



ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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August 26, 2019

**TO THE BOARD OF DIRECTORS OF THE
ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Atoka County Emergency Medical Service District for the fiscal year ended June 30, 2018.

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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2018.

	2018
Beginning Cash Balance, July 1	\$ 143,981
Collections	
Ad Valorem Tax	180,450
Charges for Services	605,340
Intergovernmental Revenues	45,598
Miscellaneous	3,119
Total Collections	834,507
Disbursements	
Personal Services	480,171
Travel	5,154
Maintenance and Operations	330,459
Capital Outlay	141,825
Audit Expense	8,858
Total Disbursements	966,467
Ending Cash Balance, June 30	\$ 12,021

Source: District Estimate of Needs (presented for informational purposes)

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Incurrence of Debt and Negative Bank Balance

At June 30, 2018, one bank account (6900224) used for the general operation of the District had a negative balance of \$35,032.34 when reconciled to the general ledger resulting from an outstanding check in the amount of \$91,310.00 that was issued on June 28, 2018, for the bid item of a rebuild of an ambulance chassis. This check had not cleared the bank account at June 30, 2018.

Subsequent to the end of the fiscal year, June 30, 2018, the District obtained by agreement with a local bank, a loan for the “purchase of equipment” as noted in the chart below:

Loan Number	Start Date	Payoff Date	Principal
10229255 (lease-purchase agreement)	August 1, 2018	Renewed every 12 months	\$91,310.00

Although the District Board signed a Tax-Exempt Lease Purchase Agreement, dated August 1, 2018, the format of the agreement does not meet the specifications of the governmental approved lease-purchase agreement Form (120 B).

The funds derived from the “lease-purchase agreement” were deposited into the general operations account to cover the check issued to the vendor for the rebuilt chassis.

This loan was secured by a “2018 Ford Chassis by Osage Ambulance” that was purchased by the District with the proceeds of this loan.

2. Subsequent Event - Incurrence of Debt

Subsequent to the end of the fiscal year, June 30, 2018, the District obtained by agreement with a local bank another loan for “business expenses.” This loan is an incurrence of debt without the vote of the citizens and is not statutorily authorized as noted in the chart below:

Loan Number	Start Date	Payoff Date	Principal	Total Fees and Interest
1801866	November 7, 2018	May 7, 2019	\$75,207.00	\$1,429.26

This loan was secured by a 2012 Chevrolet Van and a 2014 Chevrolet YYCT4 owned by the District.

Atoka County Emergency Medical Service District
1002 A West Liberty
Atoka, Oklahoma 74525

**TO THE BOARD OF DIRECTORS OF THE
ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

For the purpose of complying with 19 O.S. § 1706.1, we have performed the following procedures:

- Determined charges for services were billed and collected in accordance with District Policies.
- Determined that receipts were properly deposited and accurately reported in the accounting records.
- Determined cash balances were accurately reported in the accounting records.
- Determined whether deposits and invested funds for the fiscal year ended June 30, 2018 were secured by pledged collateral.
- Determined that disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1 and were accurately reported in the accounting records.
- Determined that all purchases requiring bids complied with 19 O.S. § 1723 and 61 O.S. §101-139.
- Determined that payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined that fixed assets records were properly maintained.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2018 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Atoka County Emergency Medical Service District.

Our emergency medical service district statutory engagement was limited to the procedures performed 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 the Atoka County Emergency Medical Service District.

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 Atoka Emergency Medical Service District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 20, 2019

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-002 – Internal Controls Over Disbursements (Repeat Finding)

Condition: Upon inquiry of the Atoka Emergency Medical Service District (the District) and observation of the disbursement process, it was noted that the Director performed the following duties that were not properly segregated:

- Prepared purchase orders,
- Signed checks,
- Mailed checks to the vendor, and,
- Posted transactions to the disbursement ledger.

Additionally, while performing the test of forty-one (41) disbursements, the following exceptions were noted:

- Two (2) disbursements did not have supporting documentation attached to the purchase order.
- One (1) disbursement did not have a detailed statement to determine the disbursement was for the operation of the District.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process. Additionally, policies and procedures have not been designed and implemented to ensure supporting documentation such as invoices and detailed statements are attached to the purchase order to determine the appropriateness of the disbursement.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors or misappropriation of funds not being detected in a timely manner. Additionally, a single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in the Board's oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee can perform all accounting functions. If segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having the Board and management review and approve accounting functions.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Management Response:

Chairman of the Board: The Board will implement a policy and segregate the duties of the disbursement process. The Assistant Director will be responsible for preparing purchase orders including supporting documentation and posting them to the ledger. The Director will sign checks, with a Board member, and mail checks to vendors. A third person will verify all disbursements and a list of the purchase orders will be presented to the Board of Directors at each month's meeting for approval.

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."

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

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

Finding 2018-003 – Internal Controls and Noncompliance Over the Competitive Bidding Process and Unauthorized Debt and Negative Bank Balance

Condition: Based upon inquiry of District staff and observation of the competitive bidding process for the District, the following exceptions were noted:

- The District opened bids on February 20, 2018 for a remount of an ambulance.
- The District solicited bids as follows;
 "...remounting a Type III modular seamless aluminum ambulance box with placement onto a new 2016, or newer, Ford E-450 6.8-liter V 10 gas powered cut away chassis."
- The District Board signed a lease-purchase agreement, (loan document 10229255) dated August 1, 2018, from a local financial institution for financing of the above ambulance remount; however, financing of the remount was not included in the in the bid specification.

Further, upon reviewing the reconciliation of operating bank account to the bank statement, the following exceptions were noted:

- At June 30, 2018, one bank account (6900224) used for the general operation of the District had a negative balance of \$35,032.34 when reconciled to the general ledger resulting from an outstanding

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

check of \$91,310.00, dated June 28, 2018, and issued for the payment of the remount of the ambulance.

- On August 1, 2018, the Board obtained a loan (10229255) of \$91,310.00 from a local financial institution that was deposited into the operating bank account.
- Further on August 1, 2018, the Board signed a tax-exempt lease-purchase agreement with the local financial institution to secure this loan; however, the format of the agreement was not in accordance with the governmental form approved by OSAI (120 B).

Cause of Condition: Policies and procedures have not been designed and implemented requiring competitive bids to not be brand specific and financing to be included in bid specifications. Further, obtaining a loan for the remount of the ambulance is not authorized by state statutes and lease-purchase agreements should be properly executed by the District Board.

Further, policies and procedures have not been designed and implemented to ensure sufficient funds are available to meet the obligation of outstanding checks and bank account balances are reviewed for accuracy and propriety.

Effect of Condition: These conditions resulted in noncompliance with the state statutes, the Oklahoma Constitution and AG Opinions and could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends the District ensure that adequate funds are available prior to issuing checks and bank accounts are reviewed and approved for accuracy. Further, OSAI recommends that all purchases be competitively bid in accordance with 19 O.S. § 1723, the Oklahoma Constitution, and recommends the District obtain a lease-purchase agreement as determined by 2002 OK AG 43 and Title 62 O.S. § 430.1C.

Management Response:

Chairman of the Board: All future competitive bids will be free of any and all specific brands. If adequate funds are not available, the financing will be included in the bid specifications. All future lease purchase agreements will be in the approved governmental format.

Criteria: The GAO Standards state the following:

OV2.23 “Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.”

Title 19 O.S. § 1723 requires Districts to make equipment purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1505, which requires all purchases in excess of \$15,000 be competitively bid, including financing options.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Additionally, § 25 of Article 10 provides:

[... N]o debts shall be hereafter contracted by or on behalf of this State, unless such debt shall be authorized by law for some work or object, to be distinctly specified therein; and such law shall impose and provide for the collection of a direct annual tax to pay, and sufficient to pay, the interest on such debt as it falls due, and also to pay and discharge the principal of such debt within [25] years from the time of the contracting thereof. No such law shall take effect until it shall, at a general election, have been submitted to the people and have received a majority of all the votes cast for and against it at such election. [.....]

There are exceptions to these restrictions.

The Office of Attorney General officially opined, in 2002 OK AG 43, citing state Supreme Court decisions:

The basic reason for using a lease arrangement is to avoid the sometimes [-] onerous debt limits of the Constitution. A lease calling for payments on a fiscal [-] year basis, under which the governmental entity can terminate the agreement and ‘walk away’ at the end of a given fiscal year, is not, for State law purposes, a ‘debt’ under the Constitution. Although the governing body of the lessee might feel a moral obligation to continue the lease past the current fiscal year, there is no legally [-] enforceable obligation to do so, and [,] therefore [,] such an arrangement does not create ‘debt’ in the constitutional sense, requiring voter approval and compliance with debt limitations.

With respect to emergency-medical-service districts created under § 9C of Article 10 of the state Constitution, they “may acquire ambulances through a lease-purchase agreement, provided that the agreement is structured in such a manner that the agreement does not constitute borrowing or long-term debt.”

Further, Title 62 O.S. § 430.1(C), states;

C. It is the purpose of this section to authorize such governing boards to enter into lease and lease-purchase contracts but not to incur any obligation upon the part of their respective municipal or governmental subdivisions in excess of the income and revenue thereof provided for such purposes for the fiscal year in which the lease contract is effectively operative.

Finding 2018-004 – Internal Controls Over Fixed Assets Inventory

Condition: Based on inquiry, observation, and review of the District fixed assets inventory records, the following weaknesses were noted:

- An annual physical verification of fixed assets inventory was not properly performed and documented.
 - Three (3) fixed assets were not documented on the fixed assets inventory list.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- One (1) fixed asset was identified on the fixed assets inventory list; however, the District was unable to locate the item.
- The fixed assets inventory listing was not signed or dated by the reviewer.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory verification is properly documented and performed, including the reconciliation of each fixed asset listed to designated identification numbers.

Effect of Condition: These conditions resulted in inaccurate inventory verification documentation being approved by the Board and could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

Recommendation: OSAI recommends an annual physical fixed assets inventory verification be performed by someone other than the individual maintaining fixed assets inventory and properly documented to indicate the person performing the verification of fixed assets and identification numbers.

Management Response:

Chairman of the Board: The Board will implement a policy regarding a manner to keep a correct list of our fixed assets, along with a minimal cost of \$500.00 for items to be included on the list. We will continue to present the list of fixed assets and any items to be declared as surplus to our Board of Directors at least once a year for approval.

Criteria: The GAO Standards state the following:

OV2.24 “Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity’s assets.”

Finding 2018-005 – Internal Controls Over the Ambulance Service Runs Billing Process (Repeat Finding)

Condition: Based on inquiry of the District staff, observation of the billing process for ambulance service runs, and the test of forty (40) billable ambulance service runs, the following exceptions were noted:

- The amount billed for four (4) ambulance service runs was undercharged due to an error in the base rate charged, which resulted in the District underbilling \$500.00 in services.
- The amount billed for two (2) ambulance service runs was undercharged due to an error in the mileage charged.
- One (1) patient account was billed on June 18, 2018; however, the account was sent to the collection agency on June 30, 2018, which appears to be insufficient time to receive payment on the account.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that all ambulance service runs are billed accurately and according to the District’s Collection Policy.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Effect of Condition: These conditions resulted in inaccurate billing and could result in the District missing the opportunity to receive additional ambulance service run revenue.

Recommendation: OSAI recommends the District implement recordkeeping policies and procedures to ensure all ambulance service runs are billed accurately and timely.

Management Response:

Chairman of the Board: The Board will develop a system to doublecheck billing for all ambulance service runs to ensure they are billed accurately and in a timely manner.

Criteria: The GAO Standards state the following:

13.04 “Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.”

Finding 2018-006 - Internal Controls and Noncompliance Over the Estimate of Needs

Condition: Based upon the observation of the Estimate of Needs, it was noted that the total disbursements exceeded the appropriations approved by the Excise Board in the amount of \$144,583.14.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the appropriations amounts reported on the Estimate of Needs are not exceeded in the fiscal year in accordance with state statute.

Effect of Condition: This condition resulted in noncompliance with state statute, and the District exceeding the amount of approved appropriation by \$144,583.14, and could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends the District Board and management implement policies and procedures to ensure disbursements do not exceed appropriations as approved by the District Board in the Estimate of Needs as provided by 19 O.S. § 1717 (A, B).

Management Response:

Chairman of the Board: The Board will work closely with our CPA to prevent this situation from happening in the future. We will develop a policy to address the budget for the fiscal year at the regular Board meeting in December of each year and make any changes necessary to ensure that appropriations are not exceeded.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Criteria: The GAO Standards state the following:

OV2.23 “Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.”

Title 19 O.S. § 1717 (A, B) states in part,

“A. No expenditure may be authorized or made by any employee or member of the board which exceeds any fund balance for any fund of the budget as adopted or amended or which exceeds the appropriation for any fund of the budget as adopted or amended. Any balance remaining in a fund at the end of the budget year shall be carried forward to the credit of the fund for the next budget year.

B. It shall be unlawful for any employee or member of the board in any budget year:

1. To create or authorize creation of a deficit in any fund; or
2. To authorize, make or incur expenditures or encumbrances in excess of ninety percent (90%) of the appropriation for any fund of the budget as adopted or amended until revenues in an amount equal to at least ninety percent (90%) of the appropriation for the fund have been collected. Any fund balance which is included in the appropriation for the fund is considered revenue in the budget year for which it is appropriated. Expenditures may then be made and authorized so long as any expenditure does not exceed any fund balance.”

Finding 2018-007 – Internal Controls Over the Collection Process (Repeat Finding)

Condition: Based upon inquiry of District staff and observation of the collection process, it was noted that the following duties were not properly segregated:

- Receiving and opening mail,
- Receiving funds,
- Issuing receipts, and
- Preparing and taking deposits to the bank.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties over the collection process.

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

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Recommendation: OSAI recommends the District Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management’s oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. If segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having evidence of management and the Board’s review and approval of the collection process.

Management Response:

Chairman of the Board: The Board will work to design and implement compensating controls, policies and procedures for the collection process to minimize the risk of mistakes.

Criteria: The GAO Standards state the following:

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

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