



JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2022

Cindy Byrd, CPA
State Auditor & Inspector

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

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October 4, 2023

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

Transmitted herewith is the audit report of Johnston County Emergency Medical Service District for the fiscal year ended June 30, 2022.

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

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2022

	General Fund
Beginning Cash Balance, July 1	\$ 1,265,563
Collections	
Ad Valorem Tax	515,975
Charges for Services	634,627
Chickasaw Nation Grant	175,000
ARPA Rural Payments	24,861
Coronavirus Relief Fund (CRF) – CARES Act – OKAMA	46,655
Miscellaneous	298,824
Sales Tax Reimbursement	46,038
Total Collections	1,741,980
Disbursements	
Personal Services	822,821
Maintenance and Operations	426,188
Capital Outlay	15,576
Total Disbursements	1,264,585
Ending Cash Balance, June 30	\$ 1,742,958

Presented for informational purposes.

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Sales Tax

The Johnston County Emergency Medical Service District (the District) receives 8% of a 1% sales tax that was approved by the citizens of Johnston County on April 2, 2019. The sales tax expires on December 31, 2026.

The Johnston County Emergency Medical Service District (the District) extended the county sales tax as follows:

- The District receives 8% of a 1% sales tax that was approved by the citizens of Johnston County on April 2, 2019. The sales tax expires on December 31, 2026.

The sales tax is budgeted within the “0001-3-3800-2005 (1-CENT-2): Ambulance and the 0001-3-8500-2005 (1-CENT-2): Ambulance” accounts in the Johnston County General Fund. The District submits payroll reports and a requisition to the Johnston County Clerk for reimbursement. The Johnston County Clerk issues a purchase order that is approved by the Johnston County Board of County Commissioners for reimbursement to the District.

For the fiscal year ended June 30, 2022, the Johnston County Emergency Medical Service District was allocated \$46,038 as sales tax reimbursement that was reported in the personal services disbursement category for reimbursement of payroll expenses in the District’s General Fund.

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

Coronavirus Relief Fund (CRF) – CARES Act- Money distributed to the State of Oklahoma to provide direct federal assistance to state governments, with consideration for local governments. The State of Oklahoma allocated \$5 million of CRF to the Oklahoma Ambulance Association (OKAMA) to distribute to licensed ambulance services across the state. The funds were to be used to reimburse ambulance services for unanticipated expenses in staffing, Personal Protective Equipment (PPE), medical supplies, and lost insurance coverage due to COVID-19. The District received \$46,655 for the fiscal year.

American Rescue Plan Act (ARPA)

ARPA Rural Payments– money distributed to healthcare providers located in rural areas who bill Medicare fee-for-service to help address the disproportionate impact that the coronavirus (COVID-19) pandemic had on rural communities and rural health care providers. Funds were distributed by the Department of Health Resources and Services Administration (HRSA). The District received \$24,861 for the fiscal year.

Presented for informational purposes.



Johnston County Emergency Medical Service District
604 E. 24th Street
Tishomingo, Oklahoma 73460

**TO THE BOARD OF DIRECTORS OF THE
JOHNSTON 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 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, 2022 were secured by pledged collateral.
- Determined disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1 and were accurately reported in the accounting records.
- Determined all purchases requiring bids complied with 19 O.S. § 1723 and 61 O.S. § 101-139.
- Determined payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined fixed assets records were properly maintained.
- Determined compliance with contract service providers.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2022 were accurately presented on the estimate of needs.

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

May 11, 2023

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

Finding 2022-004 – Lack of Internal Controls Over the Accounting Process (Repeat Finding)

Condition: Upon inquiry of the Johnston County Emergency Medical Service District (the District) employees and observation of the accounting process, the following weaknesses were noted:

- The District does not have an adequate segregation of duties 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 the processing of a transaction.
- A part-time District employee performed the following duties:
 - issued receipts occasionally,
 - prepared the deposit,
 - reconciled all bank accounts to the accounting records,
 - deposited collections in the bank,
 - posted the deposits to the District’s accounting records, and
 - made changes in the accounting records in the software without review and approval.

There was no evidence of independent review or approval of these documents by management or the Board. The District did design a process to reconcile the total amount deposited monthly to the collections for the month; however, variances were noted in the comparison of profit and loss statements to the statement of District activity.

Additionally, a test of the June 30 bank statement reconciliations reflected the following weaknesses:

- The bank reconciliations were not signed and dated by the preparer.
- The Director did not document the review and approval of the bank reconciliations.
- Bank reconciliations were not reviewed and approved by the District Board.
- Financial activity did not include all the investment activity to reconcile to financial reports.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the receipting, depositing, and reconciling process.

Effect of Condition: A single person that has responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions 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 and Inspector’s office (OSAI) recommends the District Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in the Board’s oversight of office operations and a periodic review of operations. OSAI recommends the Board

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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 evidence of the Board's review and approval of accounting functions.

Additionally, OSAI recommends the District design and implement policies and procedures to document the review of bank reconciliations, by the Director and Board, to ensure accuracy of financial information. Furthermore, OSAI recommends the District ensure earnings on their Certificate of Deposits and investments are reported on the District's financials.

Management Response:

Board Response: Management is now aware of the findings and will work towards a plan to reduce the possibility of this happening again.

Auditor Response: Although the Board responded to the finding, none of the aspects of the finding were not addressed. OSAI recommends the Board design and implement policies and procedures to segregate duties of the accounting process and provide oversight of the accounting process including evidence of review and approval of bank reconciliations and financial reports.

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:

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.

Controls over information processing

A variety of control activities are used in information processing. Examples include edit checks of data entered; accounting for transactions in numerical sequences; comparing file totals with control accounts; and controlling access to data, files, and programs.

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Finding 2022-005 – Lack of Internal Controls Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry of the Director, observation, and review of the District fixed assets inventory records, the following weaknesses were noted:

- An annual physical verification of fixed assets was not documented for the fiscal year.

Additionally, a test of all vehicles and ten (10) randomly selected fixed assets reflected the following weaknesses:

- Three (3) instances were noted in which the serial number on the fixed asset inventory listing was not the same serial number noted on the following fixed asset items when visually verified.
 - Kohler 50- Watt Generator
 - Xplore Laptop
 - Dell Laptop
- The location of two (2) fixed asset items were not correctly recorded on the fixed assets inventory list; however, these fixed assets items were physically verified.
 - A Dell computer was maintained at an employee’s residence but listed at the District office.
 - An HP printer was documented on the fixed assets listing to be at an employee’s residence but was located at the District Office.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the fixed assets inventory is properly maintained and updated through a periodic review 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 annual physical inventory verification be performed by someone other than the individual maintaining fixed asset inventory records to ensure accurate records are properly maintained, updated and documented.

Management Response:

Board Response: Management is now aware of the findings and will work towards a plan to reduce the possibility of this happening again.

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

Segregation of Duties

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

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Additionally, The GAO Standards Section 2 – Establishing an Effective Internal Control System - OV2.24 states:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

Finding 2022-007 – Lack of Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Based on inquiry of the District staff and observation of the disbursement process, the following exceptions were noted regarding segregation of duties.

- The District does not have an adequate segregation of duties 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 the processing of a transaction.

A part-time employee creates the purchase order listing for the Board to approve, creates the purchase order in the software system, , prints the check, and posts the signed checks to the accounting records within the software system. Additionally, the part-time employee is listed by the bank as one of the signers on the checks.

Further, the test of forty-five (45) disbursements reflected the following weaknesses:

- Six (6) disbursements had no evidence of a receiving signature, verification of accuracy of invoice, or signed receiving report.
- Three (3) disbursements only had one signature of approval by the District Board on the purchase order.
- One (1) disbursement (purchase order) could not be located by the District.

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 supporting documentation such as invoices and detailed statements are attached to the purchase order to determine the appropriateness of the disbursement and evidence of receiving signatures to ensure accuracy.

Effect of Condition: A single person that has responsibility for more than one area of disbursement functions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Further, lack of evidence to support the verification of receipt of goods and/or services and documentation of the disbursement could result in higher risk of misappropriation of funds.

Recommendation: 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

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point of view. The most effective controls lie in the Board's oversight of office operations and a periodic review of operations. OSAI recommends management 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. OSAI recommends the District implement a system of internal controls to ensure that all disbursements have proper supporting documentation and evidence of receiving goods and/or services.

Management Response:

Board Response: Management is now aware of the findings and will work towards a plan to reduce the possibility of this happening again.

Auditor Response: Although the Board responded to the finding, none of the aspects of the finding were addressed. OSAI recommends the Board design and implement policies and procedures to segregate duties of the disbursement process and provide oversight of the disbursement process including proper supporting documentation and evidence of receiving goods and/or services.

Criteria: 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.

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Finding 2022-008 – Lack of Internal Controls and Noncompliance Over the Public Construction Agreement between the District and the Contractor and Subsequent Payments

Condition: Upon inquiry of the District employees and observation of the Public Construction Agreement and subsequent payments to a Contractor , the following information was obtained:

On June 20,2022 the Board signed in open meeting a Public Construction Agreement for the remodel of the existing office building located in Tishomingo, Oklahoma.

Based on the documentation and information obtained, the following exceptions were noted:

- The bid solicitation was published once in the local newspaper on June 9, 2022, rather than twice as prescribed by state statute.

The Agreement stated that no bonds were required; however, state statutes require the bonds and insurance be secured.

- There was no evidence that a bid bond was obtained by the bidder.
- There was no evidence that a performance bond, maintenance bond, or payment bond was provided by the contractor.
- There was no evidence that the contractor had procured workers' compensation insurance or that the District agreed to cover the contractor's employees during the remodel of the office building.

Further, discussion with District employees reflected the sole bidder did not provide evidence that a non-collusion affidavit was signed and filed by the contractor with the District. Subsequently, it was determined that the part-time employee, who prepared purchase orders and checks for payment for the District, was once related through marriage to the sole bidder and currently performs the bookkeeping duties for the sole bidder, including being a signer on the bidder's bank account.

On August 8, 2022, the Public Construction Agreement between the District and the contractor was signed by both parties in the amount of \$96,025.

The following exceptions were noted regarding payments on the contract:

- The Board approved purchase order number 4289 on September 14, 2022, in the amount of \$95,025. However, the first draw on check number 5818 dated August 22, 2022, for \$10,000 "*for ordering material on the remodel of the existing Johnston County EMS Building*" was issued prior to the Board's approval of the purchase order for the building remodeling project.
- Subsequent to the final draw, Board minutes dated December 14, 2022 indicated that a "*change order not on original plans*" invoice for \$10,030 was received. Purchase order 4319 was approved on December 13, 2022, and payment was issued on check number 6039, dated December 7, 2022.

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- The final draw on check number 6040, dated December 7, 2022, for \$20,025 was issued to the contractor; however, there was no evidence that a final inspection of the remodel project was documented as required by the Public Construction Agreement.
- The total cost of the project was \$105,055.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that bid solicitation, publishing, proper documentation of bids, insurance, and non-collusion affidavit, disbursements for remodel of public buildings are properly documented in compliance with the state statutes.

Effect of Condition: These conditions resulted in noncompliance with the state statutes regarding solicitation of bids, lack of bonds, insurance, non-collusion affidavit, and final inspection, and could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends the District provide and retain proper documentation of bid publishing, bonds, insurance, non-collusion affidavit, and final inspection in compliance with the Public Competitive Bidding Act of 1974 included in Title 61 O.S. § 101- 139.

Management Response:

Board Response: Management is now aware of the findings and will work towards a plan to reduce the possibility of this happening again.

Auditor Response: Although the Board responded to the finding, all aspects of the finding were not addressed. OSAI recommends the Board design and implement policies and procedures to comply with the Public Competitive Bidding Act of 1974 included in Title 61 O.S. § 101- 139.

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 61 O.S. § 104 states:

1. Notice thereof shall be given electronically and by publication in a newspaper of general circulation and published in the county where the work, or a 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.
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 public construction contract exceeds

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One Hundred Thousand Dollars (\$100,000.00) or the cost of the construction management trade contract or subcontract exceeds Fifty Thousand Dollars (\$50,000.00).

Title 61 O.S. § 111 states in part, “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...”

Title 61 O.S. § 112 states, “All bids, both successful and unsuccessful, and all contracts and required bonds shall be placed on file and maintained by the awarding public agency for a period of five (5) years from the date of opening of bids or for a period of three (3) years from the date of completion of the contract, whichever is longer, and shall be open to public inspection and shall be matters of public record”.

Title 61 O.S. § 113 states in part, “B. Except as otherwise provided by law, within the period of time specified in subsection A of this section, the following shall be provided by the contractor to the awarding public agency for public construction contracts exceeding One Hundred Thousand Dollars (\$100,000.00) or construction management trade contracts or subcontracts exceeding Fifty Thousand Dollars (\$50,000.00):

1. A bond complying with the provisions of Section 1 of this title.
2. A bond in a sum equal to the contract price, with adequate surety, for the benefit of the state, on behalf of the awarding public agency, in a sum equal to the contract price, to ensure the proper and prompt completion of the work in accordance with the provisions of the contract and bidding documents.
3. A bond in a sum equal to the contract price for the benefit of the state, on behalf of the awarding public agency, to protect the awarding public agency against defective workmanship and materials for a period of one (1) year after acceptance of the project, except when the awarding public agency is the Department of Transportation or the Oklahoma Turnpike Authority, in such case the period shall be for one (1) year after project completion;
4. Public liability and workers' compensation insurance during construction in reasonable amounts. A public agency may require the contractor to name the public agency and its architects or engineers, or both, as an additional assured under the public liability insurance, which requirement, if made, shall be specifically set forth in the bidding documents.”

Title 61 O.S. § 108 addresses the bidder’s requirement to sign and file a business relationship affidavit, as follows:

“Each bidder shall accompany the bid with a written statement under oath disclosing the following information:

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1. The nature of any partnership, joint venture or other business relationships then in effect or which existed within one (1) year prior to the date of such statement with the architect, engineer or other party to the project.
2. Any such business relationship then in effect or which existed within one (1) year prior to the date of such statement between any officer or director of the bidding company and any officer or director of the architectural or engineering firm or other party to the project; and
3. The names of all persons having any such business relationships and the positions they hold with their respective companies or firms. If none of the business relationships hereinabove mentioned exist, then a statement to that effect.”

Further, 61 O.S. § 138 addresses the bidder’s requirement to sign and file a non-collusion affidavit:

“Any competitive bid submitted pursuant to the Public Competitive Bidding Act of 1974 to a school district, county or municipality for furnishing of goods or services shall be accompanied by the sworn non-collusion statement contained in Section 85.22 of this title, modified in wording to refer to the school district, county or municipality instead of the state.”

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



Cindy Byrd, CPA | State Auditor & Inspector

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