

OPERATIONAL AUDIT

GEARY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2008 through June 30, 2012



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**GEARY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2012**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by Article 10, § 9C (i) of the Oklahoma Constitution and as defined by 19 O.S. § 1704.3, 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 Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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June 19, 2013

TO GEARY EMERGENCY MEDICAL SERVICE DISTRICT

Transmitted herewith is the audit report of Geary Emergency Medical Service District for the period July 1, 2008 through June 30, 2012.

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, appearing to read "Gary A. Jones".

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

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BACKGROUND

Article 10, § 9C of the Oklahoma Constitution authorized the formation of emergency medical service districts and initially authorized a tax levy not to exceed three (3) mills for the purpose of providing funds for the purpose of support, organization, operation, and maintenance of district ambulance services.

Emergency medical service districts are governed by a district board of trustees. The board of trustees has the power to hire a manager and appropriate personnel, contract, organize, maintain, or otherwise operate the emergency medical services within said district and such additional powers as may be authorized by the Legislature.

The trustees must act as a board when entering into contracts or other agreements affecting the district's welfare. Thus, actions taken by the board are voted on and approved by a majority of the trustees. The board's business meetings are open to the public.

The board of any district shall have capacity to sue and be sued. Provided, however, the board shall enjoy immunity from civil suit for actions or omissions arising from the operation of the district. Such districts shall be empowered to charge fees for services, and accept gifts, funds or grants from sources other than the mill levy, which shall be used and accounted for in a like manner.

BOARD OF TRUSTEES

Sankey Evey.....	Chairman of the Board
Mike Gillett.....	Vice Chairman
Jim Woodie	Treasurer
Tabitha Keener.....	Secretary
Harold Cole.....	Board Member

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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2011 and 2012

	FY 2011	FY 2012
Beginning Cash Balance, July 1	\$ 105,041	\$ 129,644
Collections		
Ad Valorem Tax	66,096	92,450
Miscellaneous	1,231	1,353
Total Collections	<u>67,327</u>	<u>93,803</u>
Disbursements		
Personal Services	300	400
Capital Outlay	7,000	11,965
Maintenance and Operations	7,424	4,476
Contract Services	28,000	27,940
Total Disbursements	<u>42,724</u>	<u>44,781</u>
Ending Cash Balance, June 30	<u>\$ 129,644</u>	<u>\$ 178,666</u>

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

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PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

This audit was conducted in response to Article 10, § 9C (i) of the Oklahoma Constitution and as defined by 19 O.S. § 1704.3, which requires the State Auditor and Inspector's Office to audit the books and accounts of the District.

The audit period covered was July 1, 2008 through June 30, 2012.

Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

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Objective 1: To determine the District's collections, disbursements, and cash balances for FY 2011 and 2012 were accurately presented on the Estimate of Needs.

Conclusion: With respect to the items reconciled and reviewed, the District's collections, disbursements, and cash balances for FY 2011 and 2012 appear to be accurately presented on the Estimate of Needs. However, internal controls over the collection of revenue process and review of the Estimate of Needs should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the process of accurately presenting the collections, disbursements, and cash balances through discussions with District personnel, observation, and review of documents.
- Performed the following to ensure that collections, disbursements, and cash balances were accurately presented on the District's Estimate of Needs:
 - Reconciled collections presented on the Estimate of Needs to the District's financial records approved by the Board of Trustees.
 - Reconciled warrants issued presented on the Estimate of Needs to disbursements approved by the Board of Trustees and paid through the operating account of the District.
 - Recalculated the ending cash balances presented on the Estimate of Needs to the financial records of the District, including the bank reconciliation at June 30, 2011 and June 30, 2012.

Finding: Inadequate Controls Over the Revenue Process and Estimate of Needs

Condition: Upon inquiry of the Board Treasurer, observation and review of documents with regard to the collection of revenue process and review of the Estimate of Needs, we noted the following weaknesses:

- The Board has not established policies or procedures to review and approve reporting of runs, accounts receivable, or bad debt write-offs from the service provider.
- One Board member opens the mail, sorts the mail, receives ad valorem payments, prepares the deposit, takes the deposit to the bank, receives the bank statements and reconciles the bank statements.
- There is no evidence of review by a Board member independent of the process of the monthly bank reconciliations.
- The Board does not provide independent oversight with regard to the review of the Estimate of Needs.

Cause of Condition: Procedures have not been designed and implemented due to the management of the District being unaware of the need to properly segregate the duties, issuing receipts, and safeguarding of information with regard to the collection process.

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Effect of Condition: A single employee having responsibility for more than one area of the collection process could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that the District implement a system of internal controls to provide reasonable assurance collections, disbursements, and cash balances are accurately presented on the District's Estimate of Needs. Such controls would include a comparison of the financial records to the Estimate of Needs prior to the District Board of Trustees approval of these documents. Additionally, the duties of receiving, depositing and reconciling bank statements should be segregated and reviewed by someone other than the preparer of the records so as to provide assurance that revenue is safeguarded.

Management Response: The Board will be choosing and using a different CPA to prepare our Estimate of Needs. The Board plans to use a CPA with experience and knowledge of information needed by our District.

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 safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

<p>Objective 2: To determine the District's financial operations complied with 62 O.S. § 517.4, which requires deposits with financial institutions be secured with collateral securities or instruments.</p>

Conclusion: With respect to the days tested, the District complied with 62 O.S. § 517.4, which requires deposits with financial institutions be secured with collateral securities or instruments. However, internal controls over pledged collateral monitoring should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to pledged collateral through discussions with District personnel, observation, and review of ledgers and documents.
- Tested compliance of the significant law, which included the following:
 - Selected the highest balance day for each month (forty-eight days) at the depository bank for the audit period to determine if the District's funds were adequately secured as required by 62 O.S. § 517.4.

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Finding: Inadequate Internal Controls Over Pledged Collateral

Condition: Upon discussion with the Board Treasurer, observation, and review of documents we noted the following concerns regarding pledged collateral:

- The District has not properly designed and implemented controls related to daily bank deposit monitoring for adequate pledged collateral.
- The District has not established a policy to safeguard deposits if they exceed the current FDIC limits.

Cause of Condition: Procedures have not been designed to review and monitor daily bank deposits to determine that deposits are adequately secured.

Effect of Condition: This condition could result in the District's deposits not being adequately safeguarded. The bank deposit balance steadily increased throughout the audit period. Due to the trend of bank deposit balances continuously increasing; the risk of securities not being adequately pledged will increase and may result in funds not being safeguarded.

Recommendation: OSAI recommends that the District Board establish policies and procedures to adequately safeguard the deposits of the District, especially in the event that bank deposits exceed the current FDIC limits.

Management Response: The Board is now aware of our role in regard to safekeeping our allotted monies under current guidelines. The Board uses a local bank that has furnished us with the appropriate paperwork. A Tri-Party Public Deposit Pledge and Custody Agreement has been drawn up to provide us with collateral.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. 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 safeguarding assets from misappropriation.

Objective 3:	To determine the District's financial operations complied with 19 O.S. § 1710.1A, which outlines purposes for expending District funds.
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Conclusion: With respect to the expenditures tested, the District complied with 19 O.S. § 1710.1A, which requires that collections be expended for the purposes of supporting, organizing, operating, and maintaining ambulance services. However, internal controls over the expenditure process should be strengthened.

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Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the process of preparing claims, authorizing claims for payment, and documenting goods and services received, which included discussions with District personnel, observation, and review of documents.
- Tested compliance of the significant law, which included the following:
 - Tested all expenditures issued during the audit period to ascertain that they were made for purposes outlined by 19 O.S. § 1710.1A.

Finding: Inadequate Controls Over Expenditure Process

Condition: Upon inquiry and observation of records, it was determined that controls have not been implemented to ensure an adequate segregation of duties over the expenditure process of District funds due to the following:

- The District did not document the process of requisitioning good or services.
- The District did not document the process of receiving goods or services.
- The District Board meeting minutes documented that some of the expenditures were approved for payment; however, minutes were not signed or dated to indicate approval of the minutes and expenditures discussed.
- The Board Treasurer prepares, signs, and records the check in accounting records.
- The Board Treasurer also reconciles the bank statement to the accounting records.
- Preprinted checks did have two lines for payer signatures, but not all checks were signed by two Board members.

Cause of Condition: The District Board has not established procedures to segregate duties, nor has it established mitigating procedures to offset the concentrations of duties performed by one individual.

Effect of Condition: These conditions could result in unrecorded transaction, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends separating the duties of preparing the check, signing the check, posting the expenditures to the accounting records, and reconciling the bank statement to accounting records. In the event that segregation of duties is not possible, OSAI recommends implementing compensating controls to mitigate the risks associated with a concentration of duties assigned to one individual.

Further OSAI recommends the following key accounting functions of the expenditure process be adequately segregated:

- The individual, who orders goods and/or services, should be separate from the employee who requisitions District funds to be expended.

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- The District Board establishes policy and procedures for an authorized person to complete a receiving report, as a receiving officer.
- Each check should be signed by two Board members.

Management Response: The Board is now aware that Board minutes should be signed by all Board members after they are approved. We will be signing and approving them from this point forward. In regard to accounting records, we will have two Board members sign each check. All bank statements and reconciliations will be reviewed monthly by all members.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. 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 safeguarding assets from misappropriation.

Objective 4:	To determine the District's financial operations complied with 19 O.S. § 1723, which requires District purchases in excess of \$7,500 be competitively bid.
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Conclusion: With respect to the items tested, the District did not comply with 19 O.S. § 1723, which requires county purchases in excess of \$7,500 to be competitively bid.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the process of competitively bidding purchases in excess of \$7,500, which included discussions with District personnel, observation, and review of documents.
- Tested compliance of the significant law, which included the following:
 - Selected all purchases in excess of \$7,500 to determine that the District followed the statute regarding public notice, handling of unopened bids, awarding bid to best bidder, recording appropriate information in Board minutes, and notification to successful bidders.

Finding: Inadequate Internal Controls and Noncompliance Over the Bidding Process

Condition: Upon inquiry of the Board Treasurer and observation of documents, we determined controls over the bidding process have not been properly designed or implemented. Statutory requirements over the bidding process have not been followed. The review of one item purchased in excess of \$7,500 during the audit period, resulted in the following noncompliance:

- The EMS District purchased a Stryker Cot in the amount of \$11,965.24 without seeking bids.

Cause of Condition: Procedures have not been designed and implemented to comply with the statute.

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Effect of Condition: These conditions resulted in noncompliance with the statute.

Recommendation: OSAI recommends the District implement procedures to ensure bidding is properly performed and adequate documentation of the process is maintained, including the following:

- Documentation of notification to the successful bidder.
- Evidence of public notice.
- Handling of unopened bids.
- Awarding bid to best bidder.
- Recording appropriate information in Board minutes.

Management Response: The Board is now aware that we must seek bids, notify the successful bidder, handle unopened bids, award the bid to the best bidder, and record all of this process in Board minutes. We will be bidding all of our purchases over \$7,500.00 in the correct way from this point forward.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases over \$7,500 comply with 19 O.S. § 1723.

Objective 5: To determine if the District's internal controls provide reasonable assurance that fixed assets were accurately reported in the accounting records.

Conclusion: The District's internal controls do not provide reasonable assurance that fixed assets were accurately reported in the accounting records.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the fixed asset inventory process through discussions with District personnel, observation, and review of documents.

Finding: Inadequate Controls Over Fixed Assets

Condition: Through discussions with the Board Treasurer, observation, and review of documents, we noted the following concerns regarding fixed assets inventory:

- The Board has not designed a policy or procedures to track or safeguard District owned fixed assets inventory.
- There is not sufficient evidence to document that a current inventory list of fixed assets items is maintained.
- The equipment purchased by the service provider has not been accounted for by the District.

Cause of Condition: Procedures have not been designed and implemented to provide adequate controls over the fixed assets inventory. Supporting documentation of a physical fixed assets inventory count is not being maintained by the District.

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Effect of Condition: Opportunities for loss and misappropriation of District assets may be more likely to occur when the District does not maintain supporting documentation of a physical fixed assets inventory.

Recommendation: OSAI recommends management implement a system of maintaining supporting documentation for fixed assets inventory counts that documents the date of the count. OSAI further recommends all supporting documentation be signed and dated by the individual performing the count and the individual responsible for reviewing the accuracy of the documentation.

Management Response: At this time, we now have a list of inventory items owned by the District. We will verify and approve inventory periodically and the Board will discuss the inventory in a Board meeting.

Criteria: An important aspect of internal controls is the safeguarding of assets. 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 acquisition, use, or disposition of fixed assets and safeguard assets from loss, damage, or misappropriation.

Objective 6: To determine if the District complied with provisions regarding provider contracts.

Conclusion: The District generally complied with provisions of the provider contract; however, internal controls over the contractual compliance should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to provider contracts through discussions with District personnel, observation, and review of documents.
- Tested compliance of contractual obligations, which included the following:
 - Review of payments to contractual provider to ensure that the amount remitted to the provider equaled the amount agreed upon in the service contract.
 - Review of contract provisions to ensure that provider fulfilled obligations to the District as per the contract.

Finding: Inadequate Internal Controls over Provider Contract Amounts

Condition: Upon inquiry of the District Treasurer, and review of the provider contract, we determined that there is inadequate Board review of the contractual service provider's provisional responsibilities to the District. The following weaknesses were noted:

- The provider contract was not signed by the provider or the Board.

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- The latest provider contract was dated in the year 2009; however, the month and day was not included in the agreement.
- The Board has not renewed the contract on a fiscal year basis so as to avoid obligating funds for more than one fiscal year.
- The provider did not report to the District the monthly billing and collection of claims information as required in the provider contract.
- One provision of the contract allowed the provider to purchase “supplies and minor equipment, with a cost of \$1,000.” This provision is unclear with regard to the cumulative cost or cost per item. Additionally, the District has no documentation of the items or supplies purchased by the provider.
- The District reimbursed the provider \$7,000 for the purchase of a Life Pac 12 and accessories. The contract provisions did not allow for the provider to make this purchase, and there was not documentation, such as a vendor invoice to support the expenditure.
- A monthly “call schedule” was not provided to the Board as stipulated in the contract provisions.

Cause of Condition: Procedures have not been designed or implemented by the Board to ensure that contractual obligations for the District are being fulfilled by the provider.

Effect of Condition: This condition could result in misuse or misappropriation of the District’s funds by the contractual service provider.

Recommendation: OSAI recommends that the District Board design and implement procedures to ensure the contractual obligations being provided to the service are documented prior to paying the provider for services. At a minimum, the following policy and procedures should be implemented.

- A monthly report of runs, billing and collections should be provided to the Board.
- Documentation of supplies and minor equipment purchased by the provider.
- A monthly “call schedule” should be provided to the Board.
- The Board should obtain a current contract that is for the fiscal year that is signed and dated by both the Board and the provider.

Management Response: It was brought to the Board’s attention that we do not have a current contract signed with the contractor. We are rewriting and reviewing our contract, and will have a new one in place soon. We will continue to sign new contracts with the contractor every year.

Criteria: Effective internal controls require that policies and procedures be implemented to ensure compliance provisions of the provider contract.

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All Objectives:

The following findings are not specific to any objective, but are considered significant to all of the audit objectives:

Finding: Inadequate District-Wide Controls

Condition: District-wide controls regarding Risk Management and Monitoring have not been designed.

Cause of Condition: Procedures have not been designed to address risks of the District.

Effect of Condition: This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends that the District design procedures to identify and address risks. OSAI also recommends that the District design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the District’s policies and procedures handbook.

Examples of risks and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Computer failures	Written disaster recovery plans
Board Member Turnover	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between Board Members and employees of the District	Periodic meetings to address items that should be included in the handbook and to determine if the District is meeting its goals and objectives.
Audit findings	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the District.
Following up on complaints	Determine source of complaint and course of action for resolution.

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Monitoring	Procedures
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response: At this point, the Board plans to make additional changes that include:

- Attend meetings and workshops to improve our knowledge of District matters.
- Rewrite portions of the District policy to concur with state laws.
- Review the Estimate of Needs to determine that the financial information is accurate.
- Sign and date all agendas when they are posted by the Secretary of the Board.
- Sign and date all approved minutes of the Board meetings.

Criteria: Internal control is an integral component of an organization’s management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. District management is responsible for designing a district-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the District faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding: Disaster Recovery Plan

Condition: Upon inquiry of the District Treasurer and review of documents with regard to the accounting records, we determined that the District does not have a formal, written Disaster Recovery Plan.

Cause of Condition: A formal, written Disaster Recovery Plan with regard to the accounting and records was not designed due to the District being unaware for the need of such a procedure.

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the District being unable to function financially in the event of a disaster.

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Recommendation: OSAI recommends the District develop a formal, written Disaster Recovery Plan to safeguard the assets of the District from being unable to operate financially during the event of a disaster.

Further, management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the recovery plan;
- Roles and responsibilities of information services function, including the contractor;
- Training and/or awareness of individual and group roles in continuing plan;
- Listing of contracted service providers;
- Current names, addresses, telephone/pager numbers of key personnel including the contractor and Board members.
- Business resumption alternatives for all users for establishing alternative work locations once resources are available.

Management Response: The District did not respond to this finding.

Criteria: An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. 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 in a District being unable to function in the event of a disaster.

Other Items Noted:

Although not considered significant to the audit objectives, we believe the following issues should be communicated to management.

Finding: Inadequate Controls and Noncompliance Over the Audit Expense Account

Condition: Upon inquiry and observation of the funding of the audit expense account in the budgeting process, it was determined that controls have not been designed and implemented to ensure the amount required by statute is correctly budgeted for the audit expense account.

At June 30, 2012, the audit account reflected a balance of appropriations of \$3,000; however, the amount calculated for the four year audit period should be \$15,502.90. Therefore, the audit expense account has been underfunded in the amount of \$12,502.90.

Cause of Condition: The District relies on the budget maker to calculate the required amount for the audit expense account with no independent oversight by Board. Procedures have not been designed to ensure the audit expense account is accurately budgeted in accordance with statutory requirements due to the District being unaware for the need of such a procedure.

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

Recommendation: OSAI recommends that 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 account and that any unused portion be lapsed into the next year Audit Expense Account in accordance with 19 O.S. § 1706.1.

Further, OSAI recommends the Board Treasurer perform the calculation of the required amount for the Audit Expense Account, and another Board member recalculate the amount for the Audit Expense Account. In addition, the Board should compare the amount calculated by the Board Treasurer and the budget maker to ensure compliance with the statute.

Management Response: The Board will review the Estimate of Needs to determine that the accountant prepared the correct amount for the Audit Expense Account.

Criteria: Accountability and stewardship are overall goals of management in the account 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: Inadequate Controls Over Board Meeting Minutes

Condition: Our review of the District's minutes of Board meetings revealed the following weaknesses:

- The Board proceedings did not reflect the signatures of approval from the Board members.
- Minutes were not recorded in sufficient detail to provide adequate documentation of the minutes with regard to contracting with the service provider, expenditures approval, fixed assets inventories, and approval of the Estimate of Needs.

Cause of Condition: Policies and procedures regarding District Board meeting minutes have not been designed.

Effect of Condition: Failure to provide adequate controls over record keeping of Board minutes could result in inaccurate records and noncompliance with the Open Meetings Act.

Recommendation: OSAI recommends that Board decisions regarding contracts, expenditures, and the Estimate of Needs be documented in Board meeting minutes.

Management Response: At this point, the Board plans to make additional changes that include:

- Sign and date all approved minutes of the Board meetings.

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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.



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