



MOUNTAIN VIEW-GOTEBO EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**MOUNTAIN VIEW-GOTEBO EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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June 24, 2020

**TO THE BOARD OF DIRECTORS OF THE
MOUNTAIN VIEW-GOTEBO EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Mountain View-Gotebo Emergency Medical Service District for the fiscal year ended June 30, 2018.

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

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

Sincerely,

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**MOUNTAIN VIEW-GOTEBO EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2018

	FY 2018
Beginning Cash Balance, July 1	\$ 62,410
Collections	
Ad Valorem Tax	77,306
Miscellaneous	24
Total Collections	77,330
Disbursements	
Personal Services	200
Contract Services	85,023
Maintenance and Operations	4,015
Audit Expense	5,590
Total Disbursements	94,828
Ending Cash Balance, June 30	\$ 44,912

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

Mountain View-Gotebo Emergency Medical Service District
P.O. Box 80
Mountain View, OK 73062

**TO THE BOARD OF DIRECTORS OF THE
MOUNTAIN VIEW-GOTEBO EMERGENCY MEDICAL SERVICE DISTRICT**

For the purpose of complying with 19 O.S. § 1706.1, we have performed the following procedures:

- Determined that receipts were properly deposited and accurately reported in the accounting records.
- Determined cash balances were accurately reported in the accounting records.
- Determined whether deposits and invested funds for the fiscal year ended June 30, 2018.
- 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 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, 2018 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Mountain View-Gotebo 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 Mountain View-Gotebo 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 Mountain View-Gotebo Emergency Medical Service District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 17, 2019

**MOUNTAIN VIEW-GOTEBO EMERGENCY MEDICAL SERVICE DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-001 -Inadequate Internal Controls and Noncompliance Over Bylaws, the Open Meeting Act, and the Disbursement Process and Appointment of Board Members (Repeat Finding)

Condition: Upon inquiry of the Mountain View-Gotebo Emergency Medical Service District (the District) Treasurer, observation of financial records, and review of prior year weaknesses, the following weaknesses were noted:

The District has not established policies and procedures over the financial records, nor has the Board performed duties of oversight of the financial operations of the District.

- The District could not locate formation documents or bylaws.
- Public meetings of the District Board were not conducted during fiscal year 2018; therefore, disbursements were not approved, and checks were not signed in an open meeting.
- The District Board has not established written policies and procedures to segregate duties for the following:
 - The designation of an authorized check preparer.
 - The designation of authorized check signers.

The Board Chairman submitted his resignation on March 20, 2015; however, as of July 29, 2019, a Chairman had not been appointed, nor had the Board member been replaced by appointment of the Kiowa County Board of County Commissioners.

Cause of Condition: Policies and procedures have not been designed and implemented to include the formation documents of the District or bylaws, to ensure that regularly scheduled Board meetings were held, and to ensure compliance with the state statutes, including compliance with the Open Meeting Act, and Oklahoma State Constitution for appointing Board members. Further, policies and procedures have not been designed and implemented to segregate the disbursement processes.

Effect of Condition: These conditions resulted in noncompliance with statute statutes regarding the Open Meeting Act and the Oklahoma Constitution and resulted in unrecorded and undocumented District proceedings and adherence to the intent of the formation of the District bylaws. Additionally, a single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the District design and implement procedures to provide bylaws for the District and provide policies and procedures to mitigate the risk of limited persons performing the duties of the disbursement process. OSAI recommends the District Board adhere to the Open Meeting Act regarding posting notices of detailed agendas and holding regularly scheduled meetings of the Board. OSAI recommends the District Board establish policies

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and procedures to ensure compliance with 19 O.S. § 1208 which requires any resignations within the Board to be filled by appointment of the Board of County Commissioners.

In addition, OSAI recommends the District be aware of constitutional requirements that pertain to appointment of the Board of Trustees for emergency medical service districts as defined in Article 10 section 9C.

Management Response:

Board Members:

- The District is working on new bylaws as the original bylaws could not be located in the District or Kiowa County records.
- Regular public meetings have been scheduled starting in 2019 to eliminate the issues with the approval of disbursements and checks not being signed in open meetings.
- The District has started a detailed agenda of the items to discuss in open meetings.
- Beginning January 1, 2020, we have scheduled monthly meetings so that the disbursements and receipts may be reviewed by the Board.
- The District is working on written policies and procedures to address authorization of a check preparer and authorized signers for the checks.

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 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.

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The GAO Standards –Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

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.

The Oklahoma Open Meeting Act states as follows:

Title 25 O.S. § 303 states in part, “All meetings of such public bodies, shall be preceded by advance public notice specifying the time and place of each such meeting to be convened as well as the subject matter or matters to be considered at such meeting, as hereinafter provided.”

Title 25 O.S. § 311 (A) (11) states in part, “Notwithstanding any other provisions of law, all regularly scheduled, continued or reconvened, special or emergency meetings of public bodies shall be preceded by public notice as follows:

1. All public bodies shall give notice in writing by December 15 of each calendar year of the schedule showing the date, time and place of the regularly scheduled meetings of such public bodies for the following calendar year.

3. All county public bodies, including, but not limited to, public trusts and any other bodies with the county as beneficiary, shall give such notice to the county clerk of the county wherein they are principally located.

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10. In the event any meeting is to be continued or reconvened, public notice of such action, including date, time and place of the continued meeting, shall be given by announcement at the original meeting. Only matters appearing on the agenda of the meeting which is continued may be discussed at the continued or reconvened meeting.

Title 25 O.S. § 312.A states, “The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.”

Additionally, Article 10 § 9C for Emergency Medical Service Districts, states in part, “Each district which is herein authorized, or established, shall have a board of trustees composed of not less than five members. Such trustees shall be chosen jointly by the board or boards of county commissioners, provided that such membership shall be composed of not less than one individual from each county or part thereof which is included in said district.”

“Each year, as necessary, the board or boards of county commissioners shall appoint successors to such members of the board of trustees whose terms have expired, and such subsequent appointments shall be for terms of five (5) years.”

Further, Title 19 O.S. § 1208 states in part;

“Vacancies on the board shall be filled for the unexpired term, and until such appointee's successor is elected and has qualified, by appointment by the remaining members of the board.”

Finding 2018-003 – Internal Controls and Noncompliance Over the Collections Process (Repeat Finding)

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

- Receiving mail,
- Receiving funds and issuing receipts, and
- Preparing the deposit.

Upon verification of ad valorem tax collections, the following weaknesses were noted:

- Receipts were issued for ad valorem taxes for the day they were deposited, not the day they were received.
- Ad valorem tax collections remitted to the District by the Kiowa County Treasurer was \$90,196.88; however, the amount reflected on the Estimate of Needs was \$77,305.61. This variance of

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\$12,891.27 was due to ad valorem tax collections received from Kiowa County not being deposited in a timely manner.

- The test of ad valorem tax deposits reflected ad valorem tax collections totaling \$90,196.88 remitted to the District was deposited from 28 to 116 days after the issuance of the ad valorem tax check.

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, recorded, and deposited the same day or next banking day after funds are received.

Effect of Condition: These conditions resulted in noncompliance with state statute and a single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in the Board's oversight of office operations and a periodic review of operations. OSAI recommends the Board provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties.

Furthermore, OSAI recommends the District deposit funds received the same day or the next banking day in accordance with 62 O.S. § 517.3 B.

Management Response:

Board Members: The Board has taken corrective action in this area. One Board member picks up the mail at least once a week. Another Board member receives the funds, issues receipts, then makes the deposit. The Board member that picks up the mail, reviews the deposit and signs the receipt book.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states 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

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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 2018-004 - Inadequate Internal Controls and Noncompliance with Contract Provisions with the Service Provider (Repeat Finding)

Condition: Upon inquiry of the District Board Treasurer and review of the contract with the service provider, we noted the following exceptions:

- The contract between the District and the Town of Carnegie (service provider) was not renewed in an open meeting for the fiscal year. The contract is dated November 1, 2013 and ends on June 30, 2014. The provisions of the contract extend to subsequent fiscal years upon approval of both parties.
- The third-party service provider contract does not contain a “non-appropriation clause” or a provision for mutual ratification of renewal.
- The District Board did not conduct an open meeting during the fiscal year; therefore, the contract was not approved for extension for fiscal year 2018.
- Payments made to the contract service provider, the Town of Carnegie, were not were not calculated per contract stipulations, which resulted in underpayment of \$13,759.76.

Further, the District Board was not in compliance with the provisions of the contract, as follows:

- The Board did not make payments to the provider as ad valorem tax collections were received.
- The Board did not provide evidence of review of proof of liability insurance from the Town of Carnegie.
- The Board did not provide evidence of review of the annual certification from the Oklahoma State Department of Health.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with provisions of the service provider contract and ensure compliance with the Oklahoma Constitution.

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Effect of Condition: These conditions resulted in noncompliance with the Oklahoma Constitution, inaccurate records, incomplete information, underpayment of contractual obligations, and could result in misappropriation of assets.

Recommendation: OSAI recommends the District Board establish policies and procedures to ensure payments made to the service provider are in accordance with contract provisions, including the manner and timeliness of compensating the service provider and proof of liability insurance and state certification. Further, OSAI recommends the contract be renewed and approved each fiscal year in an open Board meeting and compliance with Article 10 §26 (a) of the Oklahoma Constitution.

**Management Response:
Board Members:**

- The contract will be reviewed at our next meeting and voted on for approval. The contract will be reviewed annually in July and voted on for approval.
- Open meetings are being held monthly to make sure all payments to the provider are received in a timely manner as ad valorem tax is received.
- The Board is developing policies and procedures to ensure prompt payment to our service provider and to obtain insurance and certification documents annually.

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

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

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.

Additionally, to comply with the provisions §26 (a) of Article 10 of the Oklahoma Constitution, contracts should contain a “non-appropriation clause” or a provision for mutual ratification of renewal as to not constitute debt.

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