



ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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July 17, 2023

**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, 2021.

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

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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2021

	<u>General Fund</u>	<u>Sales Tax Revolving Fund</u>
Beginning Cash Balance, July 1, Restated	\$ 1,258,218	\$ 574,357
Collections		
Ad Valorem Tax	365,895	-
Charges for Services	342,803	-
Sales Tax Revenue	-	144,172
Miscellaneous	61,617	360
Caronavirus Relif Fund (CFR) - CARES Act	19,426	-
Paycheck Protection Program (PPP Loan) - CARES Act	174,817	-
Sales Tax Reimbursement	221,197	-
Total Collections	<u>1,185,755</u>	<u>144,532</u>
Disbursements		
Personal Services	834,561	-
Reimbursement for Salaries	-	221,197
Travel	-	-
Maintenance and Operations	228,238	2,024
Capital Outlay	9,415	-
Audit Expense	-	-
Total Disbursements	<u>1,072,214</u>	<u>223,221</u>
Ending Cash Balance, June 30	<u>\$ 1,371,759</u>	<u>\$ 495,668</u>

Presented for informational purposes.

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Restatement of Fund Balance

During the fiscal year, the Ellis County Emergency Medical Service District (the District) had a restatement of the beginning balance:

Prior year ending balance, as reported	\$1,544,148
Adjustments to beginning balance due to clerical error:	
Miscellaneous Revenue	<u>(\$285,930)</u>
Prior year ending balance, as restated	<u>\$1,258,218</u>

Sales Tax

On February 10, 2015, Ellis County voters approved a 1% sales tax commencing on September 30, 2015 for five (5) years. 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 District.

On March 3, 2020, Ellis County voters approved the following:

“The Sales Tax effective October 1, 2020 shall be forty percent (40%) of one percent for three (3) years and beginning October 1, 2023 fifty percent (50%) of one percent for two (2) years upon the gross proceeds of gross receipts derived from all sales or services in Ellis County, Oklahoma ...
... Sales Tax of 25% of one percent for a period of five (5) years for funding of Ellis County Emergency Medical Service District to be used for wages, maintenance and operations; ...”

For fiscal year 2021, the District was allocated \$144,172 in County Sales Tax and \$360 in interest revenue and expended \$221,197 for payroll and salary related expenses and \$2,024 in maintenance and operation expense of the District. These funds were accounted for in “1303-3-8500-2005: Emergency Medical Service” account in the Ambulance Service District ST Fund. The disbursement of these funds is approved on Ellis County purchase orders by the Ellis County Board of Commissioners.

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

Coronavirus Relief Fund (CRF) – CARES Act - Money distributed to the State of Oklahoma to provide direct federal assistance to state governments, with consideration for local governments. The State of Oklahoma allocated \$5 million of CRF to the Oklahoma Ambulance Association (OKAMA) to distribute to licensed ambulance services across the state. The funds were to be used to reimburse ambulance services for unanticipated expenses in staffing, Personal Protective Equipment (PPE), medical supplies, and lost insurance coverage due to COVID-19. The District received \$19,426 for the fiscal year ended June 30, 2021.

Paycheck Protection Program (PPP Loan) – CARES Act – Money obtained to provide up to eight (8) weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The loan is 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 \$174,817 and expended the total for payroll expenses for the fiscal year.



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, 2021 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 whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2021 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 13, 2023

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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2021-002 – Lack of Internal Controls and Noncompliance Over the Billing and Collections Process (Repeat Finding)

Condition: The EMS does not have an adequate segregation of duties over billing and collections to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

One employee:

- Calculated the patient bills,
- Filed patient bills with insurance companies and patients,
- Received payments,
- Issued receipts,
- Posted transactions,
- Maintained patient accounts,
- Prepared the deposit, and
- Made the deposit.

Additionally, a test of sixteen (16) ad valorem tax and exempt manufacturing deposits reflected the following weakness:

- In eight (8) instances, ad valorem checks and exempt manufacturing checks totaling \$145,320 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 adequately segregate the duties of billing and collections, and to ensure ad valorem 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: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in the Board's oversight of office operations and a periodic review of operations. OSAI recommends the Board provide segregation of duties so that no one employee can perform all accounting functions. If segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Additionally, OSAI recommends the District design and implement policies and procedures to deposit collections daily as required by 62 O.S. § 517.3 B.

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Director Response: An Administrative policy is to be presented to the Board of Directors for approval. The policy requires a crew member to pick up mail and deposit checks in order to mitigate the concentration of duties and extended deposit times between the date of issuance and the deposit date.

Chairman of the Board: The Board of Directors will review policies provided by the Administrator to segregate duties that are concentrated to mitigate this issue.

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

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

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 2021–004 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry of District employees, observation of the disbursement process, and a test of thirty-five (35) disbursements, the following weaknesses were noted:

- In three (3) instances, neither the purchase order nor the supporting documentation could be located.
- In sixteen (16) instances, there was no evidence of a receiving verification.

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- In seven (7) instances, adequate supporting documentation was not located.
- In four (4) instances, due to missing documentation, the purpose of the expenditure is unknown.
- In two (2) instances, the District paid sales tax totaling \$70.74.
- In nine (9) instances, the Board signed the purchase orders approving draft payments; however, the Board minutes do not reflect the approval.
- In two (2) instances, the credit card balance paid, was more than the \$1,000 limit as approved by the Board in a formal policy.

Cause of Condition: The District has not designed and implemented policies and procedures to ensure all purchase orders were maintained, the verification of goods and/or services received were documented, purchases were supported with adequate documentation, purchases were appropriate expenditures, and disbursements were approved by the Board and documented in the minutes. Further, policies and procedures have not been completely implemented to ensure credit card disbursements follow the District's established policies and procedures, and vendors are notified of the District's sales tax- exempt status.

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 District design and implement policies and procedures to ensure all purchase orders and documentation are maintained to determine they are appropriate expenditures, verification of goods and/or services received are documented, disbursements are approved by the Board and documented in the Board minutes and implement established District policies. Additionally, OSAI recommends the Board design and implement policies and procedures to ensure vendors are notified of the District's sales tax- exempt status.

Director Response: The Administration will review and rewrite policies and procedures to design and implement proper internal controls over bank drafts and the bank card. The Administration will work in conjunction with the Board of Directors in implementing a State Purchase Card or a Debit Card for petty cash policy and review or rewrite credit card policy and procedures. The Administrator will implement a more structured filing system to mitigate misplacement of documents. The Administrator will direct the purchasing agent to be aware of sales tax exemption and ensure the District has filed sales tax exemption status before purchasing with vendors. Bank drafts, including payroll claims that are preapproved, will be reviewed and approved in the Board meetings and documented in the minutes along with the corresponding check numbers.

Chairman of the Board: The Board of Directors understands the complex struggle with purchasing to ensure the cost of products is mitigated by any means possible. The Board of Directors will review policies presented by the Administrator and work towards a more appropriate policy to place oversight over the purchasing processes. The Board of Directors will continue to provide oversight of the Administrator's practices and monitor continued improvement or degradation in Administrators duties. The Administrator provided and explained the issues with purchase orders, bank drafts and credit card balances that are more than \$1,000. The Board of Directors agree that policies need to be reviewed, policies amended, and

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discussion held regarding using other means of purchasing. The Board of Directors will make sure the Secretary places preapproved bank drafts in Board meeting minutes for approval.

Criteria: 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.

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 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.”

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov