



MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

December 21, 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, 2020.

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
 STATUTORY REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2020

	General Fund
Beginning Cash Balance, July 1	\$ 481,074
Collections	
Ad Valorem Tax	441,584
Charges for Services	235,146
Miscellaneous	103,791
Provider Relief Funds Phase 1 – CARES Act	10,426
Total Collections	790,947
Disbursements	
Personal Services	431,959
Maintenance and Operations	165,441
Capital Outlay	116,873
Audit Expense	15,200
Total Disbursements	729,473
Ending Cash Balance, June 30	\$ 542,548

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

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Provider Relief Funds Phase 1 – CARES Act – Money distributed to healthcare providers who bill Medicare fee-for-service to provide financial relief during the coronavirus (COVID-19) pandemic. Funds were distributed by the Department of Health and Human Services (HHS) through the Health Resources and Service Administration. The District received \$10,426 for the fiscal year 2020.

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, 2020 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 ended June 30, 2020 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.

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 19, 2021

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2020-001 – Lack of Internal Controls Over the Billing Process (Repeat Finding)

Condition: Based on inquiry of the Major County Emergency Medical Service District (the District) employees, observation of the billing process, and a test of forty-five (45) ambulance service runs, the following exceptions were noted:

The District did not have an adequate segregation of duties to ensure that duties assigned to individuals are performed in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

One employee performed the following duties:

- Prepared billings for stand-by contracts,
- Received mail,
- Received funds and issued receipts,
- Notified the third-party billing company of payments received, and
- Prepared the deposit.

In eight (8) instances the District did not use the Board approved fee schedule.

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 fees charged are in accordance with the Board approved fee schedule.

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, deposited the same day or next banking day after funds are received, and to ensure that all fees charged are in accordance with fees approved for services by the Board.

Effect of Condition: These conditions resulted in a single person having responsibility for more than one area of recording, authorization, and 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 and fees being charged and collected that were not in accordance with the Board approved fee schedule.

Recommendation: The Oklahoma State Auditor & Inspector's Office (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 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. Further, OSAI recommends the Board implement

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

policies and procedures to ensure the fees charged by the third-party billing company agree to the fees approved by the Board.

Management Response:

Chairman of the Board: The Board has hired a third-party billing company to prepare and process our billing of patient accounts. The Board will add an agenda item to the Board meeting agenda each month to review the billed accounts.

Auditor's Response: While the Board did address some aspects of the internal control weaknesses in the billing process, the Board did not address all aspects of this finding including reviewing and approving a fee schedule. Additionally, the Board did not address segregation of duties, documenting and reviewing the third-party billing account activity such as the amount paid for services, the balance on patient accounts and the amount written off or sent to the collection agency.

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:

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.

Finding 2020-002 – Lack of Internal Controls and Noncompliance Over the Disbursement and Payroll Processes and Noncompliance Over the Competitive Bidding Act (Repeat Finding)

Condition: Upon inquiry of District employees, observation of disbursement records, a test of thirty-five (35) disbursements, a test of payroll expenditures for one pay period of twenty-three (23) employees, and a review of expenditures reflected the following exceptions:

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- Eight (8) expenditures totaling \$9,636 did not have evidence of review or a receiving report attached to the claim.
- In two (2) instances, the District paid sales tax totaling \$70.
- One (1) timesheet was not supported by a signature of a supervisor or director for review and approval.
- One (1) employee did not have documentation of a W-4 on file with the District.

Further, the District purchased equipment totaling \$94,654 from one vendor that exceeded the bid limit of \$15,000 for equipment. This expenditure was documented as bid on state contract; however, documentation of the state contract could not be located.

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, and adherence to the state statutes regarding the exemption of sales tax and purchasing guidelines. Further, policies and procedures have not been designed and implemented to ensure all payroll expenditures are reviewed by a supervisor or director, and that each employee files a W-4 and a copy is retained in the employee files.

Effect of Condition: These conditions resulted in noncompliance with state statutes regarding the exemption of sales tax on purchases and purchasing guidelines. Further, these conditions could result in unrecorded transactions, misstated financial reports, clerical errors or misappropriation of funds.

Recommendation: OSAI recommends the Board design and implement policies and procedures to ensure all purchases are supported with adequate documentation, verification and documentation of goods and/or services received, and evidence of Board review and approval of disbursements prior to payment. Additionally, 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) and adhere to Title 19 O.S. § 1723 which requires Districts to follow Title 19 O.S. § 1501 and § 1505 bidding requirements for the purchase of equipment.

Further, OSAI recommends policies and procedures be designed and implemented to ensure all payroll expenditures are reviewed by a supervisor or director, and that each employee files a W-4 and a copy is retained in the employee files.

Management Response:

Chairman of the Board: The District has developed the following procedures to document the disbursement process:

- Management will initial and date all timesheets for approval after employees have signed and approved timesheets.
- Shipping labels will be maintained with all invoices before the statement is paid each month.
- The Board will document all state contracts used when bidding equipment in excess of the bid limit.

Auditor Response: While the Board did address several of the internal control weaknesses in the disbursement process, the Board did not address all aspects of the conditions noted. OSAI recommends the

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Board design and implement policies and procedures to avoid the payment of sales tax on goods, provide evidence of verification of goods and services received, and document the review and approval of all disbursements prior to payment. Evidence of receipt of goods and/or services should include the initials and date of the employee that received the goods and/or services, and documentation of the review and approval of all disbursements and include the list of monthly disbursements in the Board meeting minutes.

Further, the Board should design and implement policies and procedures to ensure all payroll expenditures are reviewed by a supervisor or director, and that each employee files a W-4 and a copy is retained in the employee files.

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.

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.”

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 Sections 1501 and 1505 of this title.”

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



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov