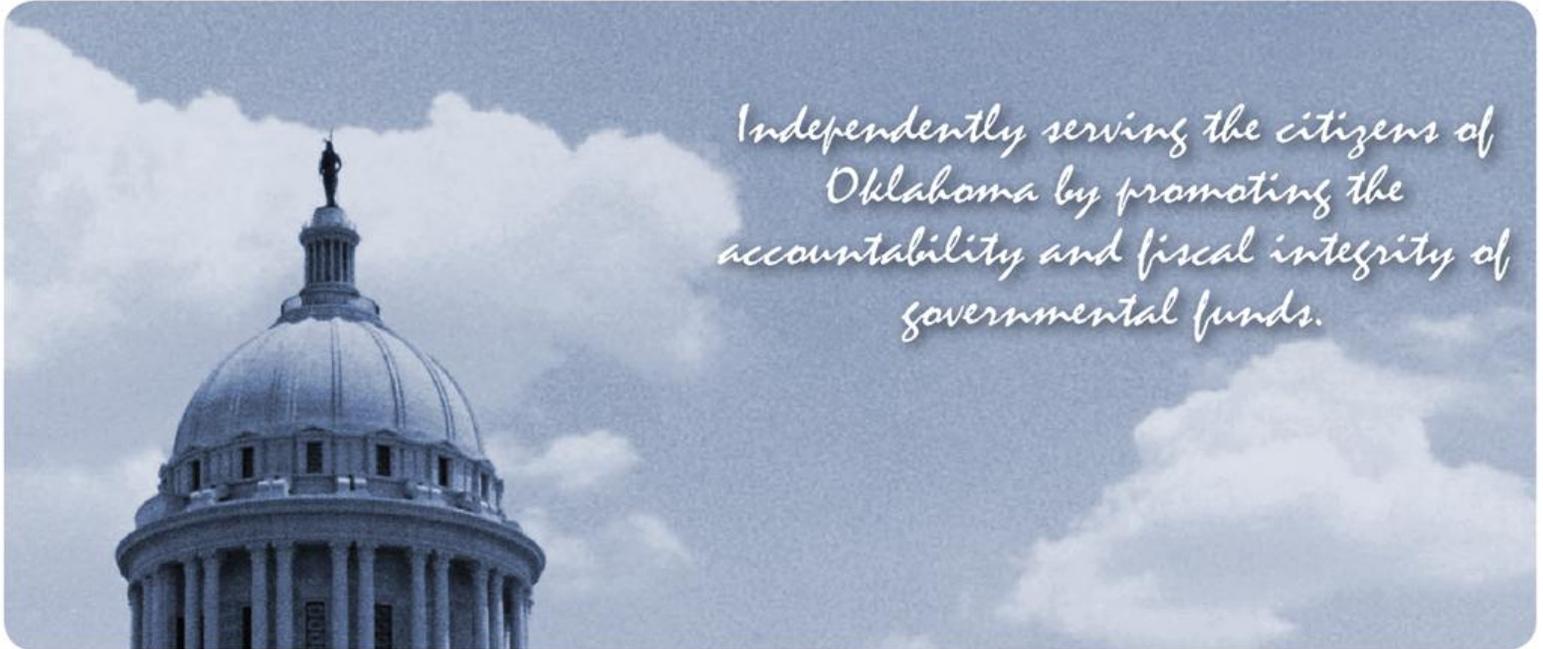


STATUTORY REPORT

CLEORA EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2015



*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

**CLEORA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

November 16, 2016

**TO THE BOARD OF DIRECTORS OF THE
CLEORA EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Cleora Emergency Medical Service District for the fiscal year ended June 30, 2015.

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 fluid and cursive.

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

**CLEORA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2015

	<u>FY 2015</u>
Beginning Cash Balance, July 1	<u>\$ 260,756</u>
Collections	
Ad Valorem Tax	114,743
Miscellaneous	<u>8,576</u>
Total Collections	<u>123,319</u>
Disbursements	
Maintenance and Operations	124,549
Capital Outlary	<u>17,050</u>
Total Disbursements	<u>141,599</u>
Ending Cash Balance, June 30	<u><u>\$ 242,476</u></u>

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



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Cleora Emergency Medical Service District
P.O. Box 745
Langley, Oklahoma 74350

TO THE BOARD OF DIRECTORS OF THE CLEORA 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 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 whether the District's collections, disbursements, and cash balances for FY 2015 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Cleora 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 Cleora 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 Cleora 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 fluid and cursive, with the first name "Gary" being the most prominent.

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

October 10, 2016

**CLEORA EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-1 - Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account

Condition: The District did not appropriate the mandatory one-tenth of one mill to the audit expense account.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 19 O.S § 1706.1.

Effect of Condition: This condition resulted in noncompliance with state statute and under-funding of the audit expense account.

Recommendation: The Oklahoma State Auditor & 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 account, and that any unused portion be carried forward into the next year audit expense account in accordance with 19 O.S. § 1706.1.

Management Response:

District Chairman: Management was unaware that we had to have a separate audit for the District and CEMSA and therefore, had historically had a combined GAAP audit performed by an independent auditor. These audits were all paid for timely and at no time were the cash balances less than one-tenth of one mill had the District had a separate audit. However, starting July 1, 2015, the District has started maintaining its books separate from CEMSA and the one-tenth of one mill has been segregated out as a liability in compliance with 19 O.S. Section 1706.1.

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, “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 shall henceforth be restricted to and used only for audit survey and reporting receipt, disbursement and management of emergency medical service district affairs financed by ad valorem levy and miscellaneous revenues other than ad valorem taxation accruing to the general fund of the emergency medical service district, whether such audit be in the performance of duties charged to the State Auditor and Inspector and instigated at the State Auditor and Inspector’s own initiative and directive, on request of the board of trustees of the emergency medical service district, on request of the board of county commissioners of such county or on order of the Governor as provided by Section 212 of Title 74 of the Oklahoma Statutes. If, after

**CLEORA EMERGENCY MEDICAL SERVICE DISTRICT
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completion of audit of all emergency medical service district accounts so financed, and report thereof, including report of audit of cash funds where possible, as provided by this section, unless there be directive from the Governor for other and/or further inquiry, the board of trustees of the emergency medical service district may, upon certificate of completion by the State Auditor and Inspector, request that any unexpended and unencumbered balance of appropriation therein be, by the board of trustees of the emergency medical service district, lapsed and canceled and the revenues restricted thereby revert to surplus, available for appropriation to any lawful emergency medical service district purpose.”

Finding 2015-2 – Lack of Contract Renewal and Provisions

Condition: In May of 2006, Cleora Emergency Medical Service District (hereinafter referred to as the District) entered into a contract with Cleora Emergency Medical Services District Trust (hereinafter referred to as CEMSA). Under this contract the District agreed to remit or cause to be remitted any and all proceeds of the tax levy to CEMSA. CEMSA agreed to receive the proceeds of the tax levy and to use these revenues to carry out the operation of the District for the residents of the Cleora School District.

This contract has not been renewed since it was originally signed in May of 2006. Additionally, as the 2006 contract reads CEMSA is to receive any and all proceeds of the tax levy; however, Title 19 O.S. § 1706.1, requires the District to budget the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.

Cause of Condition: The District Board is inactive and the CEMSA Board was unaware the contract must be renewed on an annual basis and that one-tenth mill must be budget by the District for audit expenses.

Effect of Condition: CEMSA is receiving ad valorem remittances based on a contract that has not been renewed in nine years, which resulted in noncompliance with state statute and could result in the misappropriations of assets.

Recommendation: OSAI recommends an active District Board be established, the contract between the District and the Trust be updated to ensure compliance with 19 O.S. § 1706.1, and the contract be renewed on an annual basis to ensure compliance with 62 O.S. § 479.

Management Response:

District Chairman: Management believed that the contract renewed automatically each year and that the audit fee was being paid for by CEMSA. Management is in the process of updating the contract to require annual approval by both Boards to renew the contract. In addition, management is looking to create an amendment to the contract to clarify that the District is to remit all tax levy funds, net of the one-tenth of one mill for the audit and the any revaluation amounts as required by the Counties, to CEMSA.

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Criteria: Effective internal controls require that management properly implement procedures to ensure that that contracts are reviewed and approved in accordance with 62 O.S. § 479.

Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.

Finding 2015-3 – Improper Legal Structure of the Cleora Emergency Management District

Condition: On November 2, 2004, the qualified voters within the Cleora School District approved and authorized an annual recurring tax levy of three (3) mills on the dollar of the assessed valuation of all taxable property within the Cleora School District and the Cleora Emergency Medical Service District (District) was therefore established under Section 9c, Article 10 of the State of Oklahoma Constitution. Section 9c, Article 10 requires that each emergency medical district (EMS) have a board of trustees of not less than five members and provides the board with the “powers and duty to promulgate and adopt rules, procedures and contract provisions necessary to carry out the purposes and objectives of these provision, and shall individually post such bond as required by the county commissioners, which shall not be less than Ten Thousand Dollars (\$10,000.00).”

In June 2005, CEMSA was created under the provisions of 60 O.S. § 176 to 180.4 and a seven member trustee board was established.

In May of 2006, a contract was entered into by and between the District and CEMSA. Under this contract the District agreed to remit or cause to be remitted any and all proceeds of the tax levy to CEMSA. CEMSA agreed to receive the proceeds of the tax levy and to use these revenues to carry out the operation of the District for the residents of the Cleora School District. This contract has not been renewed in subsequent years.

At this time, it appears that the District Board is either non-existent or has been absorbed by CEMSA’s Board as the District is not:

- Receipting ad valorem collections,
- Remitting ad valorem to CEMSA,
- Maintaining any financial records other than the Estimate of Needs, or
- Maintaining board minutes.

Additionally, it appears that all transactions regarding ad valorem collections are made by CEMSA.

Cause of Condition: The members of the CEMSA Board were unaware that a District Board:

- Must be established and members of the board be bonded,
- Is the only entity allowed to receive and account for the ad valorem collections obtained in accordance with the November 2, 2004 ballot forming the District,
- Is the only entity allowed to remit ad valorem collections to the CEMSA in accordance with the May 2006 contractual agreement, and

**CLEORA EMERGENCY MEDICAL SERVICE DISTRICT
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- Must keep and maintain complete records of the Board meeting minutes and financial records.

Effect of Condition: This condition resulted in noncompliance with the Constitution of the State of Oklahoma, the special election ballot of November 2, 2004, the May 2006 contractual agreement with the CEMSA, and could result in the non compliance with state statute and the misappropriation of assets.

Recommendation: OSAI recommends that a District board be established, the District implement policies and procedures designed to ensure that ad valorem tax collections will be deposited into a bank account belonging to the District, the District disburse ad valorem collections in accordance with the contract between the District and CEMSA, and the District maintain minutes of the board meetings and financial records of all transactions.

Management Response:

District Chairman: As the Board for the District and CEMSA are comprised of the same individuals, the Boards combined the meetings into one meeting and maintained combined minutes. However, starting in the second half of 2015, two separate meetings were held and separate minutes for each meeting, District and CEMSA, are now being maintained. In addition, starting July 1, 2015, the District started maintaining stand-alone books and opened a separate bank account during the third quarter of 2015. All tax levy receipts from the Counties are deposited into this account and the District remits the tax levy income in excess of the one-tenth of one mill audit fee and the revaluation estimate to the CEMSA to operate the ambulance under the contract.

Management believed that the District was covered by a blanket \$100,000 bond as required by Section 9c, Article 10. However, upon follow up with our insurance agent, we learned that the existing bond covers the Trust, not the District. Therefore, we are in the process of obtaining the required bonding for the District.

Criteria: Internal controls would include the District Board existing and operating as a separate entity per the Constitution of the State of Oklahoma and all transactions regarding ad valorem collections and remittance be approved by the District Board.

Article 10, Section 9c of the State of Oklahoma Constitution requires in part that each emergency medical district (EMS) have a board of trustees of not less than five members and provides the board with the “powers and duty to promulgate and adopt rules, procedures and contract provisions necessary to carry out the purposes and objectives of these provision, and shall individually post such bond as required by the county commissioners, which shall not be less than Ten Thousand Dollars (\$10,000.00).”

The special election ballot of November 2, 2004 allowed for the collection of an annual recurring tax levy of three (3) mills on the dollar of the assessed valuation of all taxable property within the Cleora School District to be remitted to the District.

The May 2006 contract between the Cleora Emergency Medical Service District and the Cleora Emergency Medical Services District Trust” reads, in relevant part, “The District hereby agrees to remit, or cause to be remitted, any and all of the proceeds of the Tax Levy to the Trust.”



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV