



# OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT

## Statutory Report

For the fiscal year ended June 30, 2019

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

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cindy Byrd, CPA | State Auditor & Inspector

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February 26, 2021

**TO THE BOARD OF DIRECTORS OF THE  
OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Oologah-Talala Emergency Medical Service District for the fiscal year ended June 30, 2019.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2019**

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Total</u>
Beginning Cash Balance, July 1	\$ 51,076	\$ 40,996	\$ 92,072
Collections			
Ad Valorem Tax	393,341	118,228	511,569
Charges for Services	507,406	-	507,406
Intergovernmental Revenue	1,065	-	1,065
Miscellaneous	481,501	47,457	528,958
Total Collections	<u>1,383,313</u>	<u>165,685</u>	<u>1,548,998</u>
Disbursements			
Personal Services	599,120	-	599,120
Maintenance and Operations	584,346	-	584,346
Capital Outlay	1,904	-	1,904
Debt Payments:			
Bond Payments	-	145,000	145,000
Coupons	-	31,080	31,080
Fees	-	300	300
Less cancelled checks	(62,111)	-	(62,111)
Total Disbursements	<u>1,123,259</u>	<u>176,380</u>	<u>1,299,639</u>
Ending Cash Balance, June 30	<u>\$ 311,130</u>	<u>\$ 30,301</u>	<u>\$ 341,431</u>

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

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**1. Description of District Funds**

The District uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are the descriptions of the District funds within the Presentation of Collections, Disbursements, and Cash Balances of District Funds:

General Fund – accounts for the general operations of the government.

Sinking Fund – accounts for debt service receipts derived generally from an ad valorem tax levy and from interest earned on investments of cash not immediately required for debt service payments resulting from the issuance of General Obligation G.O. Bonds of 2009 in the amount of \$1,000,000.

**2. General Obligation Bond of 2009**

On July 26, 2008 a special election was held in the District for the approval of General Obligation Bonds of 2009. The proceeds from the bonds are to be used to expand and improve emergency services, capital expenditures, and to pay for costs relating to the issuance of the Bonds.

Purpose	Interest Rate	Original Amount
Oologah-Talala Emergency Medical Service District, State of Oklahoma General Obligation Limited Tax Bonds of 2009	5.300% to 7.500%	\$1,000,000

During fiscal year 2019, payments included \$145,000 for principal and \$31,080 for coupons and \$300 for fees.

**3. General Obligation Bond of 2018**

On February 13, 2018 a special election was held and the voters of the Oologah-Talala Emergency Medical Service District approved the issuance of the General Obligation Bonds of 2018 in the amount of \$1,440,000. to provide funds for the purpose of acquiring emergency vehicles and other equipment, maintaining and housing the same, and levying and collecting a special annual ad valorem tax not to exceed 1.99 mills on the dollar of the taxable personal property located in the District for the principal and interest of said bonds.

As of June 30, 2019, no bond payments have been made.

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

Oologah-Talala Emergency Medical Service District  
P.O. Box 165  
Oologah, Oklahoma 74053-0165

**TO THE BOARD OF DIRECTORS OF THE  
OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT**

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

- Determined charges for services were billed and collected in accordance with District Policies.
- Determined that receipts were properly deposited and accurately reported in the accounting records.
- Determined cash balances were accurately reported in the accounting records.
- Determined whether deposits and invested funds for the fiscal year ended June 30, 2019 were secured by pledged collateral.
- Determined that disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1 and were accurately reported in the accounting records.
- Determined that all purchases requiring bids complied with 19 O.S. § 1723 and 61 O.S. §101-139.
- Determined that payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined that fixed assets records were properly maintained.
- Determined compliance with contract service providers.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2019 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Oologah-Talala 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 Oologah-Talala 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 Oologah-Talala 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

December 22, 2020

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2019-002 – Lack of Internal Controls Over Management and Board Oversight (Repeat Finding)**

**Condition:** As part of our audit of the Oologah-Talala Emergency Medical Service District (the District), we interviewed office employees, management and Board members with respect to understanding internal controls over financial accounting processes.

Several areas of concern were identified which included the following:

- Management and Board Oversight:
  - Employment contracts were not prepared and approved for employees in management positions during the fiscal year. On December 21, 2020, the District provided employment agreements for the Director, Operations Manager, and Business Manager. However, these contracts were signed after the end of fiscal year 2019, on October 24, 2019 and June 27, 2019.
  - There was no evidence of review and approval of bank reconciliations and supporting documentation.
  - The District did not review financial reports from outsourced accounting services to ensure accuracy.
  - There was no evidence of Board or management review of disbursements by comparing payments to supporting documentation to ensure disbursements were for the legally authorized use of the District.
  - There was no evidence that credit card purchases were reviewed by the Board or Director to ensure purchases were for the legally authorized use of the District.
- Financial Accounting:
  - Ambulance Service Runs/Billing System:
    - There was no documentation of a contract between the third-party billing company and the District.
    - There was no evidence of review to determine ambulance service runs were billed correctly.
    - The District did not have a current billing policy and procedure.
    - The District did not have a current billing/mileage rate or fee schedule.
  - Delinquent Accounts:
    - The District did not have a policy on determining the process of writing off amounts/accounts as uncollectable during the fiscal year. On December 21, 2020, a policy and procedure was obtained from the Business Manager; however, the policy and procedure was not dated.
  - Disbursements:
    - Credit card statements and company accounts were paid late and charged penalties.
    - Some disbursements were not supported by adequate documentation or could not be located to determine the purpose of the disbursement. On December 21, 2020,



**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

a policy dated October 1, 2018 was obtained from the Business Manager; however, the policy did not address the above-mentioned items.

- Payroll:
  - Six (6) employees did not submit timesheets for fiscal year 2019. At the exit conference of December 22, 2020, the Business Manager stated the new digital payroll system will document approval of time recorded. Documentation of the current procedure was provided in the form of screenshots.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the District's operations are conducted in an effective and efficient manner, including review and approval of financial reports, contracting for services, review of accounts receivables and billing ambulance service runs, credit card use payroll documentation, and leave accrual.

**Effect of Condition:** These conditions adversely affected the District's ability to initiate, authorize, record, process, or report financial data reliably and 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 Board clearly communicate the responsibilities and duties expected of management. Additionally, OSAI recommends management and key personnel gain an understanding of the financial activities and internal control process and implement those controls to reduce the risk of error and fraud within the District.

**Management Response:**

**Director:** The Oologah-Talala Emergency Medical Service District (OTEMS) did not have the benefit of receiving the previous audit report for FY2014 - FY 2017, so these changes were not identified prior to this time.

**Management and Board Oversight**

Corrected - All employee contracts are now revisited and approved in June, despite the age of the contract. A CPA has been hired for our financial management and the previous "Bookkeeper" was let go. Financial Reports were in fact reviewed and approved. Correction made to specify each of the items have been approved by the Board in the minutes. Disbursements are now also reviewed and approved separately from the financial packets. A new credit card policy and tracking process has been approved and in place. A payroll service has been hired to alleviate any future payroll related issues. Information was provided to the Auditor showing that OTEMS complied.

**Financial Accounting**

Corrected - OTEMS has hired a CPA to manage OTEMS finances and documentation. The previous billing vendor was fired, and a new service has been obtained and allowed for corrections to previous deficits. A new Write off Policy has been approved. Employees mentioned for not keeping time sheets are exempt employees and not required by law to keep a timesheet of hours worked. The Assistant Director, Field Supervisor and payroll specialist all reviewed employee's timesheet before payroll was processed.

**Chairman Response:** Agree with above.

**Auditor Response:** OSAI is independent of the management of the District and does not perform as the internal control function for the operations of the District. The Board and the Director are responsible for

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

the design and implementation of sound financial practices that also ensure compliance with state and federal laws. Further, these instances of internal control weaknesses and noncompliance were communicated to the Board and the Director in the Operational Audit for fiscal year 2011, dated October 30, 2013, and in the Operational Audit for fiscal year 2012 and fiscal year 2013, dated July 23, 2015.

While the District has implemented some policies and procedures over financial accounting and contracted with a CPA to provide financial consultation and perform some financial oversight, those changes were not implemented prior to fiscal year 2019. OSAI recommends the District Board clearly communicate the responsibilities and duties expected of management. Additionally, OSAI recommends management and key personnel gain an understanding of the financial activities and internal control process and implement those controls to reduce the risk of error and fraud within the District.

**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.

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

*Policies & Procedures, Bylaws*

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

*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.

**Finding 2019-003 – Lack of Internal Controls and Noncompliance Over Pledged Collateral**

**Condition:** Upon inquiry of the District employees, observation, and review of documents regarding the pledged collateral process, the following exceptions were noted:

- Evidence that the District monitored the bank balances to ensure District funds were adequately secured was not documented.
- The District funds were undercollateralized at one financial institution in the amount of \$75,644 at June 30, 2019.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the bank deposits are adequately secured in accordance with state statute.

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

**Effect of Condition:** These conditions resulted in noncompliance with state statute and unsecured District funds in fiscal year 2019. Further, this condition could result in possible loss of District funds.

**Recommendation:** OSAI recommends that the District design and implement policies and procedures to compare bank balances to the fair market value of pledged collateral daily to ensure District funds are adequately secured in compliance with Title 62 O.S. § 517.4. Documentation for this daily procedure should be maintained.

**Management Response:**

**Director:** In process - OTEMS has been working with the bank on setting up permanent pledged collateral. The application has been submitted and awaiting response from the bank official. The other bank used by OTEMS provides such documentation each month.

**Chairman Response:** Agree with above.

**Criteria:** The GAO Standards - Principle 16 – Performance Monitoring Activities: 16.05 states in part:

*Internal Control System Monitoring*

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

The GAO Standards – Section 2 – Objective 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. OV2.23 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. Some entities may set objectives to a higher level of performance than established by laws and regulations. In setting those objectives, management is able to exercise discretion relative to the performance of the entity.

Title 62 O.S. § 517.4.A. states, “A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.”

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

**Finding 2019-004 – Lack of Internal Controls Over Management’s Role in the Billing Process (Repeat Finding)**

**Condition:** Upon inquiry of management, observation, review of documentation, and tests of ambulance service runs, the following weaknesses in the billing process were noted:

- A current contract between the District and the former third-party billing service was not provided.
- The former third-party billing vendor performed all duties related to the billing of patients’ accounts; however, no evidence of monitoring or oversight by the District employees or Board to ensure services provided were billed accurately was documented.
- The District did not provide documentation of current policies regarding billing practices, ambulance service run rates, mileage rates, and write-offs of delinquent accounts during the fiscal year.
- Billing records could not be obtained from the third-party billing vendor; therefore, it could not be determined if the correct amount was billed and collected for ambulance service runs.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure a formal contract agreement with the third-party billing company is approved by the Board, services provided are accurately billed, and Board approved policies are designed and implemented regarding billing practices, ambulance service run rates, mileage rates, and write-offs of delinquent accounts.

**Effect of Condition:** Due to the District’s inability to obtain billing records, OSAI could not determine if the billing of ambulance service runs was accurate and the collections from ambulance service runs was reliable. These conditions resulted in unrecorded transactions, misstated financial reports, and could result in the District under/over-billing for ambulance runs services , inaccurate payments to the billing vendor, incorrect billing to patient accounts, and loss of revenue.

**Recommendation:** OSAI recommends the District design and implement procedures to monitor patient accounts, review the third-party billing service records to determine amounts charged agree to the fee schedule and patient accounts receivable are accurately reported. OSAI recommends the District implement a system of internal controls to provide reasonable assurance over services provided by the billing vendor. To improve internal controls, we recommend the following:

- The Board obtain, review and approve a current contract with the billing vendor.
- The District actively review the billing information to ensure all services provided are billed and to ensure the accuracy of the amounts billed for services.
- The Board design and dates policies to address billing practices, ambulance service rates, mileage rates, and write-off of delinquent accounts for the District.

**Management Response:**

**Director:** Corrected - OTEMS has hired a new billing vendor who automatically supplies OTEMS our monthly data as well as assisted us in developing a schedule of charges. OTEMS has written a new Billing Management Policy. The Board reviews and approves write-off’s for delinquent accounts and rate increases. The Board has approved the current billing company’s contract.

**Chairman Response:** No response was received.

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

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

*Controls Over Information Processing*

Management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made, and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

*Establishment and review of performance measures and indicators*

Management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made, and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

**Finding 2019-005 – Lack of Internal Controls and Noncompliance Over Competitive Bidding for Equipment**

**Condition:** Upon inquiry of the District employees, observation, and review of documents regarding the competitive bidding process for the District, it was determined the District approved the purchase of four ambulance units at a total cost of \$454,800. The following exceptions were noted in the competitive bidding process:

- Proof of publication for the ambulance bids could not be provided by the District to determine public notice was properly documented.
- Sealed bids documenting the date of receipt on the envelope could not be provided by the District to determine the bid was received within the time frame as noted in the bid solicitation.

**Cause of Condition:** The District did not follow the policies and procedures designed by the state statute regarding competitive bidding requirements, which include retaining documentation of competitive bidding documents and publication of solicitation.

**Effect of Condition:** These conditions resulted in noncompliance with the state statutes and could result in inaccurate records, incomplete information, or misappropriation of assets.

**Recommendation:** OSAI recommends that equipment purchases be competitively bid in accordance with 19 O.S. § 1723, which requires the District to make equipment purchases in accordance with the county purchasing procedures as outlined in 19 O.S. § 1505.

**Management Response:**

**Director:** Corrected - OTEMS made every effort to comply with the purchasing of capital equipment including multiple calls to the State Auditor for advice. OTEMS feels strongly that we met every intent in this process. We had every box that the sealed bids arrived in and the meeting minutes clearly show that we waited to open all bids appropriately; however, in the large stack of bid packages we found it odd that only the vehicle purchases were missing the original packaging and seals. The fact that only those were missing leads us to be concerned that they were misplaced either by accident or intentional action. We are

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

unable to provide proof of publications, but we did not provide the newspapers they were posted in as we should have. We met every requirement and were compliant. New capital purchases processes have been put into place to prevent future deficiencies.

**Chairman Response:** Agree with above.

**Auditor Response:** Although Board minutes document the award of the bid, documentation of the publication and evidence of the receipt date of the bid could not be documented, due to the District not being able to locate the successful bidder's bid packets; therefore, OSAI continues to recommend documentation of the bid packets and publication be safeguarded for future bid awards in compliance with state statutes.

**Criteria:** The GAO Standards – Section 2 – Objective 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. Some entities may set objectives to a higher level of performance than established by laws and regulations.

Title 19 O.S. § 1723 requires the District make equipment purchases in accordance with the county purchasing procedures as outlined in 19 O.S. § 1505, which requires all equipment purchases in excess of \$15,000.00 be competitively bid and that forms and reports be retained for not less than two (2) years after all audit requirements for the state and federal government have been fulfilled and after any pending litigation involving forms and reports has been resolved.

**Finding 2019-006 – Lack of Internal Controls and Noncompliance Over Disbursements (Repeat Finding)**

**Condition:** While interviewing District employees, observing the disbursement process, and reviewing documentation of disbursements, the following discrepancies were noted in the test of thirty (30) disbursements for the fiscal year:

- There was no documentation that the Board authorized or reviewed disbursements.
- There was no evidence that packing slips were verified by the designated receiving person to determine the accuracy of invoices/statements.
- Purchase orders/claims were not prepared for any of the disbursements and supporting documentation was not provided for some of disbursements.

Further, there was no supporting documentation provided for seven (7) disbursements.

The review of ten (10) credit card statements for the fiscal year indicated three (3) credit card purchases for recruiting purposes of \$51.26, marketing supplies of \$157.50, and a cash advance of \$83.00 which did not appear to be for the lawful operation of the District and was not evidenced as an appropriate expenditure by the Board. Further, the Board has not designed policies and procedures to address employee recognition and achievement for such items as employee dinners, awards, and bonuses.

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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- There was no evidence that credit card statements were reviewed and approved by management as authorization for lawful disbursements.
- Late fees were incurred on credit cards, and late charges were paid on three (3) credit card statements.
- Three (3) credit card receipts could not be located.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure disbursements are reviewed and approved by the Board or designated District employees, goods and services are verified as received, supporting documentation of each disbursement is retained, and disbursements are incurred only for the lawful operation of the District including incurring late fees on credit card balances and bank service fees.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in inaccurate records, incomplete information or misappropriation of assets.

**Recommendation:** OSAI recommends policies and procedures be designed and implemented to ensure all disbursements are properly reviewed, approved, verified for receipt, documented, and appropriate for the lawful use of the District to comply state statute.

**Management Response:**

**Director:** In Progress - OTEMS has hired a CPA to manage and achieve compliance for all aspects of OTEMS finances. A new credit card policy has been approved that covers these findings. We are working with the CPA to revise existing policies and processes in all areas of this finding. OTEMS is looking into the auditors' mentioned and suggested processes. The CPA and OTEMS Board are evaluating switching to a purchase order or warrant system. The State Auditor is assisting by providing examples of existing and successful policies.

**Chairman Response:** Agree with above.

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

*Segregation of duties*

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

*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.

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

The GAO Standards – Section 2 – Objective 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. Some entities may set objectives to a higher level of performance than established by laws and regulations.

Title 19 O.S. § 1710.1(A), as states, “Any proceeds collected pursuant to the provisions of Section 9C of Article X of the Oklahoma Constitution shall only be expended for the purpose of providing funds for the support, organization, operation and maintenance of district ambulance services, known as emergency medical service districts.”

**Finding 2019-007 – Lack of Internal Controls and Noncompliance Over the Audit Expense Budget Account**

**Condition:** Upon inquiry of District Board members and management, and observation of the budgeting process, it was determined that internal controls have not been designed and implemented to ensure that the amount required by state statute is correctly budgeted for the audit expense budget account.

It was further noted that the District has not budgeted the one-tenth of one mill in the audit expense budget account for fiscal year 2018 and 2019. As a result, the District’s balance in the audit expense budget account as of June 30, 2019, was underfunded by \$64,361.14. Further, the audit costs for the Operational audit of fiscal year 2014 through fiscal year 2017 have not been paid as of the date of this audit.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the audit expense budget account is accurately budgeted in accordance with statutory requirements and audit expenses are properly classified on the budget.

**Effect of Condition:** This condition resulted in noncompliance with state statutes, the Oklahoma Constitution and the audit expense budget account being underfunded.

**Recommendation:** OSAI recommends the District implement a system of internal controls to provide reasonable assurance that one-tenth of one mill upon the net total assessed valuation be set aside in the audit expense budget account and that any unused portion be carried forward into the next year’s audit expense budget account in accordance with 19 O.S. § 1706.1 and Article 10 § 9C (I) of the Oklahoma Constitution. Further, OSAI recommends the District prepare an accurate budget set forth by 19 O.S. § 1709.

**Management Response:**

**Director:** Corrected - OTEMS has hired a new CPA who is managing the audit expense account and will maintain an appropriate level of audit funding to cover cost of either a State or private audit should that be indicated.

**Chairman Response:** Agree with above.



**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

**Auditor Response:** OSAI does not concur with the District’s response that this finding has been corrected. As of the date of these Board responses, February 4, 2020, the audit cost of the statutorily required, fiscal year 2014 through fiscal year 2017 Operational audit report has not been paid. Further, the audit expense budget account, in accordance with 19 O.S. § 1706.1, is specifically set aside for audits performed by the Oklahoma State Auditor and Inspector in the amount of one-tenth of one mill upon the net total assessed valuation and any unused portion carried forward into the next year’s audit expense budget account. The current fiscal year 2021 Estimate of Needs reflects the audit expense budget account has been appropriated \$16,000; however, based on calculations as noted above in accordance with Title 19 O.S. § 1706. 1, the District should have set aside \$91,991.73, leaving the audit expense budget account underfunded in the amount of \$75,991.73.

Further, Article 10 § 9C (I), states in part,

*“The State Auditor and Inspector shall conduct an annual audit of the operations of such districts.”*

**Criteria:** The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

*Compliance Objectives*

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Title 19 O.S. § 1706.1 states in part “The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit ....”

Title 19 O.S. § 1709 states, “ A. At least thirty (30) days prior to the beginning of each fiscal year, a budget for each fund of the district for which a budget is required shall be completed by the board. Each budget shall provide a complete financial plan for the budget year. The budget format shall be as prescribed by the State Auditor and Inspector. The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

1. Actual revenues and expenditures for the immediate prior fiscal year.
2. Estimated actual revenues and expenditures for the current fiscal year; and
3. Estimated revenues and expenditures for the budget year.

B. The budget for each fund shall contain a budget summary. It shall also be accompanied by a budget message from the board which shall explain the budget and describe its important features.

C. The estimate of revenues in each fund for any budget year shall include probable income by source which the district is legally empowered to collect or receive at the time the budgets are adopted. The estimate shall be based upon a review and analysis of past and anticipated revenues of the district. Any portion of the budget of revenues to be derived

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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from ad valorem property taxation shall not exceed the estimated amount of tax which is available for appropriation or which can or must be raised as required by law. The budget of expenditures for each fund shall not exceed the estimated revenues for each fund. No more than ten percent (10%) of the total budget for any fund may be budgeted for miscellaneous purposes.

D. The board shall determine the needs of the district for sinking fund purposes, pursuant to Section 9C of Article X of the Constitution of the State of Oklahoma, and include these requirements in the debt service fund budget for the budget year.”

Further, Article 10 § 9C (I), states in part,

“Such districts shall be empowered to charge fees for services, and accept gifts, funds or grants from sources other than the mill levy, which shall be used and accounted for in a like manner. Persons served outside the district shall be charged an amount equal to the actual costs for the service, not taking into account any income the district receives from millage or sources within the district. The board of trustees shall have legal authority to bring suits necessary to collect accounts owed and to sue and defend as necessary for the protection of the board. The State Auditor and Inspector shall conduct an annual audit of the operations of such districts.”

**Finding 2019-011 – Lack of Internal Controls Over Bank Statement Reconciliations (Repeat Finding)**

**Condition:** While interviewing District employees and reviewing documentation of bank statement reconciliations, the following discrepancies were noted:

- The outsourced Bookkeeper prepared the monthly bank statement reconciliations.
- Evidence of review or approval by someone other than the preparer of bank statement reconciliations was not documented.

**Cause of Condition:** The District has not designed and implemented policies and procedures to sufficiently segregate the bank statement reconciliation process.

**Effect of Condition:** These conditions could result in inaccurate records, incomplete information, or misappropriation of assets. 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, not being detected in a timely manner.

**Recommendation:** OSAI recommends the Board and management 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 Boards’ oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee can perform all accounting functions. If segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having the Board and management review and approve accounting functions including reviewing bank reconciliations.

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Management Response:**

**Director:** Corrected - OTEMS hired a new CPA and let the previous Bookkeeper go. The CPA has set us up to be able to perform the reconciliation and he then reviews the effort. His report is sent out to the Board PRIOR to the meeting for relaxed review and an opportunity to ask questions or make suggestions. The documents are then again reviewed during the meetings. The CPA is assisting OTEMS in development of our financial management policy. The Board will then approve the reviewed material if no concerns or questions are submitted. This will allow for 3 separate reviews, the Director or HR/Compliance Manager, the CPA and the Board and then final approval. The reports will be signed by either the Board Chair or Treasurer and reflected in the minutes.

**Chairman Response:** Agree with above.

**Criteria:** The GAO Standards - Principle 16 – Perform Monitoring Activities – 16.05 states in part:

*Internal Control System Monitoring*

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

**Finding 2019- 012 – Incurrence of Debt and Bond Proceeds used for Purpose Other than Approved on Ballot (Repeat Finding)**

**Condition:** The District utilized a revolving line of credit obtained by an agreement with a local bank. This line of credit is an incurrence of debt without a vote of the citizens and is not statutorily authorized.

District Board minutes reflected the Board approved the following revolving lines of credit:

- \$100,000 line of credit on July 27, 2017,
- an additional \$100,000 line of credit on October 27, 2017,
- and renewed a \$100,000 line of credit on April 26, 2018.

On February 13, 2018, the voters in the District approved a \$1,440,000 General Obligation (G.O.) Bond issue “for the purpose of acquiring emergency vehicles and other equipment and maintaining and housing the same.”

District Board minutes reflected the Board approved the following payments:

- payment of interest due on a line of credit on June 14, 2018,
- approved a request of an extension of a line of credit “until the closing date of the G.O. Bond Issue of 2018,”
- and approved to apply for a line of credit with another bank on August 23, 2018.

On October 25, 2018, the District Board minutes reflected the Board approved a transfer of funds in the “amount of approximately \$195,000.00 from the G.O. Bond Issue proceeds to pay off the line of credit.”

On November 16, 2018, the District bank statement for the G.O. bond account reflects the outstanding debt from the accrued lines of credit was paid in the amount of \$190,300.00 in principal, \$1,774.61 in interest and a \$50.00 late fee for a total of \$192,124.61 from bond proceeds.

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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This payment of outstanding lines of credit balances from the Bond proceeds does not appear to be authorized by a vote of the people in that the voters approved a \$1,440,000 General Obligation Bond issue “for the purpose of acquiring emergency vehicles and other equipment and maintaining and housing the same.”

At June 30, 2019, there were no lines of credit open and the Board’s financial consultant has advised the District not to obtain debt through bank lines of credit.

**Cause of Condition:** The District did not design and implement policies and procedures to ensure adequate internal controls and compliance with state statutes. Additionally, the District has not designed and implemented policies and procedures to ensure the G.O. bond proceeds are for disbursements as defined in the ballot language of February 13, 2018, and voted for by the citizens of the District.

**Effect of Condition:** These conditions appear to have resulted in noncompliance with the Oklahoma Constitution and state statute.

**Recommendation:** OSAI recommends the District discontinue use of revolving lines of credit bank loans that incur unauthorized debt and payment of the unauthorized debt with G.O. Bond of 2018 proceeds to ensure compliance with the criteria established in the ballot for such bond issue in accordance with Article 10 § 9C (b) of the Oklahoma Constitution and Title 19 O.S. § 1717 (B, C).

**Management Response:**

**Director:** Corrected- OTEMS no longer utilizes a revolving line of credit. In previous audits in 2011-2012 we were audited and were using such a line of credit. In neither of these SAI Reports was there any mention of a Line of Credit being any problem if it did not remain owed past the end of the fiscal year. Therefore, we had no reason to think that a line of credit was an issue. It was identified as a finding during the audit of fiscal year 2014 through fiscal year 2017; however, with the delay in OTEMS receiving these reports we did not have the opportunity to make any difference in our approach until this past year. There are Oklahoma Attorney General Opinions that place this finding in a gray area and depending on the reader, it could be argued a line of credit is legal. That said, it is not the intention of this administration and Board to return to the Line of Credit option.

**Chairman Response:** Agree with above.

**Auditor Response: :** OSAI is independent of the management of the District and does not perform as the internal control function for the operations of the District. The Board and the Director are responsible for the design and implementation of sound financial practices that also ensure compliance with state and federal laws. Further, these instances of internal control weaknesses and noncompliance were communicated to the Board and the Director in the Operational Audit for fiscal year 2011, dated October 30, 2013, and in the Operational Audit for fiscal year 2012 and fiscal year 2013, dated July 23, 2015.

Further, OSAI does not concur with Director response regarding the unauthorized use of G.O. Bond of 2018 proceeds that appears to have been in noncompliance with the criteria established in the ballot for such bond issue which states, “*for the purpose of acquiring emergency vehicles and other equipment, and maintaining and housing the same.*” OSAI continues to recommend the bond proceeds be used specifically for the purpose as noted in the ballot that was approved by a vote of the citizens of the District.

**OOLOGAH-TALALA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Criteria:** The GAO Standards – Section 2 – Objective 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. Some entities may set objectives to a higher level of performance than established by laws and regulations.

Title 19 O.S. § 1717 (B, C) states in part, “B. It shall be unlawful for any employee or member of the board in any budget year: 1. To create or authorize creation of a deficit in any fund... C. Any obligation that is contracted or authorized by any member or employee of the board in violation of this act shall become the obligation of the member or employee himself and shall not be valid or enforceable against the district. Any member or employee who violates this act shall forfeit his position and shall be subject to such civil and criminal punishments as are provided by law. Any obligation, authorization for expenditure or expenditure made in violation of this act shall be illegal and void.”

Further, Article 10 § 9C (b), states in part,

“(b) Any district board of trustees may issue bonds, if approved by a majority vote at a special election for such purpose. All registered voters within the designated district shall have the right to vote in said election. *Such bonds shall be issued for the purpose of acquiring emergency vehicles and other equipment and maintaining and housing the same.*”



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