, 2007. The one-half percent (1/2%) sales tax is to be used to construct and equip a new County jail facility, including the payment of debt service on indebtedness incurred for such purpose by Jackson County. The indebtedness of the County jail facility was paid in full in September of 2016 and the one-half percent (1/2%) sales tax is for the continued maintenance and operation of the facility with surplus, if any, to be used for general purposes of the County. These funds are accounted for in the Sales Tax Revolving fund.

**Sales Tax of 2018**

On June 26, 2018, the citizens of Jackson County approved a one-eighth percent (1/8%) sales tax beginning October 1, 2018 for the period of 10 years, expiring on September 30, 2028. The sales tax is for the purpose of fire protection, prevention, communications, training related expenses (not to include salaries) of all current Jackson County Fire Departments, Jackson County Emergency Medical Service, Jackson County E911 Regional Trust Authority, and Jackson County Fire Chief's Association. This includes maintenance and construction of buildings, facilities, both current and future; the purchase and maintenance of current and future apparatus, vehicles, and the purchase of any and all equipment, services and supplies related to fire protection, ambulance service, and response within the County. The sales tax shall be divided as follows:

- 88% Fire protection, prevention, communications, training, maintenance/construction of building(s), equipment and vehicles, and Fire/EMS/Rescue, not to include salaries.
- 9% EMS protection, prevention, communications, and training, maintenance and construction of buildings, purchase, and maintenance of vehicles, not to include salaries.
- 2.5% Altus Jackson County E911 Regional Trust Authority.
- .50% County-wide initiatives concerning the Jackson County fire departments, including communications, training, canteen services, rehab services, administrative costs, and EMS supplies related to fire protection for all current Jackson County fire departments.

These funds are accounted for in the Rural Fire Sales Tax funds; the Ambulance Service District Sales Tax fund; and the E-911 Sales Tax fund.

**JACKSON COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**E. Interfund Transfers**

During the fiscal year, the County made the following transfers between cash funds:

- \$153,218 was transferred from the FEMA Disaster 4222 fund to County Highway Unrestricted fund for reimbursements for work performed in the prior year.
- \$30,409 was transferred from the Rural Fire Sales Tax fund in order to separate E-911 Sales Tax and Ambulance Service District Sales Tax out of Rural Fire Sales Tax and into separate funds.
  - \$18,660 was transferred to the Ambulance Service District Sales Tax.
  - \$11,749 was transferred to E-911 Sales Tax.

**SUPPLEMENTARY INFORMATION**

**JACKSON COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 6,420	\$ 3,950	\$ 2,470
County Sheriff	478,021	395,399	82,622
Expo Center	6,000	5,218	782
County Treasurer	190,629	183,094	7,535
County Commissioners	278,715	252,624	26,091
O.S.U. Extension	65,836	64,785	1,051
County Clerk	233,514	229,119	4,395
Court Clerk	163,497	161,255	2,242
County Assessor	119,212	118,281	931
Visual Inspection	247,374	238,084	9,290
General Government	1,127,103	524,240	602,863
Excise - Equalization Board	3,851	2,412	1,439
Election Board	126,531	122,276	4,255
Emergency Management	31,802	27,668	4,134
County Audit Budget	34,748	32,817	1,931
Free Fair	9,923	9,923	-
Total Expenditures, Budgetary Basis	\$ 3,123,176	\$ 2,371,145	\$ 752,031

**JACKSON COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL—**  
**BUDGETARY BASIS—HEALTH FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 961,776	\$ 378,648	\$ 583,128
Total Expenditures, Budgetary Basis	\$ 961,776	\$ 378,648	\$ 583,128

**JACKSON COUNTY, OKLAHOMA  
NOTE TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**1. Budgetary Schedules**

The Comparative Schedules of Expenditures—Budget and Actual—Budgetary Basis for the General Fund and the Health Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

TO THE OFFICERS OF  
JACKSON COUNTY, OKLAHOMA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the total—all county funds of the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances of Jackson County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Jackson County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated July 31, 2023.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County as of and for the year ended June 30, 2021, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Jackson County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Jackson County's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses: 2021-001 and 2021-008.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jackson County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-008.

We noted certain matters regarding statutory compliance that we reported to the management of Jackson County, which are included in Section 2 of the schedule of findings and responses contained in this report.

## **Jackson County's Response to Findings**

Jackson County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Jackson County's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

July 31, 2023

**JACKSON COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2021-001 – Lack of County-Wide Internal Controls (Repeat Finding - 2010-001, 2011-001, 2012-001, 2013-001, 2014-001, 2016-001, 2017-001, 2018-001, 2019-001, and 2020-001)**

**Condition:** Through the process of gaining an understanding of the County’s internal control structure, it was noted that the county-wide internal controls regarding Information and Communication have not been designed and audit evidence does not exist to support Monitoring of control activities during risk assessment quarterly meetings.

In addition, review of the computer systems within the County Treasurer’s office, it was noted that there does not appear to be adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure. The specifics of the condition have been sanitized to protect the County pursuant to the provision of 51 O.S. § 24A.28.

**Cause of Condition:** Policies and procedures have not been designed and implemented to address the risks and monitoring of control activities and to ensure adequate controls in place to safeguard data from unauthorized modification, loss, or disclosure.

**Effect of Condition:** Without an adequate system of county-wide controls, there is greater risk of a breakdown in control activities which could result in unrecorded transactions, undetected errors, or misappropriation of funds. These conditions could result in compromised security for the computers, computer progress, and data.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the County design and implement policies and procedures to document their internal control framework. This documentation should outline the importance of internal controls, the risk that the County has identified, the control activities established to address the risk, the steps taken to properly communicate pertinent information in a timely manner and the methodology to monitor the quality of performance over time. These procedures should be written policies and procedures and could be included in the County’s policies and procedures handbook. Further, we recommend that the treasurer take steps to ensure controls are in place to safeguard data from unauthorized modification, loss, or disclosure.

**Management Responses:**

**Chairman of the Board of County Commissioners:** During quarterly risk assessment meetings, we will work to document the assessment and identification of risks and monitor control activities. Further, we will work to design written county-wide controls.

**County Treasurer:** We will work with our software provider to correct this condition.

**JACKSON COUNTY, OKLAHOMA  
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**Criteria:** The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV1.01 states in part:

*Definition of Internal Control*

Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

Additionally, GAO Standards – Section 2 – Establishing an Effective Internal Control System – OV2.04 states in part:

*Components, Principles, and Attributes*

Control Environment - The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.

Risk Assessment - Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

Information and Communication - The quality information management and personnel communicate and use to support the internal control system.

Monitoring - Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Further, according to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support Ds5), the need to maintain the integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weaknesses or incidents. Effective security management protects all IT assets to minimize the business impact of security vulnerabilities and incidents.

**Finding 2021-008 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding - 2016-008, 2017-008, 2018-008, 2019-008, and 2020-008)**

**Condition:** During the review of thirty-one (31) disbursements, we noted four (4) disbursements were not timely encumbered in accordance with state statutes.

**JACKSON COUNTY, OKLAHOMA  
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**Cause of Condition:** Policies and procedures have not been designed and implemented to strengthen internal controls and ensure compliance with state statute.

**Effect of Condition:** This condition resulted in noncompliance with state statute which could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends the County implement a system of internal controls over the disbursement process. Such controls should include ensuring that funds are encumbered prior to the receipt of goods and/or services and implementing a review process with adequate documentation to support the review in accordance with 19 O.S. § 1505.

**Management Response:**

**County Clerk:** Although finding was under prior management, I will ensure all purchase orders follow proper purchasing procedures.

**Chairman, Board of County Commissioners:** The Board of County Commissioners will express to all County Officials the importance of ensuring purchase orders are properly encumbered prior to the receipt of goods and/or services.

**Criteria:** The GAO Standards – Section 2 – Objectives of an Entity – OV2.23 states in part:

*Compliance Objectives*

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Further, 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, material, and equipment.

**SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2021-006 – Lack of Internal Controls and Noncompliance over Inmate Trust Fund Checking Account and Sheriff Commissary**

**Condition:** Upon inquiry and observation of the Inmate Trust Fund Checking Account and Sherriff Commissary Fund, the following exceptions were noted:

- Audit evidence does not exist to support bank reconciliations are prepared and reviewed by separate employees.
- The bank statement did not reconcile with the Inmate Trust Ledger.
- Only one employee retrieves cash from the kiosks.

**JACKSON COUNTY, OKLAHOMA  
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- Deposits are not made daily.
- An annual report for the Sheriff Commissary Fund was not timely filed with the Board of County Commissioners by January 15<sup>th</sup>.
- The Annual Commissary Report did not reconcile with the County Treasurer's general ledger.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that controls are in place regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Further, this condition resulted in noncompliance with state statutes.

**Recommendation:** OSAI recommends management be aware of this condition realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include:

- Bank reconciliations reviewed by someone other than the preparer.
- Bank statement reconciling with the Inmate Trust Ledger.
- Two people retrieve cash from kiosks.
- Deposits be made daily.
- Reconciling the Annual Commissary Report with the County Treasurer's general ledger.

Further, OSAI recommends the Sheriff's office file an annual report for the Commissary Fund with the Board of County Commissioners in accordance with 19 O.S. §180.43D.

**Management Response:**

**County Sheriff:** We are aware of the conditions and will work towards implementing review processes as well as submit a yearly report to the Board of County Commissioners by January 15. We will ensure the yearly commissary report reconciles to the County Treasurer's general ledger.

**Criteria:** The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

*Segregation of Duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

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Additionally, Principle 10 - Segregation of Duties states:

10.12 - Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Title 19 O.S. § 682 states in part, “It shall be the duty of each and every county officer...to deposit daily...all monies...of every kind received or collected by virtue or under color of office...”

Title 19 O.S. § 180.43D states in part, “Each county sheriff may operate...a commissary for the benefit of persons lawfully confined in the county jail under the custody of the county sheriff. Any funds received pursuant to said operations shall be the funds of the county where the persons are incarcerated and shall be deposited in the Sheriff's Commissary Account. The sheriff shall be permitted to expend the funds to improve or provide jail services. The sheriff shall be permitted to expend any surplus in the Sheriff's Commissary Account for administering expenses for training equipment, travel or for capital expenditures. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims. The sheriff shall receive no compensation for the operation of said commissary. The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year...”

O·K·L·A·H·O·M·A  
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