



MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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December 13, 2019

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

Transmitted herewith is the audit report of Major County Emergency Medical Service District for the fiscal year ended June 30, 2018.

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



**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2018

	<u>FY 2018</u>
Beginning Cash Balance, July 1	\$ 721,877
Collections	
Ad Valorem Tax	341,926
Charges for Services	273,693
Miscellaneous	7,873
Total Collections	<u>623,492</u>
Disbursements	
Personal Services	384,834
Maintenance and Operations	137,982
Capital Outlay	5,098
Audit Expense	28,957
Total Disbursements	<u>556,871</u>
Ending Cash Balance, June 30	<u>\$ 788,498</u>

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

Major County Emergency Medical Service District
224 N. Main
Fairview, Oklahoma 73737

**TO THE BOARD OF DIRECTORS OF THE
MAJOR 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, 2018 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 compliance with contract service providers.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year(s) ended June 30, 2018 were accurately presented on the estimate of needs.

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

August 12, 2019

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

Finding 2018-001 – Internal Controls and Noncompliance Over Open Meeting Act

Condition: Upon review of Major County Emergency Medical Service District (the District) Board minutes and agendas, the following weaknesses were noted:

- In three (3) instances the meeting date listed on the agendas and the meeting date listed in the minutes were not the same date.
- In two (2) instances the agendas for Board meetings could not be located.
- In four (4) instances items discussed during the meeting were not listed on the agenda.
- In seven (7) instances the agenda did not comply with the state statute to identify the individual, unique position, and/or the state statute authorizing executive sessions.
- In one (1) instance the meeting minutes could not be located.
- In six (6) instances, the minutes reflected agenda items were approved by two (2) members of the Board, rather than recording the vote of a majority of the Board.
- In one (1) instance the Board minutes provided were not signed by the Board.

Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate internal controls to ensure meetings are held on the dates scheduled, the Board only discusses items listed on the agenda, agendas identify the individual, unique position and/or the state statute authorizing executive session, the minutes record the vote of all Board members and the Board minutes are safeguarded.

Effect of Condition: These conditions resulted in noncompliance with the state statutes regarding the Open Meeting Act concerning meeting dates and times, the retention of Board meeting agendas and minutes, and recording the vote of all Board members present. Failure to provide adequate internal controls over documentation and approval of District Board minutes could result in inaccurate records.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the District Board develop policies and procedures to ensure meetings are held at dates and times filed with the County Clerk, the Board only takes action on agenda items and record the vote of each member present, identify individuals or their unique positions on agendas for executive session as provided by the Open Meetings Act, 25 O.S. § 311 and 312, sign the minutes as approved by the Board and maintain signed minutes and agendas in a safe and secure location in an orderly manner.

Management Response:

Chairman of the Board: The Board will be more diligent in noting state statutes regarding the agenda and maintaining accurate meeting minutes that are signed by all Board members and maintained securely and on file for public inspection.

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

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best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

OV2.23 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. Some entities may set objectives to a higher level of performance than established by laws and regulations. In setting those objectives, management is able to exercise discretion relative to the performance of the entity.

Title 25 O.S. § 311(A)(8) states, “If any change is to be made of the date, time or place of regularly scheduled meetings of public bodies, then notice in writing shall be given to the Secretary of State or county clerk or municipal clerk, as required herein, not less than ten (10) days prior to the implementation of any such change.”

Title 25 O.S. § 311(B)(1) states, “All agendas required pursuant to the provisions of this section shall identify all items of business to be transacted by a public body at a meeting including, but not limited to, any proposed executive session for the purpose of engaging in deliberations or rendering a final or intermediate decision in an individual proceeding prescribed by the Administrative Procedures Act.”

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 2018-004 – Internal Controls Over the Billing Process (Repeat Finding)

Condition: Upon inquiry of District staff and observation of ambulance run sheets, the billing process, and a test of forty (40) ambulance runs, the following weaknesses were noted:

- The District relies solely on the third-party billing company to track patient account balances.
- In nineteen (19) instances receipts were not issued for electronic payments received.
- In seven (7) instances, accounts sent to the collection agency could not be verified as to Board action.
- In one (1) instance, it appears an account was overpaid in the amount of \$50.16, and the overpayment had not been refunded. The overpayment occurred on July 6, 2018 and had not been refunded at the date of the audit.

Cause of Condition: The District has not designed and implemented policies and procedures to review the third-party billing company records to determine payments received are properly applied to patient accounts, to issue receipts for funds received from all sources, to determine accounts to be uncollectible

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sent to the collection agency are identified in the Board minutes, and to refund overpayments in a timely manner.

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, and the District underbilling or overbilling for ambulance services.

Recommendation: OSAI recommends the District design and implement policies and procedures to review the third-party billing company records and determine all runs are billed, all funds received are receipted and applied to patient accounts, accounts written off as uncollectible or sent to the collection agency are identified in the Board minutes and overpayments are refunded in a timely manner.

Management Response:

Chairman of the Board: The Board has discussed a change to the billing process and collection practices with the Office Administrator. A monthly audit procedure will be discussed and established for billing accuracy as well as the review of patient accounts receivable balances. Detailed executive session minutes will be maintained regarding accounts to be sent to the collection agency.

Criteria: The GAO Standards state the following, 10.03 states in relevant part, 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.

Further, 10.03 states, Management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made, and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

Finding 2018-005 – Internal Controls and Noncompliance Over the Collections Process (Repeat Finding)

Condition: Based on inquiry of District staff and observation of the collections process, the following duties were performed by one employee as noted:

- Preparing billings for stand-by contracts,
- Receiving mail,
- Receiving funds and issuing receipts,
- Notifying the third-party billing company of payments received, and
- Preparing the deposit.

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A test of four (4) dates reflected the following weaknesses in verifying receipts issued to deposits:

- Receipts were not issued for ad valorem taxes received.
- In five (5) instances collections were deposited seven (7) business days after the funds were received.

Additionally, the test of ad valorem tax deposits reflected the following weakness:

- Two (2) ad valorem tax checks totaling \$18,125.65 were deposited more than five (5) business days after they were issued by the County.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the duties of the collections process, and to ensure that all funds received are receipted and deposited the same day or next banking day after funds are received.

Effect of Condition: These conditions resulted in noncompliance with state statute. Additionally, a single person having 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: OSAI recommends the 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 provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that 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.

Furthermore, OSAI recommends the District issue receipts for all funds received, and deposit those funds the same day or the next banking day after funds are received in accordance with 62 O.S. § 517.3 B.

Management Response:

Chairman of the Board: The Board has established a policy and procedure to issue receipts for ad valorem taxes received. Additionally, a policy and procedure has been designed and implemented for ad valorem taxes deposited more than two (2) days after receipt in that the reason for delay will be documented on the deposit slip.

Criteria: The GAO Standards states, 10.03 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.

Furthermore, OV2.23 states, management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations

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apply to the entity. Management is expected to set objectives that incorporate these requirements. Some entities may set objectives to a higher level of performance than established by laws and regulations.

Title 62 O.S. § 517.3 B states in part, “ the treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office ...”

Finding 2018-006 – Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Based upon inquiry of District staff, observation of the disbursement process, and a test of thirty (30) purchases, the following weaknesses were noted:

- In five (5) instances, there was no evidence of verification of goods and/or services received.
- In one (1) instance, the disbursement was not approved by a majority of the Board.
- In one (1) instance, the District paid \$64.04 in sales tax.
- Adequate supporting documentation could not be located for two (2) disbursements.

Additionally, a test of seven (7) credit card statements reflected the following weaknesses:

- In six (6) instances, the receipts attached to the purchase order for fuel did not agree to the invoices for fuel.
- In one (1) instance there was no evidence of verification of goods and/or services received for office supplies.
- In one (1) instance the District paid \$2.37 in sales tax.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all purchases are supported with adequate documentation, including verification of goods and/or services received, Board review and approval of purchases are documented, and adherence to the state statute regarding the exemption of sales tax.

Effect of Condition: These conditions resulted in noncompliance regarding the exemption of sales tax on purchases and could result in unrecorded transactions, misstated financial reports, clerical errors or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Board design and implement policies and procedures to ensure all purchases are supported with adequate documentation, including receipt of goods and/or services verification and evidence of Board review and approval of disbursements prior to payment. Further, OSAI recommends the Board develop policies and procedures to avoid paying sales tax on goods purchased as provided by Title 68 O.S. § 1356 (1).

Management Response:

Chairman of the Board: The Board has designed and implemented the following policies and procedures:

- Verification of goods and services received will be documented and signed on all purchases.

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- Approval of all purchase orders by the Board will be noted in the Board minutes.
- Sales tax will not be paid on any invoices and will be monitored by the Office Administrator.
- Receipts will be attached to the fuel credit card statement and will be monitored for accuracy.

Criteria: The GAO Standards state the following, 10.03 states in part, 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.

Furthermore, OV2.23 states 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. Some entities may set objectives to a higher level of performance than established by laws and regulations.

Title 68 O.S. § 1356 (1) states, “There are hereby specifically exempted from the tax levied by Section 1350 et seq. of this title:

Sale of tangible personal property or services to the United States government or to the State of Oklahoma, any political subdivision of this state or any agency of a political subdivision of this state; provided, all sales to contractors in connection with the performance of any contract with the United States government, State of Oklahoma or any of its political subdivisions shall not be exempted from the tax levied by Section 1350 et seq. of this title, except as hereinafter provided.”

Finding 2018-009 – Internal Controls Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry of District staff and observation of the District’s fixed assets inventory records, the following weaknesses were noted:

- The District has not prepared a list of fixed assets with a cost of \$500.00 or more as approved by the District Board.
- A physical verification of fixed assets inventory was not performed.

Additionally, a test of thirty-seven (37) fixed assets reflected:

- Twenty-two (22) fixed asset items were visually verified; however, these items were not listed on the fixed asset inventory records.
- Ten (10) fixed asset items were visually verified; however, these items could not be confirmed to the fixed asset records because serial numbers were not documented on the list.

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

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

Recommendation: OSAI recommends that the District design and implement policies and procedures to accurately maintain fixed assets inventory records. Records should be maintained in such a manner that all assets are included, assets can be identified by serial number, date of acquisition, and purchase price. Additionally, an annual physical verification of fixed assets should be performed and documented.

Management Response:

Chairman of the Board: The Board has advised the District employees, under the supervision of the District Director, to conduct an annual audit of fixed assets, including preparing a fixed assets inventory in which each item is listed by manufacturer and serial number.

Criteria: GAO Standards OV2.24 states, 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.

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