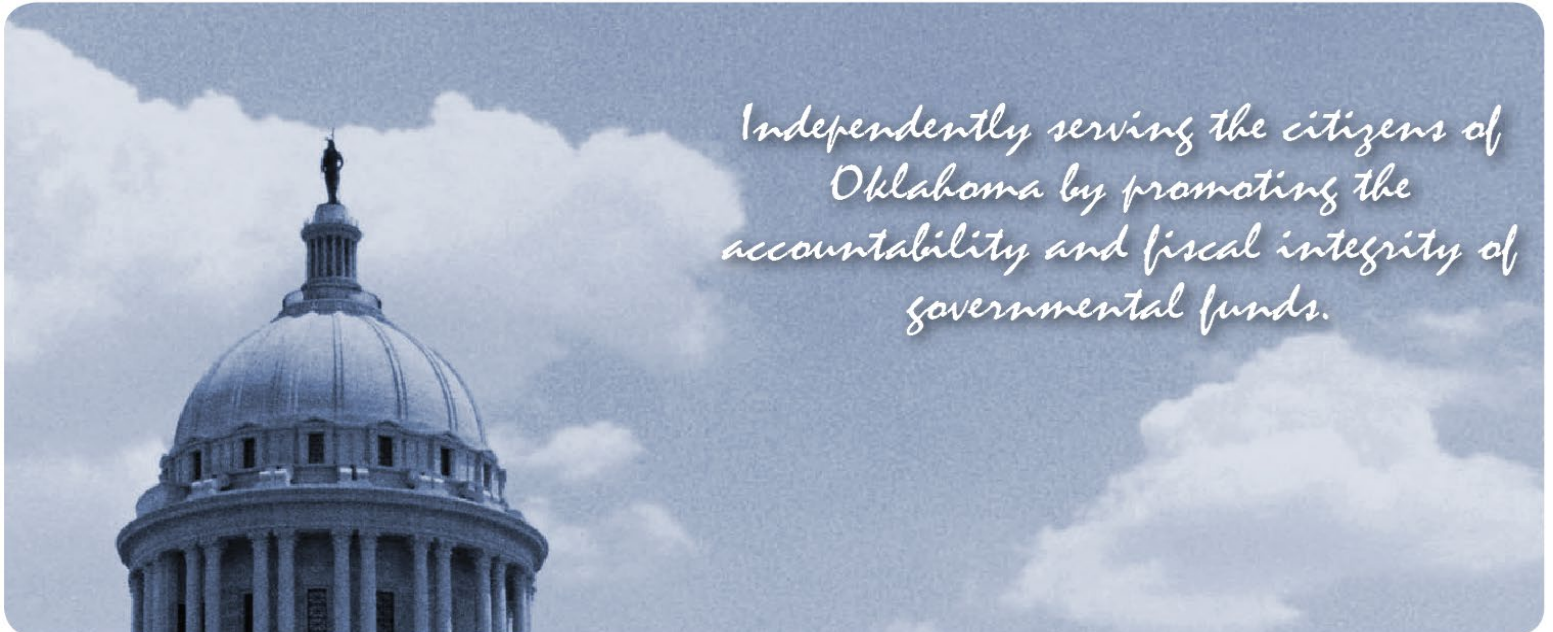


OPERATIONAL AUDIT

# JOHNSTON COUNTY

For the fiscal year ended June 30, 2016



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**JOHNSTON COUNTY OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

November 8, 2018

**TO THE CITIZENS OF  
JOHNSTON COUNTY, OKLAHOMA**

Transmitted herewith is the audit report of Johnston County for the fiscal year ended June 30, 2016.

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.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long, sweeping underline.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**JOHNSTON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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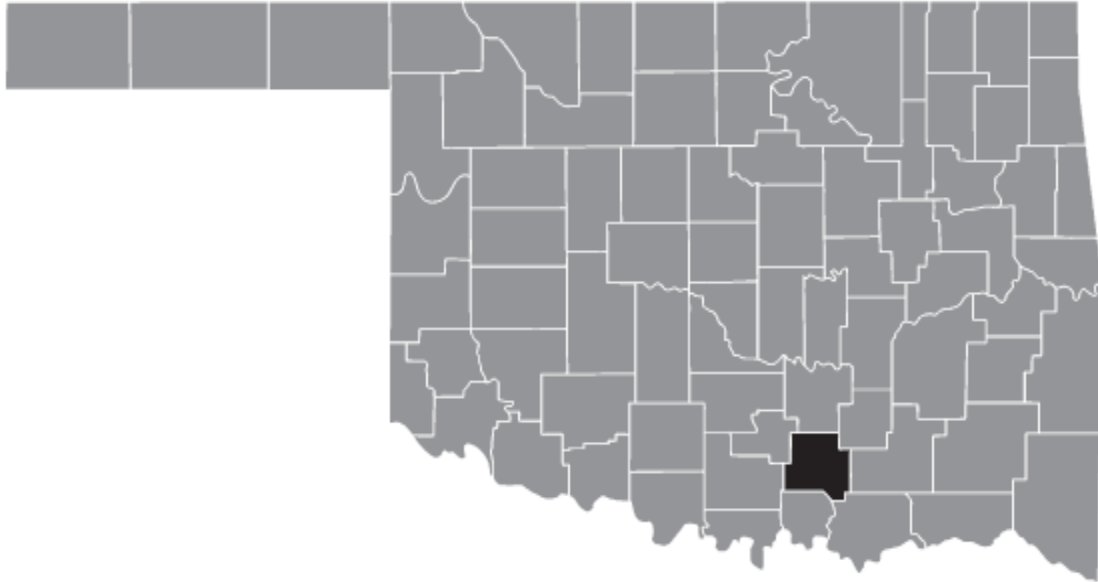
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**PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**JOHNSTON COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Johnston County was created at statehood and named for Douglas H. Johnston, governor of the Chickasaw Nation. The county seat, Tishomingo, is the historic Capitol of the Chickasaw Nation. The county is rich in history, and the state has had two governors from Tishomingo. They were William H. “Alfalfa Bill” Murray, 1931-1935, and his son Johnston Murray, 1951-1955.

The Great Chickasaw Nation has restored the two-story granite building which was the last council house of the Chickasaw at the time of statehood. That building, constructed in 1898, became the Johnston County Courthouse following statehood. The Capitol Building is now one of the finest cultural centers of the area, housing early artifacts and the history of the Chickasaw Nation.

Major industries in the county are: Martin Marietta Material, Unimin, U.S. Silica, TXI, Tape-Matics, Scott Pet Products, Sundowner Trailers, and agriculture and cattle operations. Wildlife and recreational areas include the Tishomingo National Wildlife Refuge, The Federal Fish Hatchery and Catfish Research Center near Reagan, and the Blue River Public Hunting and Fishing area. *Johnston County History* and other books by the Johnston County Historical Society document the history of the area. For additional information, call the county clerk at 580/371-3184.

County Seat – Tishomingo

Area – 658.29 Square Miles

County Population – 11,103  
(2014 est.)

Farms – 645

Land in Farms – 283,645 Acres

Primary Source: Oklahoma Almanac 2015-2016

**Board of County Commissioners**

District 1 – Roy Wayne Blevins  
District 2 – Mike Thompson  
District 3 – Melvin Farmer

**County Assessor**

Guyla Hart

**County Clerk**

Kathy Ross

**County Sheriff**

Jon Smith

**County Treasurer**

Rana Smith

**Court Clerk**

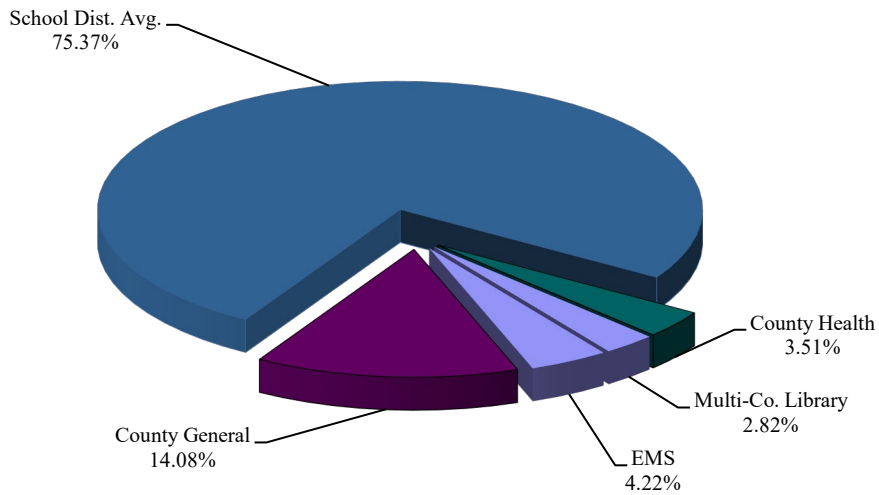
Cassandra Slover

**District Attorney**

Craig Ladd

**JOHNSTON COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



County-Wide Millages		School District Millages							
				Career					
				Gen.	Bldg.	Skg.	Tech.	Common	Total
County General	10.30								
County Health	2.57	Mill Creek	I-2	35.63	5.09	-	-	4.12	44.84
Multi-County Library	2.06	Mannsville	D-7	37.04	5.29	10.17	15.09	4.12	71.71
EMS	3.09	Ravia	D-10	35.79	5.11	2.49	-	4.12	47.51
		Tishomingo	I-20	36.66	5.24	12.41	-	4.12	58.43
		Milburn	I-29	36.95	5.28	-	-	4.12	46.35
		Coleman	I-35	35.87	5.12	-	-	4.12	45.11
		Wapanucka	I-37	36.60	5.23	4.01	12.55	4.12	62.51
		Stonewall (Pontotoc)	I-30	36.08	5.15	7.09	12.37	4.12	64.81



**JOHNSTON COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## **Sales Tax**

### **Sales Tax of November 6, 2012**

The voters of Johnston County approved a 0.25% sales tax on November 6, 2012. The sales tax was established to provide revenue for eleven (11) fire departments in the County which includes the following: Bee-Butcher Pen; Bromide; Coleman; Connerville; Mannsville; Milburn; Mill Creek; Ravia; Reagan; Tishomingo; and Wapanucka. Of the .25% sales tax, 75% of the proceeds is to be used solely for the purpose of purchasing of equipment and supplies, general operations including fuel, utilities, insurance, maintenance, training, construction of new buildings, purchase of trucks, personal protective gear, and communication equipment. 12.5% of the proceeds of said tax is to be deposited in an account designated for Fire Chiefs for emergency use and for 12.5% of the proceeds of said tax going into a general account for the commissioners of said County to use in their discretion for the benefit of one or more of said fire departments. The sales tax is accounted for in the Fire ¼ Cent Sales Tax fund. The sales tax is for a period of five (5) years beginning January 1, 2013 and ending December 31, 2017.

### **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 inmates in Johnston County, Oklahoma. The sales tax is accounted for in the Jail One-Cent Sales Tax fund. The sales tax is for a period of ten (10) years beginning April 2013 to April 2023.

### **Sales Tax of August 26, 2014**

The voters of Johnston County approved a 1% sales tax on August 26, 2014. 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 & 4-H; 1% Counseling, Inc.; 2% County Free Fair; 4% Senior Citizens; 2% General to Community Services; 16% General County Government Courthouse Maintenance & Operation; 40% Support to County Offices; and 7% General to County Government. The sales tax is accounted for in the County General Fund. The sales tax is for a period of five (5) years beginning January 1, 2015 and ending December 31, 2019.

### **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, or lodge rooms to be used for the purpose of economic development. The lodging tax is accounted for in the JCIA Lodging Tax fund. The revenue is remitted directly to the Johnston County Industrial Authority.

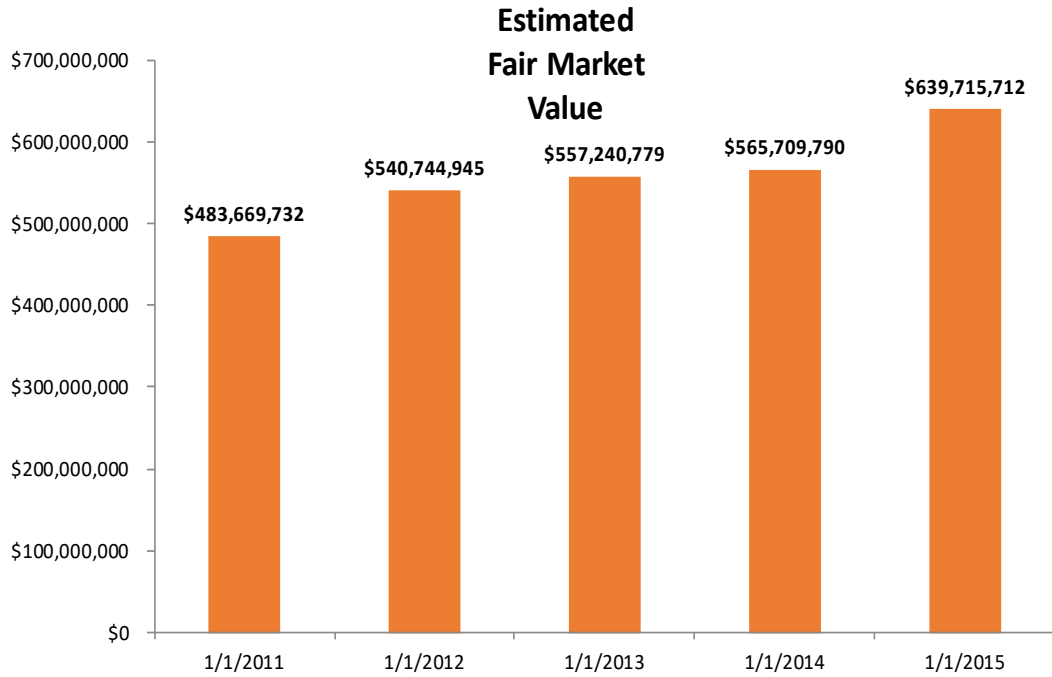
**JOHNSTON COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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During the fiscal year the County collected \$1,335,244 in total sales tax.

**JOHNSTON COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Valuation Date	Personal	Public Service	Real Estate	Homestead Exemption	Net Value	Estimated Fair Market Value
1/1/2015	\$23,129,702	\$30,919,307	\$37,398,473	\$3,122,729	\$88,324,753	\$639,715,712
1/1/2014	\$20,051,683	\$22,120,083	\$36,216,818	\$3,091,931	\$75,296,653	\$565,709,790
1/1/2013	\$23,454,010	\$15,205,166	\$35,429,676	\$3,107,275	\$70,981,577	\$557,240,779
1/1/2012	\$22,467,096	\$15,039,627	\$34,524,025	\$3,075,836	\$68,954,912	\$540,744,945
1/1/2011	\$17,298,961	\$13,171,073	\$33,824,432	\$3,060,713	\$61,233,753	\$483,669,732

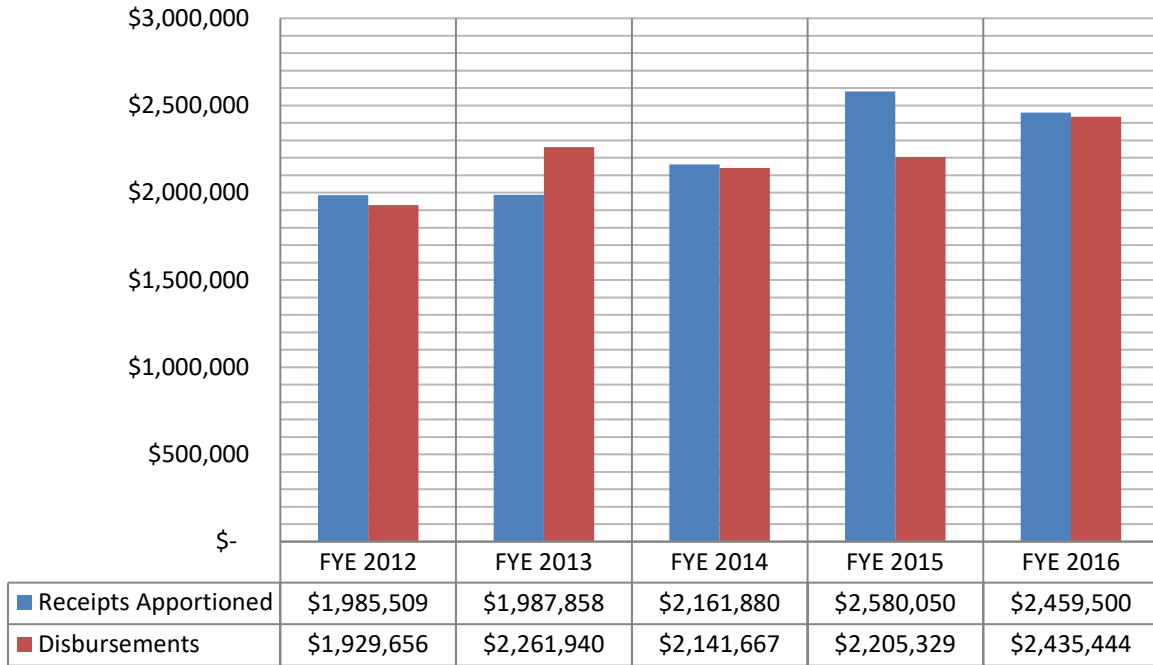


**JOHNSTON COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county’s primary source of operating revenue. The County General Fund is typically used for county employees’ salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county’s ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County’s General Fund for the last five fiscal years.

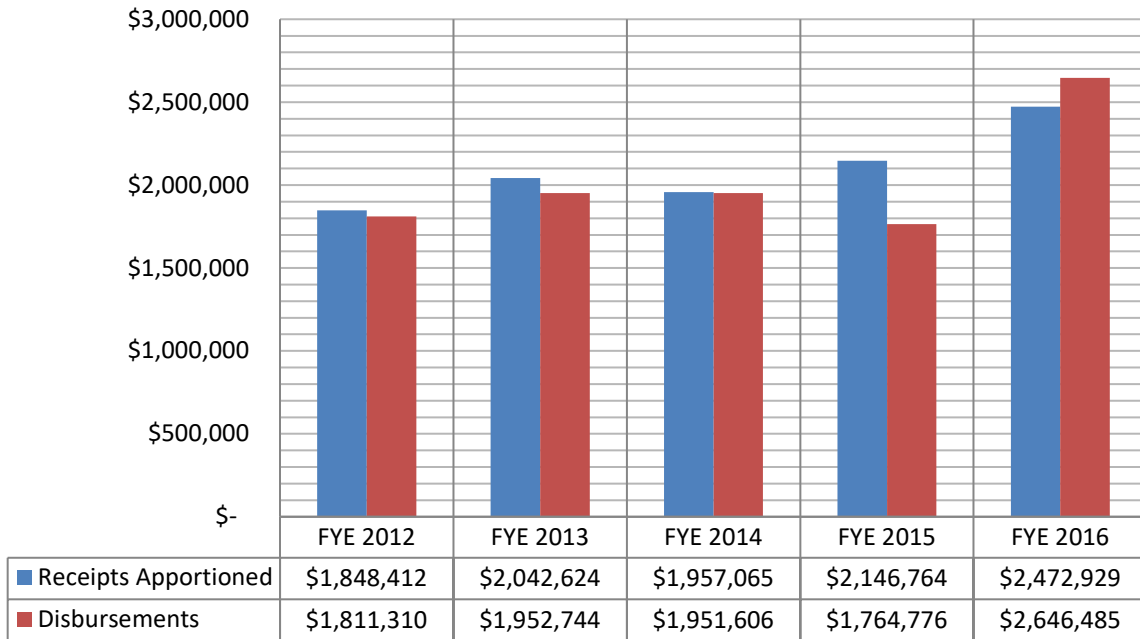


**JOHNSTON COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



**JOHNSTON COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the Fiscal Year Ended June 30, 2016**

	Beginning Cash Balances July 1, 2015	Receipts Apportioned	Disbursements	Ending Cash Balances June 30, 2016
Combining Information:				
County Funds:				
County General Fund	\$ 1,736,469	\$ 2,459,500	\$ 2,435,444	\$ 1,760,525
County Highway Fund	1,667,815	2,472,929	2,646,485	1,494,259
Resale Property	104,199	80,078	98,109	86,168
County Health	197,654	382,252	289,840	290,066
Sheriff Cash Fund	103,749	179,839	156,336	127,252
Emergency 911	394,873	110,303	90,362	414,814
Jail One-Cent Sales Tax	89,384	225,701	233,460	81,625
Fire ¼ Cent Sales Tax	376,681	242,802	175,603	443,880
Community Development Block Grant	-	98,318	98,318	-
Sinking Fund	761	21	-	782
Sheriff Unclaimed Property	2,200	-	-	2,200
Treasurer Mortgage Tax Certification Fee	4,689	1,475	-	6,164
County Clerk Fee Fund	7,868	6,596	10,332	4,132
Assessor Revolving	3,590	1,550	3,220	1,920
Sheriff Drug Fund	2,524	278	-	2,802
Waste Grant	4,405	-	-	4,405
Fair Barn Grant 2001	685	-	-	685
Reward Fund	500	-	-	500
County Clerk Preservation (RMP)	26,693	12,195	15,084	23,804
Sheriff BOJ Fund	7,301	4,690	8,544	3,447
Free Fair Cash Voucher Fund	466	-	-	466
Sheriff Commissary Cash Fund	18,503	12,236	18,857	11,882
County Bridge and Road Improvement 105	1,391,367	262,369	332,279	1,321,457
County Bridge and Road Improvement 103	21,376	3	21,379	-
JCIA Lodging Tax	1,949	23,346	23,751	1,544
Court Fund Payroll	3,824	112,496	112,972	3,348
Drug Court Revolving	11,403	35,417	37,800	9,020
<b>Combined Total - All County Funds, as Restated</b>	<b>\$ 6,180,928</b>	<b>\$ 6,724,394</b>	<b>\$ 6,808,175</b>	<b>\$ 6,097,147</b>

Source: County Treasurer's Monthly Reports (presented for informational purposes)

**JOHNSTON COUNTY  
DESCRIPTION OF COUNTY FUNDS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Description of County Funds**

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 within the Presentation of Apportionments, Disbursements, and Cash Balances of County Funds:

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

County Highway Fund – accounts for state, local, and miscellaneous receipts and disbursements 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 disbursement of funds as restricted by state statute.

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

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

Emergency 911 – accounts for monies received from private telephone companies for the operations of emergency 911 services.

Jail One-Cent Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Fire ¼ Cent Sales Tax – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

Community Development Block Grant – accounts for federal grant funds for various projects, including a water treatment facility, and capital improvement planning.

Sinking Fund – accounts for the payment of interest and principal on the matured portion of long-term bonded debt. Debt service receipts are 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 levy for any outstanding long-term debt.

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

**JOHNSTON COUNTY  
DESCRIPTION OF COUNTY FUNDS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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Treasurer Mortgage Tax 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 Fee Fund – accounts for lien collections and disbursements as restricted by state statute.

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

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

Waste Grant – accounts for federal grant monies received for the maintenance of solid waste stations across the County.

Fair Barn Grant 2001 – accounts for state grant monies received and disbursed for the construction of a new fair barn.

Reward Fund – accounts for donations to be used as a reward for information leading to the arrest of vandals.

County Clerk Preservation (RMP) – accounts for fees collected for instruments filed in the County Clerk's office and disbursements as restricted by state statute for preservation of records.

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

Free Fair Cash Voucher Fund – accounts for the collection of revenues generated from building rent, booth rent, and other fees, and the disbursement of funds as restricted by state statute.

Sheriff Commissary Cash Fund – accounts for the collection of monies from the Inmate Trust Fund Checking Account for commissary items and the disbursement of funds as restricted by state statute.

County Bridge and Road Improvement 105 – accounts for collections from the Oklahoma Department of Transportation and the disbursements are for roadway and bridge construction within the County.

County Bridge and Road Improvement 103 – accounts for collections from the Oklahoma Department of Transportation and the disbursements are for bridge projects within the County.

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



**JOHNSTON COUNTY  
DESCRIPTION OF COUNTY FUNDS  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Drug Court Revolving – accounts for money received from the State of Oklahoma and disbursed for Drug Court.

**Restatement of Beginning Fund Balance**

During the fiscal year, the county had a reclassification of funds. Court Fund Payroll and Drug Court Revolving were reclassified as county funds.

Prior year Ending Fund Balance, as Reported	\$6,165,701
Add: Funds reclassified from Trust and Agency Funds to County Funds	
Court Fund Payroll	3,824
Drug Court Revolving	<u>11,403</u>
Prior year Ending Fund Balance, as Restated	<u>\$6,180,928</u>

**JOHNSTON COUNTY, OKLAHOMA**  
**COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**COUNTY GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 1,736,471	\$ 1,736,469	\$ (2)
Less: Prior Year Outstanding Warrants	(106,534)	(106,534)	-
Less: Prior Year Encumbrances	(3,705)	(3,006)	699
Beginning Cash Balances, Budgetary Basis	<u>1,626,232</u>	<u>1,626,929</u>	<u>697</u>
Receipts:			
Ad Valorem Taxes	827,041	896,018	68,977
Charges for Services	49,138	59,158	10,020
Sales Tax	789,660	888,738	99,078
Intergovernmental Revenues	398,416	565,006	166,590
Miscellaneous Revenues	8,704	50,580	41,876
Total Receipts, Budgetary Basis	<u>2,072,959</u>	<u>2,459,500</u>	<u>386,541</u>
Expenditures:			
District Attorney - County	10,000	8,794	1,206
County Sheriff	385,788	379,383	6,405
County Treasurer	68,881	68,880	1
County Commissioners	134,160	135,082	(922)
County Clerk	94,081	94,205	(124)
Court Clerk	68,881	69,313	(432)
County Assessor	70,081	70,465	(384)
Revaluation of Real Property	180,494	145,934	34,560
General Government	586,892	178,221	408,671
Excise-Equalization Board	4,000	2,000	2,000
County Election Expense	47,169	50,234	(3,065)
Insurance - Benefits	316,728	318,959	(2,231)
Sales Tax - Fire	232,091	80,145	151,946
Sales Tax - EMS	76,034	116,216	(40,182)
Sales Tax - General for Emergency Services	7,897	2,850	5,047
Sales Tax - Civil	72,167	31,899	40,268
Sales Tax - Sheriff	32,148	6,204	25,944
Sales Tax - 4-H	77,530	54,280	23,250
Sales Tax - Counseling	195,999	-	195,999
Sales Tax - Free Fair	38,069	15,215	22,854

Continued on next page

*Source: County Treasurer's Monthly Reports (presented for informational purposes)*

**JOHNSTON COUNTY, OKLAHOMA  
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY GENERAL FUND - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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	General Fund		
Continued from previous page	Budget	Actual	Variance
Sales Tax - General for Community Services	244,054	31,621	212,433
Sales Tax - Senior Citizens	209,527	144,070	65,457
Sales Tax - Court House R&M	138,529	87,285	51,244
Sales Tax - County Offices	316,069	309,957	6,112
for County Government	76,651	71,902	4,749
County Audit Budget Account	15,271	15,271	-
Total Expenditures, Budgetary Basis	3,699,191	2,488,385	1,210,806
Excess of Receipts and Beginning Cash			
Balances Over Expenditures, Budgetary Basis	\$ -	1,598,044	\$ 1,598,044
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Outstanding Warrants		152,773	
Add: Current Year Encumbrances		9,708	
Ending Cash Balance		\$ 1,760,525	

*Source: County Treasurer's Monthly Reports (presented for informational purposes)*

**JOHNSTON COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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	County Health Department Fund		
	Budget	Actual	Variance
Beginning Cash Balances	\$ 197,654	\$ 197,654	\$ -
Less: Prior Year Outstanding Warrants	(25,272)	(25,271)	1
Beginning Cash Balances, Budgetary Basis	172,382	172,383	1
Receipts:			
Ad Valorem Taxes	206,359	223,569	17,210
Intergovernmental Revenues	-	-	-
Miscellaneous Revenues	165,244	158,683	(6,561)
Total Receipts, Budgetary Basis	371,603	382,252	10,649
Expenditures:			
County Health Budget Account	543,985	305,632	238,353
Total Expenditures, Budgetary Basis	543,985	305,632	238,353
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	\$ -	249,003	\$ 249,003
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances			
Add: Current Year Encumbrances		40,019	
Add: Current Year Outstanding Warrants		1,044	
Ending Cash Balance		\$ 290,066	

*Source: County Estimate of Needs (presented for informational purposes)*

**JOHNSTON COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**PURPOSE, SCOPE, AND SAMPLE METHODOLOGY**

This audit was conducted in response to 19 O.S. § 171, which requires the State Auditor and Inspector's Office to audit the books and accounts of county officers.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessment of materiality and risk for the fiscal year ended June 30, 2016. Our audit procedures included:

- Inquiries of appropriate personnel,
- Inspections of documents and records,
- Observations of the County's operations,
- Reconciling total apportionments, disbursements, and balances presented on the County's Presentation of Apportionments, Disbursements, and Cash Balances of County Funds for the fiscal year to the County Treasurer's and County Clerk's financial ledgers,
- Confirming third party confirmations to the financial ledgers,
- Selecting representative samples to determine disbursements were made in accordance with state statutes, approved ballots, and county purchasing procedures, and
- Gaining an understanding of the County's internal controls as it relates to each audit objective.

To ensure the samples were representative of the population and provided sufficient, appropriate evidence, both random sample and judgmental sample methodologies were used. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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.

**JOHNSTON COUNTY  
OPERATIONAL AUDIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Objective 1:** To determine the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports for FY 2016.

**Conclusion:** With respect to the items reconciled and reviewed; the receipts apportioned, disbursements, and cash balances are accurately presented on the County Treasurer's monthly reports.

**Objective 2:** To determine the County's financial operations complied with 68 O.S. § 1370E, which requires the sales tax collections to 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.

**Conclusion:** With respect to the items tested, the County did not comply with 68 O.S. § 1370E, which requires the sales tax collections to 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, we noted deficiencies in internal controls regarding the appropriation of the sales tax.

**FINDINGS AND RECOMMENDATIONS**

**Finding 2016-002 – Inadequate Internal Controls and Noncompliance Over Sales Tax Disbursements**

**Condition:** The audit of forty (40) sales tax disbursements reflected the following noncompliance:

- Two (2) instances were noted in which the disbursements from the Jail One-Cent Sales Tax fund was made for purposes other than the maintenance and operation of the facility to house prisoners. The Sheriff used this fund to pay the salaries of non-jail employees such as dispatchers.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the compliance with the AG Opinion and 68 O.S. § 1370E.

**Effect of Condition:** These conditions resulted in noncompliance with the AG Opinion and state statute.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the disbursement of county sales tax be expended in accordance with the purposes specified by the ballot as outlined by the AG Opinion and 68 O.S. § 1370E.

**Management Response:**

**Chairman, Board of County Commissioners:** This has been corrected.

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**County Sheriff:** There were no available funds in other accounts to pay employees. The Commissioners were advised multiple times about the lack of available funds.

**Auditor Response:** The Jail One-Cent Sales Tax fund should only be used for the purpose for which such sales tax was designated, and that was for the maintenance and operation of the facility to house prisoners.

**Criteria:** 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 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 2016-003 – Inadequate Internal Controls and Noncompliance Over the Disbursement of County Lodging Sales Tax (Repeat Finding)**

**Condition:** Upon inquiry and observation of the recordkeeping process of collecting and expending county lodging tax, which was apportioned to the JCIA Lodging Tax fund, the following was noted:

- The lodging tax was deposited into the JCIA Lodging Tax fund as specified by 68 O.S. § 1370E. However, these funds were directly disbursed by remittance warrant to the Johnston County Industrial Authority and therefore, specific expenditures made with the lodging tax by the Authority were not authorized by the Board of County Commissioners which resulted in these sales tax expenditures not being monitored to determine they are expended in accordance with the sales tax ballot.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with the AG Opinion and 68 O.S. § 1370E.

**Effect of Condition:** These conditions resulted in noncompliance with the AG Opinion and state statute.

**Recommendation:** OSAI recommends that the Board of County Commissioners (BOCC) maintain oversight of the disbursements of county lodging tax. The lodging tax should be expended in such a manner to provide assurance that the expenditures are made in accordance to the purposes specified by the sales tax ballot as outlined by AG Opinion and 68 O.S. § 1370E.

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**Management Response:**

**Chairman, Board of County Commissioners:** The BOCC will implement changes with regards to disbursing lodging tax to the Johnston County Industrial Authority.

**Criteria:** 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 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 2016-012 – Inadequate Internal Controls and Noncompliance Over Appropriation and Disbursement of County Sales Tax Collections (Repeat Finding)**

**Condition:** Upon inquiry and observation of the recordkeeping process of collecting and expending sales tax collections, the following was noted:

- The BOCC and the Excise Board do not verify the County Clerk’s calculations for the appropriations of sales tax money as presented for their approval, which resulted in the misappropriation of sales tax money in accordance with the sales tax ballot.
- The sales tax accounts are budgeted within the County General Fund; however, the Fire Department 1/4 Cent Sales Tax collections were not properly appropriated according to the sales tax ballot.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with AG Opinions and 68 O.S. § 1370E.

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

**Recommendation:** OSAI recommends and that the sales tax calculations be reviewed for accuracy by someone other than the preparer with evidence verified by initials and date. In addition, we recommend that sales tax collections be appropriated in accordance with the sales tax ballot.



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**Management Response:**

**Chairman, Board of County Commissioners:** We will check the calculations to ensure appropriations of sales tax funds are made in accordance with the sales tax ballot.

**County Clerk:** I will have someone within my office double check the calculations to ensure appropriations of sales tax funds are made in accordance with the sales tax ballot.

**Criteria:** Title 68 O.S. § 1370E requires the sales tax collections to 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 7/13/2005 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.”

<b>Objective 3:</b>	<b>To determine the County’s financial operations complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.</b>
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**Conclusion:** With respect to the items tested, the County complied with 68 O.S. § 2923, which requires the ad valorem tax collections to be apportioned and distributed monthly among the different funds to which they belong.

**Objective 4:** To determine whether the County’s internal controls provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records and financial operations complied with significant laws and regulations.

With respect to the items tested, the County’s internal controls do not provide reasonable assurance that expenditures (including payroll) were accurately reported in the accounting records.

Additionally, the County’s financial operations did not comply with 19 O.S. § 1505, which requires that disbursements be properly supported, timely encumbered, and certified that all proper documentation is present.

### FINDINGS AND RECOMMENDATIONS

#### **Finding 2016-004 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the County’s payroll process, we noted the duties of processing payroll are not adequately segregated. The Payroll Clerk enrolls new hires, makes payroll changes, runs verification reports, prints payroll checks, distributes payroll checks, and maintains personnel files.

In addition, the audit of forty (40) purchase orders, reflected the following:

- Five (5) purchase orders were paid from invoices created on the county computer system by county employees.
- The timely encumbrance of one (1) purchase order was undeterminable due to the invoice was not dated.
- Three (3) purchase orders were not timely encumbered.

The audit of time records for eight (8) departments reflected the following:

Sheriff Department:

- Three (3) timesheets were missing.
- One (1) timesheet was not signed by the employee.

District 1:

- Employees are allowed 10 hours for a holiday instead of 8 hours as stated in County Employee Handbook.

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Employees are not allowed to take holiday leave or accrue holiday leave for County designated holidays if the holiday falls on a Friday.

Further, we noted the following instances that resulted in violations of the County Employee Personnel Policy Handbook:

Sheriff Department:

- Ten (10) employees were allowed to accrue annual leave in excess of the limits allowed according to the County Employee Handbook.
- Two (2) employees were allowed to accrue compensatory time in excess of four hundred and eighty (480) hours allowed for law enforcement.

District 2:

- Three (3) employees were allowed to accrue annual leave in excess of the limits allowed according to the County Employee Handbook.
- One (1) employee was allowed to accrue compensatory time in excess of two hundred and forty (240) hours allowed for salaried employees.

District 3:

- Three (3) employees were allowed to accrue annual leave in excess of the limits allowed according to the County Employee Handbook.
- One (1) employee was allowed to accrue compensatory time in excess of the limits allowed according to the County Employee Handbook.
- One (1) employee was allowed to accrue sick leave in excess of the limits allowed according to the County Employee Handbook.

The Emergency Management Director was allowed to accrue compensatory time in excess of the limits allowed according to the County Employee Handbook.

**Cause of Condition:** Policies and procedures have not been designed and implemented to strengthen internal controls over payroll and ensure compliance with state statute and the County Employee Handbook with regards to leave accruals.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and the County Employee Personnel Policy Handbook, which could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends management be aware of these conditions and determine if payroll duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approve accounting functions.

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Additionally, OSAI recommends timesheets include hours worked and leave used each day, be signed by the employee, be signed by the Supervisor/County Official certifying the validity of the hours worked and/or leave used and be filed in the County Clerk's office.

Further, OSAI recommends that the County adhere to state purchasing guidelines.

- Purchase orders should be encumbered before goods or services are ordered.
- Expenditures should be supported by adequate documentation.
- • County management discontinue the practice of allowing County employees to prepare invoices for payment. Invoices should be provided by the vendor to the County.

OSAI also recommends that the County follow their County Employee Personnel Policy Handbook regarding sick leave, annual leave, and compensatory time off for overtime. Management of Johnston County may amend the handbook at any time to address the needs of the County.

**Management Response:**

**Chairman, Board of County Commissioners:** The BOCC will emphasize to all departments and offices the importance of following the purchasing laws, as well as, encumbering funds prior to the receipt of goods and/or services. We will also ensure that the County Employee Personnel Handbook is followed.

**County Commissioner District 2:** We will ensure that all District 2 employees follow the County Employee Personnel Policy Handbook.

**County Commissioner District 3:** We will ensure that all District 3 employees follow the County Employee Personnel Policy Handbook.

**County Sheriff:** We will ensure that all timesheets are signed and accounted for. Employees were forced to extend vacations and accumulate comp time in excess due to continued lack of employees to staff jail and dispatching operations. The Commissioners were advised of the situation multiple times.

**County Clerk:** I will establish policies and procedures to ensure that new hires and all changes to personnel records are reviewed. Concerning the accrual of annual leave, it is based on a calendar year, since all other aspects of payroll are made on a calendar year, not fiscal year.

**Auditor Response:** The County handbook states that the accumulation limits are 40 hours. It was further noted that those that had accrued annual leave in excess of accumulation limits were also over the limit as of January, the beginning of the calendar year.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of payroll/disbursements calculations and/or transactions. Further, Title 19 O.S. § 1505 prescribes the procedures for requisition, purchase, and receipt of supplies, materials, and equipment for the maintenance, operation, and capital expenditures of county government.

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Additionally, the Johnston County Employee Personnel Policy Handbook identifies the compensation policies and accrual limits the County is to follow in regard to compensatory time, sick leave, and annual leave.

County Employee Personnel Policy Handbook, Compensation Policies, Compensatory Time Off for Overtime:

- Johnston County employees are required to utilize compensatory time off in lieu of cash overtime payments.
- As an exception, at the discretion of the elected official, the elected official may decide to make cash overtime payments.
- Compensatory time off will be granted to an employee at the rate of 1 ½ hours for each hour of overtime worked.
- Except in the case of law enforcement personnel, each employee can accrue up to 240 hours of compensatory time off in lieu of overtime payment.
- After the accrual of 240 hours of compensatory time, such employee will thereafter be paid cash payment for overtime.

**All Objectives:**

The following findings are not specific to any objective, but are considered significant to all of the audit objectives.

**Finding 2016-001 – Inadequate County-Wide Controls and Disaster Recovery Plan (Repeat Finding)**

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

- County-wide controls regarding Risk Management and Monitoring have not been designed and implemented.
- The County Commissioner District 1, District 2, District 3, and the Court Clerk 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 County-Wide controls and to ensure that a Disaster Recovery Plan is on file for every office.

**Effect of Condition:** These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds. Further, the lack of a Disaster Recovery Plan 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.

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**Recommendation:** OSAI recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess 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 that each elected official develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster.

**Management Response:**

**Chairman, 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. The financial statements will be reviewed in quarterly meetings and risk assessment regarding misstated financials will be addressed.

**County Commissioner District 1, 2, and 3:** We will work to design a written Disaster Recovery Plan and file it with the County Clerk.

**Court Clerk:** I have contacted AOC concerning backup and a Disaster Recovery Plan will be written.

**Criteria:** Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Further, according to the standards of the Information Systems Audit and Control Association (CobiT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

**Other Item(s) Noted:**

Although not considered significant to the audit objectives, we feel the following issue(s) should be communicated to management.

**Finding 2016-005 – Noncompliance with State Statutes Regarding Acceptance of Bids**

**Condition:** During the review of the bid record sheets and review of the BOCC’s meeting minutes, it was noted the County awarded grader blades, emulsions, chips, pipe, tubes, tires, concrete, used railroad ½ tank cars, and 8’-10’ used railroad tank car culverts to all vendors who submitted a bid.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with 19 O.S. § 1505(B), which requires that counties award the bids to the lowest and best bidders.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes regarding the awarding of bids.

**Recommendation:** OSAI recommends that the County discontinue its practice of awarding all bids for services or commonly-used goods and award the contract to the lowest and best bidder.

**Management Response:**

**Chairman, Board of County Commissioners:** The Board of County Commissioners will emphasize the importance of following the purchasing laws with regards to the acceptance of bids.

**Criteria:** Best business practices would include soliciting bids from vendors with the goal of obtaining quality goods and/or services for the best price. When counties purchase “needed or commonly [-] used supplies, materials, [or] equipment,” 19 O.S. § 1505 (B) requires counties to solicit bids, compare them to the state contract price for items and select “the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site with 30 days,” specifying the reason “any time the lowest bid was not considered to be the lowest and best bid.”

**Finding 2016-013 – Noncompliance with Davis-Bacon Act Reporting Requirements Concerning CDBG Grant for Connerville Senior Citizens Center**

**Condition:** The Davis-Bacon Act requires that all contractors and subcontractors performing on federal contracts in excess of \$2,000 pay their laborers and mechanics no less than the prevailing wage rates and fringe benefits listed in the contracts Davis-Bacon wage determination for corresponding classes of laborers

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and mechanics employed on similar projects in the area. The following exceptions were noted regarding compliance with the Davis-Bacon Act.

- Connerville Senior Citizens Center – The County had no documentation that the County complied with the Davis-Bacon Act.

Furthermore, it was noted:

- The County did not maintain documentation that the change order for metal studs and plumbing, was approved by the BOCC.
- The County did not maintain documentation that the change order to move plumbing from overhead to under slab, which was included in original bid, was approved by the BOCC.

**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:** These conditions resulted in noncompliance with grant requirements and could lead to loss of federal funds to the County.

**Recommendation:** OSAI recommends that the County obtain and monitor certified payroll reports from the contractors to ensure compliance with the Davis-Bacon Act. Furthermore, we recommend that the County ensure contractors perform the work as prescribed in the bid specifications, and maintain all records of change orders.

**Management Response:**

**Chairman, Board of County Commissioners:** We will work ensure that the County complies with all compliance requirements and that change orders are properly documented and maintained in grant files.

**Criteria:** OMB A-133, Subpart C, § \_\_\_\_\_.300 reads as follows:

Subpart C – Auditee responsibilities.

The auditee shall:

- (b) Maintain internal controls over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

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.



**REPORT ON STATUTORY COMPLIANCE – OTHER MATTERS**



# Oklahoma State Auditor & Inspector

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Johnston County  
Board of County Commissioners  
Johnston County Courthouse  
Tishomingo, Oklahoma 73460

Dear Chairman:

For the purpose of complying with 19 O.S. § 171 and 20 O.S. § 1312, we have performed statutory procedures regarding the following offices and departments for the fiscal year ended June 30, 2016:

- All County Offices - Fixed Assets procedures (19 O.S. § 178.1, 19 O.S. § 178.2, and 69 O.S. § 645).
- All County Offices - Consumable Inventories procedures (19 O.S. § 1502 and 19 O.S. § 1504).
- Court Clerk procedures (20 O.S. § 1304 and 19 O.S. § 220).
- Inmate Trust Fund procedures (19 O.S. § 531 and 19 O.S. § 180.43).

Our statutory compliance engagement was limited to the procedures related to the statutes above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of Johnston County.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

October 29, 2018

**JOHNSTON COUNTY, OKLAHOMA  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-006 - Inadequate Internal Controls Over Court Fund Disbursements and Court Clerk Revolving Fund Disbursements**

**Condition:** In the audit of twenty-five (25) Court Fund and twelve (12) Court Clerk Revolving Fund disbursements, the following was noted:

Court Fund Disbursements:

- Eight (8) claims did not have documentation attached to the claim (i.e., invoice) to support the disbursements.
- One (1) claim and been alter. The amount of the claim was changed without explanation or documentation.

Court Clerk Revolving Fund Disbursements:

- Two (2) claims did not have documentation attached to the claim (i.e., invoice) to support the disbursements.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure to ensure all claims are supported by adequate documentation.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends the Court Clerk design and implement policies and procedures to ensure proper internal controls over the Court Fund and Court Clerk Revolving Fund expenditure processes to ensure compliance with 20 O.S. § 1304 and 19 O.S. § 220.

**Management Response:**

**Court Clerk:** Claim #27 & #75 – Court Appointed Attorney fills out own claims. Claim #41 & #68 – will start attaching Quarterly Report to amount listed. Claim #42 – Court Ordered Amount, claim #48 – Amount comes from County Clerk, claim #55 – Will start running copy of what I sent to USPS, claim #39 & #75 – I initialed charge, and claim #18 and #26 – I failed to attach timesheet.

Court Fund Disbursements – the Court appointed attorney fills out their own claims and the District Judge is the one that approves amount to be paid – some attorneys itemize, and some do not. I check to make sure they were here for the hearing they have listed before giving to claim to the District Judge to approve. Additionally, I maintain a ledger for all court appointed claims, minus health, to keep up with how much they are paid.

**Auditor Response:** All Court Fund and Court Clerk Revolving Fund expenditures should have proper documentation attached as required by 20 O.S. § 1304 and 19 O.S. § 220.

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**Criteria:** Effective internal controls are necessary to ensure stewardship and accountability of public funds. Aspects of effective accounting procedures include maintaining invoices and/or supporting documentation for all expenditures of the Court Clerk Revolving Fund and Court Fund.

Title 20 O.S § 1304 and 19 O.S. § 220 outlines the procedures for expending Court Clerk Revolving Fund monies and Court Fund monies, including proper documentation being attached to all claims.

**Finding 2016-07 – Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** Upon inquiry and observation of records for the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, the following was noted:

- The Annual Report of the Sheriff Commissary Fund beginning balance, deposits, disbursements, and ending balance did not agree or reconcile to the County Treasurer’s general ledger.
- Timely deposits of commissary earnings from the Inmate Trust Fund Checking Account are not being made to the Sheriff Commissary Fund.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and Sheriff Commissary Fund.

**Effect of Condition:** These conditions resulted in noncompliance with state statute. Also, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund, there is an increased risk of undetected errors and possible misappropriation of funds. Further, the condition of not timely depositing County earnings from the Inmate Trust Fund Checking Account with the County Treasurer, results in the comingling of funds belonging to inmates with county funds.

**Recommendation:** OSAI recommends management ensure all balances on the Annual Report of Sheriff Commissary Fund agree to balances reported on the County Treasurer’s General Ledger. We also recommend that commissary earnings be deposited into the Sheriff’s Commissary Fund in a timely manner.

**Management Response:**

**County Sheriff:** I will establish procedures to prepare the Annual Report of Sheriff Commissary Fund and ensure that all balances agree to the County Treasurer’s general ledger. We will transfer profits in a timely manner.

**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. § 531.A states, “Notwithstanding any other provisions of law, the county sheriff may establish a checking account, to be designated the “Inmate Trust Fund Checking Account”,

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to be managed by the county sheriff and maintained separately from regular county funds. The checking account shall be subject to audit by the State Auditor and Inspector. The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."



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