



# MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

## Statutory Report

For the fiscal year ended June 30, 2021

**Cindy Byrd, CPA**  
State Auditor & Inspector

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Cindy Byrd, CPA | State Auditor & Inspector

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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, 2021.

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". The signature is fluid and cursive, written in a professional style.

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 2021**

	<u>General Fund</u>
Beginning Cash Balance, July 1	\$ 542,548
Collections	
Ad Valorem Tax	387,826
Charges for Services	306,874
Miscellaneous	91,628
Provider Relief Funds Phase 1 – CARES Act	32,376
Total Collections	<u>818,704</u>
Disbursements	
Personal Services	441,858
Maintenance and Operations	229,753
Capital Outlay	54,772
Audit Expense	13,229
Total Disbursements	<u>739,612</u>
Ending Cash Balance, June 30	<u>\$ 621,640</u>

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

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

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 \$32,376 for the fiscal year 2021.

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, 2021 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, 2021 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

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2021-001 – Lack of Internal Controls and Noncompliance Over the Billing Process (Repeat Finding)**

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

Additionally, the following exceptions were noted:

- In thirty-six (36) instances the District did not use the Board approved fee schedule.
- In fourteen (14) instances payments for services of runs could not be identified on bank deposits.
- The District did not approve a new fee schedule in an open meeting.
- The District did not provide the billing service with an approved fee schedule upon hiring a new third-party billing service.

Further, the District did not document information regarding patient 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.

Furthermore, a test of twelve (12) ad valorem tax deposits reflected three (3) instances of ad valorem tax deposits totaling \$9,954, were deposited more than (7) business days after being 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, 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 in an open meeting.

**Effect of Condition:** These conditions resulted in noncompliance with state statute regarding funds not being deposited daily. Further, 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,



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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 approved by the Board in an open meeting.

**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 policies and procedures to ensure the fees charged by the third-party billing company agree to the fees approved by the Board in an open meeting.

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 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 aspects of the internal control weaknesses in the bidding 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. The Board did not address corrective action regarding timely deposit of ad valorem tax remittances.

**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.

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*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.

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 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 2021-002 – Lack of Internal Controls and Noncompliance Over the Competitive Bidding Act and Disbursement and Payroll Processes (Repeat Finding)**

**Condition:** Upon inquiry of District employees, observation of disbursement records, a test of thirty-five (35) disbursements, and a review of large expenditures the following weaknesses were noted:

- Eight (8) expenditures totaling \$10,617 did not have evidence of review or a receiving report attached to the claim.
- The Board approved construction expenditures of \$53,000 that were performed by obtaining quotes, rather than obtaining a formal bid in accordance with the Public Competitive Bidding Act (PCBA).

**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, that all expenditures are properly bid.

**Effect of Condition:** The absence of bidding the remodeling project resulted in noncompliance regarding the PCBA and the other conditions 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, evidence of Board review and approval of disbursements prior to payment, according to state

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statute. Additionally, OSAI recommends the Board develop policies and procedures to ensure public construction bids are obtained as provided by Title 61 O.S. § 101 – 139.

**Management Response:**

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

- The Board will get bids on all construction projects over the bid limit for building remodeling and construction.
- The Board will document all state contracts used when bidding equipment in excess of the bid limit.

**Auditor Response:** While the Board did address the internal control weaknesses in the bidding process, the Board did not address all aspects of the conditions noted. OSAI recommends the Board design and implement policies and procedures to 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.

**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 61 O.S. § 101 - 139 states in part, “Unless otherwise provided by law, all public construction contracts exceeding Fifty Thousand Dollars (\$50,000.00) shall be let and awarded to the lowest responsible bidder, by open competitive bidding after solicitation for sealed bids, in accordance with the provisions of the Public Competitive Bidding Act of 1974.”

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



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