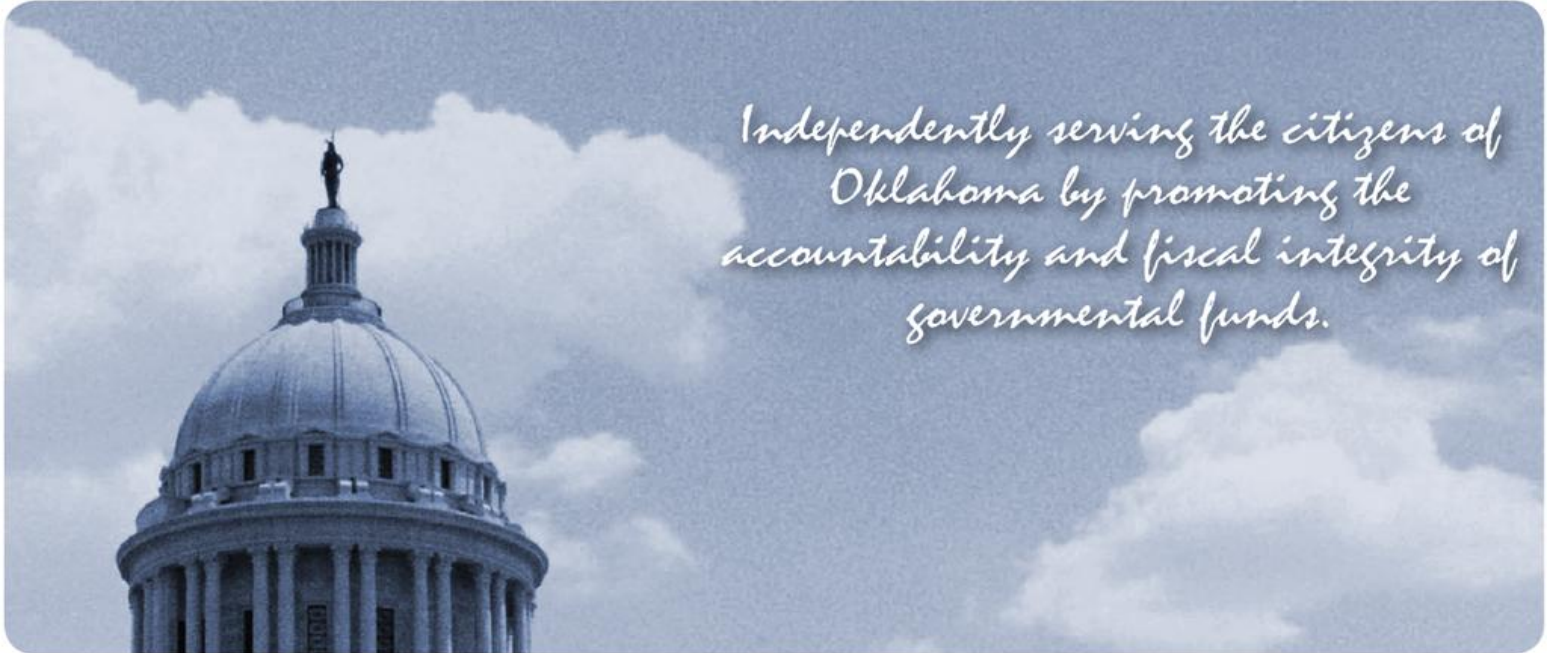


STATUTORY REPORT

COAL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period of July 1, 2013 through 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

**COAL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

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Oklahoma State Auditor & Inspector

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

February 21, 2017

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

Transmitted herewith is the audit report of Coal County Emergency Medical Service District for the period of July 1, 2013 through 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 fluid and cursive, with the first name "Gary" being the most prominent.

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

**COAL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2016**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2014, FY 2015 and FY 2016 as Reported on the Estimate of Needs

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ 295,846	\$ 115,617	\$ 134,226
Collections			
Ad Valorem Tax	240,985	290,653	296,067
* Sales Tax	-	-	19,053
Miscellaneous	89	38	49
Total Collections	<u>241,074</u>	<u>290,691</u>	<u>315,169</u>
Disbursements			
Contract for Services	416,667	266,667	350,000
Maintenance and Operations	4,636	4,455	5,293
Audit Expense	-	960	-
Total Disbursements	<u>421,303</u>	<u>272,082</u>	<u>355,293</u>
Ending Cash Balance, June 30	<u>\$ 115,617</u>	<u>\$ 134,226</u>	<u>\$ 94,102</u>

Presentation of Collections, Disbursements, and Cash Balances of District County Sales Tax for FY 2014, FY 2015 and FY 2016 Not Reported on the Estimate of Needs

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ 102,154	\$ 98,152	\$ 26,838
Collections			
Sales Tax	85,986	120,353	111,823
Total Collections	<u>85,986</u>	<u>120,353</u>	<u>111,823</u>
Disbursements			
Contract for Services	83,333	191,667	-
Audit Expense	6,655	-	-
Total Disbursements	<u>89,988</u>	<u>191,667</u>	<u>-</u>
Ending Cash Balance, June 30	<u>\$ 98,152</u>	<u>\$ 26,838</u>	<u>\$ 138,661</u>
Combined Funds Ending balance	<u>\$ 213,769</u>	<u>\$ 161,064</u>	<u>\$ 232,763</u>

*The collections and disbursements as presented above reflect county sales tax collected and disbursed separately from the amounts reported on the Estimate of Needs. However, FY 2016 reflects July 2015 sales tax collections which were appropriated into the EMS-2 Account – Maintenance and Operations in error. See Finding 2016-2 for details.



Oklahoma State Auditor & Inspector

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Coal County Emergency Medical Service District
3 South Main
Coalgate, Oklahoma 74538

TO THE BOARD OF DIRECTORS OF THE COAL 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 2014, FY 2015 and FY 2016 were accurately presented on the estimate of needs.

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

January 18, 2017

**COAL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

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

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. We noted the following variances:

Fiscal Year	Amount Lapsed	1/10th of one Mill	Less Checks Issued to SA&I	Ending Balance Should be	District's Ending Balance	Variance Over/(Under)
FY 2014	\$0.00	\$8,186.92	\$6,654.54	\$1,532.38	\$0.00	(\$1,532.38)
FY 2015	\$1,532.38	\$9,179.40	\$960.00	\$9,751.78	\$0.00	(\$9,751.78)
FY 2016	\$9,751.78	\$9,269.74	\$0.00	\$19,021.52	\$0.00	(\$19,021.52)

It was further noted that the District has not carried forward the balance into the audit expense budget account each fiscal year. As a result, the District's balance in the audit expense budget account as of June 30, 2016 was \$0.00. However, the correct balance should have been \$19,021.52. This resulted in an understatement in the amount of \$19,021.52.

Additionally, we noted a disbursement for audit expense in the amount of \$960.00 was made from the maintenance and operations account category for the fiscal year 2014-2015 and a disbursement for audit expense was made from the County Sales Tax fund in the amount of \$6,654.54 in the 2013-2014 fiscal year; however, this expense should have been posted to the audit expense budget account.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the audit expense budget account is accurately budgeted in accordance with statutory requirements.

Effect of Condition: These conditions resulted in noncompliance with the state statute and the audit expense budget account being underfunded at the end of each year.

Recommendation: OSAI recommends the District implement a system of internal controls to provide reasonable assurance 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:

Board Chairman: Management will address this problem by implementing a system of internal controls to provide reasonable assurance that the audit expense budget account is accurately budgeted in accordance with statutory requirements.

**COAL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2016**

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.

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 2 – Inadequate Internal Controls and Noncompliance Over County Sales Tax and Estimate of Needs (Repeat Finding)

Condition: The District receives 12% of a one cent county sales tax. The County sales tax is accounted for in a separate fund by the Coal County Clerk and Coal County Treasurer. The Board of County Commissioners approves the purchase orders submitted for payment for the County Sales Tax fund. During the period audited, the District’s Estimate of Needs did not reflect the revenues received and disbursements made from the County Sales Tax fund as follows:

Fiscal Year	Beginning Balance	Sales Tax Receipts	Disbursements	Ending Balance
2013-2014	\$102,154.35	\$85,985.66	\$89,988.04	\$98,151.97
2014-2015	\$98,151.97	\$120,352.87	\$191,667.00	\$26,837.84
2015-2016	\$26,837.84	\$111,823.04	\$0.00	\$138,660.88

Additionally, for the 2015-2016, the District’s Estimate of Needs did reflect \$19,053.01 of the \$111,823.04 total for county sales tax receipts; however, that amount was also appropriated to the EMS-2 Account – for maintenance and operations as well as the EMS-3 Account – Sales Tax Account, thus overstating the appropriations in the EMS-2 Account for maintenance and operations.

Cause of Condition: Policies and procedures have not been designed and implemented to account for county sales tax in the District’s Estimate of Needs in accordance with state statute.

Effect of Condition: The District’s Estimate of Needs for the period under review did not reflect the complete financial condition of the District.

Recommendation: OSAI recommends the District ensure the Estimate of Needs is prepared in such a manner that the complete financial situation of the District is presented. Specifically, county sales tax received and disbursed by the District should also be accounted for by the District in the Estimate of Needs in accordance with 19 O.S. § 1702.

Management Response:

Board Chairman: Management has addressed this issue with the Board of Coal County Commissioners in the past and will address the issue in the future.

**COAL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2016**

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. § 1702 states in part that District should "...3. Make available to the public and investors sufficient information as to the financial conditions, requirement and expectations of the district..."

To provide complete disclosure of all financial activity, the District should include the county sales tax activity in the District's budget.

Finding 2016-3 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry and observation of the disbursement process and test of twenty-one (21) purchases orders issued for the period, we noted the following exceptions:

Fiscal Year 2014-2015

- Two (2) purchase orders did not have receiving reports nor were the invoices signed off on as evidence of the receipt of goods and/or services.
- Two (2) purchase orders could not be traced to the District's Board Minutes due to the District not being able to locate the Minutes for this meeting date.

Fiscal Year 2015-2016

- One (1) purchase order did not have evidence that the goods and/or services were received.
- One (1) purchase order could not be traced to the District's Board Minutes.

Cause of Condition: Policies and procedures have not been designed to ensure all disbursements are approved as a District expense by the Board and initials and date documented as evidence that goods and/or services have been received.

Effect of Condition: This condition could result in inaccurate records, incomplete information, or the misappropriation of assets.

Recommendation: OSAI recommends that the District implement policies and procedures to ensure all disbursements are approved prior to payment of that expenditure and initials and date documented as evidence that goods and /or services have been received.

Management Response:

Board Chairman: Management agrees with OSAI and will implement policies and procedures to ensure all disbursements are approved as a District expense by the Board and evidence that goods and/or services were received.

**COAL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2016**

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. A key factor in this system is ensuring all disbursements have proper approval prior to payment of expenditure and evidence documented, that goods and/or services have been received.

Finding 4 – Inadequate Internal Controls and Noncompliance Over District Board Meeting Minutes and Public Notices

Condition: Upon review of the District's Board meeting minutes, the following weaknesses were noted:

- Board minutes for September 3, 2014 could not be located.
- Board minutes for October 2, 2014 could not be located.

Additionally, Board Meeting Agendas (Public Notices) were not maintained for the following dates:

- September 11, 2013
- November 6, 2013
- January 8, 2014
- March 13, 2014
- May 14, 2014
- May 21, 2014

Further, Board minutes and public notices were not signed as approved by the Board Chairman or the Secretary of the Board.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with state statutes regarding the Open Meetings Act. The District failed to ensure that Board meeting minutes were maintained in a safe and secure location and Board meeting agendas (public notices) were not maintained with the Board minutes.

Effect of Condition: These conditions resulted in noncompliance with the state statutes regarding the Open Meetings Act and resulted in incomplete records with regard to documenting the activities of the Board and evidence that Board Agendas gave public notice of the meetings.

Recommendation: OSAI recommends that Board adhere to 25 O.S. § 312(a) regarding meeting minutes being reviewed for accuracy and signed as verification of this review. OSAI also recommends the District Board meeting minutes and public notices be maintained in a safe and secure location to document that the activities of the Board were to be held in an open public meeting in accordance with 25 O.S. § 311.A.9.

Management Response:

Board Chairman: The Board will correct this condition immediately.

**COAL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2016**

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.

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.”

Title 25 O.S. § 311.A.9 states in part, “In addition to the advance public notice in writing required to be filed for regularly scheduled meetings, all public bodies shall, at least twenty-four prior to such meetings, display public notice of said meeting setting forth thereon the date, time place and agenda for said meeting....”

Finding 5 – Inadequate Internal Controls Over the District’s Service Provider Contracts

Condition: Upon inquiry and observation of the District’s service provider contracts with the City of Coalgate, we noted the following exceptions:

- The contract for fiscal year 2013-2014 could not be located by the District.
- The contract for fiscal year 2014-2015 required the District to pay \$500,000 in three payments to the City of Coalgate for contractual services; however, the District paid \$266,667 from the District fund and \$191,667 from the County Sales Tax fund for a total of \$458,334 for the period. Thus the District underpaid in the amount of \$41,666.
- The contract for fiscal year 2015-2016 required the District to pay \$500,000 in three payments to the City of Coalgate for contractual services; however, the District paid \$350,000 from the District fund. Thus the District underpaid in the amount of \$150,000.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure contracts were maintained in a secure location and District compliance with contractual obligations.

Effect of Condition: These conditions resulted in noncompliance with contractual obligations for the fiscal year 2014-2015 and 2015-2016 and could result undetected errors or misappropriation of funds.

Recommendation: OSAI recommends that the District implement a system of internal controls to ensure the District is in compliance with their contractual obligations with regard to maintaining the contracts and meeting the financial obligations of the contractual agreements.

**COAL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2016**

Management Response:

Board Chairman: Management will address this condition and ensure the contracts are maintained and that the contractual agreements are met.

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.

Finding 6 – Inadequate Internal Controls Over the Transfer of District Fixed Assets (Repeat Finding)

Condition: Based on discussion with the Chairman of the District and the Coalgate City Manager, the District transferred equipment belonging to the District to the City of Coalgate around April of 2016.

The Chairman stated the District had one ambulance on the District fixed assets inventory, and they transferred it to the Coal County Emergency Management.

Through review of the District’s Board minutes, the only indication of disposing of fixed assets was a transfer in the June 29, 2016 Board Minutes, which stated,

“Approval of a transfer of Unit #13 (2004 Ford Ambulance) to the Coal County Emergency Management which depletes EMS Inventory.”

Board minutes did not reflect that all other fixed assets were transferred to the City of Coalgate, nor was there any indication of the transfer on inventory records.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the transfer of fixed assets inventory is properly documented in the District’s Board minutes.

Effect of Condition: This condition could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or possible loss of the District’s fixed assets.

Recommendation: OSAI recommends that policies and procedures be designed and implemented to ensure the transfer of fixed assets inventory is properly documented in the District’s Board minutes.

OSAI further recommends that steps be taken in an open meeting to formally transfer those inventory items given to the City of Coalgate in April 2016.

Management Response:

Board Chairman: Management will properly document the transfer of fixed assets in the District’s Board Minutes.

**COAL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2016**

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.



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