



HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

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

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February 7, 2023

**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, 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

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

	<u>General Fund</u>	<u>GO Bond of 2017</u>	<u>GO Bond of 2021</u>	<u>Sinking Fund</u>	<u>Total</u>
Beginning Cash Balance, July 1	\$ 145,831	\$ 108,473	\$ -	\$ 251,542	\$ 505,846
Collections					
Ad Valorem Tax	528,904	-	-	212,215	741,119
Charges for Services	928,771	-	-	-	928,771
Miscellaneous	48	21	19,000	-	19,069
Line of Credit	152,000	-	-	-	152,000
Total Collections	<u>1,609,723</u>	<u>21</u>	<u>19,000</u>	<u>212,215</u>	<u>1,840,959</u>
Disbursements					
Personal Services	1,083,433	-	-	-	1,083,433
Maintenance and Operations	524,395	26,320	-	-	550,715
Capital Outlay	-	77,100	-	-	77,100
Audit Expense	14,302	-	-	-	14,302
Bond Payment	-	-	-	315,000	315,000
Coupon and Fees	-	-	-	11,113	11,113
Line of Credit Payments	100,000	-	-	-	100,000
Interest on Line of Credit	5,013	-	-	-	5,013
Total Disbursements	<u>1,727,143</u>	<u>103,420</u>	<u>-</u>	<u>326,113</u>	<u>2,156,676</u>
Ending Cash Balance, June 30	<u>\$ 28,411</u>	<u>\$ 5,074</u>	<u>\$ 19,000</u>	<u>\$ 137,644</u>	<u>\$ 190,129</u>

Presented for informational purposes.

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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 \$5,074 on June 30, 2021. Expenditures of \$103,420 were made for the purchase of additional garage bays and related maintenance of the building and ambulances for the District during the fiscal year.

Collections of \$212,215 in ad valorem tax were added to the Sinking Fund balance of \$251,542 to make the bond payment for fiscal year of \$315,000 and \$11,113 in coupon and fee payments.

Following is the Bond Schedule for G.O. Bonds of 2017 for the last payment for bonds and coupons in the fiscal year 2022.

<u>Fiscal Year</u>	<u>Bond Payments Due</u>	<u>Coupon Payments Due</u>	<u>Total Due</u>
2021-2022	<u>\$320,000</u>	<u>\$6,500</u>	<u>\$326,500</u>

General Obligation Limited Tax Bonds Series 2021

The voters in Hughes County approved a \$950,000 General Obligation (G.O.) Bond Issue of 2021 on January 21, 2021 “to be used to acquire emergency medical vehicles and other equipment related thereto and perform maintenance and housing on the same.” The GO Bond Fund of 2021 received \$19,000 in revenue and did not expend funds during the fiscal year.

The 2021-2022 Estimate of Needs provides for a 1.25 ad valorem tax mill levy to be collected for payment of coupons and interest in fiscal year 2022.

Following is the Bond Schedule for G.O. Bonds of 2017 for the last payment for bonds and coupons in the fiscal year 2022.

<u>Fiscal Year</u>	<u>Bond Payments Due</u>	<u>Coupon Payments Due</u>	<u>Total Due</u>
2021-2022	<u>\$320,000</u>	<u>\$6,500</u>	<u>\$326,500</u>

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Following is the Bond Schedule for G.O. Bonds of 2021 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>
2023-2024	\$235,000	\$ 4,113	\$239,113
2024-2025	235,000	2,350	237,350
2025-2026	235,000	2,937	237,937
2026-2027	<u>245,000</u>	<u>3,675</u>	<u>248,675</u>
Total	<u>\$950,000</u>	<u>\$13,075</u>	<u>\$963,075</u>



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

**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, 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 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

December 15, 2022

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2021-001 – Lack of Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: It was noted that the District does not have adequate segregation of duties over the disbursement process 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.

In addition, in the test of forty-five (45) disbursements reflected the following,

- Eight (8) disbursements did not have evidence of a receiving report or verification of the items received.
- One (1) disbursement was not detailed in the Board Minutes for Board approval.
- One (1) disbursement did not have all receipts attached to the purchase order.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure evidence of a receiving report or verification of items received, to ensure all receipts are attached to the purchase order, and to ensure Board approval of purchases in open meeting and document those actions.

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. The most effective controls lie in the Board's oversight of office operations and a periodic review of operations. OSAI recommends the District implement a system of internal controls to ensure that all disbursements have 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, and that all receipts are attached to the purchase order.

Management Response:

Board Response: Management has been made aware of this finding. Policies and procedures have been put in place that would allow the limited number of office staff to segregate the disbursement process.

Auditor Response: OSAI recommends the Board design and implement policies and procedures to address segregation of duties to ensure evidence of a receiving report or verification of items received, all receipts are attached to the purchase order, and for the Board to approve purchases in open meeting and document those actions.

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.

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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.

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 2021-002 – 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’s beginning balance of the line of credit was \$73,668 that was carried over from the fiscal year ending June 30, 2020.
- The District Board approved renewing a line of credit from the local financial institution totaling \$152,000 during the fiscal year.
- This line of credit was obtained to pay operating expenses of the District.
- The District paid \$100,000 of the line of credit and interest of \$5,013 incurred for the unauthorized debt.
- The balance as of June 30, 2021, for the line of credit was \$120,655, which is an increase of \$46,987 in unauthorized debt in the fiscal year ending June 20, 2021.

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

Recommendation: OSAI recommends financing not be obtained that would indebt 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:

Board Response: Management is aware of this finding. This District is working on ways to prevent the incursion of debt.

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Auditor Response: OSAI recommends the District comply with the Oklahoma Constitution Article X § 26a.

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...”

Finding 2021-003 – Lack of Internal Controls Over the Billing Process

Condition: Upon inquiry of District staff, observation of the billing process and a test of forty-one (41) ambulance service runs, the following exceptions were noted:

- In two (2) instances the District staff did not apply the correct fees to the billed amount in accordance with the Board approved fee schedule.
- In eleven (11) instances the District Board did not address older outstanding accounts as uncollectable to be written off.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that all fees charged are in accordance with fees approved for services by the Board in an open meeting and determining uncollectable accounts to be written off.

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Effect of Condition: These conditions resulted in fees being charged and collected that were not approved by the Board in an open meeting and in overstated accounts receivable that include accounts that should be written off as uncollectable.

Recommendation: OSAI recommends the District Board be aware of these conditions. The most effective controls lie in the Board's oversight of office operations and a periodic review of operations. Further, OSAI recommends the Board design and implement policies and procedures to ensure the fees charged by the third-party billing company agree to the fees approved by the District Board in an open meeting, and policies and procedures are designed and implemented to write off uncollectable accounts in a timely manner.

Management Response:

Board Response: Management has been made aware of this finding. Policies and procedures have been put in place, with the limited number of staff, to audit the process by our billing company

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

Design of Appropriate Types of Control Activities

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.

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



Cindy Byrd, CPA | State Auditor & Inspector

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