



BECKHAM COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**BECKHAM COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cindy Byrd, CPA | State Auditor & Inspector

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March 9, 2020

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

Transmitted herewith is the audit report of Beckham County Emergency Medical Service District for the fiscal year ended June 30, 2019.

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



**BECKHAM COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2019

	<u>FY 2019</u>
Beginning Cash Balance, July 1	\$ <u>485,679</u>
Collections	
Ad Valorem Tax	815,092
Miscellaneous	<u>1,058</u>
Total Collections	<u>816,150</u>
Disbursements	
Maintenance and Operations	6,334
Service Provider Contracts:	
City of Elk City	375,831
Sinor Emergency Medical Service	171,796
City of Erick	150,516
Audit Expense	<u>6,731</u>
Total Disbursements	<u>711,208</u>
Ending Cash Balance, June 30	\$ <u><u>590,621</u></u>

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

Beckham County Emergency Medical Service District
P.O. Box 67
Sayre, Oklahoma 73662

**TO THE BOARD OF DIRECTORS OF THE
BECKHAM 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, 2019 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 compliance with contract service providers.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2019 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Beckham 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 Beckham 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 Beckham 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

December 17, 2019

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2019-001 – Internal Controls and Noncompliance Over Open Meeting Act

Condition: Upon review of the Beckham County Emergency Medical Service District (the District) Board minutes and agendas, the following weaknesses were noted:

The District did not provide evidence that the County Clerk was notified of a change in the meeting time and dates for regular meetings rescheduled for the following dates and times:

- July 17, 2018; the time was rescheduled from 9:00 a.m. to 11:00 a.m.
- November 20, 2018; the date was rescheduled to November 28, 2018.
- December 18, 2018; the time was rescheduled from 9:00 a.m. to 1:45 p.m.
- February 19, 2018; the date was rescheduled to February 27, 2019.
- March 19, 2019; the date was rescheduled to March 25, 2019 and rescheduled again to March 27, 2019.
- April 16, 2019; the date was rescheduled to April 23, 2019 and rescheduled again to April 30, 2019.
- May 21, 2019; the date was rescheduled to May 22, 2019.
- June 18, 2019; the date was rescheduled to June 25, 2019; however, the Board did not convene for a meeting.

Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate internal controls to ensure meetings are held on the dates and times scheduled in compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with the state statute regarding the Open Meeting Act concerning meeting dates and times for rescheduled meetings.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the District Board design and implement policies and procedures to ensure meeting cancellations are documented, and meetings are held at dates and times filed with the County Clerk with ten days’ notice provided to the County Clerk for rescheduled regular meetings as provided by the Open Meeting Act, 25 O.S. § 311 (A)(8).

Management Response:

Chairman of the Board: The Board is now very aware of the statute that defines the Open Meeting Act and will comply from this time forward.

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.

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GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements. Some entities may set objectives to a higher level of performance than established by laws and regulations.

Title 25 O.S. § 311(A)(8) states: “If any change is to be made of the date, time or place of *regularly scheduled* meetings of public bodies, then notice in writing shall be given to the Secretary of State or county clerk or municipal clerk, as required herein, not less than ten (10) days prior to the implementation of any such change.”

Finding 2019-002 – Internal Controls and Noncompliance Over Service Provider Contracts

Condition: Upon inquiry of District Board members, observation of service provider contracts, and the review of contract compliance, the following exceptions were noted:

- The third-party service provider contracts for the three (3) service providers do not contain a “non-appropriation clause” or a provision for mutual ratification of renewal; however, the contracts were initially signed June 16, 2017 by the District Board and remain in effect as of the audit date.
- The third-party service provider contracts provision for adjusted distribution of ad valorem taxes was not adhered to during the fiscal year.

Provision Number 8 of the contracts state the following:

“The amount paid to the *service provider* **will be** adjusted bi-annually on January 1st and on June 30th without consequence to contract auto-renewal. This amount paid will be recalculated based on the actual Ad Valorem Tax Collections and service calls provided for the preceding six to twelve months using the formula attached as Exhibit A.”

- The amount distributed does not appear to have been adjusted in accordance with this provision from the prior year, fiscal year 2017-2018, nor has it been adjusted in the subsequent fiscal year.
- The provision to adjust the distribution of ad valorem taxes was discussed in the District Board minutes of fiscal year 2018-2019; however, the contracted amount for each service provider has not been adjusted as of the audit date.

Cause of Condition: The District has not designed and implemented policies and procedures to ensure the District complies with all provisions of the service provider contract, including and includes a “non-appropriation” clause or a provision for mutual ratification of renewal.

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Effect of Condition: These conditions resulted in noncompliance with the Oklahoma Constitution and the AG opinion, noncompliance with the provision in the contracts with service providers, and could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the District develop policies and procedures to ensure the District Board complies with provisions of the service provider contracts.

Further, OSAI recommends contracts between the District and service provider contain a “non-appropriation clause” or a provision for mutual ratification of renewal in accordance with the Oklahoma Constitution and 2002 OK AG 43.

Management Response:

Chairman of the Board: Per the action taken by the Board with the service providers in the December 17, 2019 Board meeting, the Board approved the verbiage change in the contracts from “will be” to “ may be adjusted bi-annually on January 1st and on June 30th” and the contract amounts were approved for the service providers for a six month period to end June 30, 2020.

Criteria: GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements. Some entities may set objectives to a higher level of performance than established by laws and regulations.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

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

Furthermore, to comply with the provision of Article 10§26 (a) of the Oklahoma Constitution, contracts should contain a “non-appropriation clause” or a provision for mutual ratification of renewal as to not constitute debt.

[... N]o county, city, town, township, school district, or other political corporation, or subdivision of the state, shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for such year without the assent of three-fifths of the voters thereof, voting at an election, to be held for that purpose[...].

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The Office of Attorney General officially opined, in 2002 OK AG 43;

“A contractual provision for mutual ratification of renewal provides that a “multi-year contract [...] is only effective for the first year” and that, “thereafter, on an annual basis, each party to the contract must act to confirm continuance of the contract for another year”.

Finding 2019-004 – Internal Controls Over the Bank Reconciliation and Financial Accounting Process (Repeat Finding)

Condition: Based on inquiry of District Board members, and observation of the bank reconciliation and financial accounting process, the following weaknesses were noted:

- Bank statements were received, and reconciliations were performed by the Administrative Clerk.
- The preparer did not sign or date the bank statement reconciliations.
- The Board did review the monthly financial statement reconciliations; however, the bank statements and reconciliations were not presented in the Board meetings for the Board’s review and approval.
- The monthly financial information for January 2019 for the ICS account was not located.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that bank reconciliations are signed and dated by the preparer and all monthly financial information is documented, reviewed, and approved by the District Board as evidenced by the monthly Board minutes.

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

Recommendation: OSAI recommends the preparer sign and date the bank reconciliations and that all financial information, including the monthly bank statements be provided to the District Board and reviewed and approved in the monthly Board meetings.

Management Response:

Chairman of the Board: Per the action taken by the Board in the December 17, 2019 Board meeting, the Board now receives a copy of the bank statements, reconciliations and a print out of transactions from the Administrative Clerk that they will review and approve by signature of the documents.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization

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through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Controls over information processing

A variety of control activities are used in information processing. Examples include edit checks of data entered; accounting for transactions in numerical sequences; comparing file totals with control accounts; and controlling access to data, files, and programs.

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