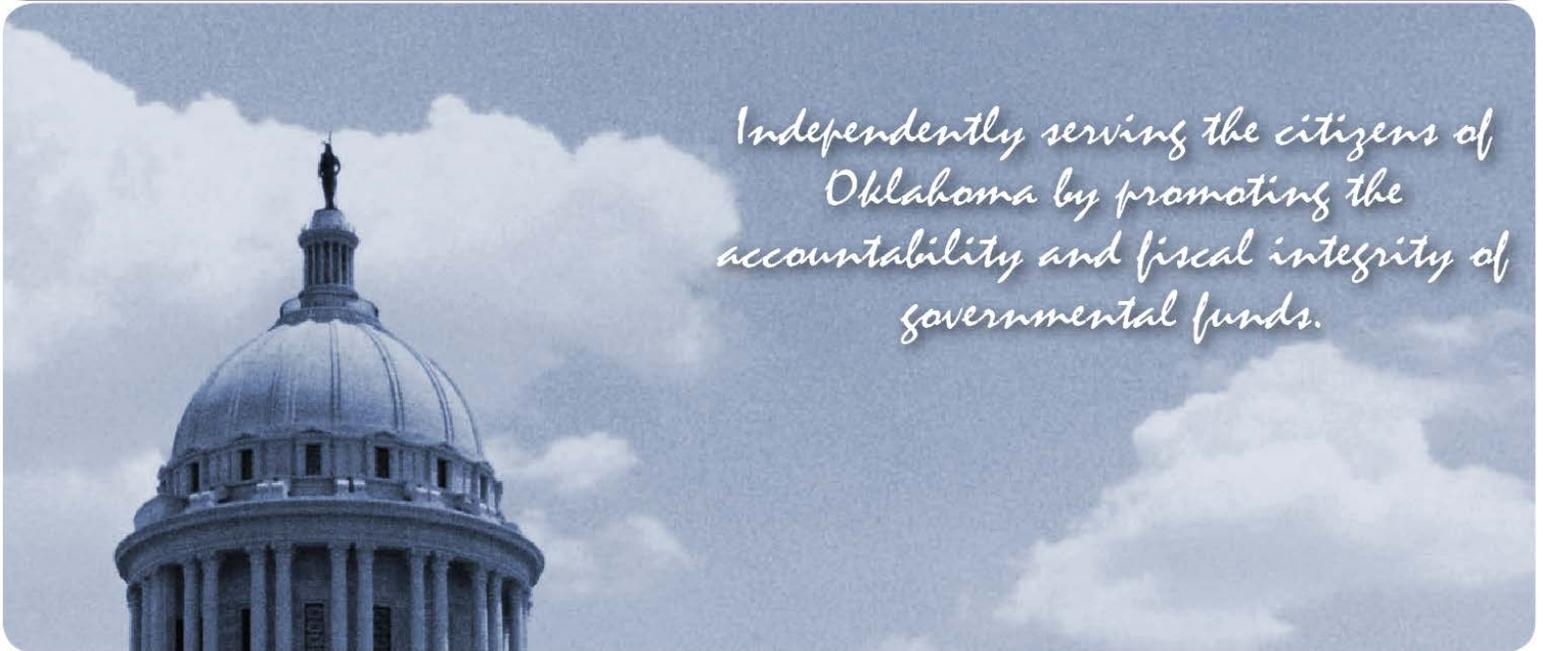


STATUTORY REPORT

BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT

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

**BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

July 27, 2017

**TO THE BOARD OF DIRECTORS OF THE
BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Blaine County 522 Emergency Medical Service District 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 tail on the letter "s".

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

**BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2016

	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ 101,445
Collections	
Ad Valorem Tax	126,371
Total Collections	<u>126,371</u>
Disbursements	
Contract Services	124,125
Maintenance and Operations	2,325
Audit Expense	5,723
Total Disbursements	<u>132,173</u>
Ending Cash Balance, June 30	<u>\$ 95,643</u>

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



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Blaine County 522 Emergency Medical Service District
521 E. 7th
Watonga, Oklahoma 73772

TO THE BOARD OF DIRECTORS OF THE BLAINE COUNTY 522 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 2016 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Blaine County 522 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 Blaine County 522 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 Blaine County 522 Emergency Medical Service District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

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

May 23, 2017

**BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-1 – Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account (Repeat Finding)

Condition: For the fiscal year ended June 30, 2016, Blaine County 522 Emergency Medical Service District (the District) did not appropriate the mandatory one-tenth mill to the audit expense budget account.

- The Estimate of Needs did not reflect an amount appropriated for the audit expense budget account.
 - The current year appropriations of the audit expense budget account should have been calculated as \$5,182.83.
 - The cumulative audit expense budget account including prior year funds not carried forward is underfunded in the amount of \$11,718.35.

Cause of Condition: 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 the state statute and the underfunding of the audit expense budget account in the amount of \$11,718.35.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that 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:

Chairman of the Board: The Board has been made aware of the one-tenth mill mandatory audit expense account. The Board will discuss with the budget maker concerning a separate line item for audit expense and to use actual dollar amounts calculated on the Estimate of Needs.

Criteria: 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...”

Finding 2016-2 – Inadequate Internal Controls and Noncompliance Over Board Meeting Documentation

Condition: The Board meets each quarter for regularly scheduled meetings. Additionally, the Board met for one special meeting during the fiscal year. Upon inquiry of the Secretary/Clerk of the Board and review of the District Board minutes, we noted the following exception:

**BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
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- Minutes for the special meeting were not formally documented or approved by the Board for the District Board meeting on March 7, 2016.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls over the documentation of the District Board minutes in accordance with the state statute.

Effect of Condition: This condition resulted in noncompliance with the state statute regarding the Open Meeting Act concerning the existence and retention of Board meeting minutes. Failure to provide adequate internal controls over documentation and approval of District Board minutes could result in inaccurate records.

Recommendation: OSAI recommends the District maintain written minutes in a safe and secure location for all Board meetings to ensure compliance with Title 25 O.S. § 312.A.

Management Response:

Chairman of the Board: The Board has been made aware of noncompliance of Board meeting documentation concerning the special meeting of March 7, 2016, and will not repeat this error in the future.

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

Further, Title 25 O.S. § 312.A states, “The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.”

Finding 2016-3 – Inadequate Internal Controls Over Disbursements (Repeat Finding)

Condition: Although the District has made efforts to implement mitigating controls including checks signed by two Board members and bank statements mailed to and reviewed by the Chairman, a concentration of duties and responsibilities continues to exist within the duties of the Board Secretary/Clerk. While gaining an understanding of the disbursement process of the District, it was noted that the Board Secretary/Clerk performs the following duties which are not properly segregated:

- Initiates requests for services,
- Compares good/services received to invoice,
- Prepares checks,
- Posts disbursements to accounting records, and
- Mails checks to vendors.

**BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT
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The District issued nine (9) checks for disbursement during the fiscal year and the following exceptions were noted:

- The District has not developed procedures for utilizing a claim form or receiving document for disbursements.
- Five (5) disbursements tested did not have an independent verification of goods/services received.
- The District's calculation of four (4) contract payments was not supported by the quarterly disbursements made to the contractor.

Cause of Condition: The District has not fully designed and implemented policies and procedures to sufficiently segregate the disbursement process. Policies and procedures have not been designed to ensure all disbursements are filed with sufficient documentation to support the receipt of goods and/or services and the calculation of contract payments.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, execution of transactions, inadequate documentation of the calculation of contract payments and independent verification of goods/services received of could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the District Board implement 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 management review and approve accounting functions, such as a board member reviewing and approving invoices.

Also, OSAI recommends the District design and implement policies and procedures to ensure that all disbursements have evidence of receiving goods and services and documentation of the calculation of quarterly contract payments.

Management Response:

Chairman of the Board: The Board has been made aware of inadequate internal controls over disbursements. The Board will designate a Board member other than the Secretary/Clerk to receive and sign invoices presented for payment. In regular meetings, the Board will approve payments that match invoices presented for payment.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting. Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse, evidence that goods and or services have been received, and documentation of the calculation of quarterly contract payments.

**BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Finding 2016-4 – Inadequate Internal Controls and Noncompliance Over Contract Services

Condition: While reviewing the ambulance service contracts between the District with the Okeene Emergency Medical Service District and the City of Watonga, the following exceptions were noted:

- The contract with the Okeene Emergency Medical Service District, dated July 22, 2013 was not renewed annually as was specified within the contract, and was terminated in April, 2016.
- The District’s contract requirements with regard to making payments to the Okeene Emergency Medical Service District resulted in the District paying \$6,516.10 more than the amount calculated for services for the period.

Subsequent to the termination of contract with the Okeene Emergency Medical Service District, the District entered into a “temporary agreement” with the City of Watonga on April 18, 2016, as follows:

“This agreement serves as a temporary agreement between Blaine County 522 EMS District (central) and the City of Watonga Ambulance Service to provide ambulance service to the Blaine County 522 EMS District area beginning April 18, 2016. This is only a temporary agreement until a more suitable agreement/contract between both parties can be established.”

- No formal contract has been approved by both parties which designates the terms and conditions of each party, including the service to be provided by the City of Watonga and the payments to be made by the District.
- As of the date of this audit, the City of Watonga and Blaine County 522 Emergency Medical Service District continue to operate without a formal contract that has been signed and approved by both parties.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the District adhered to the terms of the ambulance service contracts. Additionally, policies and procedures have not been designed and implemented to ensure the contracts are properly executed.

Effect of Condition: These conditions resulted in noncompliance of the ambulance service contract terms and could result in misappropriation of funds with regard to the amount of the contract and the execution of the contract between the District and the Contractor.

Recommendation: OSAI recommends the Board design and implement policies and procedures to ensure compliance with the terms and conditions of ambulance service contracts and to ensure the contract is properly executed.

**BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Management Response:

Chairman of the Board: The Board has been made aware of inadequate internal controls and noncompliance over contract services. The Board will meet with the ambulance service provider and agree on services to be provided. We will develop a formal contract for the fiscal year beginning July 1, 2017 extending through June 30, 2017, that is renewed on a fiscal year basis, thereafter.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. 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/or misappropriation of funds. Key factors in this system would include management ensure the provisions of the ambulance service contract are met and contracts are completed in their entirety and executed between the intended parties.

Further, Article 10 § 9C (a) states in part, "The district board of trustees shall have the additional powers to hire a manager and appropriate personnel, contract, organize, maintain or otherwise operate the emergency medical services...."



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