



ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Cindy Byrd, CPA | State Auditor & Inspector

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April 16, 2021

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

Transmitted herewith is the audit report of Ellis County Emergency Medical Service District for the fiscal year ended June 30, 2020.

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



**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2020

	<u>General Fund</u>	<u>Sales Tax Revolving Fund</u>
Beginning Cash Balance, July 1	\$ 1,170,264	\$ 579,215
Collections		
Ad Valorem Tax	410,127	-
Charges for Services	276,015	-
Miscellaneous	317,705	1,868
Sales tax Reimbursement	308,147	-
CARES Act - PPP Loan	131,575	-
CARES Act - Provider Relief Funds	14,641	-
Sales Tax Revenue	-	263,115
Total Collections	<u>1,458,210</u>	<u>264,983</u>
Disbursements		
Personal Services	839,123	-
Maintenance and Operations	191,470	1,517
Capital Outlay	35,428	-
Reimbursement for Salaries	-	268,324
Audit Expense	<u>18,305</u>	<u>-</u>
Total Disbursements	<u>1,084,326</u>	<u>269,841</u>
Ending Cash Balance, June 30	<u>\$ 1,544,148</u>	<u>\$ 574,357</u>

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

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County Sales Tax

On February 10, 2015, Ellis County voters approved a 1% sales tax commencing on September 30, 2015 for five (5) years. The Ellis County Emergency Medical Service District (the District) receives 22% of the 1% percent sales tax for three (3) years; then beginning October 1, 2018, the District will receive 25% of one percent for two (2) years to be used for wages, maintenance and operations of Ellis County Emergency Medical Service.

For fiscal year 2020, the Ellis County Emergency Medical Service District was allocated \$264,983 in County Sales Tax and expended \$269,841 for the payroll, related salary expenses and maintenance and operations of the District. These funds were accounted for in the Ellis County Clerk's records as a cash fund entitled, Account 1303-3-8500-2005. The disbursement of these funds is approved on Ellis County purchase orders by the Ellis County Board of Commissioners.

Coronavirus Aid, Relief, and Economic Security (CARES) Act

Provider Relief Funds Phase 1 – CARES Act money distributed to healthcare providers who bill Medicare fee-for-service to provide financial relief during the coronavirus (COVID-19) pandemic. Funds were distributed by the Department of Health and Human Services (HHS) through the Health Resources and Service Administration. The District received \$14,641 in provider relief funds during the fiscal year.

Paycheck Protection Program (PPP Loan) – CARES Act money to provide up to 8 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The loan will be fully forgiven if at least 60% of the funds are used for payroll costs and the remaining funds, up to 40%, are used for interest on mortgages, rent, and utilities incurred during the 24-week period after receiving the PPP Loan. Funds were distributed by the Small Business Administration through any federally insured depository institution. The District received \$131,575 in the form of a PPP loan.

Ellis County Emergency Medical Service District
1201 East 1st Street
Shattuck, Oklahoma 73858

**TO THE BOARD OF DIRECTORS OF THE
ELLIS 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, 2020 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, 2020 were accurately presented on the estimate of needs.

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

February 22, 2021

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2020-001 – Lack of Internal Controls and Noncompliance Over the Open Meeting Act (Repeat Finding)

Condition: Upon review of Ellis County Emergency Medical Service District (the District) Board minutes and agendas, the following weaknesses and noncompliance with state statutes were noted:

- In one (1) instance, the Board discussed an item not listed on the agenda.
- In one (1) instance, the purpose of the executive session, did not appear to be a permitted use of executive session in accordance with the Open Meeting Act.
- In one (1) instance, the minutes did not reflect the Board’s decision from discussions in executive session in accordance with the Open Meeting Act.
- In eight (8) instances, the minutes were not signed by the Board.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure only items listed on the agenda are discussed, the proper use of executive sessions, the Board minutes record the Boards actions, and the Board minutes are signed.

Effect of Condition: These conditions resulted in noncompliance with the state statutes regarding the Open Meeting Act concerning only discussing items listed on the agenda, proper use of executive sessions, and recording the District Board’s actions.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the District Board comply with the Open Meeting Act and design and implement policies and procedures to ensure the Board only discusses items listed on the agenda, the proper use of executive sessions, and recording the District Board’s actions. Additionally, OSAI recommends the District Board sign the approved Board minutes to ensure the minutes are the original minutes approved by the Board.

Management Response:

Director: Management will work with the Board of Directors to implement and/or conform to policies and procedures to follow the Open Meetings Act. Our goal is to become compliant with all laws pertaining to us. We will continue to implement policies and procedures as needed and/or recommended by the Oklahoma State Auditor and Inspector’s Office. We will continue to act in good faith and keep in communication with the state auditors for questions, concerns and advice to all lawful policies and procedures. Management will follow lawful procedure of Board Meeting minutes being signed. Management will include times with a schedule of Board meetings.

Chairman of the Board: The Board of Directors will work in conjunction with management as a team to implement and comply with policies and procedures brought to the board and or passed by the Board of Directors. The Board of Directors will be more vigilant in signing Board meeting minutes. The Board of Directors will make sure management has placed times on Board meeting schedule.

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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.

The 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.

25 O.S. § 311(B)(1) states, “All agendas required pursuant to the provisions of this section shall identify all items of business to be transacted by a public body at a meeting including, but not limited to, any proposed executive session for the purpose of engaging in deliberations or rendering a final or intermediate decision in an individual proceeding prescribed by the Administrative Procedures Act.”

25 O.S. § 307 states in part: “A. No public body shall hold executive sessions unless otherwise specifically provided in this section.

B. Executive sessions of public bodies will be permitted only for the purpose of:

1. Discussing the employment, hiring, appointment, promotion, demotion, disciplining or resignation of any individual salaried public officer or employee;”

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 2020-004 – Lack of Internal Controls Over the Billing Process (Repeat Finding)

Condition: Upon inquiry of the District staff, observation of the billing process and a test of forty (40) ambulance runs, the following exceptions were noted:

- In three (3) instances, the fee charged by the third-party billing company did not agree to the fee calculated based upon the fees approved by the Board.
- The District Board elected to terminate their agreement with the third-party billing company and bill ambulance service runs inhouse beginning in July 2020; however, there was no evidence that ambulance service runs were billed and collected for the period of February 2020 to June 2020.

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Cause of Condition: The District has not completely designed and implemented policies and procedures to ensure all ambulance service runs are billed in accordance with the approved run rates and that ambulance service runs fees are collected in a timely manner.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, and the District under/over-billing for ambulance services.

Recommendation: OSAI recommends the District design and implement policies and procedures to review the third-party billing service records to determine the ambulance service runs were billed and amounts charged agree to the fee schedule. Further, OSAI recommends the Board take appropriate steps to determine if ambulance service runs are submitted for payment to the appropriate insurance companies and federal agencies.

Management Response:

Director: The District has since cut ties with the third-party billing service. Starting July 1st, 2020, the District brought billing in-house and created policies and procedures for billing.

Chairman of the Board:

The Board of Directors had approved and agreed with management that a change needed to be done and bringing billing and patient accounts receivable in-house was voted on and approved. The Board of Directors has since gotten updates every month on patient accounts receivable and has passed policies and procedures for billing within the past year.

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

Controls Over Information Processing

Management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made, and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

Establishment and review of performance measures and indicators

Management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made, and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

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Finding 2020-005 –Lack of Internal Controls and Noncompliance Over the Collections Process (Repeat Finding)

Condition: A test of the verification of four (4) dates of deposits to the receipts issued for the same date reflected the following weaknesses:

- In nine (9) instances, collections were deposited seven (7) business days or more after the funds were receipted.

Additionally, a test of twenty-seven (27) ad valorem tax and exempt manufacturing deposits reflected the following weakness:

- Receipts were not issued for ad valorem taxes and exempt manufacturing checks received from the County.
- In five (5) instances ad valorem checks and exempt manufacturing checks totaling \$124,201.55 were deposited seven (7) business days or more after being issued by the County.

Cause of Condition: The Board has not designed and implemented policies and procedures to issue receipts for all funds including ad valorem collections and to ensure collections are deposited timely.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in errors and improprieties, unrecorded transactions, and misappropriation of assets.

Recommendation: OSAI recommends the District issue receipts for all monies received and deposit collections daily as required by Title 62 O.S. § 517.3 B.

Management Response:

Director: Management will produce policies and procedures for the receipt of tax monies and proper handling of tax monies and deposits. Management will report monthly the financial status to the Board of Directors for approval. Management has brought patient accounts receivable and billing in-house and produced policies and procedures for billing. Receipts are now issued for every transaction, and the procedure of billing is to follow the state statutes.

Chairman of the Board: The Board will make sure management produces receipts for tax monies and await policies to approve for tax money handling and deposits. The Board feels the issue with patient account receipts is no longer present due to current policies and procedures approved by the Board of Directors.

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 through its final

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

The 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.

Title 62 O.S. § 517.3 B states in part: “The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office ...”

Finding 2020-006 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry of District staff and observation of the disbursement process, the following internal control weaknesses in the segregation of duties over office supplies was noted:

- The administrator ordered and received office supplies, prepared the purchase orders, and distributed the checks to the vendors.

Additionally, a test of fifty-eight (58) disbursements, which included twenty-three (23) credit card disbursements, noted the following weaknesses:

- In one (1) instance, neither the purchase order nor the supporting documentation could be located.
- In twenty-three (23) instances, adequate supporting documentation could not be located.
- In twenty-six (26) instances, there was no evidence of a receiving verification.
- In six (6) instances, the Board did not approve the disbursement.
- In four (4) instances, meals purchased using the District credit card were more than the meal policy approved by the Board.
- In four (4) instances, the District paid sales tax totaling \$29.01.
- In two (2) instances, the District paid interest on the District credit card balance totaling \$23.88.

Cause of Condition: The Board has not designed policies and procedures to segregate the duties of the purchasing process and to ensure all purchase orders and supporting documentation were maintained, purchases were supported with adequate documentation, the verification of goods and/or services received are documented, all disbursements are approved by the District Board, and disbursements follow the District’s established policies.

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Effect of Condition: These conditions resulted in noncompliance regarding the exemption of sales tax on purchases and 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 Board design and implement policies and procedures to ensure all purchase orders and documentation are maintained, purchases are supported with adequate documentation, and verification of goods and/or services received is documented, all disbursements are approved by the Board, and follow District policies. Additionally, OSAI recommends the Board design and implement policies and procedures to ensure the disbursement are an appropriate expenditure of the District.

Additionally, OSAI recommends the Board design and implement policies and procedures to avoid paying sales tax on goods purchased as provided by Title 68 O.S. § 1356 (1).

Management Response:

Director: Management will work to significantly improve handling of paperwork and documentation errors. Management will implement a system of filing that is in accordance with all standards. Management will re-evaluate purchasing procedures approved by the Board of Directors and maintain the policies set forth by the Board of Directors. Management will diligently focus on implementing accountability measures and structure of purchasing to involve a process of accountability so that the Administrator does not solely have control over purchasing, receiving, and approving disbursements. Management has implemented a receiving station that all packages and receiving reports must be accounted for and filled out by the Receiving Officer. There have been a few emergency instances that supplies, or parts have been needed and sales tax was paid. Management will work to improve on vendor selection and work with selected vendors to ensure tax exemption is in place before the purchase is made.

Chairman Response: The Board of Directors will improve accountability when presented paperwork at Board meetings. The Board of Directors will monitor the activities of the Administrator regarding paperwork and hold management accountable for any deviation of policies and procedures. The Board of Directors will advise management to use vendors that honor tax exempt status with the District. If management must go outside of these policies, the Board of Directors will make sure management has supporting documentation of why policies were averted at that time.

Criteria: The 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.

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

Policies & Procedures, Bylaws

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.

Title 68 O.S. § 1356 (1) states: “There are hereby specifically exempted from the tax levied by Section 1350 et seq. of this title:

Sale of tangible personal property or services to the United States government or to the State of Oklahoma, any political subdivision of this state or any agency of a political subdivision of this state; provided, all sales to contractors in connection with the performance of any contract with the United States government, State of Oklahoma or any of its political subdivisions shall not be exempted from the tax levied by Section 1350 et seq. of this title, except as hereinafter provided.”

Finding 2020-007 – Lack of Internal Controls Over the Accounting Process (Repeat Finding)

Condition: Upon inquiry of District staff and observation of financial information prepared by the CPA, the following weaknesses were noted regarding twenty-six (26) voided checks:

- In eleven (11) instances, checks totaling \$5,821.27 were voided due to the checks being a duplicate payment.
- In thirteen (13) instances, checks totaling \$22,749.46, were voided due to the checks being issued for the wrong amount.
- In one (1) instance, a check totaling \$1,306.33 was voided due to the check being issued to the wrong vendor.
- In one (1) instance, a check totaling \$16.25 was voided due to an overcharge; however, the voided check cleared the bank.
- In fourteen (14) instances, checks totaling \$6,630.66, approved voided by the Board were not voided in the accounting records.

Cause of Condition: The District Board has not designed and implemented policies and procedures to ensure checks are not duplicate payments and voided checks are not distributed for payment. Further, the District Board has not designed and implemented policies and procedures to ensure checks are issued for the correct amount and to the correct vendor, and the third-party CPA is notified of Board approved voided checks so as to account for the voided checks correctly in the accounting records.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors or misappropriation of funds not being detected in a timely manner.

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Recommendation: OSAI recommends the District Board design and implement policies and procedures to review disbursement information sent to the CPA to ensure checks are not duplicate payments, issued for the correct amount, and to the correct vendor. Additionally, checks voided by the District Board should not be distributed to the vendors and the CPA should be notified of all approved voided checks.

Management Response:

Director: Management will work to significantly improve handling of paperwork and documentation errors. Management will implement a system of filing that is in accordance with all standards. Management will re-evaluate purchasing procedures approved by the Board of Directors and maintain the policies set forth by the Board of Directors. Management will diligently focus on implementing accountability measures and the structure of purchasing to involve a process of accountability in which the Administrator does not solely have control over purchasing, receiving, and approving disbursements. Management has implemented a receiving station that all packages and receiving reports must be accounted for and filled out by the Receiving Officer. There has been a few emergency instances when supplies or parts have been needed and sales tax was paid. Management will work to improve on vendor selection and work with selected vendors to ensure tax exemption before the purchase. Management will improve accountability and policy enforcement on credit card transactions and adhere to the policies the Board of Directors have set forth. Management will work diligently and improve purchasing items and work with the Board of Directors and State Auditor if there is any question of the validation of a purchased item. Management has implemented a spreadsheet to be included in the paperwork for the Board of Directors. This spreadsheet lists purchases, reasons for purchases, and receipts or reason the receipt was missing.

Chairman Response: Board of Directors will advise management that if any purchases of an unknown need or not within the policy and procedures of the District, that management present to the Board for approval prior to purchasing of said item. Board of Directors will improve accountability when presented paperwork at Board meetings. The Board of Directors will monitor the Administrator on filing and paperwork and hold management accountable for any deviation of policies and procedures. The Board of Directors will advise management to use vendors that honor tax exempt status with the District. If management must go outside of these policies, the Board of Directors will make sure management has supporting documentation of why policies were averted at that time.

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

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