



JOHNSTON COUNTY

Financial Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**JOHNSTON 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.



June 30, 2022

TO THE CITIZENS OF
JOHNSTON COUNTY, OKLAHOMA

Transmitted herewith is the audit of Johnston 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

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

Board of County Commissioners

District 1 – Jacky Hallmark

District 2 – Cacy Cribbs

District 3 – T. J. Clements

County Assessor

Guyla Hart

County Clerk

Kathy Ross

County Sheriff

Gary Dodd

County Treasurer

Rana Smith

Court Clerk

Cassandra Slover

District Attorney

Craig Ladd

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

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

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FINANCIAL SECTION



Independent Auditor's Report

TO THE OFFICERS OF
JOHNSTON 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 Johnston 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 Johnston 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 Johnston 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 Johnston 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the remaining supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the financial statement.

The schedule of expenditures of federal awards and the remaining 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 schedule of expenditures of federal awards and the remaining 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 June 13, 2022, on our consideration of Johnston 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 Johnston County's internal control over financial reporting and compliance.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 13, 2022

REGULATORY BASIS FINANCIAL STATEMENT

JOHNSTON 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	Disbursements	Ending Cash Balances June 30, 2021
County Funds:				
County General	\$ 3,688,110	\$ 3,088,799	\$ 2,548,654	\$ 4,228,255
County Highway Unrestricted	2,103,959	2,164,905	2,008,817	2,260,047
Resale Property	108,020	200,289	119,741	188,568
Health	841,737	363,268	236,947	968,058
Sheriff Service Fee	93,787	215,717	153,849	155,655
911 Phone Fees	377,591	136,094	92,712	420,973
Jail Sales Tax	176,444	196,084	249,913	122,615
Rural Fire Sales Tax	511,357	197,116	153,530	554,943
County Sinking	882	2	-	884
Sheriff Training	28,367	-	9,681	18,686
Treasurer Mortgage Certification Fee	2,257	1,795	2,268	1,784
County Clerk Lien Fee	4,903	6,570	5,259	6,214
Assessor Revolving Fee	3,542	1,673	4,143	1,072
Sheriff Forfeiture	6,626	-	-	6,626
Free Fair Building	6	-	6	-
County Donations	21,950	-	21,350	600
County Clerk Records Management	30,260	23,260	20,766	32,754
Jail	2,512	282	109	2,685
Sheriff Commissary	12,149	26,476	20,871	17,754
County Bridge and Road Improvement	1,814,229	198,366	90,724	1,921,871
Lodging Sales Tax	549	11,567	9,651	2,465
Court Clerk Payroll	5,636	119,878	118,717	6,797
1/2 Cent Sales Tax Emergency Committee	573,728	392,993	439,800	526,921
Local Emergency Planning Committee	7,622	2,000	1,042	8,580
State Criminal Alien Assistance Program	778	-	-	778
CDBG - ED18	-	444,323	444,323	-
COVID Aid and Relief	-	416,387	31,722	384,665
Total - All County Funds	\$ 10,417,001	\$ 8,207,844	\$ 6,784,595	\$ 11,840,250

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

Johnston 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 – accounts for the general operations of the government.

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

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

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

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.

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

911 Phone Fees – accounts for the collection of fees imposed on users within the County and disbursed for the operations of the emergency 911 services.

Jail Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by ballot approved by the voters of Johnston County.

Rural Fire Sales Tax – accounts for sales tax collections to be disbursed specifically for operations of rural fire departments in accordance with the sales tax ballot approved by the voters of Johnston County.

County Sinking – accounts for debt service receipts derived generally from a special ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments. Currently, the County has no outstanding debt.

Sheriff Training – accounts for monies generated as a result of the sale of unclaimed property and the disbursement of the funds as restricted by state statute

Treasurer Mortgage Certification Fee – 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.

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

Sheriff Forfeiture – accounts for the collection of monies of the Sheriff's percentage of drug forfeitures and disbursements are used for drug prevention, education, and awareness.

Free Fair Building – accounts for grant money received and disbursed for the construction of a new fair barn.

County Donations – accounts for funds donated to Johnston County to be disbursed specifically for which the donations were made.

County Clerk Records Management – accounts for fees collected for instruments filed in the County Clerk's office as restricted by state statute for preservation of records.

Jail – accounts for bond fees collected by the Sheriff's office and the disbursement of funds as restricted by state statute.

Sheriff Commissary – accounts for revenues from profits on commissary sales in the County jail. Disbursements are for jail operations as defined by state statute.

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

County Bridge and Road Improvement – accounts for funds received from the Oklahoma Department of Transportation and disbursements are restricted by state statutes for the purpose of constructing and maintaining county roads and bridges.

Lodging Sales Tax – accounts for the collection of lodging tax revenue and the disbursement of funds as restricted by the sales tax ballot.

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

1/2 Cent Sales Tax Emergency Committee – accounts for the collection of a half-cent sales tax revenue and the disbursement of funds as restricted by the sales tax ballot.

Local Emergency Planning Committee – accounts for state grant funds received and disbursed as restricted by grant requirements.

State Criminal Alien Assistance Program – accounts for federal grant funds received and disbursed as restricted by grant requirements.

CDBG – ED18 – accounts for federal grant funds received and disbursed as restricted by grant requirements.

COVID Aid and Relief – accounts for the proceeds of the Coronavirus Relief Fund reimbursements and may be appropriated to any lawful purpose (department) of the county as directed by resolution.

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.

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

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."

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

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.

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

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 November 6, 2012

The voters of Johnston County approved a renewal of the 0.25% sales tax with an unlimited duration on July 11, 2017, beginning January 1, 2018. Seventy-five percent (75%) of the sales tax proceeds are to be used solely for the purpose of purchasing and/or leasing of equipment and supplies, general operations including fuel, utilities, insurance, maintenance, training, construction of new buildings or improvements made to existing buildings, purchase and/or leasing vehicles, personal protective equipment, and communication equipment; said proceeds to be divided equally between the fire departments of Johnston County; with 12.5% of the proceeds of said tax to be deposited in an account designated for the fire chiefs for emergency use; and 12.5% of the proceeds of said tax going into the general account for the commissioners of said county to be used at their discretion for the benefit of Johnston County fire departments. These funds are accounted for in the Rural Fire Sales Tax fund.

Sales Tax of January 8, 2013

The voters of Johnston County approved a .25% sales tax on January 8, 2013. The sales tax was established to provide revenue for the maintenance and operation of the facility to house prisoners in Johnston County, Oklahoma. The sales tax is for a period of ten (10) years beginning April 1, 2013 and expiring March 31, 2023. These funds are accounted for in the Jail Sales Tax fund.

Sales Tax of April 2, 2019

The voters of Johnston County approved a continuation of the 1% sales tax on April 2, 2019. The sales tax is for a period of seven (7) years beginning January 1, 2020 and ending December 31, 2026. The sales tax was established to provide revenue for: 6% Emergency Services City & Rural Fire Protection; 8% Ambulance Service; 4% Civil Defense; 1% Sheriff's Reserves; 1% General to Emergency Services; 8% Community Services OSU Extension and 4-H; 1% Counseling, Inc.; 2% County Free Fair; 4% Senior Citizens; 2% General to Community Services; 16% County Government Courthouse Maintenance and Operation; 40% Support to County Offices; and 7% General to County Government. These funds are accounted for in the County General fund.

Sales Tax of January 9, 2018

The voters of Johnston County approved a .50% sales tax on January 9, 2018. The sales tax is for a period of five (5) years beginning February 1, 2018 and ending January 31, 2023. The sales tax was implemented in Johnston County, for the purpose of paying salaries and benefits for employees and operations of a County Wide Emergency Communications Department for all law enforcement,

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

fire, medical, rescue, and all other necessary emergency agencies associated with Johnston County Emergency dispatching services for the citizens of Johnston County. These funds are accounted for in the 1/2 Cent Sales Tax Emergency Committee fund.

Lodging Tax of January 13, 2015

The voters of Johnston County passed a lodging tax on January 13, 2015, of 5% per room, per night derived from the occupancy of hotel, motel, and lodge rooms to be used for the purpose of economic development. The revenue is remitted directly to the Johnston County Industrial Authority. These funds are accounted for in the Lodging Sales Tax fund.

SUPPLEMENTARY INFORMATION

JOHNSTON 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 - State	\$ 15,000	\$ 11,092	\$ 3,908
Sheriff	390,721	347,050	43,671
Treasurer	83,281	83,280	1
County Commissioners	265,680	262,988	2,692
County Clerk	113,281	105,680	7,601
Court Clerk	83,281	77,780	5,501
Assessor	84,481	84,480	1
Visual Inspection	374,801	194,450	180,351
General Government	2,019,019	89,841	1,929,178
Excise Equalization	4,000	1,950	2,050
Election Board	54,061	53,819	242
Insurance/Benefits	501,830	40,514	461,316
County Audit Budget	29,199	18,519	10,680
Building Maintenance	33,840	33,840	-
Sales Tax:			
Fire Departments	233,586	50,970	182,616
Ambulance Service	87,175	87,175	-
General	40,982	12,268	28,714
Civil	360,104	15,365	344,739
OSU	29,000	16,732	12,268
Juvenile Shelter	246,906	-	246,906
General Government	225,392	160,629	64,763
County Offices Insurance/Benefits	822,830	413,049	409,781
County Purchasing	100,693	61,174	39,519
Emergency Management	171,603	39,414	132,189
Jail	271,162	262,469	8,693
Safety	24,963	24,898	65
Free Fair	62,436	10,195	52,241
4-H	40,000	38,116	1,884
Sheriff Reserve	26,912	7,800	19,112
Senior Citizens	277,246	11,961	265,285
Total Expenditures, Budgetary Basis	<u>\$ 7,073,465</u>	<u>\$ 2,617,498</u>	<u>\$ 4,455,967</u>

JOHNSTON 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	\$ 1,024,980	\$ 280,619	\$ 744,361
Total Expenditures, Budgetary Basis	\$ 1,024,980	\$ 280,619	\$ 744,361

**JOHNSTON 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 present 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listings Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through the Oklahoma Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	B-18-DC-40-0001	\$ 444,323
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	B-19-DC-40-0001	<u>89,675</u>
Total U.S. Department of Housing and Urban Development			<u>533,998</u>
U.S. DEPARTMENT OF INTERIOR			
Direct Grant:			
Payments in Lieu of Taxes	15.226	N/A	<u>78,431</u>
Total U.S. Department of Interior			<u>78,431</u>
U.S. DEPARTMENT OF TREASURY			
Passed Through the Oklahoma Office of Management and Enterprise Services			
Coronavirus Relief Fund	21.019	SA-0185	416,387
Passed Through Oklahoma Emergency Management and Homeland Security			
Coronavirus Relief Fund	21.019	4530 DR-OK	<u>8,610</u>
Total U.S. Department of Treasury			<u>424,997</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the Oklahoma Department of Emergency Management and Homeland Security:			
Emergency Management Performance Grants	97.042	EMPG SLA	<u>20,000</u>
Total U.S. Department of Homeland Security			<u>20,000</u>
Total Expenditures of Federal Awards			<u>\$ 1,057,426</u>

**JOHNSTON COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Johnston County and is presented on the *cash basis of accounting*. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Indirect Cost Rate

Johnston County has elected to not use the 10 percent de minimis cost rate allowed for by 2 CFR§ 200.414(f).

Eligible Expenditures Incurred in the Prior Fiscal Year

On March 11, 2021, the President of the United States signs the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law. Johnston County received \$424,997 in federal relief funds. The County incurred \$314,624 in eligible expenditures in the prior year ending June 30, 2020. These eligible expenditures were from March 9, 2020, through June 30, 2020, and accounted for in the County's June 30, 2020 financial statements. Therefore, expenditures on the schedule of expenditures of federal awards for Assistance Listings Number 21.019 – Coronavirus Relief Fund will include \$314,624 in eligible expenditures incurred in the fiscal year ending June 30, 2020, and all eligible expenditures totaling \$110,373 that were incurred in the fiscal year ending June 30, 2021.

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
JOHNSTON 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 Johnston County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise Johnston County’s basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated June 13, 2022.

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 Johnston 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 Johnston County’s internal control. Accordingly, we do not express an opinion on the effectiveness of Johnston 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 questioned costs that we consider to be material weaknesses: 2021-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnston 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters regarding statutory compliance that we reported to the management of Johnston County, which are included in Section 4 of the schedule of findings and questioned costs contained in this report.

Johnston County's Response to Findings

Johnston County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Johnston 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

June 13, 2022



**Independent Auditor's Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

TO THE OFFICERS OF
JOHNSTON COUNTY, OKLAHOMA

Report on Compliance for Each Major Federal Program

We have audited the compliance of Johnston County, Oklahoma, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Johnston County's major federal program for the year ended June 30, 2021. Johnston County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Johnston County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Johnston County's compliance.

Opinion on Each Major Federal Program

In our opinion, Johnston County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Johnston County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Johnston County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Johnston County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2021-010 and 2021-011, that we consider to be material weaknesses.

Johnston County's Response to Findings

Johnston County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Johnston County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 13, 2022

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION 1—Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:.....Adverse as to GAAP; unmodified as to regulatory presentation

Internal control over financial reporting:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

Noncompliance material to the financial statement noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?..... Yes
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on
compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR § 200.516(a) of the Uniform Guidance? Yes

Identification of Major Programs

<u>Assistance Listings Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?..... No

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION 2—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 and Disaster Recovery Plans (Repeat Finding - 2008-003, 2013-001, 2018-001, 2019-001, 2020-001)

Condition: While assessing the county-wide controls the following weaknesses were noted:

- County-wide internal controls regarding Risk Assessment and Monitoring have not been designed and implemented.
- The Court Clerk, County Assessor and County Sheriff have not designed a Disaster Recovery Plan over information systems operating within each office.

Cause of Condition: Policies and procedures have not been designed and implemented to address Risk Assessment and Monitoring in the County or to ensure that all offices have an updated Disaster Recovery Plan.

Effect of Condition: These conditions do not allow the County to function in the most effective manner possible. Additionally, without written documentation of the county-wide controls it is more difficult to retain organizational knowledge, communicate that knowledge to personnel, indicate what internal controls are present, and monitor those controls. Further, these conditions could also result in the loss of data, the unreliability of data, and increase the risk that the County may not recover from an emergency and/or disaster.

Recommendation: The Oklahoma State Auditor and 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.

OSAI further recommends all officials have a formal Disaster Recovery Plan for their office in order to maintain operations in the event of a disaster.

Management Response:

Chairman of the Board of County Commissioners: We are aware of the condition and will work toward assessing and identifying risks to design written county-wide controls. The Board of County Commissioners will set up quarterly meetings with all elected officials to discuss and take action regarding Risk Assessment and Monitoring.

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

County Assessor: This has been corrected and the 2021-2022 plan is on file with the County Clerk.

County Sheriff: We will work to design a written Disaster Recovery Plan and file it with the County Clerk.

Court Clerk: We will work to design a written Disaster Recovery Plan and file it with the County Clerk.

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.

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION 3— Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Finding 2021-010 – Lack of County-Wide Internal Controls Over Major Federal Program – Coronavirus Relief Fund

PASS-THROUGH GRANTOR: Oklahoma Office of Management and Enterprise Services and Oklahoma Department of Emergency Management and Homeland Security

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTING: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD YEAR: 2021

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Period of Performance

QUESTIONED COSTS: \$-0-

Condition: Through the process of gaining an understanding of the County’s internal control structure for federal programs, it was noted that county-wide internal controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the County complies with grant requirements.

Effect of Condition: This condition could result in noncompliance with grant requirements.

Recommendation: OSAI recommends the County implement a system of internal controls to ensure compliance with grant requirements.

Management Response:

Chairman of the Board of County Commissioners: We will work to implement a Risk Assessment plan. We will implement controls to help make sure we are in compliance with all grant requirements and federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure employees have the current and correct compliance supplement to work from.

Criteria: 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.

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

Finding 2021-011 – Lack of Internal Controls Over Major Federal Program – Coronavirus Relief Fund

PASS-THROUGH GRANTOR: Oklahoma Office of Management and Enterprise Services and Oklahoma Department of Emergency Management and Homeland Security

FEDERAL AGENCY: U.S. Department of Treasury

ASSISTANCE LISTINGS NO: 21.019

FEDERAL PROGRAM NAME: Coronavirus Relief Fund

FEDERAL AWARD YEAR: 2021

CONTROL CATEGORY: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Period of Performance

QUESTIONED COSTS: \$-0-

Condition: During the process of documenting the County’s internal controls regarding the disbursement of federal awards, we noted that Johnston County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; and Period of Performance.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure federal expenditures are made in accordance with federal compliance requirements.

Effect of Condition: This condition could result in noncompliance to grant requirements and could lead to a loss of federal funds to the County.

Recommendation: OSAI recommends the County gain an understanding of requirements for federal awards and design and implement internal controls to ensure compliance with requirements.

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Management Response:

Chairman of the Board of County Commissioners: The Board of County Commissioners will work with all County Officials to go over all grants and federal monies that the County receives to ensure that proper internal controls are implemented.

Criteria: *OMB 2 CFR 200, Subpart D. § .303(a)* reads as follows:

Subpart D-Post Federal Award Requirements

§200.303 Internal Controls

The non-Federal entity must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Further, accountability and stewardship should be overall goals in management's accounting of federal funds. Internal controls should be designed to monitor compliance with laws and regulations pertaining to grant contracts.

SECTION 4—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 2021-009 – Lack of Internal Controls Over the Estimate of Needs - General Fund

Condition: Upon inquiry and the review of the County’s Estimate of Needs for the County General fund, for the fiscal year ending June 30, 2021, the Board of County Commissioners did not perform a review over the Estimate of Needs to ensure all funds were accounted for and accurately presented. The following was noted:

General Fund:

- Actual revenues reported on the Estimate of Needs for fiscal year 2021 was \$3,134,045; however, revenues reported by the County Treasurer were \$3,088,799 resulting in an overstatement of \$45,246.
- Estimated collections for Interest, Certificates of Deposit was \$1,122,546; actual collections were \$9,904. Further, it was reported on the Estimate of Needs that interest collected for the prior year was \$1,086,111: actual collections were \$30,425, which is an overstatement for fiscal year 2020 of \$1,055,686.

**JOHNSTON COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- The Estimate of Needs reflected that the Estimated collections for payments in lieu of tax was \$1,122,546; actual collections were \$78,431. Further, it was reported on the Estimate of Needs that the payments in lieu of tax collected for the prior year was \$1,086,111, and actual collections were \$77,336 which is an overstatement for fiscal year 2020 of \$1,008,775.
- Based on collections estimated for interest and payments in lieu of tax, it cannot be determined that appropriations for the County General fund were accurately calculated. The figures reported in error on the Estimate of Needs result in the appearance of a shortage of approved appropriations available of the ending cash balance of fiscal year 2020 and estimated revenues for fiscal year 2021 of \$1,835,221.

Ending Cash Balance Fiscal Year 2020:	\$3,532,154
Estimated Revenues:	<u>5,376,532</u>
Total Available for Appropriation:	<u>\$8,908,686</u>
Approved Appropriations:	<u>7,073,465</u>
Shortage of Appropriations Fiscal Year 2021:	<u>\$1,835,221</u>

Cause of Condition: Policies and procedures have not been designed to ensure that the Estimate of Needs is accurately presented.

Effect of Condition: These conditions resulted in misstated financial reports, and could result in undetected errors and misappropriation of funds.

Recommendation: OSAI recommends the Board of County Commissioners review the Estimate of Needs prior to approval to ensure that all funds are accounted for and accurately presented.

Management Response:

Chairman of the Board of County Commissioners: We will review the estimate of needs for completion and accurate presentation prior to approval.

Criteria: The GAO Standards – Principle 6 – Define Objectives and Risk Tolerances - 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity’s objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

APPENDIX A

CORRECTIVE ACTION PLAN

(Prepared by County Management)

**Johnston County
Board of Commissioners**

705 West Main
Tishomingo, OK 73460
Phone 580-371-3058

Email: johnstoncountycommissioners@gmail.com

Jacky Hallmark-District 1
580-371-2882

Cacy Cribbs-District 2
580-443-5412

T.J. Clements-District 3
580-371-3710

**Corrective Action Plan
in accordance with 2 CFR § 200.511c
for the fiscal year ended June 30, 2021**

Finding No.	Title (Financial) or Assistance Listings No. & Program Name (Federal)	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	County-Wide Internal Controls	The Board of County Commissioners will work with all County Officials to assess and identify risks for the purpose of designing written county-wide controls.	7/1/2022	Jacky Hallmark, BOCC Chairman
2021-010	Assistance Listings Number - 21.019 County-Wide Internal Controls over Major Federal Program – Coronavirus Relief Fund	We will work to implement a risk assessment plan. We will implement controls to help make sure we are in compliance with all grant requirements and federal funds are expended in accordance with grant agreements and in a timely manner. We will ensure employees have the current and correct compliance supplement to work from.	7/1/2022	Jacky Hallmark, BOCC Chairman
2021-011	Assistance Listings Number - 21.019 Internal Controls over Major Federal Program – Coronavirus Relief Fund	The Board of County Commissioners will work with all County Officials to go over all grants and federal monies that the County receives to ensure that proper internal controls are implemented.	7/1/2022	Jacky Hallmark, BOCC Chairman

APPENDIX B

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Prepared by County Management)

**Johnston County
Board of Commissioners**

**705 West Main
Tishomingo, OK 73460
Phone 580-371-3058**

Email: johnstoncountycommissioners@gmail.com

**Jacky Hallmark-District 1
580-371-2882**

**Cacy Cribbs-District 2
580-443-5412**

**T.J. Clements-District 3
580-371-3710**

**Summary Schedule of Prior Audit Findings
in accordance with 2 CFR § 200.511b
for the fiscal year ended June 30, 2021**

FINANCIAL AUDIT FINDINGS

Finding 2008-001

Segregation of Duties – County Treasurer

Finding Summary: The County Treasurer’s office has two full-time employees. The County Treasurer and all employees issue receipts and balance their own cash drawer. No log is maintained of payments received through the mail and all employees receipt mail-in payments. Bank reconciliations are performed each month; however, there is no review or approval of these functions other than the employee performing the task.

Status: Corrected. The accounting functions are overseen by management and management has implemented compensating controls to mitigate the risk involved with a concentration of duties.

Finding 2008-002

Footnote Disclosures

Finding Summary: Internal controls have not been developed to ensure all required disclosures are presented with the financial statement.

Status: Corrected. Procedures have been implemented to prepare and approve the accompanying notes to the financial statements.

Finding 2008-003, 2013-003, 2018-001, 2019-001, 2020-001

Inadequate County-Wide Controls

Finding Summary: County-wide controls regarding Risk Management and Monitoring have not been designed.

Status: Not Corrected.

Finding 2008-005, 2013-005

Lack of Segregation of Duties over Disbursements

Finding Summary: Duties over the disbursement process are not adequately segregated: The Purchasing Agent encumbers funds, posts to ledgers, prints the warrants, and distributes payments.

Status: Corrected. Management has implemented controls to help ensure duties are segregated.

Finding 2008-006

Purchase Orders Not Timely Encumbered

Finding Summary: Eighteen of 39 disbursements tested were not timely encumbered.

Status: Corrected. Management has implemented controls to help ensure that each department encumbers their purchase orders prior to receiving the goods or services.

Finding 2008-009

Sales Tax Appropriations

Finding Summary: The County has not properly appropriated the excess sales tax collections. During the fiscal year ending June 30, 2008, the County budgeted \$487,979.38 for sales tax. The County actually collected \$669,385.38. The excess collections of \$181,406.00 were not appropriated in accordance with the sales tax ballot. The excess collections should have

**Johnston County
Board of Commissioners**

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**T.J. Clements-District 3
580-371-3710**

been appropriated to Emergency Services, Community Services and General County Government.

Status: Corrected.

Finding 2008-010

Segregation of Duties over Payroll Disbursements

Finding Summary: Duties over the County's payroll processes are not adequately segregated: The Payroll Clerk enrolls new employees, makes payroll changes, runs verification reports and reconciles and prints payroll affidavits and warrants and there is no signed approval of the payroll reconciliation.

Status: Corrected.

FEDERAL AUDIT FINDINGS

Finding 2008-012

Lack of Internal Controls Over Federal Programs

Pass-Through Grantor: Direct Grant

Federal Agency: United States Department of Housing and Urban Development

Assistance Listings No: 14.228

Federal Program Name: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Federal Award Year: 2008

Control Category: Activities Allowed; Allowable Costs; Cash Management; Davis-Bacon; Matching, Level of Effort; Period of Availability; and Procurement and Suspension and Debarment.

Questioned Costs: \$-0-

Finding Summary: Johnston County has not established internal controls to ensure compliance with the following compliance requirements: Activities Allowed; Allowable Costs; Cash Management; Davis-Bacon; Matching, Level of Effort; Period of Availability; and Procurement and Suspension and Debarment.

Status: The Johnston County Board of County Commissioners do not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

Finding 2008-013

County-Wide Controls over Major Programs

Pass-Through Grantor: Oklahoma Department of Commerce

Federal Agency: United States Department of Housing and Urban Development

Assistance Listings No: 14.228

Federal Program Name: Community Development Block Grants/State's Program and Non-Entitlement Programs in Hawaii

Federal Award Year: 2008

Control Category: Activities Allowed; Allowable Costs; Cash Management; Davis-Bacon; Matching, Level of Effort; Period of Availability; and Procurement and Suspension and Debarment

Questioned Costs: -\$0-

Finding Summary: County-wide controls regarding Risk Management and Monitoring have not been designed.

Status: The Johnston County Board of County Commissioners do not feel this finding warrants further action because two years have passed since the audit report was submitted to the Federal Clearinghouse, the Federal agency or pass-through entity is not currently following up with the County regarding this finding, and a management decision has not been issued.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov