



BEAVER COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

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

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, 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.



Cindy Byrd, CPA | State Auditor & Inspector

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January 30, 2019

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

Transmitted herewith is the audit report of Beaver 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



**BEAVER COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JUNE 30, 2018**

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

The cash balances and collections on the Estimate of Needs and the Financial Statement for fiscal year 2017-2018 for the Beaver County Emergency Medical Service District were not presented separately from the service contract provider, Beaver County Hospital Authority; therefore, financial statements were not presented for this report. Disbursements were presented as a separate department of the Hospital in the Hospital's financial statements and were paid directly by the Hospital, rather than as contracted expense by Beaver County Emergency Medical Service District.

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

Beaver County Emergency Medical Service District
P.O. Box 640
Beaver, Oklahoma 73932

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

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

- 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 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.
- 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 FY 2018 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Beaver 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 Beaver 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 Beaver County 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

October 24, 2018

**BEAVER COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-001 – Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account

Condition: Upon inquiry and observation of the budgeting process, it was determined that internal controls have not been designed and implemented to ensure the amount required by statute is correctly budgeted for the audit expense budget account.

It was further noted, Beaver County Emergency Medical Service District (District) did not calculate and appropriate the correct amount in the audit expense budget account for fiscal year 2017-2018. The correct amount should have been \$18,141.34 based on one-tenth of one mill of the valuation of \$181,413,364.00.

Cause of Condition: The District has not been audited by the Oklahoma State Auditor and Inspector’s Office and was not aware of the statute that requires an amount to be set aside for audit expense; therefore, policies and procedures have not been designed and implemented to ensure the Estimate of Needs was prepared in accordance with 19 O.S. § 1706.1.

Effect of Condition: This condition resulted in noncompliance with state statute and the underfunding of the audit expense budget account in the amount of \$18,141,34.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the District implement policies and procedures designed to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit expense budget account, and that any unused portion be carried forward into the next year’s audit expense budget account in accordance with 19 O.S. § 1706.1.

Management Response:

Administrator: The District will ensure that one-tenth of one mill of the net total assessed valuation be set aside in the annual audit expense budget account and that any unused portion be carried forward into the next year’s audit expense budget account. This amount will be reflected on the annual budget that is prepared by the District.

Chairman of the Board: The Board Chairman concurs with the management response.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

Title 19 O.S. § 1706.1 states in part, “The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit...”

**BEAVER COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Finding 2018-002 – Inadequate Internal Controls and Noncompliance Over the Estimate of Needs and Financial Records

Condition: Upon inquiry of the District’s accounting staff at the Beaver County Hospital Authority (BCHA) and observation of the recordkeeping process, the following exceptions were noted:

- Ad valorem taxes apportioned by the Beaver County Treasurer in the amount of \$328,619.00 were reported on the District’s financial records; however, the Estimate of Needs reported \$440,843.55 as ad valorem taxes collected, resulting in a variance of -\$112,224.55.
- Charges for services in the amount of 74,583.00 were reported on the District’s financial records and Estimate of Needs; however, those charges should have been attributed to the BCHA.
- Disbursements in the amount of \$154,424.00 were reported on the District’s financial records and Estimate of Needs. These disbursements were paid from the BCHA bank account and approved by the District.
- The District’s funds were comingled in the same bank account as the BCHA during fiscal year 2017-2018; therefore, we were unable to determine the beginning cash balance of the District’s operating fund. Subsequent to the end of fiscal year 2017-2018, the Board approved establishing a separate bank account in the name of the District.
- Due to the District’s funds being comingled, a cash basis financial statement could not be presented for the District for fiscal year 2017-2018.

Cause of Condition: The District was unaware of the state statute governing the preparation of the District’s Estimate of Needs and Financial Statements; therefore; policies and procedures have not been designed and implemented to review the Estimate of Needs and financial records for accuracy prior to its approval by the District Board.

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

Recommendation: OSAI recommends that the District design and implement a system of internal controls to provide reasonable assurance that collections, disbursements, and cash balances are accurately presented on the District’s Estimate of Needs and recorded in the financial records.

Further, OSAI recommends the District Board compare the Estimate of Needs to the District’s financial records, and to the records of the County Treasurer to ensure collections, disbursements, and cash balances are accurately presented on the Estimate of Needs and financial records of the District in compliance with 19 O.S. § 1709.

**BEAVER COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

Management Response:

Administrator: The District will ensure that collections, disbursements and cash balances are accurately presented and recorded on the financial report to the Board of Trustees each month. The district will also ensure that the charges for services have been removed from the District financial report. The District will request a remittance report from the Beaver County Treasurer at the end of each fiscal year, before the District's budget is prepared in order to validate ad valorem tax remittances. Based on guidance and input from the Oklahoma State Auditor and Inspector's Office, the District will then prepare the Estimate of Needs internally and ensure that they are prepared accurately and completely.

Chairman of the Board: The Board Chairman concurs with the management response.

Criteria: Internal controls should be designed and implemented to ensure the accuracy and completeness of disbursements, collections, and cash balances are accurately presented on the Estimate of Needs and Financial Statements.

Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Further, Title 19 O.S. § 1709 states:

- A. At least thirty (30) days prior to the beginning of each fiscal year, a budget for each fund of the district for which a budget is required shall be completed by the board. Each budget shall provide a complete financial plan for the budget year. The budget format shall be as prescribed by the State Auditor and Inspector. The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:
 - 1. Actual revenues and expenditures for the immediate prior fiscal year;
 - 2. Estimated actual revenues and expenditures for the current fiscal year; and
 - 3. Estimated revenues and expenditures for the budget year.
- B. The budget for each fund shall contain a budget summary. It shall also be accompanied by a budget message from the board which shall explain the budget and describe its important features.
- C. The estimate of revenues in each fund for any budget year shall include probable income by source which the district is legally empowered to collect or receive at the time the budgets are adopted. The estimate shall be based upon a review and analysis of past and anticipated revenues of the district. Any portion of the budget of revenues to be derived from ad valorem property taxation shall not exceed the estimated amount of tax which is available for appropriation or which can or must be raised as required by law. The budget of expenditures for each fund shall not exceed the estimated revenues for each fund. No more than ten percent (10%) of the total budget for any fund may be budgeted for miscellaneous purposes.

**BEAVER COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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- D. The board shall determine the needs of the district for sinking fund purposes, pursuant to Section 9C of Article X of the Constitution of the State of Oklahoma and include these requirements in the debt service fund budget for the budget year.

Finding 2018-003 – Inadequate Internal Controls Over Fixed Assets

Condition: Upon inquiry of BCHA staff, observation, and review of the of the District’s fixed assets inventory records, the following weaknesses were noted:

- The District’s fixed assets inventory list does not contain complete descriptions or identification of fixed assets, including an identification number, serial number, description and location.
- Annual physical verification of fixed assets inventory was not documented by the District.

Cause of Condition: The District was not aware of policies and procedures that should be designed and implemented to ensure fixed assets inventory is properly accounted for, maintained, and updated regularly by the District.

Effect of Condition: These conditions could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

Recommendation: OSAI recommends that the District design and implement policies and procedures to accurately maintain fixed assets inventory records. Records should be maintained in such a manner that assets can be identified by identification number, serial number, description, and location. Additionally, an annual physical verification of assets should be performed, documented and approved by the District Board.

Management Response:

Administrator: The District has created a District fixed assets policy. The policy will be presented for approval by the District’s Board. The policy was created to ensure that fixed assets are maintained accurately. The District will update their current fixed assets list to include the following: date acquired, description of equipment, purchase price (book value), location of asset and serial number of the asset. The District will also complete an inventory of assets each year that will be presented to the District’s Board for approval.

Chairman of the Board: The Board Chairman concurs with the management response.

Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity’s assets and safeguarding assets from loss, damage, or misappropriation.

**BEAVER COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Finding 2018-004 – Inadequate Internal Controls Over the Collection Process

Condition: Upon inquiry of the District’s accounting staff at the Beaver County Hospital Authority (BCHA) and observation of the recordkeeping process, the following exceptions were noted:

- Monthly financial reports were presented to the District Board; however, there was no evidence that the District Board approved the financial information regarding the collection of ad valorem taxes remitted by the Beaver County Treasurer to the District.
- Prenumbered receipts were not issued for miscellaneous collections, including rental reimbursements, donations, and grant funds.
- Charges for services provided by the contracted service provider BCHA were reported as District revenue; however, those collections should be considered part of the BCHA revenue and not reported on the District’s financial records.

Cause of Condition: The District was not aware of the manner in which District collections should be reported on the financial records; therefore, policies and procedures have not been designed and implemented to review monthly financial records for accuracy prior to its approval by the District Board. Additionally, the District was unaware that prenumbered receipts should be issued for miscellaneous collections and charges for services should be reported as BCHA revenue.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the District design and implement a system of internal controls to provide reasonable assurance that collections are accurately presented on the financial records, reviewed by the District Board, approved in the monthly Board meetings, and prenumbered duplicate receipts are issued for miscellaneous collections.

Additionally, evidence of Board approval should be added with a signature and date line on the monthly financial report to document review and approval by the Board members, namely the Chairman and Treasurer.

Management Response:

Administrator: The District has modified the monthly financial report that is presented to the District Board to include a signature line to document review and approval by the Chairman and Secretary/Treasurer of the Board. The District will develop a process that prenumbered duplicate receipts are issued for all miscellaneous collections and an accounting of these receipts will be kept and reconciled against the District Financial Report annually.

Chairman of the Board: The Board Chairman concurs with the management response.

**BEAVER COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Criteria: Internal controls should be designed and implemented to ensure the accuracy and completeness of collections presented on the financial records and prenumbered receipts are issued for miscellaneous collections.

Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Finding 2018-005 - Inadequate Internal Controls and Noncompliance with Contractual Provisions Over District Ad Valorem Tax and Miscellaneous Collections

Condition: Upon inquiry of the District's accounting staff at BCHA and observation of the service provider contract between the District and BCHA, the following exceptions were noted:

- The service provider contract was dated July 8, 1991 and had not been updated each fiscal year nor approved by the District in a Board meeting.
- The outdated contract did not stipulate an amount set aside for the contracted services, nor did it establish an amount to be retained for audit cost.
- During the fiscal year, \$32,819.00 in ad valorem taxes and \$29,083.00 in miscellaneous revenue for the District was collected and comingled in the to the BCHA bank account.

Subsequent to the end of the fiscal year, the District Board entered into a contract with the contract service provider (BCHA) and provide guidance regarding remittance of District collections to the contract service provider and establish an audit account for the expense of an audit. The District also established a separate bank account for District funds.

Cause of Condition: The District was not aware that policies and procedures should be designed or implemented by the District Board to ensure that contractual obligations for the District are being met regarding accounting for the District's funds in compliance with state statute and Oklahoma Constitution.

Effect of Condition: These conditions resulted in noncompliance with contractual provisions of the service provider and state statute and could result in misuse or misappropriation of District funds.

Recommendation: OSAI recommends the District Board design and implement procedures to ensure the provisions of the service provider contracts are being met. Service provider contracts are updated and approved each fiscal year by the District Board and ensure compliance with 19 O.S. § 1713 and Article 10 § 9C.

**BEAVER COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Management Response:

Administrator: The District will ensure the provisions of the service provider contracts are being met. The service provider contracts will be reviewed and updated as needed and presented to the District Board for approval annually prior to the beginning of the fiscal year.

Chairman of the Board: The Board Chairman concurs with the management response.

Criteria: Internal controls should be designed to ensure the District Board approve the updated service provider contract each fiscal year and make amendments as necessary that are approved in the monthly District Board meetings.

Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriations.

Title 19 O.S. § 1713 states in part, "*Any monies received or expended by the district must be accounted for by fund and account...*"

Further, Article 10 § 9C. states in part, "The district board of trustees shall have the additional powers to hire manager and appropriate personnel, contract, organize, maintain or otherwise operate the emergency medical services within said district and such additional powers as may be authorized by the Legislature...."

O·K·L·A·H·O·M·A
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