



MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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January 13, 2021

**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, 2019.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

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 2019

	<u>FY 2019</u>
Beginning Cash Balance, July 1	\$ 788,498
Collections	
Ad Valorem Tax	430,196
Charges for Services	257,443
Miscellaneous	4,067
Total Collections	<u>691,706</u>
Disbursements	
Personal Services	411,890
Maintenance and Operations	244,097
Capital Outlay	331,644
Audit Expense	11,499
Total Disbursements	<u>999,130</u>
Ending Cash Balance, June 30	<u>\$ 481,074</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, 2019 were secured by pledged collateral.
- Determined that disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1 and were accurately reported in the accounting records.
- Determined that all purchases requiring bids complied with 19 O.S. § 1723 and 61 O.S. §101-139.
- Determined that payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined that fixed assets records were properly maintained.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2019 were accurately presented on the estimate of needs.

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

September 9, 2020

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

Finding 2019-001 – Internal Controls and Noncompliance Over the Open Meeting Act (Repeat Finding)

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

- In two (2) instances the District Board minutes were not signed.
- In three (3) instances all actions of the Board meeting were only approved by two (2) Board members.
- In two (2) instances one Board member abstained from voting leaving only two (2) Board members to approve the agenda item.
- In two (2) instances the agenda did not state the statutory reference for executive session as required by state statute.
- In three (3) instances the purpose of the executive session did not appear to be a permitted use of executive session.
- In one (1) instance the Board entered executive session, although it was not listed on the agenda.
- In one (1) instance the minutes did not reflect the Board’s decision from discussions in executive session.

Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate internal controls over the preparation of the agendas and minutes, including the proper use of executive sessions and only discussing items listed on the agenda.

Effect of Condition: These conditions resulted in noncompliance with the state statutes regarding the Open Meeting Act and Attorney General Opinion concerning the use of executive sessions and only discussing items listed on the agenda and lack of review and approval of minutes.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the District Board comply with the Open Meeting Act and design and implement policies and procedures to ensure proper use of executive session as provided in the Attorney General Opinion. Further, OSAI recommends the Board only discuss items listed on the agenda and provide evidence of review and approval over agendas and minutes.

Management Response:

Chairman of the Board: In midyear of 2019, new processes and controls were established to ensure that stricter guidelines were followed to make sure the meetings of the Major County Emergency Medical Service (MCEMS) followed the Oklahoma Open Meeting Act. The guidelines are still followed and are an integral part each MCEMS meeting.

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

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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 – Section 2 – Objective of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Title 25 O.S. § 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. § 307 states in part:

“A. No public body shall hold executive sessions unless otherwise specifically provided in this section.

B. Executive sessions of public bodies will be permitted only for the purpose of:

1. Discussing the employment, hiring, appointment, promotion, demotion, disciplining or resignation of any individual salaried public officer or employee;”

1997 OK AG 61 states “A public body may not keep confidential the purpose of an executive session authorized pursuant to the Open Meeting Act at 25 O.S. Supp.1997, § 307(B)(1) in which it discusses the employment, hiring, appointment, promotion, demotion, disciplining or resignation of an individual salaried public employee.”

Finding 2019-002 – Internal Controls Over the Billing Process (Repeat Finding)

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

- The District relies solely on the third-party billing company to track patients’ account balances.
- In two (2) instances the third-party billing company did not have record of a run.
- In twenty-two (22) instances the fee charged by the third-party billing company did not agree to the fee calculated based upon the fees approved by the Board.
- In one (1) instance the third-party billing company records did not have record of a payment received by the District.

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Cause of Condition: The District has not designed and implemented policies and procedures to issue receipts for all payments received, to notify the third-party billing company of all runs and payments received on account, and to ensure patients are billed according to the fees approved by the Board.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or the 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 issue receipts for all payments received and to ensure the third-party billing company is notified off all ambulance service runs and all payments received on accounts. Additionally, OSAI recommends the District design and implement policies and procedures to ensure the fees charged agree to the Board approved fee schedule.

Management Response:

Chairman of the Board: After 2019, MCEMS no longer solely relies on third party billing. Also, internal auditing has been established to verify that all ambulance runs are billed. The instances of the fees charged that did not agree to the fees calculated were due to a change in fees and an overlap in the change in fees and the billing cycle.

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.

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.

Finding 2019-004 – Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry of District employees, observation of disbursement records, and a test of 40 disbursements, the following weaknesses were noted:

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- In sixteen (16) instances, there was no evidence of a receiving signature.
- In four (4) instances, adequate documentation was not attached to the purchase order.
- In four (4) instances, the District paid sales tax totaling \$43.26.
- In one (1) instance, a purchase order was not signed as approved by a majority of the Board.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all purchases are supported with adequate documentation, verification of goods and/or services received, Board review and approval of purchases are documented, and adherence to the state statutes 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, verification of goods and/or services received is documented, and evidence of Board review and approval of disbursements prior to payment. Additionally, OSAI recommends the Board design policies and procedures to avoid paying sales tax on goods purchased by the Office Manager as provided by Title 68 O.S. § 1356 (1).

Management Response:

Chairman of the Board: Receiving signatures are now completed by Office Manager and the Director or Supervisor. Documentation attached to purchase order has been changed and required. This has been communicated to all staff. Sales Tax is no longer paid, and this is double checked by the Office Manager. All purchase orders are approved by a majority of the Board as reflected in the change of Finding 2019-001.

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.

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

Policies & Procedures, Bylaws

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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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 2019-005 – Internal Controls and Noncompliance Over the Competitive Bidding Process

Condition: Upon inquiry of District Board Chairman and observation of the competitive bidding process for the purchase of a new ambulance, the following weaknesses were noted:

- Sealed bids were not received and opened by the Board.
- Documents pertaining to the purchase of the ambulance were not retained by the District.
- The Board minutes did not record the bids received from all vendors.

Additionally, the District’s Board minutes indicated the ambulance was ordered by the Director, prior to the Board accepting a bid.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that disbursements for equipment over \$15,000 are competitively bid in compliance with state statutes.

Effect of Condition: This condition resulted in noncompliance with state statutes regarding solicitation and acceptance of bids and could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends the District provide evidence of bid packages received in order to determine competitive bidding procedures outlined in 19 O.S. § 1723, which provides for competitive bids to be in compliance with 19 O.S. §1505, are documented to ensure the District obtained the lowest and/or best price for equipment costing \$15,000 or more.

Management Response:

Chairman of the Board: It was discovered, during the time of this bid/purchase, the previous Director did not follow the appropriate procedures of receiving bids or retaining appropriate documentation. After this was discovered, the previous Director was asked for the bids and documentation pertaining to the purchase of the new ambulance and these could not be produced. Since that time, more strict processes have been established for purchases requiring bids and guidelines for bids as well as receiving information to purchase ambulances from approved state contracts or national purchasing coops without the need for sealed bids.

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Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Title 19 O.S. § 1723 states, “Purchases by any board of trustees of any emergency medical service district shall be made in accordance with the bidding requirements as provided in Section and 1505 of this title.

Further, 19 O.S. §1505 states in part,

“2. Bids shall be solicited by mailing or emailing a notice to all persons or firms who have made a written request of the county purchasing agent that they be notified of such bid solicitation and to all other persons or firms who might reasonably be expected to submit bids. Notice of solicitation of bids shall also be published one time in a newspaper of general circulation in the county. Notices shall be mailed and published at least ten (10) days prior to the date on which the bids are opened. Proof of the mailing or emailing shall be made by the affidavit of the person mailing or emailing the request for bids and shall be made a part of the official records of the county purchasing agent. Whenever any prospective supplier or vendor dealing in or listing for sale any particular item or article required to be purchased or acquired by sealed bids fails to enter or offer a sealed bid for three successive bid solicitations, the name of the supplier or vendor may be dropped from the mailing lists of the board of county commissioners;

3. The sealed bids received from vendors and the state contract price received from the applicable Division of the Office of Management and Enterprise Services shall be given to the county clerk by the county purchasing agent. The county clerk shall forward the sealed bids and state contract price, if any, to the board of county commissioners.

4. The board of county commissioners, in an open meeting, shall open the sealed bids and compare them to the state contract price. The board of county commissioners shall select the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within thirty (30) days of the meeting. For any special item not included on the list of needed or commonly used items, the requisitioning official shall review the bids and submit a written recommendation to the board before final approval. The board of county commissioners shall keep a written record of the meeting as required by law, and any time the lowest bid was not considered to be the lowest and best bid, the reason for such conclusion shall be recorded. Whenever the board of county commissioners rejects the written recommendation of the requisitioning official pertaining to a special item, the reasons for the rejection shall be entered in their minutes and stated in a letter to the requisitioning official and county purchasing agent;

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5. The county purchasing agent shall notify the successful bidders and shall maintain a copy of the notification. The county purchasing agent shall prepare and maintain a vendors list specifying the successful bidders and shall notify each county officer of the list. The county purchasing agent may remove any vendor from such list who refuses to provide goods or services as provided by contract if the removal is authorized by the board of county commissioners. The county purchasing agent may make purchases from the successful bidders for a price at or below the bid price. If a vendor who is the low bidder cannot or will not sell goods or services as required by a county bid contract, the county purchasing agent may purchase from the next low bidder or take quotations as provided in paragraph 6 of this subsection, provided, however, such purchase does not exceed Fifteen Thousand Dollars (\$15,000.00) as the amount specified in subparagraph a of paragraph 3 of subsection A of Section 1501 of this title;”

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