



JEFFERSON COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

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

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) 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.



November 7, 2023

TO THE CITIZENS OF
JEFFERSON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Jefferson 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

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

Board of County Commissioners

District 1 – Bryce Bohot
District 2 – Ty V. Phillips
District 3 – Ricky Martin

County Assessor

Sandra Watkins

County Clerk

Traci Smith

County Sheriff

Jeremie Wilson

County Treasurer

Emily Taylor

Court Clerk

Kim Berry

District Attorney

Jason Hicks

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

TABLE OF CONTENTS

FINANCIAL SECTION

Report of State Auditor and Inspector 1

 Financial Statement:

 Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis 4

 Notes to the Financial Statement..... 5

SUPPLEMENTARY INFORMATION

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—General Fund..... 11

 Comparative Schedule of Expenditures—Budget and Actual—Budgetary Basis—Health Fund..... 12

 Note to Supplementary Information..... 13

INTERNAL CONTROL AND COMPLIANCE SECTION

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..... 14

Schedule of Findings and Responses..... 16

FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
JEFFERSON 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 Jefferson 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 Jefferson 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 Jefferson 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 Jefferson 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 October 30, 2023, on our consideration of Jefferson 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 Jefferson County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 30, 2023

REGULATORY BASIS FINANCIAL STATEMENT

JEFFERSON 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	\$ 372,744	\$ 1,468,180	\$ 100,000	\$ 100,000	\$ 1,279,755	\$ 561,169
County Highway Unrestricted	1,410,529	1,895,487	100,000	170,000	1,640,704	1,595,312
County Bridge and Road Improvement	256,953	154,604	116,097	-	156,069	371,585
Health	274,579	143,392	-	-	149,868	268,103
Resale Property	146,156	115,533	-	-	64,524	197,165
Treasurer Mortgage Certification	1,677	955	-	-	210	2,422
County Clerk Lien Fee	21,040	4,269	-	-	646	24,663
County Clerk Records Management and Preservation	20,475	15,850	-	-	12,399	23,926
Assessor Revolving Fee	3,121	2,815	-	-	3,168	2,768
Sheriff Service Fee	85,037	233,222	-	-	218,756	99,503
Sheriff Commissary	13,262	28,197	-	-	31,639	9,820
Free Fair Board	3,208	1,500	-	-	-	4,708
County Donations	569	5,000	-	-	4,397	1,172
Reward Fund	827	197	-	-	-	1,024
911 Phone Fees	26,543	75,480	-	-	64,737	37,286
Hospital Sales Tax	41,466	427,118	-	-	429,886	38,698
Court Clerk Payroll	4,754	65,942	-	-	66,352	4,344
Rural Economic Action Plan (REAP)	-	5,151	-	-	5,151	-
CDBG Rural Water	-	249,999	-	-	249,999	-
American Rescue Plan Act of 2021	-	582,909	-	-	-	582,909
Total - All County Funds	\$ 2,682,940	\$ 5,475,800	\$ 316,097	\$ 270,000	\$ 4,378,260	\$ 3,826,577

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Jefferson 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, 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 – 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 for the improvement of county 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 the disposition of the same as restricted by state statute.

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

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

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 and disbursements as restricted by state statute for preservation of records.

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

Sheriff Service Fee – accounts for the collection of fees and reimbursements for revenues such as: process fees, courthouse security, contracts for housing and feeding prisoners, and telephone cards and disbursements as restricted by state statute.

Sheriff Commissary – accounts for revenues from profits on commissary sales from persons lawfully confined in the county jail under the County Sheriff and disbursements as restricted by state statute.

Free Fair Board – accounts for the collections of the rental of the fair building and disbursed for fair expenses.

County Donations – accounts for collections of donations and disbursement of funds as specified by donors.

Reward Fund – accounts for collections received from the Court Clerk's office and disbursements are for rewards in cases of littering.

911 Phone Fees – accounts for collections for landline and wireless fees and disbursed for operating emergency 911 services.

Hospital Sales Tax – accounts for the receipts and disbursements of sales tax for the County Healthcare Authority.

Court Clerk Payroll – accounts for funds collected by the Court Clerk and disbursements for payroll of Court Fund employees.

Rural Economic Action Plan (REAP) – accounts for state grant monies received and disbursements as restricted by the grant agreement.

CDBG Rural Water – accounts for federal grant monies received and disbursements as restricted by the grant agreement.

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

American Rescue Plan Act of 2021 – 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.

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.

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

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."

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

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

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.

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 December 1, 1992

The voters of Jefferson County approved a one percent (1%) sales tax that went into effect on December 1, 1992. This sales tax has an unlimited duration. The sales tax was established to provide revenue for the general operating for the County Government, and for the support of County Civil Defense, OSU Extension services, County Law Enforcement, County-Wide Rural Fire Protection, and Fair Board maintenance and operations. These funds are accounted for as Restricted Sales Tax within the County General fund.

Sales Tax of March 5, 2019

The voters of Jefferson County approved the continuation of the one percent (1%) sales tax on March 5, 2019, for an additional 5 years, expiring October 31, 2024. The original sales tax went

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

into effect on November 1, 2014. The sales tax was established for planning, financing, and construction of the Jefferson County Healthcare Authority or related medical facilities. These funds are accounted for in the Hospital Sales Tax fund.

E. Interfund Transfers

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

- \$100,000 was transferred from the County Highway Unrestricted fund to the County General fund for the purpose of funding operating expenses as allowed by 68 O.S. § 3021.
- \$100,000 was transferred from the County General fund to County Highway Unrestricted fund for the purpose of reimbursement for operating expenses as allowed by 68 O.S. § 3021.
- \$116,097 was transferred from the Emergency Transportation Revolving fund (a trust and agency fund) to the County Bridge and Road Improvement fund as a loan for a road project.
- \$70,000 was transferred from the County Highway Unrestricted fund to the Emergency Transportation Revolving fund (a trust and agency fund) to repay borrowed funds for a road project.

SUPPLEMENTARY INFORMATION

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

	General Fund		
	Budget	Actual	Variance
District Attorney - County	\$ 2	\$ -	\$ 2
Jail	11,870	11,838	32
County Treasurer	87,668	87,238	430
County Clerk	114,482	108,565	5,917
County Court Clerk	89,147	88,778	369
County Assessor	72,569	72,241	328
Visual Inspection	110,173	102,437	7,736
General Government	250,346	189,032	61,314
Excise Equalization	4,501	2,744	1,757
Election Board	72,286	69,685	2,601
Insurance/Benefits	155,449	136,654	18,795
Building Maintenance	70,431	13,025	57,406
County Audit Budget	20,645	10,484	10,161
Sheriff Sales Tax	134,695	134,673	22
OSU Extension Sales Tax	21,121	10,977	10,144
Emergency Management Sales Tax	1	-	1
Jail Sales Tax	246,886	246,619	267
Free Fair Board Sales Tax	6,500	6,138	362
Rural Fire Department Sales Tax	1	-	1
Total Expenditures, Budgetary Basis	<u>\$ 1,468,773</u>	<u>\$ 1,291,128</u>	<u>\$ 177,645</u>

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

	Health Fund		
	Budget	Actual	Variance
Health and Welfare	\$ 339,832	\$ 159,787	\$ 180,045
Total Expenditures, Budgetary Basis	\$ 339,832	\$ 159,787	\$ 180,045

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

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
JEFFERSON 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 Jefferson County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Jefferson County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated October 30, 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 as 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 Jefferson 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 Jefferson County's internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the

deficiency described in the accompanying schedule of findings and responses to be a material weakness: 2021-005.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2021-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2021-005.

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

Jefferson County's Response to Findings

Jefferson County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Jefferson 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

October 30, 2023

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

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 2021-004 – Lack of Internal Controls and Noncompliance Over the Collection Appropriation Process of County Sales Tax (Repeat Finding - 2006-002, 2007-002, 2019-004, 2020-004)

Condition: Upon inquiry and observation of records over the collections and appropriations of sales tax funds, the following was noted:

- Use tax collections and sales tax collections were co-mingled with regards to the approved appropriations within the County General fund.
- The Board of County Commissioners (BOCC) did not approve a resolution establishing only sales tax appropriations for designated funds. The document presented to OSAI for review was Resolution #49-2020-2021 which stated "...Appropriation of Budget for FY2020-2021..." and included all appropriations approved for the County General fund.
- It could not be determined that lapsed balances for June 30, 2020, were properly carried forward to designated sales tax funds approved by the voters of Jefferson County. Further, accurate amounts of sales tax lapsed balances for June 30, 2020, were undeterminable due to the co-mingling of use tax with sales tax.
- It could not be determined if excess collections for fiscal year 2020 were accurately calculated in the appropriation for fiscal year 2021.
- The BOCC has not established, through Resolution, the percentage of sales tax that should be appropriated to each account within the County General fund.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure sales tax revenue is properly appropriated, including lapsed balances, to comply with AG Opinions and 68 O.S. § 1370E. Further, the BOCC has not established, through Resolution, the percentage of sales tax that should be appropriated to each account within the County General fund.

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

Recommendation: OSAI recommends that internal controls be designed and implemented to ensure sales tax collections are appropriated in accordance with the sales tax ballot; specifically, through BOCC Resolution, management should establish lapsed balances, excess collections, and percentages to discretely present sales tax funds appropriated into separate accounts within the County General fund in accordance with the AG Opinions and 68 O.S. § 1370E.

Further, OSAI recommends the County refrain from co-mingling use tax collections and sales tax collections. Other than interest generated, no other revenue source should be deposited and appropriated into designated sales tax funds.

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

Management Response:

Chairman of the Board of Commissioners: We will work to correct the condition. Some corrective action was taken during the fiscal year 2022, sales tax and use tax collections are no longer co-mingled.

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 - Principle 10 - Design Control Activities - 10.03 states in part:

10.03 - Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Title 68 O.S. § 1370E, requires the sales tax collections be deposited in the general revenue or sales tax revolving fund of the County and be used only for the purpose for which such sales tax was designated.

Further, AG opinion 2005 OK AG 23 dated 07/13/2005 states:

“3. Proceeds of a county sales tax voted for a specific purpose but placed in the county’s general fund must be accounted for as a discrete fund, and any surplus not needed for the stated purpose during one fiscal year must be transferred to the county budget for the next fiscal year, for the same specified purpose.”

Additionally, AG opinion 2014 OK AG 15 dated 10/31/2014 states:

“4. C. As the fiscal agent responsible for superintending the funds of Canadian County, the board of county commissioners is responsible to ensure that the sales tax proceeds are not intermingled and are used exclusively for the purpose expressed in the ballot measure and resolution. The board can direct that the funds be deposited in a dedicated revolving fund and not intermingled with other revenues. Okla. Const. art. X, § 19; 68 O.S. 2011, § 1370; 19 O.S. Supp. 2013, § 339; 19 O.S. 2011, § 345; *Cavin v. Bd. of County Comm'rs*, 1934 OK 245 ¶ 11, 33 P.2d 477, 479.”

Finding 2021-005 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding - 2012-005, 2013-005, 2019-005, 2020-005)

Condition: In the examination of thirty-five (35) disbursements, it was noted that three (3) disbursements were not timely encumbered.

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

Cause of Condition: Policies and procedures have not been designed and implemented to strengthen internal controls and ensure compliance with state statutes.

Effect of Condition: This condition resulted in noncompliance with state statutes 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 in accordance with 19 O.S. § 1500-1505.

Management Response:

Chairman of the Board of County Commissioners: The BOCC will express to fellow County officials the importance of County funds being 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, effective internal controls require that management properly implement procedures to ensure purchases comply with 19 O.S. § 1500-1505.

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 2021-007 – Driving a County-Owned Vehicle While Receiving the Monthly Travel Allowance (Repeat Finding - 2012-008, 2013-007, 2019-007, 2020-007)

Condition: During the audit period, the District 2 County Commissioner received the monthly travel allowance in addition to driving a county-owned vehicle.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statute and AG Opinion regarding travel.

Effect of Condition: This condition resulted in violation of state statute and AG Opinion that prohibit an official from receiving both the travel allowance and driving a vehicle for in-county travel purposes.

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

Recommendation: OSAI recommends that the BOCC establish and approve a policy pertaining to County Official's monthly travel allowance. Further, OSAI recommends after establishing a travel policy for the elected official that each officer choose and document one of the following travel elections:

- Receive the monthly travel allowance as outlined by state statute.
- File monthly claims with appropriate documentation for actual out of pocket travel expenses.
- Drive a County-owned vehicle in lieu of a monthly allowance.

Management Response:

County Commissioner District 2: I only drive a county vehicle to pick up and deliver parts and employees.

Auditor Response: The election to drive a County-owned vehicle as allowed in Title 19 O.S. § 165(A) is in lieu of receiving a monthly travel allowance.

Criteria: Title 19 O.S. § 165(A) outlines the monthly travel allowance in lieu of reimbursements.

Further, 1999 OK AG 68 states in part: "Both the monthly travel allowances of Section 165 and the use of a county-owned vehicle under Section 19 O.S. § 180.43(C) are "in lieu of" receiving a mileage reimbursement under Section 164. The use of a county-owned vehicle is also "in lieu" of the Section 165 monthly travel allowance." "Section 165 was amended in 1998 to specify that receipt of a travel allowance under Section 165 does not preclude the "emergency use of a county-owned vehicle or county-owned equipment by a county officer when such county officer is acting on behalf of the county or when such use is related to county business." Under this section, either a county sheriff or county commissioner may use a county-owned vehicle in an emergency situation even if the official received a monthly allowance.

Finding 2021-011 – Lack of Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary (Repeat Finding - 2013-006, 2019-011, 2020-011)

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

- Proceeds from the sale of phone cards were deposited into the Sheriff Commissary fund instead of the Sheriff Service Fee fund.
- The annual Sheriff Commissary Report was not prepared by the County Sheriff and filed with the BOCC by January 15th.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the funds of Sheriff Commissary and Sheriff Service Fee.

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

Effect of Condition: These conditions resulted in noncompliance with state statutes and increases the risk of undetected errors and misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions. Proceeds earned from the telephone system should be deposited with the County Treasurer for apportionment and appropriation into the Sheriff Service fund in accordance with 19 O.S. § 180.2(e).

Further, an annual report of Sheriff Commissary should be prepared and filed with the BOCC by January 15 in accordance with 19 O.S. § 180.43D.

Management Response:

County Sheriff: We will file an annual commissary report with the BOCC, and we will begin to deposit phone card proceeds in the Sheriff Service Fee fund.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursement calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing and authorizing should be segregated.

Title 19 O.S. § 180.2(e) states in part, “Each county sheriff may operate, or contract the operation of, a telephone system 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 Service Fee Account. Such funds may be expended according to the guidelines previously established for expenditures from the general fund. The claims for expenses shall be filed with and allowed by the board of county commissioners in the same manner as other claims...”

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
S·A·I
STATE AUDITOR & INSPECTOR



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