



OKEENE EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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July 11, 2019

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

Transmitted herewith is the audit report of Okeene 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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2018

	<u>General</u>	<u>County Sales Tax</u>
Beginning Cash Balance, July 1	\$ 142,408	\$ -
Collections		
Ad Valorem Tax	71,785	-
Charges for Services	55,925	-
County Sales Tax	-	129,445
Intergovernmental Revenues	1,845	-
Miscellaneous	459	-
Total Collections	<u>130,014</u>	<u>129,445</u>
Disbursements		
Personal Services	122,019	-
Maintenance and Operations	52,759	-
Capital Outlay	63,194	106,000
Audit Expense	4,133	-
Total Disbursements	<u>242,105</u>	<u>106,000</u>
Ending Cash Balance, June 30	<u>\$ 30,317</u>	<u>\$ 23,445</u>

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

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Sales Tax of July 1, 2017

On April 4, 2017, the voters of Blaine County approved an additional county sales tax of one-eighth of one percent (.125%) to become effective on July 1, 2017 and recurring thereafter for emergency medical services as may be necessary as deemed by the Board of County Commissioners of Blaine County and administered by them. This sales tax was established for the purpose of contracting with the following 522 emergency medical service districts; Canton, Geary, Okeene and Watonga (Blaine County 522).

These funds are accounted for as cash funds as designated as such for each named 522 emergency medical service within Blaine County .

For the fiscal year ended June 30, 2018, Okeene Emergency Medical Service District was allocated \$129,445 in county sales tax appropriations and expended \$106,000 through the Blaine County Board of County Commissioners for the purchase of a building to be used to house the ambulances and District offices.

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

Okeene Emergency Medical Service District
118 W. Madison
Okeene, Oklahoma 73763

**TO THE BOARD OF DIRECTORS OF THE
OKEENE 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 2018 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Okeene 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 Okeene 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 Okeene 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

February 26, 2019

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-001 – Internal Controls and Noncompliance Over Open Meeting Act (Repeat Finding)

Condition: Upon inquiry of the Okeene Emergency Medical Service District (the District) employees, and review of the minutes, the following weaknesses were noted:

- In six (6) instances the Board meeting minutes could not be located.
- In seven (7) instances the Board minutes provided were not signed by a member of the Board.
- In one (1) instance, the minutes reflected discussion regarding the purchase of a District building; however, that item was not on the Agenda for that meeting, nor did the Agenda identify an item of New Business.
- In two (2) instances the Board meeting minutes were not approved in a timely manner; i.e., at the next monthly Board meeting.
- In six (6) instances the Board did not approve meeting minutes.
- In one (1) instance, the Board minutes provided to the auditor, appear to be a copy of minutes with handwritten date changes on the duplicated minutes. The original approved Board minutes could not be located.

Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate internal controls over the documentation of approval and safeguarding of District Board Minutes in compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with state statute regarding the Open Meeting Act concerning the approval and retention of Board meeting minutes. Failure to provide adequate internal controls over documentation and approval of District Board minutes resulted in inaccurate records.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the District Board develop policies and procedures to ensure Board minutes are reviewed for accuracy, minutes are approved by the Board in a timely manner, minutes are signed by a Board member after approval, and all Board minutes are retained in a safe and secure location.

Management Response:

Chairman of the Board: The Board will consider hiring a minute clerk to document agendas posted, minutes approved and signed and safeguarding of minutes by keeping within limits of statutory guidelines concerning cancelling regular meetings, posting for special meetings and keeping sealed minutes of executive sessions.

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

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

25 O.S. § 311(A)(8) states, “If any change is to be made of the date, time or place of regularly scheduled meetings of public bodies, then notice in writing shall be given to the Secretary of State or county clerk or municipal clerk, as required herein, not less than ten (10) days prior to the implementation of any such change.”

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.”

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

Condition: While gaining an understanding of the receipting, depositing, and reconciliation functions of the District, the following weaknesses were noted:

- The District did not issue receipts for collections for all revenue sources, including collections for ambulance service runs.
- In three (3) instances ad valorem tax collections remitted by the County Treasurer in April, May and June 2017 were not deposited in the District’s bank account until August 30, 2017.

Cause of Condition: Policies and procedures have not been designed and implemented issue receipts for collections and ensure ad valorem tax collections are deposited timely.

Effect of Condition: These conditions resulted in noncompliance with state statute and 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 District issue receipts for all funds received to provide proper internal controls over collections. Further, OSAI recommends the District issue receipts for all funds received, and deposit those funds in a timely manner in accordance with 62 O.S. § 517.3 B.

Management Response:

Chairman of the Board: Prenumbered duplicate receipts will be issued by the District for all collections. Timely deposits will be made for ad valorem taxes.

A change in the mailing address from the Board Treasurer address to the EMS mail box address serviced by our accounting firm should allow a timely process in deposits.

Criteria: Accountability and stewardship are overall goals of the Board in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body,

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the District should issue receipts for all funds received and deposit all funds in a timely manner.

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 – Internal Controls Over the Billing Process (Repeat Finding)

Condition: Upon inquiry of District staff and observation of ambulance service run sheets, billing records, and a test of thirty-five (35) ambulance runs, the following weaknesses were noted:

- The Board relied solely on the third-party billing company to:
 - Accurately bill patients,
 - Apply payments to patient accounts, and
 - Maintain outstanding patient account balances.
- The District did not maintain an ambulance service run log.
- In three (3) instances the third-party billing agency did not have record of the ambulance service runs billed for collection.
- Four (4) of the amounts billed by the third-party billing company did not agree to the amount calculated based on the Board approved fee schedule.
- The authorization by the Board to send one (1) account to the collection agency could not be identified in the Board minutes.
- The authorization by the Board to write-off one (1) account as uncollectable could not be identified in the Board minutes.
- In one (1) instance an account had an unresolved overpayment.

Cause of Condition: The District has not designed and implemented policies and procedures to review the third-party billing company records to determine all ambulance service runs are billed, amounts charged agree to the fee schedule, payments are properly applied to accounts, delinquent accounts are sent to collections, and accounts to be written-off as uncollectible are documented in the Board minutes.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner, and the District under/over-billing for ambulance services.

Recommendation: OSAI recommends the District design and implement procedures to review the third-party billing company records and determine all ambulance service runs are billed, and amounts charged agree to the fee schedule. Additionally, all amounts written-off as uncollectible or sent to a collection agency should be documented as such in the Board minutes and indicated on third-party billing company documentation as approved by the Board.

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Management Response:

Chairman of the Board: The Board will develop a plan with the third-party billing agency to collect the outstanding balances, send the accounts to collection or write-off the balances. In the event the Board selects a contract provider for service, the patient account billing will become the responsibility of the contractor. However, the outstanding accounts up to the date of the service contract will be the responsibility of the Board.

A change in billing companies has been made along with the collection agency and review process. The Board is continuing to monitor the process and update changes as needed. Outstanding accounts are being reviewed for appropriate action to be taken.

Criteria: Accountability and stewardship are overall goals of the Board in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with the regard to reliability of financial reporting, including verification of ambulance service runs being properly billed, ensuring receipts are issued for all funds received, receipts properly identify the individual accounts, outstanding balances are monitored, and accounts written-off as uncollectable or sent to collections are documented in the Board minutes.

Finding 2018-005 – Internal Controls and Noncompliance Over Disbursements (Repeat Finding)

Condition: Upon inquiry of District staff and observation of the disbursement process, the following weaknesses were noted:

- The District does not follow purchasing guidelines established in the District Bylaws.
- One individual orders goods and/or services, receives goods and/or services, prepares the purchase order, and prepares the check.

A test of thirty (30) disbursements resulted in the following weaknesses:

- Nineteen (19) instances were noted in which there was no evidence of a verification of goods and/or services received.
- Four (4) instances were noted in which mileage reimbursement did not reflect the review and approval of the Board.
- Four (4) instances were noted in which adequate documentation was not provided to support the disbursement.
- Eight (8) instances were noted in which the District reimbursed sales tax paid for items purchased by the former Director, rather than purchasing these items from the vendor, thus incurring sales tax.

Additionally, the meeting minutes provided reflected, the District disbursed \$60,554.99 for the purchase of a building and property prior to the Board's approval of the purchase on July 9, 2018.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adherence to the District's Bylaws and to sufficiently segregate the duties of purchasing. Additionally, policies and procedures have not been designed to ensure all purchases are supported with adequate documentation, and

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

verification of goods and/or services received, Board review of purchases documented, Board approval of disbursements for the purchase of a building, and adherence to state statute regarding the exemption of sales tax.

Effect of Condition: These conditions resulted in noncompliance regarding the exemption of sales tax on purchases and 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 develop policies and procedures to sufficiently segregate the duties of purchasing and to ensure adherence to the District's Bylaws. Additionally, all purchases should be supported with adequate documentation, verification of goods and/or services received, and document evidence of Board review and attain Board approval of disbursements prior to payment. Further, OSAI recommends the Board develop policies and procedures to avoid paying sales tax on goods purchased as provided by 68 O.S. § 1356 (1).

Management Response:

Board Chairman: Purchasing duties will be segregated by the Board designing and implementing policies and procedures regarding job descriptions for each employee. The Board will approve all purchases, update Bylaws to reflect the duties of the Board, and an employee will sign off as receiving goods and/or services on a supporting documentation, i.e., invoice.

The Board will not reimburse employees sales tax for items purchased and will cease reimbursing employees for purchases that should be made directly to the vendor for office supplies and equipment.

The Board has implemented changes in purchasing procedures. The Board is currently working towards developing policies and updating the Bylaws.

The Board has implemented a policy for no reimbursements of sales tax on receipts and has also supplied vendors with the current tax-exempt identification number.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives regarding the reliability of financial reporting. Further, an important aspect of internal controls is evidence of supporting documentation and the claimant's signature and the District Board's review and approval of claims in addition to adhering to the sales tax exemption status of the District.

Title 68 O.S. § 1356 (1) states, "There are hereby specifically exempted from the tax levied by Section 1350 et seq. of this title:

1. Sale of tangible personal property or services to the United States government or to the State of Oklahoma, any political subdivision of this state or any agency of a political subdivision of this state; provided, all sales to contractors in connection with the performance of any contract with the United States government, State of Oklahoma or any

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

of its political subdivisions shall not be exempted from the tax levied by Section 1350 et seq. of this title, except as hereinafter provided.”

Finding 2018-009 – Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)

Condition: Upon inquiry of District staff, observation, and review of the of the District’s fixed assets inventory records, the following weaknesses were noted:

- The District has not established a dollar threshold for the inventory of fixed assets.
- One individual was responsible for ordering fixed asset items, receiving the items, preparing the purchase order, preparing the check, and maintaining the fixed assets inventory.
- The fixed assets inventory list was not updated for the fiscal year.
- Periodic physical inspection of fixed assets inventory was not performed

Additionally, a test of sixteen (16) fixed assets reflected:

- One (1) fixed asset, a portable notebook computer, was not listed on the fixed assets inventory records.
- Two (2) ambulances listed on the District’s fixed assets inventory records were retained by the City of Watonga when the District ceased ambulance service coverage of that area; therefore, the ambulances were not visually verified.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory is properly accounted for, maintained, and updated regularly by the District.

Effect of Condition: These conditions could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

Recommendation: OSAI recommends that the District implement policies and procedures to establish a dollar threshold to record fixed assets and accurately maintain fixed assets inventory records. Additionally, an annual physical verification of assets should be performed and documented.

Management Response:

Chairman of the Board: The Board will develop policies and procedures to:

- Establish a dollar threshold for the inventory of fixed assets.
- Have a separate individual responsible for ordering fixed asset items, receiving the items, preparing the purchase order, preparing the check, and maintaining the fixed asset inventory.
- Update the fixed assets inventory list.
- Perform a periodic physical inspection of fixed assets inventory.

The Board is in the process of updating the fixed assets list and a procedure is being developed and will be implemented to segregate duties of ordering, receiving, and paying for fixed assets.

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

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Cindy Byrd, CPA | State Auditor & Inspector

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