



NOBLE EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the period July 1, 2014 through June 30, 2016

Cindy Byrd, CPA
State Auditor & Inspector

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2016**

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March 13, 2020

**TO THE BOARD OF DIRECTORS OF THE
NOBLE EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Noble Emergency Medical Service District for the period July 1, 2014 through June 30, 2016.

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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

TABLE OF CONTENTS

FINANCIAL SECTION

Presentation of Collections, Disbursements, and Cash Balances of District Funds for Fiscal Year 2015.....	1
Presentation of Collections, Disbursements, and Cash Balances of District Funds for Fiscal Year 2016.....	2

INTRODUCTORY SECTION

Background Information.....	3
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REPORT ON STATUTORY COMPLIANCE - OTHER MATTERS

Statutory Report.....	5
Schedule of Findings and Responses.....	7

ITEMS OF INTEREST

Finding 2016-001 – Inadequate Internal Controls and Noncompliance Over General Obligation Bond Issuance: The citizens of the City of Noble approved a bond issue through the Noble EMS District (The District). Subsequently, the City of Noble issued the general-obligation bonds in the District’s name but used the City of Noble’s financial information to obtain them. (Pg. 8)

Finding 2016-003 – Inadequate Internal Controls and Noncompliance Over Estimate of Needs: The District’s collections and disbursements of bond funds to the City of Noble in the amount of \$392,542 were not reflected in the Estimate of Needs for fiscal year 2016. (Pg. 12)

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2015

	<u>Operational</u>	<u>Sinking</u>
Beginning Cash Balance, July 1	\$ 12,899	\$ 57,815
Collections		
Ad Valorem Tax	96,604	44,026
Interest on Investments	316	78
Total Collections	<u>96,920</u>	<u>44,104</u>
Disbursements		
Maintenance and Operations	90,000	-
Coupons Paid	-	3,278
Bonds Paid	-	45,000
Commission Paid	-	300
Total Disbursements	<u>90,000</u>	<u>48,578</u>
Ending Cash Balance, June 30	<u>\$ 19,819</u>	<u>\$ 53,341</u>

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

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2016

	<u>Operational</u>	<u>Sinking</u>
Beginning Cash Balance, July 1	\$ 19,819	\$ 53,341
Collections		
Ad Valorem Tax	108,902	1,212
Interest on Investments	785	47
Total Collections	<u>109,687</u>	<u>1,259</u>
Disbursements		
Maintenance and Operations	111,109	-
Coupons Paid	-	1,132
Bonds Paid	-	50,000
Commission Paid	-	150
Miscellaneous	-	243
Audit Expense	8,295	-
Total Disbursements	<u>119,404</u>	<u>51,525</u>
Ending Cash Balance, June 30	<u>\$ 10,102</u>	<u>\$ 3,075</u>

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

BACKGROUND INFORMATION

1. Accounts

The District uses two accounts to report receipts, disbursements, and changes in cash balances. The following are descriptions of the District's accounts within the financial statement:

Operational – accounts for revenues from the ad valorem taxes, interest earnings, and miscellaneous collections of the District. Disbursements are for the general operations of the District.

Sinking – accounts for the payments of interest and principal on long-term bonded debt and civil judgments. Debt service receipts are derived generally from a special ad valorem tax levy and from interest earned on investments on cash not immediately required for debt service payments.

2. Ad Valorem Tax

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. The County Treasurer, according to the law, shall give notice of delinquent taxes and special assessments by publication once a week for two consecutive weeks at any time after April 1, but prior to the end of September following the year the taxes were first due and payable. Unpaid real property taxes become a lien upon said property after the treasurer has perfected the lien by public notice.

The Noble Emergency Medical Services District was the recipient of 4.47 (3.08 General Fund and 1.39 Sinking Fund) total mills for fiscal year 2015, and 3.08 (General Fund) total mills for fiscal year 2016. No Sinking Fund millage was requested for fiscal year 2016.

3. Long-term Obligations: General-Obligation Bonds

The government issued general-obligation bonds to provide funds for the acquisition and construction of major capital facilities. Debt service on the bonds will be paid from ad valorem taxes levied and assessed on behalf of the issuer and deposited to the Sinking Fund.

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

Noble Emergency Medical Service District, General Obligation Limited Tax Bonds, Series 2006 – Bonds in the amount of \$320,000 were issued November 1, 2006, for the purpose of acquiring emergency medical vehicles (ambulances) and equipment related thereto. This bond matured on November 1, 2016 and was paid in full.

During fiscal year 2016, payments included \$50,000 for principal, \$1,132 for interest, and \$150 for fees.

Noble Emergency Medical Service District, General Obligation Limited Tax Bonds, Series 2016 – Bonds in the amount of \$445,000 were issued April 1, 2016, for the purpose of acquiring emergency medical vehicles (ambulances) and equipment related thereto.

General-obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 25 years from the date of issue. General-obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Noble EMS Ambulances	1.75%	\$445,000

During fiscal year 2016, payments included \$44,091 for fees and accrued interest were paid at the issuance of these bonds. The fees consisted of the following: \$15,000 to a financial advisor, \$15,000 to a bond counsel, \$12,500 to an issuer counsel, \$134 to the Attorney General for an examination fee, \$300 to the paying agent for an acceptance fee, and \$1,157 for the printing fees.

Annual debt service requirements to maturity for general-obligation bonds, including interest of \$45,666, are as follows:

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 8,653	\$ 8,653
2018	-	7,987	7,987
2019	70,000	7,987	77,987
2020	70,000	6,763	76,763
2021	75,000	5,538	80,538
2022	75,000	4,225	79,225
2023	75,000	2,913	77,913
2024	80,000	1,600	81,600
Total	<u>\$445,000</u>	<u>\$45,666</u>	<u>\$490,666</u>

Noble Emergency Medical Service District
304 S Main Street
Noble, Oklahoma 73068

**TO THE BOARD OF DIRECTORS OF THE
NOBLE 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 were secured by pledged collateral.
- Determined that disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1 and were accurately reported in the accounting records.
- Determined that all purchases requiring bids complied with 19 O.S. § 1723.
- Determined that payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined that fixed assets records were properly maintained.
- Determined whether the District's collections, disbursements, and cash balances for FY 2015 and FY 2016 were accurately presented on the estimate of needs.

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

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

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

October 29, 2019

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-001 – Inadequate Internal Controls and Noncompliance Over General-Obligation Bond Issuance

Condition: On January 12, 2016, a majority of the citizens of the City of Noble approved a bond issue. The approved ballot stated, in part, “Shall the Noble Emergency Medical Service (EMS) District incur an indebtedness by issuing its bonds in the sum of Four Hundred Forty-Five Thousand Dollars (\$445,000) to provide funds for the purpose of acquiring emergency medical vehicles and equipment related thereto...” On April 1, 2016, a General Obligation Limited Tax Bond was issued to the District in the amount of \$445,000.

Upon review of the general-obligation bond, the following exceptions were noted:

- The citizens of the City of Noble approved a bond issue through Noble EMS, yet the City of Noble subsequently issued the bonds in the District’s name.
- Financial information presented on the bond is based on the City of Noble instead of on the District even though the District alone incurred the debt.
- The Schedule of Payments is being presented using the accrual basis and the average principal over the lifetime of the levies.

Upon receiving the net bond proceeds of \$392,542 on April 25, 2016, the District disbursed all such funds to the City of Noble to allow the City to purchase ambulances and equipment. This disbursement from the District to the City appears to have occurred without consideration for the ballot, which specified that the District would make the purchases.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the proper entity issues bonds. Further, the information presented within the bond shows the District and the City of Noble as one entity and that all the financial information was presented on a modified cash basis, except for the Schedule of Payments, which was presented using the accrual basis.

Lastly, the District disbursed bond funds to the City of Noble, although the ballot provided for the District to issue the bonds.

Effect of Condition: These conditions resulted in bonds being approved for an entity other than that for which they should have been approved, the financial disclosures for the bonds containing inaccurate and potentially misleading information, and noncompliance with the Noble Emergency Medical Service Bond ballot. By using the accrual basis of accounting and averaging the principal amount over the life of the levies per the Schedule of Payments within the general-obligation bond, early retirement of the bonds was not considered.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the District design and implement policies and procedures to ensure debt is incurred and bond proceeds are expended

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

only in accordance with ballot results and/or that the proper entity issue bonds. We also recommend that future Schedule of Payments be set up with the best savings option for the taxpayers of the District.

Management Response:

Prepared by Nate Ellis of the Public Finance Law Group PLLC; Rick Smith, Municipal Finance Services, Inc.; and Chris Angel, Angel, Johnston & Blasingame, P.C. These responses were adopted by the Noble EMS Board on October 24, 2019.

The critical element here is in Article 10, Section 9C. While most EMS districts are in fact created by the County, this one happens to be created by a City. Section 9C (p) states: “In lieu of proceeding to establish a district as outlined hereinabove through the county commissioners, the governing body of any incorporated city or town may proceed to form a district, join an existing district or join with other incorporated cities or towns in forming a district. In such case, said governing body shall be considered as being substituted as to the powers and duties of said county commissioners as set forth hereinabove; provided, further, said city or town shall be considered as being substituted as to the powers and duties of a district formed, as set forth hereinabove. All rights, duties, privileges and obligations of the residents and voters in such city or town shall be the same as those outlined for the district as set forth above.”

Essentially, every reference in Section 9C to the County, and to the Board of County Commissioners, instead becomes reference to the City and its City Council. Important to that point is Section 9C (n) which states: “All elections called under the provisions hereof shall be conducted by the county election board or boards of each county or counties involved, upon receipt of an election proclamation, issued by a majority of the board or boards of county commissioners in the area affected. In the event more than one county is involved, said proclamation must be a joint proclamation from a majority of the board of county commissioners of each county involved. Said proclamation shall be published in one issue of a newspaper of general circulation in each county involved in the area affected at least ten (10) days prior to said election and said proclamation shall set forth the purpose of the election, and the date thereof. The county election board or boards shall certify the results of an election to the board or boards issuing such proclamation.”

Any election with respect to the Noble EMS District would be properly called by the City Council of the City of Noble. After the successful election, the Bonds were issued pursuant to a Resolution of the Noble EMS Board dated March 10, 2016. On April 18, 2016, the City of Noble adopted a Resolution No. 2016-05 that set forth the City’s reasonable expectations as to the issuance of tax-exempt bonds by the City and any of its component units (including the Noble EMS District) for the purpose of designating the bonds as “qualified tax-exempt obligations” (also known as “Bank-Qualified”) and for the purpose of allowing the District to avail itself of the small-issuer exemption from arbitrage rebate requirements. The City did not issue the bonds, but for federal tax law purposes, because of the direct and lawful relationship between the District and the City, the City does appropriately make certain representations as to the issuance of the bonds and the use of proceeds.

Among the representations made for federal tax law purposes, the District agrees to enter into binding commitments for the acquisition or construction of the Project (i.e., the acquisition of an ambulance) equal to at least 5% of the Sale Proceeds of the Bonds within 6 months of the date of issuance, and will expend at least 85% of the proceeds within 3 years of the date of issuance. The OSAI references a contract between

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

the District and the City to purchase ambulances, which may or may not serve to meet the 5% binding commitment covenant. It is certainly well within the 3-year expenditure period at this point.

Additionally, the ballot proposition states: “to provide funds for the purpose of acquiring emergency medical vehicles (ambulances) and equipment related thereto...” the ballot does not provide specificity (nor is it required to) as to the precise method of acquisition, or for that matter the condition of acquisition (new vs. used). The 70% language required by the Bond Proceeds Act (Title 62, section 574) states: “Acquisition of two ambulances and equipment related thereto, including costs associated with the issuance of the bonds.” I will defer to the opinion of auditors as to the appropriate accounting entries necessary to reflect the receipt, holding, and disposition of bond proceeds, but for bond issue and tax law purposes, the limitation is that the proceeds be acquired for the acquisition of emergency medical vehicles. It would not be inappropriate to coordinate the District’s efforts with the City’s, although the ownership of the emergency vehicles would correctly reside with the District.

We have not and will not make any representation as to the material accuracy of the official statement; however, it should be noted that the audited financial statements for the entire City are provided because they include as a component unit the EMS District. Because the jurisdiction of the District is the same as that of the City, the financial information and other statistics provided within the official statement would inherently be the same for both the City and the District. While certain parts of the financial information are not necessarily pertinent to a prospective investor making an investment decision, the inclusion of this information is often requested and even demanded by the “market” in order to successfully find investors willing to purchase the bonds.

The Schedule of Payments are prepared by the District’s CPA for the Estimate of Needs is consistent with the SA&I forms to achieve as level of payments as possible which is in the taxpayers’ best interest. In addition, the calculations included in the form create level principal accruals to establish level debt payments consistent with Article X-9C.

The preparation of the annual sinking fund levy was done consistent with the State Auditor and Inspector “Estimate of Needs Form 268BR98”. The form has a section entitled “Basis of Accruals Contemplated on Net Collections or Better in Anticipation”. This section starts with “Bond Issues Accruing by Tax Levy” which is the total bond issue of \$445,000. The next line is “Years to Run”. This is the number of tax years the issue will run over. In this case there are eight (8) tax “Years to Run”. The following line is “Normal Annual Accrual”. “Normal Annual Accrual” is the “Bonds Issues Accruing by Tax Levies” (\$445,000) divided by “Years to Run” (8) for an annual amount levied on the principal of the bond of \$55,625.

This has been the method used on the 2016, 2017, 2018, and 2019 annual “Estimate of Needs” which has been approved by the EMS Board each year. This method is consistent with the annual bond calculations as interpreted by the SA&I in their “estimate of Needs” form. The benefit of this method is an earlier accumulation of cash for the principal on the bond and a more even amount on the annual levies to the taxpayers.

The audit division of the SA&I prefers a method that will limit the annual levy to the actual amount of payments each year. The City agrees to inform the EMS Board during the formation of the annual Estimate

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

of Needs, that the EMS Board can choose this method. Future “Estimate of Needs” will be prepared consistent with the Board’s decision.

Auditor Response: OSAI has been provided with a copy of the District minutes of March 10, 2016, and the Resolution for the issuance of bonds after the vote of the people had previously occurred. It was noted that the City Manager was noted as the “Acting Secretary” on the official Board minutes even though the City Manager has no official affiliation with the District. Title 25 O.S. § 312(A) provides that official meeting minutes “...shall be kept by a person so designated by such public body...” Without action by the District Board to make the City Manager the “Acting Secretary”, there appears to be the potential for statutory conflict with how these specific District Board meeting minutes were recorded. “The Noble EMS Board meeting minutes for **October 24, 2019** reflect the following: approved to appoint the Assistant City Clerk, as recording secretary for the EMS District Board and the City Manager, Assistant City Manager and City Clerk as acting recording secretary.”

OSAI agrees that relevant demographic and historical information of the City of Noble is important for the issuance of a bond. However, the Special Election Proposition (dated January 12, 2016) states, “Shall the *Noble Emergency Medical Service District* incur an indebtedness by issuing its bonds...” The ballot depicts the actual debt to be incurred as the indebtedness of the District and not jointly of the District and the City. However, the financials of the City, including the charges for services of the EMS run by the City, are included as part of Table 1, which is to be a reflection of historical financial performance. A note to this table depicts that the “Historical Financial Performance reflects the aggregate of both the Noble EMS Special Revenue Fund and the Noble EMS District.” Even though the debt, per the approved ballot, belongs only to the actual District and not the EMS Special Revenue Fund that is part of the District, the inclusion of this information made it appear as if the District received more than \$600,000 of additional revenue than it actually took in during fiscal year 2015. In the opinion of OSAI, this is a significant misrepresentation of the District financials, as the District only received approximately \$140,000 in fiscal year 2015.

OSAI understands that the City of Noble has opted to include the District as a blended component unit. As OSAI is not statutorily responsible for the financial disclosures of the City of Noble, we do not render such an opinion on the status of any component units. That is a decision for the City of Noble based upon its application of GASBs 14, 39, and 61. However, OSAI is responsible for providing guidance to the District. As such, we strongly encourage the District to understand that it issued debt with the burden of debt being placed on the District alone and not the City of Noble.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Article 10, § 9C, of the Oklahoma Constitution provides that emergency-medical-service districts may be established “for the purpose of providing funds for the purpose of support, organization, operation[,] and maintenance of district ambulance services” and that any such district may obtain voter approval to issue bonds “for the purpose of acquiring emergency vehicles and other equipment and maintaining and housing the same”. Section 9C(p) provides:

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

In lieu of proceeding to establish a district as outlined hereinabove [...], the governing body of any incorporated city or town may proceed to form a district [...]. In such case, said governing body shall be considered as being substituted as to the powers and duties of said county commissioners as set forth hereinabove; provided, further, said city or town shall be considered as being substituted as to the powers and duties of a district formed, as set forth hereinabove. [...]

Title 25 O.S. § 312(A) provides:

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.

Title 25 O.S. § 313 provides, “Any action taken in willful violation of this act shall be invalid.”

Finding 2016-003 – Inadequate Internal Controls and Noncompliance Over Estimate of Needs

Condition: While reviewing the financial statement numbers presented on the Estimate of Needs and financial statement, the District’s collections and disbursements of bond funds to the City of Noble in the amount of \$392,542 were not reflected for fiscal year 2016.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the financial statement reflected on the Estimate of Needs is accurate and reliable.

Effect of Condition: This condition resulted in noncompliance with state statute and the financial statement reflected on the Estimate of Needs to be inaccurate.

Recommendation: OSAI recommends that the District implement policies and procedures designed to ensure compliance with state statute and that the financial statement is accurate and reliable.

Management Response:

District Board: In the future the City of Noble’s CPA will review the Estimate of Needs prior to presenting it to the District Board for approval for a second opinion.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval. As such, the Estimate of Needs should be an accurate reflection of the District’s financial situation.

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

Title 19 O.S. § 1702(3) specifies that the Emergency Medical Service District Budget Act provides budget procedures for districts that “make available to the public and investors sufficient information as to the financial conditions, requirements [,] and expectations of the district”.

Finding 2016-004 – Inadequate Internal Controls Over the Collections and Bank Reconciliations Processes

Condition: While gaining an understanding of the depositing and reconciling functions of the District, the following was noted:

- The Sinking Fund monies were deposited in the Operational Fund in error on one occasion.
- There is no evidence of review and approval of the financial statements and/or bank statement reconciliations by the District Board.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure accurate deposits, monthly bank statement reconciliations, and financial reports are being reviewed and approved by the Board.

Effect of Condition: Accurate deposits, evidence of financial reports and bank reconciliations not being reviewed and approved by the Board could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and realize that the most effective controls lie in management’s oversight of office operations and a periodic review of operations. OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties and having management review and approve accounting functions. Further, OSAI recommends evidence of the District Board’s review process be clearly documented for all bank reconciliations to provide a mitigating control over the lack of duties for the depositing and reconciling processes.

Management Response:

District Board: Bank statements will be presented at each EMS District Board meeting. Each member present will review and initial each bank statement and reconciliation sheet to show evidence of approval.

Auditor Response: Although these steps outlined by management will address the issues surrounding the occurrence of a review of the financials and the reconciliation, they will not address the timely detection of an error since the District Board only meets quarterly. As such, OSAI recommends the District Board’s involvement with operational matters of the District be monthly.

Additionally, SA&I attended the September 30, 2019 EMS Special Board meeting where the April 2019 through August 2019 bank statements were listed on the agenda for approval. The bank statements were available but were not presented to each board member for review and approval during the open board meeting as stated in the management response.

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. Bank reconciliations should be performed monthly and reviewed and approved by someone other than the preparer which includes an indication of review.

Finding 2016-005 – Inadequate Internal Controls and Noncompliance Over Contracts

Condition: Upon review of the District contracts, it was noted that quarterly payments were not made in accordance with the service contract between the District and the City of Noble. However, annual payments were made.

Cause of Condition: The District did not comply with the service contract by making timely payments in accordance with the contractual agreement for ambulance services.

Effect of Condition: Policies and procedures have not been designed and implemented to ensure payments are made in accordance with contractual compliance as permitted by 19 O.S. § 1710.1(B).

Recommendation: OSAI recommends the District monitor all applicable contracts for district ambulance services and ensure all payments are made in accordance with the terms of the contracts.

Management Response:

District Board: In order for the EMS District to come into contractual compliance, the EMS District members present will vote and pass any available funds to the City of Noble EMS fund on a regular quarterly basis.

Criteria: The current service contract between the District and the City of Noble depicts that the District is "To deliver to the City, in not less than quarterly installments, all funds received from the mill levy on the assessed valuation of all taxable property in the district, less any amount that is required to be used by the District for the District's General Obligation Bond Sinking Fund and less the mandatory 1/10 mill reservation that must be retained by the District pursuant to 19 O.S. Section 1706.1."

Title 19 O.S. § 1710.1(B) provides, "Emergency medical service districts formed pursuant to said Section 9C of Article X of the Oklahoma Constitution may own and operate the ambulance service or may provide ambulance service through contracts with one or more ambulance service providers."

Further, accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to operate accurately in accordance with any and all applicable and statutorily valid contracts.

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

Finding 2016-006 – Inadequate Segregation of Duties Over Inventory and Noncompliance of the Ambulance Service Agreement

Condition: On December 15, 2009, an Ambulance Service Agreement was signed with the City of Noble. The contract depicts that any ambulances and equipment acquired by the District and used by the City or acquired by the City using funds secured through bonds, shall, at all times, be the property of the District. Additionally, both parties to this agreement were made responsible for maintaining a joint list of all District assets that are in the possession of the City.

Based on this understanding of the contract along with inquiry and observation of the District, the following was noted concerning inventory:

- Inventory records are not maintained.
- An annual physical inspection of inventory is not performed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure inventory is being properly accounted for, maintained, and updated regularly by the District in accordance with contractual provisions.

Effect of Condition: These conditions resulted in noncompliance with the Ambulance Service Agreement. Further, these conditions could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

Recommendation: OSAI recommends that policies and procedures be designed and implemented to ensure inventory is being updated on an ongoing basis. Further, OSAI recommends physical inventory verification, by someone other than the individual in charge of inventory, be completed and documented annually to verify inventory on hand. Both recommendations would ensure compliance with the Ambulance Service Agreement.

Management Response:

District Board: The Chairman of the Board and the Noble Fire Chief have verified that listed items are in the District/City's possession as of December 31, 2016 and the District EMS clerk has a copy.

In the future, in order to comply with policy and procedures an annual physical inspection of equipment will be scheduled for the month of December each year of all District owned items on hand.

If any items are to be sold, donated, or surplus, those items will be added to the EMS District meeting agenda for approval and the reason for them being deleted from the inventory will be shown on the inventory list.

At all the following yearly reviews, the inventory will be reviewed and approved by the District Board and signed off on by the members in attendance. The inventory list will be kept with the District secretary records for auditing purposes.

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

The current service contract between the District and the City of Nobles states, "In the event the purchase of real property is necessary for the operation of the ambulance service, the real property shall be acquired in the name of the City of Noble, Oklahoma. All personal property shall be acquired in the name of the City, however, any ambulances and equipment acquired by the District and used by the City or acquired by the City using funds secured through bonds and the levy of a special ad valorem tax authorized by Article 10, Section 9C, of the Oklahoma Constitution shall, at all times, be the property of the District (even though held in legal title by the City for liability and insurance purposes pursuant to the terms of this agreement) and shall be returned to the District at the termination of the City's contractual obligation to provide ambulance service to the District. The parties shall, at all times, maintain a joint list of all District assets that are in the possession of the City and utilized by the City in providing contractual ambulance services to the District, whether titled in the name of the District or in the name of the City."

Finding 2016-007 – Inadequate Internal Controls and Noncompliance Over the Audit Expense Budget Account (Repeat Finding)

Condition: For the fiscal year ended June 30, 2016, the District did not appropriate the mandatory one-tenth mill to the audit expense budget account required by state statute. As a result, the District audit expense budget account was underfunded by a total of \$777.84.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 19 O.S. § 1706.1.

Effect of Condition: This condition resulted in noncompliance with state statute and underfunding of the audit expense budget account.

Recommendation: OSAI recommends that the District implement policies and procedures designed to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit expense budget account and that any unused portion of the one-tenth mill be carried forward into the next year's audit account in accordance with 19 O.S. § 1706.1.

Management Response:

District Board: Through training from the year's Auditor, the correct number location has been established on the Estimate of Needs. That amount will be withheld after it has been verified and signed off on by the EMS Board members present for the December meeting.

**NOBLE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.



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