



HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cindy Byrd, CPA | State Auditor & Inspector

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April 16, 2021

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

Transmitted herewith is the audit report of Hughes County Emergency Medical Service District for the fiscal year ended June 30, 2019.

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". The signature is fluid and cursive, written in a professional style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2019

	<u>General Fund</u>	<u>GO Bond of 2017</u>	<u>Sinking Fund</u>	<u>Total</u>
Beginning Cash Balance, July 1	\$ 114,380	\$ 324,473	\$ 207,658	\$ 646,511
Collections				
Ad Valorem Tax	438,498	-	207,472	645,970
Charges for Services	772,433	-	-	772,433
Total Collections	<u>1,210,931</u>	<u>-</u>	<u>207,472</u>	<u>1,418,403</u>
Disbursements				
Personal Services	803,900	-	-	803,900
Revaluation	2,443	-	-	2,443
Maintenance and Operations	348,986	-	-	348,986
Capital Outlay	7,348	10,764	-	18,112
Audit Expense	14,302	-	-	14,302
Loan payments	80,728	-	-	80,728
Coupon and Fees	-	-	16,625	16,625
Total Disbursements	<u>1,257,707</u>	<u>10,764</u>	<u>16,625</u>	<u>1,285,096</u>
Ending Cash Balance, June 30	<u>\$ 67,604</u>	<u>\$ 313,709</u>	<u>\$ 398,505</u>	<u>\$ 779,818</u>

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

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General Obligation Limited Tax Bonds Series 2017

The voters in Hughes County approved a \$950,000 General Obligation (G.O.) Bond Issue of 2017 on January 10, 2017 “to be used to acquire emergency medical vehicles and other equipment related thereto and perform maintenance and housing on the same.”

The District has received the proceeds and interest earned on the G.O. Bond Issue in the amount of \$950,647 and the balance in the account was \$313,709 at June 30, 2019. Expenditures of \$10,764 were made for equipment during the fiscal year.

Collections of \$207,472 in ad valorem tax to make the bond payments has been apportioned to the Sinking Fund, and \$16,625 in coupon and fee payments were made during fiscal year 2018-2019.

The 2019-2020 Estimate of Needs provides for a 1.18 ad valorem tax mill levy to be collected for payment of coupons and interest in fiscal year 2020.

Following is the Bond Schedule related to the payments for bonds and coupons in the future:

<u>Fiscal Year</u>	<u>Bond Payments Due</u>	<u>Coupon Payments Due</u>	<u>Total Due</u>
2019-2020	\$315,000	\$16,625	\$331,625
2020-2021	315,000	11,113	326,113
2021-2022	<u>320,000</u>	<u>5,600</u>	<u>325,600</u>
Total	<u>\$950,000</u>	<u>\$33,338</u>	<u>\$983,338</u>

Hughes County Emergency Medical Service District
114 North Oak Street
Holdenville, Oklahoma 74848-0671

**TO THE BOARD OF DIRECTORS OF THE
HUGHES 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, 2019 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, 2019 were accurately presented on the estimate of needs.

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

March 16, 2021

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2019-002 – Lack of Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: While gaining an understanding of the Hughes County Emergency Medical Service District's (the District) disbursement process through inquiry of District employees, and observing documents, it was noted that the Administrative Assistant performed the following duties which were not properly segregated:

- Prepared purchase orders, and
- Received and verified invoices to determine goods and/or services were correct. .

The test of twenty-five (25) disbursements reflected the following exceptions:

- One (1) disbursement did not have supporting documentation such as an invoice to support the claim.
- Three (3) disbursements had no evidence of a receiving signature or verification of accuracy of invoices.
- Twelve (12) disbursements did not have evidence of Board approval.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process. Additionally, policies and procedures have not been designed and implemented to ensure evidence of a receiving signature and supporting documentation such as invoices and detailed statements are attached to the purchase order to determine the appropriateness of the disbursement. Further, policies and procedures for the Board to approve purchases in open meeting and document those actions have not been designed and implemented.

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.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management 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 direct management to 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. Compensating controls would include separating key processes and/or critical functions of the office and having the Board and management review and approve accounting functions.

Also, OSAI recommends the District implement a system of internal controls to ensure that all disbursements have proper supporting documentation to provide evidence the disbursement is for the lawful operation of the District, evidence of verification of the receipt of goods and/or services, and Board approval of disbursements is completely and accurately documented in the monthly Board meetings.

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Management Response:

Chairman of the Board: Management has been made aware of the findings and procedures have been put into place to try to sufficiently segregate the disbursement process with the limited number of office staff.

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.

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.

Appropriate documentation of transactions and internal control

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.

Finding 2019-003 –Lack of Internal Controls and Noncompliance Over Board Meeting Minutes and Agendas

Condition: Upon review of the District Board meeting agendas and minutes, the following weaknesses were noted regarding safekeeping of the Board minutes, documentation of the reason a Board meeting was not conducted and the dates of posted agendas and approved Board minutes :

- There were five (5) instances of meetings not being held due to lack of quorum; however, there was no documentation of the reason for not holding a public meeting.
 - September 18, 2018

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- January 10, 2019
- February 15, 2019
- February 28, 2019
- April 16, 2019

- There were two (2) instances of Board meeting minutes not being located by the District.
 - November 18, 2018
 - June 17, 2019

- Two (2) Board agendas were dated a different date than the date of the Board meeting:
 - May 14, 2019 – (incorrectly dated as May 14, 2018)
 - June 17, 2019 – (incorrectly dated as June 17, 2018)

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that all relevant discussions in the District Board minutes are properly documented and maintained and notices of those meetings (agendas) have been posted in accordance with 25 O.S. § 303 and 312.A of the Open Meeting Act.

Effect of Condition: Lack of internal controls over the Board meetings and agenda resulted in noncompliance with the Open Meeting Act concerning the existence and retention of Board meeting minutes and posting notices of those meetings.

Recommendation: OSAI recommends the District Board maintain written minutes and document evidence of their approval for all Board meetings, and agendas be posted for each meeting in a public place with the proper date of the meeting to ensure compliance with Title 25 O.S. § 303 and 312.A.

Management Response:

Board Chairman: Management has been made aware of the findings and policies and procedures have been put into place to ensure that Board minutes for all Board meetings are written, maintained properly, and document evidence of their approval. In the future agendas will be posted for each meeting in a public place with the proper date of the meeting. Policies and procedures have been put into place to ensure that minutes are reviewed for accuracy and signed as verification of review and approval.

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.

Title 25 O.S. § 303 states, “All meetings of public bodies, as defined hereinafter, shall be held at specified times and places which are convenient to the public and shall be open to the public, except as hereinafter specifically provided. All meetings of such public bodies,

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except for executive sessions of the State Banking Board and Oklahoma Savings and Loan Board, shall be preceded by advance public notice specifying the time and place of each such meeting to be convened as well as the subject matter or matters to be considered at such meeting, as hereinafter provided.”

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.”

Finding 2019-004 – Lack of Internal Controls and Noncompliance Over Creation of Debt by the District (Repeat Finding)

Condition: Upon inquiry of the District staff and observation of Board minutes, bank statements, and disbursement records, the District incurred unauthorized debt during the fiscal year in the following manner:

- The District Board approved obtaining a line of credit from a local financial institution on August 20, 2018 for the fiscal year in the amount of \$100,000.00 that was obtained to pay operating expenses of the District.

Effect of Condition: This condition resulted in noncompliance with the Oklahoma Constitution in that the District incurred unauthorized debt without the vote of the people.

Recommendation: OSAI recommends financing not be obtained that would incur debt for the District without approval of a three-fifths (3/5) vote of the citizens of Hughes County as authorized by Oklahoma Constitution Article X § 26a.

Management Response:

Chairman of the Board: Management is aware of this finding and they are currently working on ways to resolve debt incurred and ways to prevent the creation of debt in the future.

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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.

Further, GAO Standards – Principle 6 – Defined Objectives and Risk Tolerances - 6.05 states:

Definitions of Objectives

Management considers external requirements and internal expectations when defining objectives to enable the design of internal control. Legislators, regulators, and standard-setting bodies set external requirements by establishing the laws, regulations, and standards with which the entity is required to comply. Management identifies, understands, and incorporates these requirements into the entity’s objectives. Management sets internal expectations and requirements through the established standards of conduct, oversight structure, organizational structure, and expectations of competence as part of the control environment.

The Oklahoma Constitution Article X § 26a, states in part, “... no county city, town, township, school district, or other political corporation, or subdivision of the state, shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for such year without the assent of three-fifths of the voters thereof, voting at an election, to be held for that purpose, not in cases requiring such assent...”

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