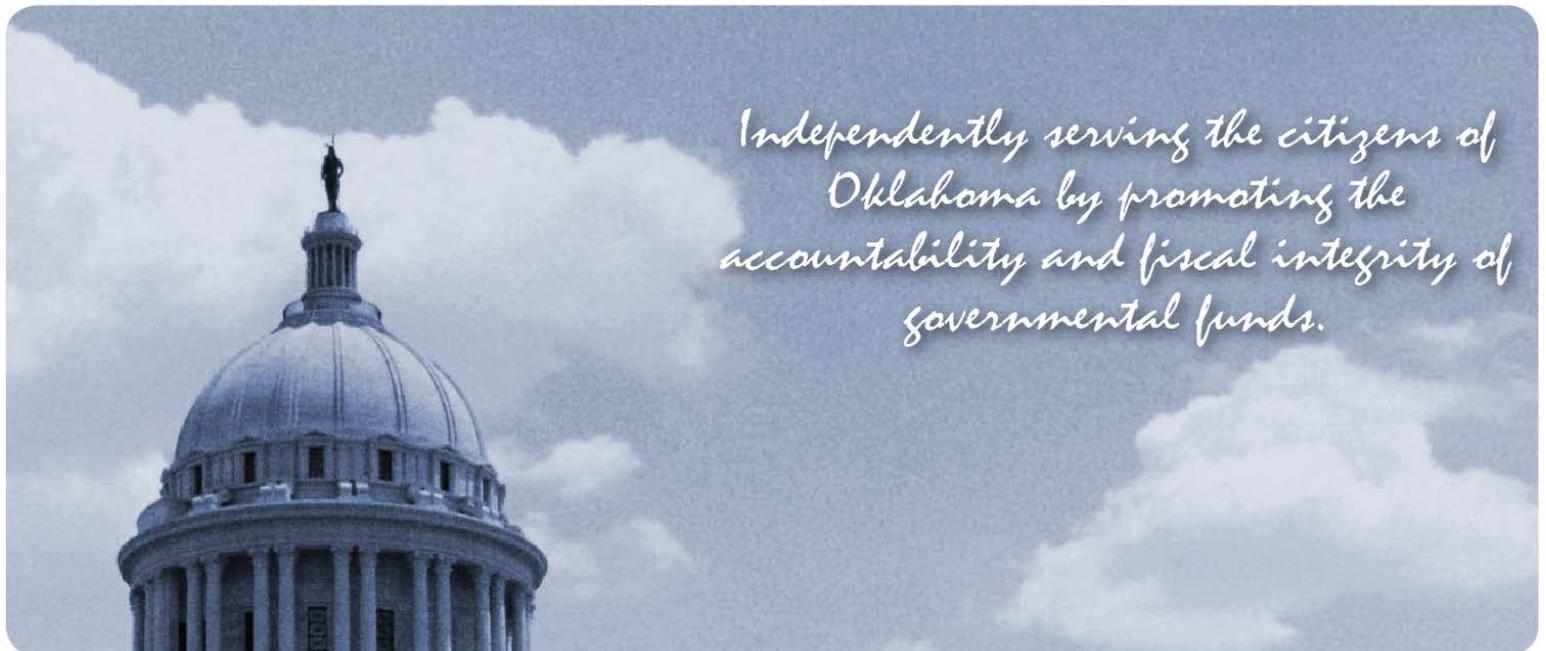


STATUTORY REPORT

JACKSON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2017



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



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

**JACKSON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

July 3, 2018

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

Transmitted herewith is the audit report of Jackson County Emergency Medical Service District for the fiscal year ended June 30, 2017.

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 "Gary A. Jones". The signature is written in a cursive, flowing style.

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

**JACKSON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017

<u>Emergency Medical Service Fund</u>	<u>General Fund</u>
Beginning Cash Balance, July 1	\$ 288,432
Collections	
Ad Valorem Tax	420,864
Charges for Services	1,070,246
State Grants	1,844
City Sales Tax for KCD3 - Note 1	79,513
Miscellaneous	66,467
Total Collections	<u>1,638,934</u>
Disbursements	
Personal Services	1,369,354
Maintenance and Operations	257,243
Capital Outlay	19,560
Lease payments JCPFA - Note 2	14,955
Contract Services-El Dorado EMS	16,790
Audit Expense	-
Total Disbursements	<u>1,677,902</u>
Ending Cash Balance, June 30	<u>\$ 249,464</u>
<u>Capital Project Fund</u>	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ -
Collections	
Proceeds from JCPFA - Note 2	250,000
Total Collections	<u>250,000</u>
Disbursements	
Capital Outlay	177,046
Total Disbursements	<u>177,046</u>
Ending Cash Balance, June 30	<u>\$ 72,954</u>
Total Ending Cash Balance, June 30	<u>\$ 322,418</u>

(continued on next page)

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

**JACKSON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017
(continued from previous page)**

Note 1 - City Sales Tax Kiowa County District 3 Emergency Ambulance Association (KCD3)

The city sales tax received from the towns of Roosevelt (.33 of 1% sales tax), Mountain Park (.30 of 1% of sales tax), and Snyder (.25 of 1% sales tax) to be used to fund the ambulance service for the geographical area of the Kiowa County District 3 Commissioner as per the contract between Jackson County Emergency Medical Service and Kiowa County District 3 Emergency Ambulance Association (KCD3).

Note 2 - Loan Proceeds from Jackson County Public Finance Authority (JCPFA)

The Jackson County Emergency Medical Service District entered into a loan agreement, Series 2017A Note with the Jackson County Public Finance Authority (JCPFA) on January 9, 2017 in the amount of \$260,000.00. The District has received \$250,000.00 of the proceeds.

District Board Minutes of the meeting held on December 20, 2016 stated,

“Payments are due monthly (by the 10th of the month) to the fiscal agent bank in the amount of \$2,492.62. The total cost of the Note is \$299,114.05, including interest and fees of \$39,114.05.”

According to the District Board Minutes, the District deeded the Jackson County Emergency Medical Service District Ambulance building and property to the JCPFA as collateral for the Series 2017A Note. In return, the District has signed a Lease Agreement with JCPFA to lease the building and property from the JCPFA until the note is paid over a ten (10) year period.

The District has established a Capital Projects Fund to account for the financial activity associated with proceeds of the Note and the related capital outlay expenditures.

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



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Jackson County Emergency Medical Service District
1309 N. Park Lane
Altus, Oklahoma 73521

TO THE BOARD OF DIRECTORS OF THE JACKSON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the purpose of complying with 19 O.S. § 1706.1, we have performed the following procedures:

- 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 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.
- 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 FY 2017 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Jackson 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 Jackson 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 Jackson County Emergency Medical Service District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

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

June 19, 2018

**JACKSON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-3 - Inadequate Internal Controls and Noncompliance Over the District's Contract with Kiowa County District 3 Emergency Ambulance Association (KCD3) (Repeat Finding)

Condition: Upon inquiry of the Jackson County Emergency Medical Service District (the District) staff, and observation of documents relating to a contract for ambulance service, the following exception was noted:

- The District entered a contract to provide ambulance service to the geographic area outlined in the Kiowa County District 3 Emergency Ambulance Association (KCD3) for the period of March 1, 2016 through January 21, 2017 and to extend from February 1, 2017 through January 31, 2018. This contract was not renewed on a fiscal year basis.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure contractual obligations are renewed on a fiscal year basis.

Effect of Condition: These conditions resulted in noncompliance with the terms of the contract and could result in the District being exposed to potential litigation, claims, or assessments.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that the District enter a formal contract with KCD3 for the fiscal year.

Management Response:

Chairman of the Board: Management has worked with Kiowa County District 3 EMS and the community leaders in that area to change the contract to a fiscal year basis. This will soon be corrected for the fiscal year 2018.

Criteria: Accountability and stewardship are overall goals of the Board 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/or misappropriation of funds. Key factors in this system would include management ensure the provisions of the ambulance service contract are met and contracts are completed in their entirety, executed in accordance with the provisions of the contract, and renewed on a fiscal year basis.

Finding 2017-5 - Inadequate Internal Controls Over the Fixed Assets Inventory Process (Repeat Finding)

Condition: Based upon inquiry of District staff and observation of the fixed assets inventory process, the following exceptions were noted:

- The District did not maintain a current inventory listing of all fixed assets.

**JACKSON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- There was no evidence of annual fixed assets inventory verification.

Additionally, the following exceptions were noted in our physical verification of fixed assets inventory items as compared to the fixed assets inventory listing.

- One (1) trailer was visually verified; however, was not listed on the inventory records.
- One (1) item from the inventory listing could not be verified by identification number.
 - Trilogy Ventilator
- One (1) item was a surplus and should have been removed from the inventory listing.
 - Ambulance 316

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory is being properly accounted for, maintained, and updated regularly by the District.

Effect of Condition: These conditions could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

Recommendation: OSAI recommends policies and procedures be designed and implemented to ensure inventory is updated on an ongoing basis with evidence of verification documented with initials and dates.

Management Response:

Chairman of the Board: Management has established a policy to update the inventory process to include visual verification of all assets every six months and those updates reported to Management and items that are surplus, inoperable or obsolete be approved by Management with a sheet listing such items attached to the inventory. This process will provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage or misappropriation.

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 the entity's assets and safeguard assets from loss, damage, or misappropriation.

Finding 2017-6 - Inadequate Internal Controls Over the Disbursements Process (Repeat Finding)

Condition: Upon inquiry of District staff and a test of forty (40) disbursements for the audit period, we noted the following weaknesses regarding the disbursement process:

- One (1) purchase order did not have receiving reports attached.
- Seven (7) purchase orders did have signed receiving reports attached to the documentation; however, the form was not completed detailing the goods and/or services received.

**JACKSON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Additionally, the review of petty cash disbursements reflected no evidence of Board approval in the minutes or on the disbursement documentation.

Cause of Condition: The District has not designed and implemented policies and procedures to provide adequate supporting documentation of disbursements to document the receipt of goods and/or services and Board approval of petty cash disbursements.

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

Recommendation: OSAI recommends that the District implement a system of internal controls to ensure adequate supporting documentation is maintained, all items received are reviewed for accuracy and Board approval is documented.

Management Response:

Chairman of the Board: Management has established a revised practical process to verify the accuracy of items ordered and received by the District, as follows:

- Each order is verified with an authorized order sheet and the items are compared to the packing slip, purchase order, and invoice.
- The receiving party date stamps and initials the packing slip and notates any missing or back ordered items.
- This process will ensure the accuracy and evidence of transactions documenting disbursements and the receipt of goods.
- Petty cash disbursements will be documented and approved by the Board.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be established to analyze and check accuracy, completeness, authorization and validity of transactions, including providing adequate documentation of disbursements, evidence of Board approval of disbursements and evidence to document the receipt of goods and/or services.

Finding 2017-8 - Inadequate Internal Controls and Noncompliance Over Contract Payments to Eldorado Emergency Medical Service District (Repeat Finding)

Condition: Upon inquiry of District staff, observation of documentation and review of the contract between the District and the Eldorado Emergency Medical Service, we noted the following exceptions:

- The District uses the same percentage rates each year for the ad valorem tax payments made to the Eldorado Emergency Medical Service District for contracted provider service, rather than obtaining an approved current mill levy sheet from Jackson County and recalculating the percentage of ad valorem tax to be paid to the Eldorado District as outlined in the contract for each year.
- For this fiscal year, the amount paid to Eldorado Emergency Medical Service was \$16,781; however, the amount calculated by OSAI using the ad valorem tax levy sheets for each tax year was \$15,293.

**JACKSON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the ad valorem tax payments are based on accurate percentages correctly calculated for each fiscal year.

Effect of Condition: This condition resulted in noncompliance with the provisions of the contract and ad valorem payments to Eldorado EMS being over funded for the fiscal year in the amount of \$1,488.

Recommendation: OSAI recommends the District implement a system of internal controls to provide reasonable assurance that the ad valorem tax payments to the Eldorado District are paid on the proper mill levy percentages each year to ensure compliance with the provisions of the contract.

Management Response:

Chairman of the Board: Management was made aware during the last fiscal audit, but due to timing of the audit were not able to correct this issue. Management has now reviewed and implemented the recalculation process.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval, including compliance with the provisions distribution ad valorem taxes to the contracted service provider.

Finding 2017-10 - Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry of District staff, observation of payroll records, and a test of one payroll period in January 2017, which included thirty-three (33) employees, the following exceptions were noted:

- Two employees can perform the duties of inputting employee timecard information into the payroll computer system; however, there was no evidence of independent review of this information.
- The lack of review contributed to the following errors:
 - One (1) employee's leave balance was recorded as negative (7.75) sick leave hours in the District records. This error was due to an incorrect amount of sick leave being entered in the payroll leave system. The error was corrected to reflect the correct amount of leave used and accrued two weeks after the end of the payroll period.
 - Nine (9) employees received two times the approved amount of accrued annual leave at the beginning of the month which was corrected by the end of the month.
 - Seventeen (17) employees received two times the approved amount of sick leave at the beginning of the month which was corrected by the end of the month.
 - One (1) employee accrued seven (7) hours of sick leave rather than the approved eight (8) hours for the month.
- Three (3) instances were noted in which there was no supporting documentation for a \$5.00 payroll deduction for the EMS Fund.

**JACKSON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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- One (1) instance was noted in which a 2017 W-4 Form could not be located to document the deductions for the employee.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the payroll and leave process is properly segregated and payroll disbursements are supported by adequate documentation.

Effect of Condition: These conditions resulted in incomplete documentation of payroll records and could result in inaccurate leave balances and deductions from payroll checks.

Recommendation: OSAI recommends that policies and procedures be designed and implemented to ensure an independent review of payroll records and payroll deductions are properly supported by documentation.

Management Response:

Chairman of the Board: Management has implemented a review process over the input of payroll information into the system and management has implemented a specific date that all employees must review their payroll deductions and documentation of payroll information.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives regarding the reliability of financial reporting. An important aspect of internal controls is to ensure timekeeping records are accurately prepared to provide reasonable assurance regarding the prevention or timely detection of unauthorized transactions and/or misappropriation of funds.

Finding 2017-12 - Inadequate Internal Controls and Noncompliance Over the Bidding Process in Accordance with the Public Competitive Bidding Act of 1974

Condition: Based upon inquiry of District staff and observation of the bidding process for the replacement of the District's ambulance building roof, the following exceptions were noted:

- The District did not provide evidence of two bid publications.
- Five (5) bids were received; however, the second highest bidder was awarded by the Board with no explanation in the Board minutes as to why the lowest bid was not awarded.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that construction/improvement of public buildings or improvements to real property estimated to cost more than \$50,000 comply with 61 O.S. § 101-138.

Effect of Condition: These conditions resulted noncompliance with state statutes and could result in inaccurate records, incomplete information, or misappropriation of assets.

**JACKSON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Recommendation: OSAI recommends that disbursements for construction or improvements to public buildings or real property meet bidding requirements in accordance with the Public Competitive Bidding Act of 1974 to ensure compliance with 61 O.S. § 101–138.

Management Response:

Chairman of the Board: Management is aware of the procedure for the bidding process. Management understands that this process was not adhered to with the roof repair. Management has amended the handling of the bidding process to adhere to the laws and guidelines established in 61 O.S. § 101–138 and including proof of publication and explanation of awarding to a bidder other than the lowest bidder.

Criteria: Accountability and stewardship are overall goals of the Board in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity’s objectives regarding reliability of financial reporting and compliance with applicable laws and regulations, including proof of publication be maintained and documentation of awarding the approved bid in the Board minutes.

Title 61 O.S. § 104, states, the following concerning bid publications;

All proposals to award public construction contracts shall be made equally and uniformly known by the awarding public agency to all prospective bidders and the public in the following manner:

1. Notice thereof shall be given by publication in a newspaper of general circulation and published in the county where the work, or the major part of it, is to be done, such notice by publication to be published in two consecutive weekly issues of the newspaper, with the first publication thereof to be at least twenty-one (21) days prior to the date set for opening bids; and
2. Notice thereof shall be sent to one in-state trade or construction publication for their use and information whenever the estimated cost of the contract exceeds Fifty Thousand Dollars (\$50,000.00); provided, however, this section shall not be construed to require the publication of the notice in such trade or construction publication or the requirement to provide the notice to more than one in-state trade or construction publication or to any out-of-state trade or construction publications.

Title 61 O.S. § 111, states, the following regarding awarding the bid;

The awarding of a contract to the lowest responsible bidder or bidders shall be made within thirty (30) days after the opening of bids unless the governing body of the awarding public agency, by formal recorded action and for good cause shown, provides for a reasonable extension of that period, which extension period shall not in any event exceed fifteen (15) days where only state or local funds are involved, or not to exceed ninety (90) days on any award of contract for the construction of a public improvement where funds are utilized which are furnished by an agency of the United States Government. Upon mutual written agreement between the lowest responsible bidder or bidders and the awarding public agency, the Division or awarding public agency may extend the contract award period no more than one hundred twenty (120) days from the bid opening date.



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