SPECIAL AUDIT REPORT

Mayes Emergency Services Trust Authority

January 1, 2012 through October 31, 2016

OFFICE OF THE STATE AUDITOR AND INSPECTOR
OKLAHOMA

Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

MAYES EMERGENCY SERVICES TRUST AUTHORITY

SPECIAL AUDIT REPORT

JANUARY 1, 2012 THROUGH OCTOBER 31, 2016

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by **74 O.S. § 227.8**, was not 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.**

MAYES EMERGENCY SERVICES TRUST AUTHORITY
SPECIAL AUDIT
***DATE OF RELEASE:* SEPTEMBER 4, 2017**

Report Highlights

This audit was performed in response to a Board of Trustee's request in accordance with 74 O.S. § 227.8.

WHY WE CONDUCTED THIS AUDIT

The Mayes Emergency Services Trust Authority (MESTA) Board of Trustees requested the assistance of the Oklahoma State Auditor and Inspector in conducting a special audit with "the objective of reviewing MESTA's compliance with statutes, rules, policies and internal control procedures…"

OBJECTIVE

To conduct an analysis of the various payroll and expenditure related matters as they pertained to the legal operations of MESTA.

KEY FINDINGS

- Instances were noted where the policies and procedures of MESTA were not followed concerning various payroll related matters including: vacation being accrued at a rate of 24 hours less per year, vacation being paid out incorrectly, and a lack of clocking out for lunch breaks. (Pgs. 7-11)
- The administrative secretary was compensated for overtime to attend Board of Trustees meetings. (Pgs. 11-13)
- A life insurance policy was purchased without written documented Board of Trustees' approval which cost MESTA a total of $2,901.44 between 2012 and 2016. (Pgs. 17-20)
- Two life insurance policies paid by MESTA were converted to costlier policies with a cash value without Board of Trustees approval. These policies were cashed-out by the individuals for a total of $6,962.18 ($6,375.83 and $586.35). (Pgs. 18-20)
- Equipment totaling $173,445 was purchased without being bid, and there was no sole-source rationale recorded. (Pgs. 21-22)
- Uniform expenses totaling $1,071.12 appeared to have been purchased as personal items. (Pgs. 25-28)
- MESTA transacted business with the spouse of the current Executive Director totaling $7,871.75 between 2014 and July 2017. (Pgs. 28-29)

Oklahoma State Auditor & Inspector

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September 5, 2017

Mr. Brent Crittenden, Chairman
Mayes Emergency Services Trust Authority Board of Trustees
4144 Redden Street
Pryor, OK 74361

Chairman Crittenden:

Pursuant to your request, and in accordance with the requirements of **74 O.S. § 227.8**, we have performed a special audit of the Mayes Emergency Services Trust Authority (MESTA).

This special audit focused on the period January 1, 2012, through October 31, 2016, although this period was expanded when warranted for more current events. The objectives of our audit primarily included, but were not limited to, the areas noted in your request.

Because special audit procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of MESTA.

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 services to the taxpayers of Oklahoma is of utmost importance.

This report is addressed to, and is for the information and use of, the MESTA Board of Trustees, as provided by statute. This report is also a public document pursuant to the **Oklahoma Open Records Act**, in accordance with **51 O.S. §§ 24A.1, *et seq***.

Sincerely,

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

TABLE OF CONTENTS

MESTA BOARD OF TRUSTEES
(January 2012 – October 2016)

Board of Trustees

Chairman	Trent Peper (January 2012 – December 2012; March 2016 - present)
	Brent Crittenden (January 2013 – March 2016)
Vice-Chairman	Kevin Dodson (January 2012 – January 2014)
	Trent Peper (February 2014 – March 2016)
	Larry Williams (March 2016 – present)
Treasurer	Leon Blankenship (January 2012 – present)
Members	Kaye Baldridge (January 2012 – November 2015)
	Don Berger (February 2012 – January 2016; March 2016 - present)
	Leon Blankenship (January 2012 – present)
	Brett Crittenden (January 2012 – present)
	Kevin Dodson (January 2012 – January 2014)
	Harriet Dunham (January 2012 – January 2013)
	Rob Foreman (January 2012 – present)
	Steve Hall (January 2012 – present)
	Jason Joice (June 2014 – present)
	Matt Penderson (February 2014 – May 2014)
	Trent Peper (January 2012 – present)
	Jamie Starling (January 2012 – January 2016)
	Murray Underwood (January 2012 – January 2012)
	Chuck Ward (January 2012 – February 2014)
	Sherman Weaver (February 2013 – present)
	Larry Williams (May 2014 – present)
Board Secretary	Kris Ramsey (January 2012 – present)

EXECUTIVE DIRECTOR

Rick Langkamp	(January 2012 – June 14, 2016)
Steve Van Horn	(June 21, 2016 – present)

INTRODUCTION

On May 18, 2016, a letter was sent to the Oklahoma State Auditor & Inspector (OSAI) from Trent Peper, Chairman of the Mayes Emergency Services Trust Authority (MESTA) Board of Trustees. This letter was sent per the approval of a MESTA Board of Trustees action at the May 10, 2016 meeting to engage OSAI with the purpose of performing a special audit as it concerned "…compliance with statutes, rules, policies and internal control procedures applicable to MESTA."

On June 14, 2016, the MESTA Board of Trustees voted 5-4 to terminate the employment of its then Executive Director, Rick Langkamp. At a special meeting held on June 21, 2016, Steve Van Horn was appointed as the interim Executive Director. Mr. Van Horn became the acting Executive Director on November 21, 2016.

OSAI engaged with MESTA personnel on October 19, 2016 to conduct a special audit as requested. The primary objective areas of concern that related to the purpose of the audit requested by MESTA concerned the areas of payroll and expenditure related matters.

The results of our investigation into these objectives and concerns are documented in the following pages of this report. A copy of this report has been provided to the District Attorney representing Mayes County.

ORGANIZATIONAL OVERVIEW

The people of Mayes County voted on and approved a permanent one quarter of one percent (1/4%) sales tax to be allocated for the establishment and operation of an ambulance service in December 1985. Subsequently, Mayes Emergency Services Trust Authority (MESTA) was formed as a **Title 60 O.S. §§ 176, *et seq.* Public Trust** in January 1986 through a Trust Indenture.

The Trust Indenture established that MESTA would be comprised of 11 trustees as the governing body. These 11 trustees are appointed for four year terms by the following elected officials and/or governing bodies: Two trustees are appointed each by the three Mayes County Commissioners (six trustees total), and one trustee is appointed by each of the governing bodies of the Town of Adair, the Town of Chouteau, the Town of Locust Grove, the City of Pryor Creek, and the Town of Salina (five trustees total). All trustee appointments must be confirmed by a majority of the Mayes Board of County Commissioners.

From December 2015 through December 2016, the MESTA Board of Trustees did not have 11 total trustees, as vacancies remained open for the majority of the year as appointments were not confirmed. As of January 2017, all vacancies were filled.

PAYROLL MATTERS

Background

The primary area of focus for our special audit surrounded the various payroll related aspects of Mayes Emergency Services Trust Authority (MESTA).

The Policies & Procedures Manual (P & P), as last revised prior to the start of the audit engagement in July 2016, serves as the handbook for the rules and regulations of MESTA including those for payroll related matters. Before this 2016 revision, the most recent and significant update occurred in October 2013, after the Board of Trustees opted to hire a law-firm to help rewrite the P & P. A review of Board meeting minutes appears to depict that when revisions are made to the P & P, the amendments are voted on and documented accordingly by the Board of Trustees.

Concerning the applicability of the P & P it states:

> These policies and procedures apply to all personnel under the jurisdiction of the Mayes Emergency Service Trust Authority, herein after referred to as the Authority. This manual supersedes and voids all previous resolutions pertaining to personnel rules and regulations. These policies may be altered at any time.

On page 68 of the P & P, as most recently amended in January 2017, there is a signature page for employees to attest they "…understand and will adhere to all the terms, conditions, policies, and procedures set forth in the Manual, as may be amended from time to time." The signature page also contains a signature space for the employee to confirm that they received a copy of the P & P. These signature pages are maintained digitally by the Human Resources Manager.

Nonetheless, the following exceptions were noted that either appear to occur in contrast to the P & P, or to occur without guidance from the P & P. Further, throughout the course of the investigative audit as inquiries were made regarding potential exceptions, MESTA management along with the MESTA Board of Trustees collectively was proactive with addressing certain situations prior to the end of fieldwork. As a result, any such instances and applicable Board of Trustee action will be noted throughout this report accordingly.

Finding

No MESTA policy concerning the employment and/or supervision of family members by Trustee's or administrative personnel was noted.

Rather, MESTA has historically applied Title 21 O.S. § 481(A), which concerns nepotism, to family members of Trustee members but not to MESTA administrative personnel.

Included along with the copies of the monthly MESTA Board of Trustees' meeting minutes, there are Board packets that contain relevant supporting documentation as needed, such as monthly financials. For background purposes, OSAI received any and all such information, which dated back in a digital format to 2004. As such, the supporting documentation of the March 2004 MESTA Board of Trustees' meeting minutes included the following statute as an attachment with the meeting packet:

Title 21 O.S. § 481(A) states, "It shall be unlawful for any executive, legislative, ministerial or judicial officer to appoint or vote for the appointment of any person related to him by affinity or consanguinity within the third degree, to any clerkship, office, position, employment or duty in any department of the state, district, county, city or municipal government of which such executive, legislative, ministerial or judicial officer is a member, when the salary, wages, pay or compensation of such appointee is to be paid out of the public funds or fees of such office. Provided, however, that for the purposes of this chapter, a divorce of husband and wife shall terminate all relationship by affinity that existed by reason of the marriage, regardless of whether the marriage has resulted in issue who are still living."

This statute was considered applicable at the time, as one of the Board trustee members resigned so a family member could work for MESTA. A few months later in June 2004, another Board member resigned for a similar reason. Additionally, the Director's Monthly Report, which is included with the monthly Board packets, for the June 2011 Board of Trustee's meeting depicts that a Trustee resigned to allow their nephew and nephew's wife to work for MESTA. (It should be noted that the Trustee as referenced in 2011 was appointed to the MESTA Board of Trustees once more in February 2013. A family member of this Trustee is still employed by MESTA.)

This interpretation of the statute by MESTA in 2004 and alluded to again in 2011, may not have taken into consideration the Oklahoma Attorney General Opinion **2003 OK AG 44**, which emphasized the fact that a violation of nepotism derives from utilizing one's power for the appointment and/or vote to appoint a family member to a position. Essentially, having a MESTA trustee related within the third degree to a

MESTA employee may not necessarily create a nepotism violation per this Oklahoma Attorney General Opinion. Rather, the responsibility for appointing individuals to positions along with other wage-related decisions concerning the employee(s) is the determining factor in regards to nepotism.

Nonetheless, it appears as if MESTA was aware of state nepotism laws, and it appears to have been considered applicable to Board of Trustee members. However, when the Executive Secretary was hired in March, 2005 there does not appear to be a similar discussion/action as to whether there was a potential nepotism conflict with hiring the Executive Director's wife to what ultimately is considered a management role per the P & P hierarchy as noted below:

2.2 APPLICATION

Employee classification shall consist of, but not be limited to:

A. Executive Director
B. Management
   1. EMS Operations Manager
   2. Dispatch/911 Operations Manager
   3. Human Resources
   4. Administrative Secretary

Concerning the hiring of employees, the current P & P states the following concerning the Executive Director:

1.4 MESTA EXECUTIVE DIRECTOR

The Executive Director of MESTA shall appoint management personnel and or supervisors in addition to which the Executive Director may exercise whatever supervision as he/she may deem necessary.

The P & P also states that "The Executive Board shall employ an Executive Director to implement the Board's policies and to be for and to oversee all operations of MESTA as directed from time to time by the Board of Trustees of MESTA (referred to herein as the Executive Board)." Similar language is utilized in the Trust Indenture which states in part: "In the event a General Manager and or Executive Director for the Trust Estate is appointed by the Trustees, the said General Manager and/or Executive Director shall administer the business of the Trust Estate as directed from time to time by the Trustees." Essentially, the Executive Director is responsible for day-to-day operations including personnel related matters. In contrast, when the Board of Trustees wishes to direct operations of MESTA they do so through an action of the Board.

Per the P & P the responsibilities of the Executive Director also include the maintaining of personnel records as follows:

PERSONNEL RECORDS
SECTION XIII

13.1 CONFIDENTIALITY

All data relating to employee status, performance, commendations, disciplinary action and qualifications shall be kept in the confidential files of the Executive Director, along with any other employee information the Executive Director shall deem necessary. These shall be considered the "Official Records" and all pertinent information contained herein.

Having the Executive Director responsible for maintaining any disciplinary and/or confidential files on a family member could have been construed as a conflict-of-interest due to the potential of a bias.

A review of Board meeting minutes surrounding the Administrative Secretary's hiring date did not depict any action by the Board for this employee's hire. As such, without the Board of Trustees taking an action on the hiring of the Administrative Secretary in a Board meeting setting, it is difficult to ascertain as to how **Title 21 O.S. § 481(A)** should not have been considered before hiring the Administrative Secretary if this statute was deemed applicable to Board of Trustee members throughout the years.

In July 2016, the MESTA Board of Trustees voted to add a new, "conflicts of interest section" in the P & P that states in part:

> Any grievance, claim or complaint asserted against MESTA or an employee of MESTA, wherein the complainant or aggrieved individual is a family member of either the Executive Director, or Management personnel as defined in the Policy & Procedures Manual, or where the person to whom the grievance, claim or complaint is directed is a family member of either the Executive Director or Management personnel, such matters should not be acted upon by either the Executive Director or Management personnel as the same presents either an actual or perceived conflict of interest.

This section was added to the P & P after it was initially voted on during the May 2016 Board of Trustees' meeting as to the content to be amended, and then in the June 2016 meeting it was voted on to work with the attorney for the proper wording of the P & P amendment.

This Board action in mid-2016 appears to have begun addressing potential conflicts of interest as it concerns familial claims and grievances, but the actual factors that impact the day-to-day conflicts of interest and/or potential nepotism issues were not addressed in this action. As this topic has been a complicated one for MESTA over the years, it is advisable for the P & P to be updated to address what, if any, family relationships are permissible amongst MESTA personnel and Board of Trustee members.

Finding **Prior to a policy change in January 2017, the Administrative Secretary did not appear to be accruing the proper amount or rate of pay for vacation time in accordance with MESTA Policies and Procedures.**

The following table depicts the eligibility requirements for employees to accrue vacation time based upon the years of service worked per the P & P prior to the start of this engagement.

10.1 EILIGIBILITY

Employees working at least forty (40) hours per week on a continuing basis shall be eligible for vacation leave based on the following.

A. Employee's vacation accrual date will coincide with their full-time hire date.
B. Employees who have been with MESTA for less than one year as a full time employee are not eligible for vacation leave.
C. Full time employees who have been with MESTA for one (1) full year without a break in service are eligible for two (2) twenty-four (24) hour shifts per year. Exempt (salaried) employees who have been with the organization for one (1) full year without a break in service are eligible for three (3) weeks' vacation time per year.
D. Full time employees who have been with MESTA for three (3) full years or more, without a break in service are entitled to four (4) twenty-four (24) hour shifts per year.
E. Full time employees who have been with MESTA for seven (7) full years, or more without a break in service are entitled to six (6) twenty-four (24) hour shifts per year.

The only exempt employee at MESTA is the Executive Director. As a result, per the P & P guidelines all other employees should accrue leave based upon the years of service requirements.

The Administrative Secretary was hired in March 2005, and the rate this individual has been accruing vacation is the same rate as an exempt employee (three weeks or 120 hours per year), even though their work status is considered non-exempt. Although the Administrative Secretary's position is administrative in nature, with different scheduled hours from a paramedic working a 24-hour shift, the P & P did not differentiate between the different non-exempt positions. As such, per the terms of the P & P, the vacation accrual rate of the Administrative Secretary appeared as if it should be the same as an individual with seven or more years of service.

To address this matter after it was brought to the attention of MESTA personnel, the Board of Trustees amended the P & P in January 2017 to reflect the following for vacation accruals:

10.1 EILIGIBILITY

Employees working at lest forty (40) hours per week on a continuing basis shall be eligible for vacation leave based on the following.

A. Employee's vacation accrual date will coincide with their full-time hire date.
B. Employees who have been with MESTA for less than one year as a full time employee are not eligible for vacation leave.
C. Exempt (salaried) employees who have been with MESTA for one (1) full year without a break in service shall be eligible for three (3) weeks' vacation time per year at their scheduled rate. For example, a 40 hour per week, salaried employee, would receive 120 hours per year. A 48 hour per week, salaried employee, would receive 144 hours per year.
D. Hourly employees scheduled for 40 hour work weeks (Office Personnel) who have been with MESTA for one (1) full year without a break in service are eligible for one (1) week, or 40 hours, vacation.
E. Dispatch and field personnel (medics) who have been with MESTA for one (1) year without a break in service are eligible for one (1) week, or 48 hours, vacation.
F. Full time, hourly, employees who have been with MESTA for three (3) full years without a break in service are eligible for two (2) weeks' vacation at their weekly scheduled rate (office personnel receive 80 hours maximum, dispatchers and field personnel (medics) receive 96 hours maximum).
G. Full time, hourly, employees who have been with MESTA for seven (7) full years without a break in service are eligible for three (3) weeks' vacation at their weekly scheduled rate (office personnel receive 120 hours maximum, dispatchers and field personnel (medics) receive 144 hours maximum).

Essentially, the updated P & P differentiates between the different types of hourly employees at MESTA.

Further, the P & P depicts the following concerning the calculation of vacation pay:

> Vacation pay shall be paid at regular hourly rates unless the employee is regularly scheduled overtime hours (40 hours regular time and 8 hours overtime). For employees routinely working 48 hours per week, vacation pay shall be paid at 108% of the regular hourly rate so as not to create a financial loss to the employee for taking vacation leave.

Dating back to January 2012, it was noted that the Administrative Secretary, who does not routinely work 48 hours per week but rather 40 hours, was paid for vacation time at the 108% rate. As such, this payment rate for the Administrative Secretary does not appear to be paid in accordance with the P & P. This employee used a total of 86 vacation hours in 2015, which resulted in additional pay of $92.02 for the year as the hourly rate for vacation hours was increased from $13.30 to $14.37.
Although the MESTA Board of Trustees was proactive with updating the P & P to address vacation rate accruals between the classifications of employees, it is advisable for MESTA to determine what, if any, liability is owed based upon the previous policy that was in place concerning vacation accruals. Additionally, it is advisable for the Board of Trustees to establish an internal review process to periodically, at minimum on an annual basis, review the employment status, accrual rates, and rates of pay for all employees to ensure benefits are being provided fairly and accurately in accordance with the P & P.

Finding **Vacation time was cashed-in for time not actually taken off from work without Board approval or an official policy on the matter.**

The P & P requires that "At least one week of accrued vacation must be taken each year." Additionally, the P & P depicts that "Separated employees may also receive pay or any accumulated vacation time…" There is no limitation on the amount of accumulated vacation time an employee accrues. The only requirement is that at least one week's worth of earned-time be used per calendar year.

During a review of the bi-weekly payroll records, it was noted that occasionally MESTA employees were permitted by the Executive Director to "cash-in" vacation time without actually taking off work for a vacation.

Below is an example of this occurring in September 2014 when an employee scheduled to work 48 hours per week (four shifts of 12 hours each) was permitted to "cash-in" 50 hours of vacation time over the weekend between work weeks of the pay period. In total this employee was compensated for 146 hours for the two week pay period.

Time Period	Regular Hours	Overtime Hours	Vacation Hours
9/22/14 (Monday) – 9/25/14 (Thursday)	40	8	
9/26/14 (Friday) – 9/28/14 (Sunday)			50
9/29/14 (Monday) – 10/2/14 (Thursday)	40	8	

Time Period	Regular Hours	Overtime Hours	Vacation Hours
Totals Per Hour Type	*80*	*16*	*50*
Running Total of Hours Paid in Two Week Period = 146			

Another example from March and April 2012 concerns the same employee as noted above, but on this instance, they were paid for a total of 183 hours for the two-week payroll period. The 183 hours consisted of 80 regular hours, 23 overtime hours, and 80 vacation hours.

Time Period	Regular Hours	Overtime Hours	Vacation Hours
3/26/12 (Monday) – 3/30/12 (Thursday)	40	15	
4/2/12 (Friday) – 4/5/12 (Sunday)	40	8	
Vacation Used Without Specific Dates			80
Totals Per Hour Type	*80*	*23*	*80*
Running Total of Hours Paid in Two Week Period = 183			

The P & P does not provide for guidance on the cashing-in of vacation time. Rather, it references that at least one week of vacation must be taken per year, terminating employees can be paid for accrued vacation balances, and employees routinely working 48 hours per week are compensated at a rate of 108% the normal pay rate to lessen any financial burden. As such, if it is the desire of the MESTA to continue this practice in some capacity, then the Board of Trustees should develop policies and procedures as to if and when an employee can periodically cash-in vacation time in a manner that ensures any such policy is fair in application to all relevant employees. If developed, such a policy should also consider the potential financial impact to MESTA of allowing all employees to simultaneously cash-in vacation time, as this would be a risk unless the policy depicted various requirements on when and how hours could be cashed-in. On the other hand, if it is not the desire of the Authority to continue this practice, then strides should be taken to ensure the P & P reflects the intentions of the Board as it concerns the uses of vacation time.

Finding **The Administrative Secretary appears to have been compensated to attend MESTA Board of Trustees meetings.**

A review of payroll records for 2014, 2015, and 2016 (through October) depicted that the Administrative Secretary regularly was compensated overtime on Board of Trustees' meeting nights. In a discussion with OSAI personnel, the Administrative Secretary stated that she would always attend Board meetings when her husband, the former Executive Director was employed, but that she no longer frequently attends the meetings. Per the former Executive Director, he requested that the Administrative Secretary attend almost all Trustee meetings. However, the Administrative Secretary's job requirements/duties do not require trustee meeting attendance.

The following table depicts the frequency of Board of Trustees meetings for the period of January 2014 through October 2016, and how these meetings correlated with the Administrative Secretary claiming and being compensated for hours (both regular and overtime) during Board meeting times. Concerning regular (non-overtime) pay for attending Board meetings, these instances as noted in 2014, concerned weeks in which less than 40 total hours were worked for the week and thus overtime was not accrued. Such a week of less than 40 hours could consist of times when holiday, sick, or vacation hours were used.

Year	# Board Meetings for Year	# Times Hours Claimed During Board Meeting	# Times OT Claimed During Board Meeting	Amount of Hours of Board Meeting Night Claimed	Amount Paid for Non-OT Claimed	Amount Paid for OT Claimed	Total Paid During Board Meeting Evenings
2014	15	13	8	21.48	$111.94	$260.68	$372.62
2015	13	13	13	16.02	-	319.53	319.53
2016 (Jan - Oct)	11	7	7	13.60	-	271.32	271.32
				2014 - 2016 Totals	***$111.94***	***$851.53***	***$963.47***

On several instances the amount of overtime claimed on evenings of Board of Trustees meetings consisted of the Administrative Secretary claiming work hours beyond when the meeting ended. For example, on October 13, 2015, the Board of Trustees' meeting was finished at 5:28pm, but the Administrative Secretary's timesheet for that day reflects an end of shift time of 8:30pm. For any instances like this, the table above was adjusted to only reflect overtime claimed that coincided directly with Board of Trustees' meeting times. For example, with the October 13th example of the Board meeting ending at 5:28pm but work being claimed through 8:30pm, the table above only included the 28 minutes of when the Board meeting was actually occurring.

Below is an example of the Administrative Secretary's timesheet covering the period of the Board of Trustees' meeting held on June 10, 2014 (which lasted from 5:00pm until 10:00pm). As can be seen on this timesheet, the words "board meeting" are depicted next to the total hours claimed for the day.

MON	6-9-14	7 30	5 00			9.5
TUE		7 00	10 30			15.5
WED		7 00	2 30			6.5
THUR		6 30	5 0			10.5
FRI		8 15	11 15			3

board meeting

TOTAL HOURS 45

Concerning the approval of the Administrative Secretary's timesheets including the claiming of these overtime hours, except for the few instances noted when there was no supervisory or director approval present on the Administrative Secretary's timesheets, the Executive Director was the one who signed off as the Supervisor and Director approvals for the timesheets. The following is a depiction of the sign-offs on the timesheet from the same one depicted in the clipping above with the words "board meeting" in the margins:

I CERTIFY THAT THIS REPORT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF

EMPLOYEE SIGNATURE 1st week

SUPERVISOR SIGNATURE 1st week

DIRECTOR SIGNATURE 1st week

EMPLOYEE SIGNATURE 2nd week

SUPERVISOR SIGNATURE 2nd week

DIRECTOR SIGNATURE 2nd week

Further, the Board meeting minutes for March 8, 2016, depicts the Administrative Secretary as an individual speaking during the "Citizens Input" agenda item. Even though the Administrative Secretary spoke as a citizen during this meeting, this employee's timesheet reflects that they were compensated for an hour of overtime to attend this Board meeting that lasted until 6:00pm. This timesheet was one such example as noted previously that did not include supervisory or director approval by the Executive Director.

DAY	DATE	Start	Stop	Lunch Out	Lunch In	Daily Hours
MON	3-7	7:00	5:00			10
TUE	3-8	7:00	6:00			11
WED	3-9	7	5			10
THUR	3-10	7	5			10
FRI	3-11	[illegible]				

TOTAL HOURS ________

As MESTA is a governmental entity entrusted with taxpayers' money, it would be advisable to implement more strict policies and procedures including a review of timesheets to ensure that overtime incurred is necessary and in the best interest of MESTA. If an employee is opting to attend a Board of Trustees' meeting for information purposes versus job duty requirements, then this likely is not a necessary incurrence of overtime unless the Board so determines otherwise.

Finding **Two administrative employees were compensated for 48 hours per week when the total hours worked were not necessarily always the same as the hours reported on the timesheets.**

A concern was presented to OSAI at the beginning of the engagement concerning two hourly administrative employees who apparently had an agreement with the former Executive Director as it concerned "on call" overtime pay. No mention of "on call" pay exists in the P & P, and as a result there was no noted outline on what exactly constituted this type of pay as it concerned MESTA.

Nonetheless, the Code of Federal Regulations states the following concerning on call time:

> Title 29 § 785.17 states, "An employee who is required to remain on call on the employer's premises or so close thereto that he cannot use the time effectively for his own purposes is working while "on call". An employee who is not required to remain on the employer's premises but is merely required to leave word at his home or with company officials where he may be reached is not working while on call."

One of the two employees stated that he would often arrive two hours early for the shift and thus work the needed hours by 5:00pm. The other employee acknowledged that there may have been times where his “on call” hours totaled less than two hours extra of actual work for the day, but this same employee also referenced the fact that on certain occasions more than two hours were worked and the extra time was not claimed.

Payroll records were reviewed dating back to January 2012, but no trend was noted as to when this agreement began occurring. In regards to the payroll records reviewed, the Excel timesheets for these two employees consistently depicted four 12-hour shifts per week from 7:00am to 7:00pm. Although, the timesheets themselves may not have been accurate as to the start and stop times of a given work day, it was deemed unfeasible to aggregate instances of when/if one of these employees was compensated for “on call” overtime pay without actual hours being worked due to the fact that Excel spreadsheets are used for the timekeeping purposes. Rather, both employees in their administrative capacities were scheduled to work 48 hour weeks, even if some of these hours were considered on call, so overtime pay was a regular occurrence. In total, these two employees were compensated for a total of 856.75 overtime hours which totaled $24,736.69 during 2015.

As a result, if MESTA intends to utilize on call hours for any personnel, then it is advisable for the P & P to be updated to reflect the intentions of the Board of Trustees and to clearly depict the requirements and expectations so as to ensure compliance with federal labor laws.

Further, it could be in the benefit of MESTA to either implement the use of a physical time clock or a timekeeping system to help eliminate the potential for deviations on actual hours worked. Overall, MESTA compensated employees a total of 32,892.90 hours of overtime which totaled $560,825.98 during 2015, so it could be beneficial to obtain more accurate information to ensure that the overtime hours worked are not more or less than what is ultimately paid to the employees. Due to the nature of the operations of MESTA, the payment of overtime is a regular and ongoing expense. However, good stewardship of taxpayer funds could include the ability to provide more exact payroll records for hourly employees than a spreadsheet filled out on a bi-monthly basis.

Finding **Although the Policies and Procedures outline requirements for clocking in and out for lunch, this process is not followed by MESTA personnel.**

The P & P reflects that non-exempt employees must adhere to timekeeping requirements including:

- Accurately record the starting time, time out for lunch, time in from lunch, time of any early departure from work for personal reasons, quitting time, and total hours worked each day.

The timekeeping requirements also states: “You must take scheduled meal breaks unless you obtain prior approval from your supervisor.”

However, no matter what position an employee occupies within MESTA, the practice has been that no one records any time out or in for lunch. Rather, employees are paid through meal breaks as their timesheets do not show such breaks. Further, the timesheet template used by MESTA employees does not contain an area where it is possible to depict any time out and time in for meal breaks. Below is an example of what the MESTA timesheet looks like for a given week:

Shift Day	Shift Date:	Shift Type:	Start:	Stop:	Total Shift Hours:
Sunday	Select a Date				
Monday	Select a Date				
Tuesday	Select a Date				
Wednesday	Select a Date				
Thursday	Select a Date				
Friday	Select a Date				
Saturday	Select a Date				

All employees used this timesheet template except for the Administrative Secretary, who used a different template until June 2016, when this employee began using the same template as all other non-exempt employees. The template used by the Administrative Secretary prior to June 2016 did contain fields for “Lunch Out” and “Lunch In”, but these fields did not appear to have been used when accounting for time worked.

If it is the intention of the Board to continue paying all non-exempt employees for any and all lunch-breaks taken, then the Board of Trustees should amend the MESTA P & P accordingly. Otherwise, it is advisable for MESTA to determine when/if it is or is not appropriate for an employee to not clock out for a meal break based upon the emergency response needs and nature of MESTA.

Finding **An employee was compensated for extra holiday hours in error.**

The following instance was noted during a cursory review of the payroll records that primarily resulted in the above-mentioned items and instances. As such, this example is not considered to be an all-encompassing review of this type of exception for the audit period.

Although the P & P depicts that the maximum an employee can be compensated for working a holiday as 16 hours (eight for the holiday and eight hours for working more than 12 hours on the holiday). It was noted for Labor Day on September 7, 2015, that one employee received 18 holiday hours in addition to the 12 hours the individual was paid for working on this day. Eighteen hours is a rate in excess of the P & P, and since the individual was administrative and worked 12 hours on the holiday they would be due an extra four hours in addition to the 12 holiday hours.

As a result, it appears as if this employee was compensated for two extra hours of holiday pay beyond what is permissible by the P & P. The actual timesheet for this individual reflects the correct holiday hour pay total of 16 hours, but when payroll was ran based on a payroll Excel spreadsheet summary as provided to the outside accountant, this employee was paid for 18 holiday hours. There is no notation of approval by someone other than the preparer on this specific timesheet, but as previously stated the actual timesheet does appear to depict the correct amount of hours.

EXPENDITURE MATTERS

Background Although expenditures were not the primary area of requested focus of the special audit, certain expenditures and applicable documentation were reviewed as concerns arose or were brought to the attention of OSAI. This review of documentation also consisted of gaining a cursory understanding of the expenditure process of MESTA. As a result, the following noted instances should not be considered a complete review of all expenditures incurred by MESTA for the period under special audit.

Finding **Life insurance was provided to the former Executive Director's wife without this benefit being noted in MESTA Board of Trustee meeting minutes.**

The agenda for the January 11, 2005 MESTA Board of Trustees' meeting depicted the following items:

5. Possible executive session pursuant to the Oklahoma Meeting Act, Title 25 OK, Statue section 307.B.2 for the purpose of;
   a. Discussing the Director's salary and benefit package adjustment.

6. Return to open meeting. Discussion, consideration and possible action on Director's salary and benefit package.

In response to these agenda items, the MESTA meeting minutes from January 11, 2005, depict the following decision by the Board of Trustees:

MOTION by Delbert Flock, seconded by Kaye Baldridge to increase Director's Salary to $60,000.00 dollars per year, to receive a benefit package (opt out of Health Insurance for Life Insurance package) of Life Insurance at $289.00 per month.

Voting Yes:	Murray Underwood
	Jodi Dunham
	M.L. Standeford
	Kaye Baldridge
	Leon Blankenship
	Delbert Flock
	Steve Hall
	George Jolly
	Kevin Dodson
Voting No:	None

As this was a decision voted on in a public meeting of the Board of Trustees, the Oklahoma Open Meeting Act (OMA) is applicable.

The OMA in **Title 25 O.S. § 312(A)** states in part, "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..."

Based upon this statute and the recorded meeting minutes, the Board of Trustees took action to provide a benefit package of Life Insurance to the Executive Director for opting out of Health Insurance through MESTA. The action taken as written in the meeting minutes does not reference anyone other than the Executive Director. However, a recording of the January 2005 Board of Trustee meeting does include the former Executive Director (before the agenda item was voted and approved on) referencing that the benefit would be for two insurance policies: one for the former

Executive Director (policy of $250,000), and one for the former Executive Director's spouse (policy of $60,000).

Subsequently, when life insurance was purchased, it was for two policies. One policy was for the former Executive Director (policy of $218,492.28), and the other was for the former Executive Director's spouse (policy of $100.000), who was hired as the Administrative Secretary in March 2005. Even though the former Executive Director did not utilize the health insurance benefit provided by MESTA, the Administrative Secretary has received this benefit in addition to the life insurance policy over the years.

Finding **The life insurance policies of the Executive Director and Administrative Secretary were converted to more costly policies that accrued a cash balance without Board of Trustees' Approval. These policies were then cashed out by the individuals in July 2016.**

In September 2008, both of these policies were converted per policyholder request to a Universal Life Policy, which allowed for the accrual of a cash value. The Universal Life Policy essentially collects a quarterly premium payment, and then the applicable expenses are taken out. The premium payment amount in excess of the expenses is then added to the cash value of the policy, which in turn earns interest monthly. For example, for the former Executive Director's policy during the quarter of December 2014 through February 2015, the premium payment was $762.00 and the total quarterly expenses totaled $330.68, which resulted in $431.32 being added to the cash value. Interest totaling $69.46 was also added to the accumulated cash value during this three-month period.

No Board action for this change in type of life insurance policy was noted in the 2008 or 2009 Board of Trustees minutes even though the policy conversions increased the quarterly fees from $899.44 (or $299.81 monthly) to $943.34 (or $341.45 monthly). As previously noted in the Board of Trustees minutes clipping from January 2005, there was a monthly cap of $289.00 placed on the life insurance approved by the Board of Trustees when the life insurance was approved in 2005.
Through May 2016 MESTA paid life insurance payments of $943.34 quarterly for both the former Executive Director and the administrative secretary. The $943.34 was split as follows: $762.00 quarterly for the Executive Director and $181.34 for the Administrative Secretary. The life insurance payments were made in a similar fashion as other expenditures in that they were approved as expenditures at the monthly Board of Trustees meeting. Between 2012 and July 2016 when the policies were ultimately terminated, MESTA paid a total of $15,855.44 ($12,954.00 for the former

Executive Director's policy and $2,901.44 for the Administrative Secretary's one).

On July 28, 2016, requests for payment for the cash surrender value for both policies were made as they were both cancelled. These cancellations occurred a month after the Executive Director's employment was terminated by MESTA in June 2016. Once the cancellation requests were received by the insurance company, $6,375.83 was sent to Ricky Langkamp at a PO Box location, and $586.35 was sent to Darla Langkamp at the MESTA headquarters address.

An address change was requested by the former Executive Director on July 27, 2016 to change the address on file from that of MESTA headquarters, but no similar request was made by the administrative secretary prior to the request for payment which resulted in the check being issued to the MESTA address.

The MESTA Board of Trustees discussed the Administrative Secretary's life insurance policy as part of the meeting on December 13, 2016. However, no action was taken at this time.

OSAI recommends that MESTA maintain adequate documentation on any and all personnel benefits provided to ensure benefits are only provided per the approved terms of the Board of Trustees. Such documentation should be reviewed regularly to ensure that the benefits are still justified, relevant, and appropriate uses of MESTA funds.

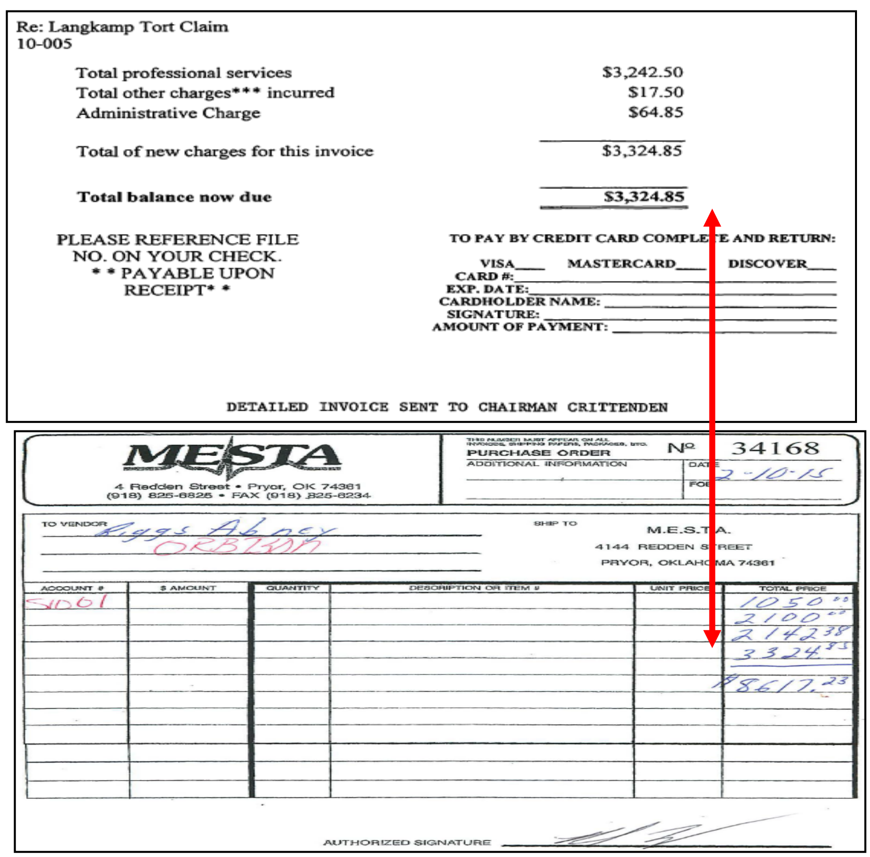
Finding **Internal controls were inadequate concerning the review and approval of legal billings for payment as these processes were performed by the same individuals who brought the lawsuits against MESTA.**

Legal billings were reviewed for the period of January 2015 through October 2016. For this time period, it was noted that MESTA paid legal expenses for three claims filed against various MESTA Board of Trustees members by the Langkamp's (two civil cases filed by Rick Langkamp and an Equal Employment Opportunity Commission claim by Darla Langkamp). The scope of the investigative audit did not concern the merits of these cases, and as such, the actual claims will not be discussed in any further detail by OSAI. Rather, the scope of the audit only concerned the actual legal billing related expenses as they concerned MESTA.

For the period reviewed, a total of $38,265.67 was spent by MESTA to defend the lawsuits brought against MESTA by Rick and Darla Langkamp.

This amount included $20,355.56 in 2015 and $17,910.11 in 2016 through October. Through April 2016, Rick Langkamp signed as the "Authorized Signature" approval for the purchase orders related to legal billings including those concerning the defense of the claims brought by Mr. and Mrs. Langkamp against MESTA Board of Trustees members. For May 2016 and June 2016, there was no signature approval noted on the purchase orders. Then for July 2016, Steve Van Horn signed as approver, but then again, no signature approval was noted for the period of August through October. Further, once the purchase orders are approved, the checks for payment are generated by Darla Langkamp, Administrative Secretary for signature and approval by Board of Trustees members for the next meeting. The Executive Director is also considered an authorized signature for checks.

The following is an example of legal charges as they were depicted in the expenditure documentation along with the applicable approved purchase order by Rick Langkamp:


Re: Langkamp Tort Claim
10-005

Total professional services	$3,242.50
Total other charges*** incurred	$17.50
Administrative Charge	$64.85
Total of new charges for this invoice	$3,324.85
Total balance now due	**$3,324.85**

PLEASE REFERENCE FILE
NO. ON YOUR CHECK.
* * PAYABLE UPON
RECEIPT* *

TO PAY BY CREDIT CARD COMPLETE AND RETURN:
VISA___ MASTERCARD___ DISCOVER___
CARD #:
EXP. DATE:
CARDHOLDER NAME:
SIGNATURE:
AMOUNT OF PAYMENT:

DETAILED INVOICE SENT TO CHAIRMAN CRITTENDEN

MESTA
4 Redden Street • Pryor, OK 74361
(918) 825-6825 • FAX (918) 825-6234

THIS NUMBER MUST APPEAR ON ALL INVOICES, SHIPPING PAPERS, PACKAGES, ETC.
PURCHASE ORDER № 34168
ADDITIONAL INFORMATION
DATE 2-10-15
FOB

TO VENDOR Riggs Abney
ORB[illegible]

SHIP TO M.E.S.T.A.
4144 REDDEN STREET
PRYOR, OKLAHOMA 74361

ACCOUNT #	$ AMOUNT	QUANTITY	DESCRIPTION OR ITEM #	UNIT PRICE	TOTAL PRICE
51061					1050.00
					2100.00
					2142.38
					3324.85
					$8617.23

AUTHORIZED SIGNATURE

Although the invoices sent to MESTA contained a dollar amount and number of hours worked on the specific cases, the actual detailed invoice for those directly related to the Langkamp lawsuits were sent directly to the Chairman of the Board of Trustees. Nonetheless, a control structure in which individuals in direct legal opposition to an invoiced amount are responsible for the preparation and approval of its payment appears to be inadequate. As a result, it would be advisable for MESTA to implement a policy to prevent similar occasions from arising in the future.

Finding **Equipment was purchased without bid, and there was no written justification for a sole-source purchase.**

Title 60 O.S. § 176(H) states in part, "…Contracts for construction, labor, equipment, material or repairs in excess of Fifty Thousand Dollars ($50,000.00) shall be awarded by public trusts to the lowest and best competitive bidder, pursuant to public invitation to bid…"

At the July 12, 2016 Board of Trustees' meeting, a motion was made and approved for the purchase of six cot loading systems for the ambulances from Stryker to be paid for in three annual interest free payments of $57,815 (total three year cost of $173,445). The first payment of $57,815 was made in November 2016.

No bid was let for this purchase, but rather these cot loading systems were purchased for use with power cots that were awarded via bid to Stryker in May, 2014. OSAI was informed the Stryker cots and cot loading systems are proprietary in that the loading systems are only compatible with the model of cots purchased by MESTA previously.

If it was essential for MESTA to only purchase a loading system from Stryker, this does not on its own eliminate the bidding requirements as outlined in **Title 60 O.S. § 176(H)**. Rather, other options could have been explored such as a determination being made in a public meeting as to whether the loading systems could have been considered a sole source product/contract in accordance with **Title 74 O.S. § 85.45j**, or whether bid compliance could have been met by letting a bid for a sufficient amount of vendors who deal in Stryker products.

OSAI recommends the MESTA Board of Trustees be aware of and actively follow applicable purchasing and bidding statutes.

Finding **Clothing purchases were incurred for items not included in the uniform expense allowance items as depicted in the Policies and Procedures.**

The P & P, until it was voted on by Board of Trustee action to be changed on June 13, 2017, reflected the following concerning uniforms for medics:

> 16.2 UNIFORMS
>
> Uniform purchases shall be the responsibility of the employee. A uniform purchase order program is established to help the employee with the cost of uniforms. Any/all uniform purchases will need prior approval from a member of management before purchase so that all expenditures can be accounted for. Full time employees (medics) shall be allowed $350.00/year. The four items that the employee is allowed to purchase consist of: Pants, Uniform Shirt(s), Belt, and Boots. Part time and PRN employees will be allowed the purchase of two (2) pair of pants and two (2) uniform shirts, not to include t-shirts(s).

The P & P appeared to single out medics (full-time, part-time, and pro re nata (PRN)) as the individuals who are able to partake in an annual benefit allowance. Additionally, the four items referenced that could be purchased with the annual allowance appeared to be clear and for medic-related purposes only.

Additionally, the Internal Revenue Service (IRS) prescribes in Publication 5137:

> Clothing or uniforms are excluded from wages of an employee if they are:
> - specifically required as a condition of employment; and
> - are not worn or adaptable to general usage as ordinary clothing.

The restrictive nature of what constituted a uniform per the MESTA P & P appeared to align with the IRS requirements for a uniform allowance to be excludable from wages for tax purposes.

As previously stated, the P & P prescribed: "The four items that the employee is allowed to purchase consist of: Pants, Uniform Shirt(s), Belt, and Boots. Part-time and PRN employees will be allowed the purchase of two (2) pair of pants and two (2) uniform shirts..."

When the Board of Trustees voted to amend the P & P in July 2016, the depiction of these four items was changed somewhat as the verbiage used for shirts became less restrictive, and part-time and PRN employees had the limits increased from one pair of pants and a shirt to two pairs of pants and two shirts. As a result, for purposes of the following analysis, uniform allowances were reviewed as if they were incurred under the less restrictive current terms versus the older (2013) terms.

An internal MESTA spreadsheet for 2015 that was used to track the various uniform expenditures by employee was reviewed to determine what expenses were incurred for items other than those directly referenced in the P & P. As a result of this review, the following table is representative of the noted uniform expenditures that were purchased for items that were considered exceptions since they were not outlined as permissible purchases per the P & P:

Uniform Allowance Expenditure Exceptions Noted For 2015			
Employee	Depicted Allowance	Exception	Exception Amount
#1	$350.00	Med Hi Vis Reverse Jacket	$131.39
		S/M Baseball Cap	10.00
		M/L & L/Xl Baseball Cap	20.00
#2	$175.00	Med 5.11 Coat	131.39
#3	$350.00	Coat	49.99
		5.11 Hi Vis Re Coat	182.00
#4	$350.00	Small 5.11 Coat	182.49
#5	$350.00	5.11 Gloves	18.29
#6	$350.00	5.11 Hi Vis Coat (XL)	131.39
#7	$350.00	Mesta BB Cap	10.00
#8	$175.00	Baseball Cap	10.00
#9	$350.00	Mesta BB Cap	10.00
#10	$350.00	Chameleon Softshell Jacket	129.99
		Jacket Reflective Striping	14.00
		Last Name Emb On Jacket	8.00
#11	$350.00	Mesta BB Cap (2)	20.00
#12	$350.00	5.11 Coat	182.49
#13	$350.00	Mesta Baseball Cap	10.00
#14	$350.00	XL 5.11 Coat	150.00
#15	$350.00	5.11 Coat	182.00
#16	$350.00	Mesta Baseball Cap	10.00
		Total 2015 Exceptions Noted	***$1,593.42***

The 2015 spreadsheet of uniform expenditures depicted a total of $6,443.66 worth of expenditures. Due to the fact $1,593.42 (as depicted in the table above) was for items other than those permitted per the P & P, this resulted in approximately 24.7% of the noted uniform expenses for 2015 to have been incurred for what appears to be unapproved items. The uniform expenses were also reviewed for 2016, and a total of $1,345.49 worth of exceptions were noted in this year for similar instances to what was noted in 2015.

As referenced at the beginning of this section, the P & P was voted on in the affirmative to be amended on June 13, 2017 as it concerned uniforms and the uniform allowance. The amended P & P now reads as follows concerning this matter:

> "Uniform purchases shall be the responsibility of the employee. A uniform purchase order program is established to help the employee with the cost of uniforms. Any/all uniform purchases will need prior approval from a member of management before purchase so that all expenditures can be accounted for and verified for proper use of program. Full-time employees (licensed medics and dispatchers) shall be allowed up to $350.00/year. Part-time and PRN employees shall be allowed up to $175.00/year. The Director shall have authority to allow exception to this policy on a case by case basis. Overages shall be payroll deducted at the earliest opportunity by MESTA."

This P & P amendment appears to lessen the restrictive nature as to the items that can be purchased, while also extending the uniform allowance benefit to dispatch employees. Nonetheless, it is advisable for MESTA to ensure that the items purchased with these allowances are done so in accordance with the definition of what constitutes a uniform per the IRS and Publication 5137 including whether the clothing items are required as a condition of employment, and whether the attire is adaptable to general usage as ordinary clothing. On the other hand, if the intent of the Board of Trustees with this amended policy is to allow for the uniform allowance to be utilized more broadly into what constitutes a uniform, then MESTA personnel should determine what, if any, attire purchased should be reported as a taxable fringe benefit for IRS compliance.

Finding **Clothing purchases were incurred for items that appeared to be personal in nature.**

Certain purchases for uniform expenses have been incurred at Sharpe's Department Store by MESTA personnel. However, it was noted that $1,071.12 was purchased at Sharpe's between December 2012 and November 2016 for what appeared to be personal items. The following table is a summary of the known information for the purchases made:

Sharpe's Department Store Non-Uniform/Personal Purchases				
Purchase Date	Purchase Time	Amount	Items Purchased	Name on Receipt
11/23/2016	11:19:12 AM	69.99	Cheetah Moc - Ariat	None
10/28/2016	4:35:16 PM	69.99	Cruiser Sera - Ariat	None
6/13/2016	3:04:26 PM	99.99	1) Print Tunic 2B Clot Ohio ($23.33) 2) Print Tunic 2B Clot Ohio ($23.33) 3) V Neck Drape 2B Clot Brenda ($20.00) 4) Basic Top PL 2B Clot Yeargan ($13.33) 5) Ruffle Top 2B Clot Anat ($20.00)	Darla Langkamp
1/14/2016	12:43:16 PM	40.00	Keepsake - Skechers	Darla Langkamp
10/1/2015	1:42:13 PM	43.34	Womens Shoe - Skechers	None
9/9/2015	12:24:55 PM	139.96	Cowboy Cut J - Wrangler (Qty 4)	None
5/22/2015	9:24:56 AM	90.00	Mens Terrain - Ariat	None
3/12/2015	2:16:14 PM	89.97	1)Pant Indian 7018 ($24.99) 2)Ladies Pant Indian 7005 ($24.99) 3)Ring Corkys 50-7068 ($39.99)	None
5/23/2014	10:39:12 AM	144.97	1)Hemp - Sanuk ($49.99) 2)Gowalk Ultim - Skechers ($49.99) 3)I'm Game Lad - Sanuk ($44.99)	None
7/25/2013	1:53:54 PM	174.95	Cowboy Cut J - Wrangler (Qty 5)	Darla Langkamp
12/12/2012	12:24:10 PM	107.96	1)Cowboy Cut J - Wrangler ($34.99 X2) 2)Cowboy Cut J - Wrangler ($18.99 X2)	None
Total of 11 Transactions =		$1,071.12		

As noted above in the table, on three instances the name of the person purchasing the clothes was noted on the sales receipt. For these noted instances, payroll records were reviewed to determine whether the purchasing individual was on-the-clock with MESTA while these purchases were made. For all three instances, it was noted that this MESTA employee was on-the-clock and paid for their time spent purchasing what appears to be personal clothing attire. It should also be noted this employee is not a medic but rather an administrative employee, and no uniform allowance expense was noted and tracked for these items. As referenced previously, OSAI was provided with uniform allowance expenditure records as tracked by MESTA, and these records dated back to 2013. At no point during this range was it noted that uniform allowance expenditures were tracked by MESTA for this specific employee.

The following is a receipt copy of an example of what a receipt looked like when it depicted the purchasing employee's name:

```
Sharpe's Department Store
505 S Mill St
Pryor, OK 74361
Phone  918-825-2745
Fax    918-825-3464
------------------------------------------------
6/13/2016  3:04:26 PM       Reg:   B
Receipt#: 92483             Store: 11
Cashier:  STORE11           Slspr: HOAL

--Customer--------------------------------------
 MESTA

--Comments--------------------------------------
Mayes Emergency Service Trust Authority
DARLA LANGKAMP

Description          Price  Qty      Total
------------------------------------------------
PRINT TUNIC          23.33    1      23.33
2B CLOT OHIO-850X       3XLMNT/PNK
       6024095090
PRINT TUNIC          23.33    1      23.33
2B CLOT OHIO-843X       3XLTAN/MNT
       6024095078
V NECK DRAPE         20.00    1      20.00
2B CLOT BRENDA-713X     3XLMNT/PURP
       6024095048
BASIC TOP P1         13.33    1      13.33
2B CLOT YEARGAN-RSX     3XLDPNK
       6024095177
RUFFLE TOP           20.00    1      20.00
2B CLOT ANAT-RSX        3XLHGRAY
       6024097295

------------------------------------------------
            Units Purchased              5
            Merchandise Total        99.99
                        TOTAL        99.99

                   On Account        99.99

              CUSTOMER COPY
```

Sharpe's Department Store was contacted concerning the receipts without a name depicting who was purchasing the clothing attire, and Sharpe's was able to provide a copy of the following receipt with a signature but no depiction of name on the receipt:

```
Sharpe's Department Store
505 S Mill St
Pryor, OK 74361
Phone  918-825-2745
Fax    918-825-3464
                                        10/2/15
------------------------------------------------
10/1/2015  1:42:13 PM       Reg:   B
Receipt#: 76094             Store: 11
Cashier:  STORE11           Slspr: CHAC

--Customer--------------------------------------
 MESTA

--Comments--------------------------------------
Mayes Emergency Service Trust Authority

------------------------------------------------
            Merchandise Total        43.34
                        TOTAL        43.34

                   On Account        43.34

              STORE COPY

Thank you for shopping at Sharpe's!
```

Of the other seven purchases noted without a depiction as to who was purchasing the attire, no documentation could be located and provided by the vendor.

Finding **MESTA has purchased clothing products from a vendor owned and operated by the spouse of the current Executive Director (who was previously the Operations Manager).**

As a public trust, business transacted by MESTA appears to fall under the authority of **Title 21 O.S. § 341** (per 1987 OK CR 222).

Title 21 O.S. § 341 states in part, "…Every public officer of the state or any county, city, town, or member or officer of the Legislature, and every deputy or clerk of any such officer and every other person receiving any money or other thing of value on behalf of or for account of this state or any department of the government of this state or any bureau or fund created by law and in which this state or the people thereof, are directly or indirectly interested, who either: First: Receives, directly or indirectly, any interest, profit or perquisites, arising from the use or loan of public funds in the officer's or person's hands or money to be raised through an agency for state, city, town, district, or county purposes… shall, upon conviction, thereof, be deemed guilty of a felony and shall be punished by a fine of not to exceed Five Hundred Dollars ($500.00), and by imprisonment in the State Penitentiary for a term of not less than one (1) year nor more than twenty (20) years…"

Hometown Shirt Shack, LLC is registered to the spouse of the current MESTA Executive Director. Additionally, the loan documents for the purchase of the space where Hometown Shirt Shack, LLC operates were signed by both the Executive Director and his spouse.

This vendor has been paid as follows in total per year by MESTA since 2014 when business with this entity appears to have first started occurring:

Hometown Shirt Shack, LLC Purchases	
Year	**Amount**
2014	$1,004.00
2015	2,432.25
2016	2,240.00

Hometown Shirt Shack, LLC Purchases	
Year	**Amount**
2017 thru July	2,195.00
Four Year Total	$7,871.75

Additionally, prior to these transactions with Hometown Shirt Shack, LLC MESTA transacted business with a different entity by the name of Created By Sara that was owned at the time by the current Executive Director's spouse. Between 2011 and 2014 a total of $6,607.50 was purchased from this vendor.

The current MESTA Executive Director was not made the interim Executive Director until June 2016 (he became the acting Executive Director in November 2016). With this timeline, four purchases totaling $3,208.50 ($1,013 in 2016 and $2,195.50 in 2017) have incurred since the current MESTA Executive Director became responsible for the day-to-day operations of MESTA.

Per email documentation provided to OSAI concerning this matter, it does appear as if strides were taken in the first quarter of 2017 to ensure that the Chairman of the MESTA Board of Trustees and MESTA legal counsel were made aware of this familial relationship. Additionally, it appears as if competitive quotes via email were gathered by two vendors other than Hometown Shirt Shack, LLC by an employee other than the Executive Director prior to transacting business in 2017.

However, due to the position of authority and purchasing responsibilities held by the Executive Director for the day-to-day operations of MESTA, it appears **Title 21 O.S. § 341** could be considered applicable to these Hometown Shirt Shack, LLC related purchases particularly concerning transactions that have occurred since June 2016 when the current Executive Director fully inherited these responsibilities.

OTHER ITEMS NOTED

Background The following items noted were not primary objectives of the special audit, but they were deemed relevant and applicable to the engagement.

Finding **Employee Evaluations Are Not Being Performed in Accordance with the P & P.**

The MESTA Policies and Procedures Manual (P & P) depicts the following concerning employee performance evaluations:

EMPLOYEE PERFORMANCE EVALUATION
SECTION XII

12.1 PURPOSE

The purpose of a system of employee performance evaluation is to help develop a better service through periodic evaluation and recording of the employee's performance on the basis of a consistent standard. Its objective is to let management and the employee know how the employee is performing job duties in the standards of work performance category, giving recognition for good work and providing a guide for improvement. Performance reports shall be considered a factor in determining promotion, demotion, and dismissal of an employee and as a factor in rehiring an employee.

12.2 PROCEDURE

A. All full time regularly classified employees shall receive a performance evaluation from their supervisor annually.
B. Probationary employees shall be evaluated at three (3) and six (6) month intervals.
C. Special performance reports may be rendered at management's discretion.

Per inquiry it was noted that employee performance evaluations have not been performed for the last couple of years.

OSAI recommends that MESTA ensure compliance with their P & P as it concerns annual employee performance evaluations. This could be determined to occur by a given deadline as dictated by the Board of Trustees or MESTA management as applicable.

It was noted via email on April 4, 2017 that the employee performance evaluation process has been started again.

Finding **Prior to March 2017 MESTA checks were signed as approved before the expenditure was approved by the Board of Trustees.**

Checks issued by MESTA require two authorized signatures. The authorized signers are the Board of Trustee members and the Executive Director. When expenditures are approved as part of a blanket purchase order by the Board of Trustees, then the checks can be issued throughout the month before the next Board meeting as long as two authorized signatures are present. For all other expenditures, the actual expenditure is approved and the check is mailed after approval in a Board of Trustees' meeting.

Prior to March 2017, the Executive Director would sign as one of the signers prior to the monthly Board of Trustees' meeting for the non-blanket purchase order expenditures, and one of the trustees would sign the checks prior to the meeting as well. Although this procedure ensured that two authorized signatures were present on all checks before they were issued, this ultimately meant that checks were completely signed as approved/cashable prior to their actual approval in the Board of Trustees meeting.

Subsequently, starting in March 2017 the Executive Director began signing his portion of the approval process after the expenditures were actually approved by the Board of Trustees to ensure that a check was not valid and cashable prior to Board approval.

Finding **Retirement contributions were not made for all applicable wages between 2010 and 2016.**

Beginning in January 2010, MESTA became a member of the Oklahoma Public Employees Retirement System (OPERS).

The Permanent Rules and Regulations for OPERS in 590:10-5-8 depicts in part the following concerning figuring compensation rates for retirement purposes:

590:10-5-8. Compensation for retirement purposes
(a) Compensation for retirement purposes, as determined by the Board of Trustees, shall be limited to salary and wages as follows:
(1) "Salary" means a predetermined or fixed amount of cash remuneration that is made payable by the participating employer to the employee in exchange for services rendered personally by the employee for the participating employer but excluding any type of overtime payments paid to an employee for service rendered in excess of full-time;
(2) "Wages" means cash remuneration, dependent upon the hours of work, that is made payable by the participating employer to the employee in exchange for services rendered personally by the employee for the participating employer excluding any type of overtime payments paid to an employee for service rendered in excess of full-time.
(b) Subject to the limitations contained elsewhere in the retirement act or in these rules, salary and wages include, by way of example and not by limitation, the following:
(1) any longevity payments made to employees based upon a standardized plan which recognizes length of service to the employer,
(2) pay differential which is paid to employees in return for special or hazardous shifts or in return for additional training or duties,

It was noted by MESTA personnel in November 2016 that instances where certain employees were compensated for greater than their normal hourly rate (due to shift step-up differentials like working the day car or supervisor pay) were not being included for OPERS purposes even when these hourly amounts were incurred on the first 40 hours of the work week. As a result, these hours worked appear to fall under 590:10-5-8(b)(2) as depicted above.

During this OPERS related review, it was also noted by MESTA that the annual longevity bonus was not included in OPERS related calculations either (these payments would appear to fall under 590:10-5-8(b)(1)).

As a result of these noted items, MESTA calculated and submitted amounts omitted from wage calculations concerning payments into OPERS for the period of 2010 through 2016. The following table depicts these totals per year that were submitted to OPERS for step-up and longevity bonus related pay:

Amounts Omitted From OPERS		
Year	Step-Up	Bonus
2010	$12,638.50	$65,124.66
2011	13,327.50	54,363.03
2012	13,389.50	66,295.72
2013	12,132.50	77,914.47
2014	13,198.50	68,202.39
2015	13,771.00	62,642.03
2016	15,534.50	-
Totals	$ 93,992.00	$394,542.30
Combined Total		$488,534.30

The above referenced table does not include an amount for the longevity bonus for 2016 as this payment occurred after the discovery of the omitted amounts. Consequently, the 2016 annual bonuses were claimed correctly as it concerned OPERS contributions.

Based upon these totals submitted to OPERS, an invoice, dated March 6, 2017, was sent to MESTA depicting that $144,496.70 was owed for the omitted wages which included $40,280.94 worth of interest due. This amount was remitted to OPERS in June 2017.

DISCLAIMER

In this report, there may be references to state statutes and legal authorities which appear to be potentially relevant to the issues reviewed by this Office. The State Auditor and Inspector has no jurisdiction, authority, purpose, or intent by the issuance of this report to determine the guilt, innocence, culpability, or liability, if any, of any person or entity for any act, omission, or transaction reviewed. Such determinations are within the exclusive jurisdiction of regulatory, law enforcement, and judicial authorities designated by law.

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