

STATUTORY REPORT

# SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2017



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

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

August 31, 2018

**TO THE BOARD OF DIRECTORS OF THE  
SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Sugar Creek Emergency Medical Service District for the fiscal year ended June 30, 2017.

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 "Gary A. Jones". The signature is written in a cursive, flowing style.

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

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017.**

	<u>FY 2017</u>
Beginning Cash Balance, July 1	<u>\$ 336,972</u>
Collections	
Ad Valorem Tax	212,330
Caddo County Sales Tax	24,443
Caddo County Sales Tax - Passed through Town of Hinton	63,402
Contract with Town of Hinton	24,000
Miscellaneous	<u>1,513</u>
Total Collections	<u>325,688</u>
Disbursements	
Personal Services	600
Maintenance and Operations	22,005
Contract with Service Provider	267,319
Contract with Town of Carnegie Ambulance Service	12,200
Audit Expense	<u>7,891</u>
Total Disbursements	<u>310,015</u>
Ending Cash Balance, June 30	<u>\$ 352,645</u>

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

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**SALES TAX**

**Sales Tax of May 3, 2012**

On May 3, 2012, Caddo County voters approved a continuation of a one-quarter of one percent (1/4%) sales tax, effective June 1, 2012 expiring May 31, 2017, for the sole purpose of acquiring, continuing, equipping, repairing, renovating, operating, maintaining, and advancing ground ambulance services. These funds are accounted for in the Ambulance Service Fund Sales Tax and the Ambulance Run Fund Sales Tax of Caddo County and are distributed through an agreement with each municipality within the County. In the case of Sugar Creek Emergency Medical Service District, the Town of Hinton distributes the county sales tax derived from the Ambulance Service Fund Sales Tax to the Ambulance District. The county sales tax deposited in the County's Ambulance Run Fund Sales Tax is based on the number of runs for the period.

**Sales Tax of June 13, 2017**

On June 13, 2017, Caddo County voters approved a continuation of a one-quarter of one percent (1/4%) sales tax, effective June 1, 2012 expiring May 31, 2017, for the sole purpose of acquiring, continuing, equipping, repairing, renovating, operating, maintaining, and advancing ground ambulance services. These funds are accounted for in the Ambulance Service Fund Sales Tax and the Ambulance Run Fund Sales Tax of Caddo County and are distributed through an agreement with each municipality within the County. In the case of Sugar Creek Emergency Medical Service District, the Town of Hinton distributes the county sales tax derived from the Ambulance Service Fund Sales Tax to the Ambulance District. The county sales deposited in the County's Ambulance Run Fund Sales Tax is based on the number of runs for the period.

For fiscal year 2017, the District received \$24,443 in county sales tax directly from Caddo County based on the number of runs for the period and \$63,402 in county sales tax from the distribution by agreement through the Town of Hinton.



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Sugar Creek Emergency Medical Service District  
P.O. Box A  
Binger, Oklahoma 73009

## **TO THE BOARD OF DIRECTORS OF THE SUGAR CREEK 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 2017 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Sugar Creek 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 Sugar Creek 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 Sugar Creek 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 "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

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

April 10, 2018

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2017-1 - Inadequate Internal Controls and Noncompliance Over the Accounting Process (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Sugar Creek Emergency Medical Service District's (the District) receipting and reconciliation process, the following was noted:

- Evidence was not provided to document the Board's review and approval of bank reconciliations.
- The test of all thirty-six (36) receipts reflected the following exceptions:
  - Thirteen (13) instances were noted in which 3 to 18 days passed between the date of receipt and date of deposit.
  - Ten (10) instances were noted in which 7 to 20 days passed between the date the check was issued to the District and the date of the receipt.

Although the Board Minutes reflected the Board approved the Treasurer's verbal report of receipts and disbursements for each month, the District did not submit a monthly financial report documenting the Board's review and approval of the financial statements.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the review and approval of bank reconciliations is documented and funds are deposited daily in accordance with 62 O.S. § 517.3B. Also, procedures have not been designed and implemented to ensure a monthly financial report is submitted to the Board that is reviewed and approved as documented by the Board.

**Effect of Condition:** These conditions resulted in noncompliance with state statute, and could result in errors and improprieties, unrecorded transactions, and misappropriation of assets.

**Recommendation:** The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the District provide evidence of the Board's review for all bank reconciliations and that the District deposit all monies daily in accordance with 62 O.S. § 517.3B. OSAI further recommends the District develop policies and procedures to ensure a monthly financial report is prepared, reviewed, and a documented approval is provided by the Board.

**Management Response:**

**Chairman of the Board:** The Board discussed the audit findings at the Board meeting of June 25, 2018, and developed policies based on the auditor's findings. The policies were approved by the Board in this meeting based on a motion made and seconded with all Board members voting aye to accept the policies.

The reconciliation policies and procedures are as follows:

- Reconciliations are signed by one Board member and the Secretary.
- Deposits should be made daily upon receipt of checks.
- Receipts should be made for each check received.
- White and yellow copies of receipts and bank deposit slips shall be initialized by a Board member.



**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT  
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- A monthly financial report with cumulative balances of revenue, disbursements and totals shall be reviewed and signed by the Board members.

**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.

Title 62 O.S. § 517.3B states in part, "The treasurer of every public entity shall deposit daily, not later than the next banking day..."

**Finding 2017-2 – Inadequate Internal Controls and Over the Disbursement Process (Repeat Finding)**

**Condition:** Based upon inquiry with the District staff, and observation of all disbursement checks issued for the fiscal year, we noted the following weaknesses regarding the disbursement process:

- The duties of preparing the check, posting disbursements to accounting records, and reconciling monthly bank statements were performed by the District's Secretary/Treasurer without evidence of review by the Board.
- Of the twelve disbursements tested, none of the invoices contained evidence to document goods and/or services were received (i.e., receiving report, signature, etc.).

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the disbursement process to ensure adequate internal controls over the disbursement of funds, including evidence of review of the Board and independent verification of goods and/or services received.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends the Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in the Board's oversight of office operations and a periodic review of operations. OSAI recommends that the District implement a system of internal controls to ensure all items received are reviewed for accuracy and evidence of this review is noted by initials and date of the reviewer on the invoice.

**Management Response:**

**Board Chairman:** The Board discussed the audit findings at the Board meeting of June 25, 2018, and developed policies based on the auditor's findings. The policies were approved by the Board in this meeting based on a motion made and seconded with all Board members voting aye to accept the policies.

The disbursement policies and procedures are as follows:

- Invoices need to be signed and dated to verify accuracy of goods and services required.
- Invoices need to be turned in upon receipt for payment.

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT  
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- Invoices need to have the VIN number of the vehicle documented for repair of the vehicle.
- The board will review the contracts for payment. Payments will be made monthly to pay bills that charge late fees and for monthly routine disbursements.

**Criteria:** Accountability and stewardship are overall goals of the Board in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. Internal controls should be established to analyze and check accuracy, completeness, authorization, and validity of transactions, including evidence of receiving goods or services.

**Finding 2017-3 – Inadequate Internal Controls and Noncompliance Over Contract Renewal and Provisions**

**Condition:** Based upon review of records provided, three instances were noted in which there was no current contract signed for services provided.

1. **Secretary/Treasurer** - On July 11, 2016, the District retained the services of a Secretary/Treasurer. The two parties did not sign a contract outlining the specific duties of the Secretary/Treasurer or other criteria regarding the payment of contract labor.
2. **Medic West, LLC.,** - The District retained the service of Medic West, LLC., “to provide ambulance services to all people within the area included in the Ambulance Service District.” The two parties did not sign a contract for the fiscal year 2017, outlining the specific duties of the provider or other criteria regarding compensation.
3. **Town of Carnegie** - The District retained the services of the Town of Carnegie “to be secondary contractor for emergency medical service calls that originate from the Oney/Albert, Crows Roost and Swan Lake Area”. The two parties did not sign a contract for fiscal year 2017, outlining the specific duties of the provider or other criteria regarding compensation.
4. The terms of the original contract with the Town of Carnegie, stated “the Town will submit a notice of the number of calls and their date and time of service monthly to the secretary.” The District Secretary requested the number of calls every three to four months. The Town of Carnegie subsequently provided the number of calls, although the dates and times of the calls were not provided, resulting in noncompliance with the contract.
5. The District received \$2,000 each month from the Town of Hinton to provide the Town of Hinton with twenty-four hour a day ambulance services per a contract signed in July of 2015. The contract has not been reviewed or renewed since this date.

**Cause of Condition:** The District Board was unaware of the statutory requirement for a contract to be in place and renewed on a fiscal year basis.

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT  
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**Effect of Condition:** The District issued payments for a contract services in which there was no current contract stipulating provisions and compensation, which resulted in noncompliance with state statute and could result in the misappropriations of assets.

**Recommendation:** OSAI recommends a contract between the District and respective individual or entity be signed by both parties, that both parties comply with all contract provisions and renew all service contracts on a fiscal year basis to ensure compliance with the Oklahoma Constitution.

**Management Response:**

**Chairman Response:** The Board discussed the audit findings at the Board meeting of June 25, 2018, and developed policies based on the auditor’s findings. The policies were approved by the Board in this meeting based on a motion made and seconded with all Board members voting aye to accept the policies.

The contract policies and procedures are as follows:

- Contracts need to be renewed yearly.
- Contracts need to be signed by both parties.
- Both parties will comply with contract provisions.

**Criteria:** Effective internal controls require that the Board properly implement procedures to ensure that that contracts are reviewed and approved in accordance with Section Article 10 section 9C - Emergency Medical Service Districts, as follows;

“The district board of trustees shall have the additional powers to hire a manager, and appropriate personnel, contract, organize, maintain or otherwise operate the emergency medical services within said district and such additional powers as may be authorized by the Legislature.”

**Finding 2017-4 - Inadequate Internal Controls and Noncompliance Over Pledged Collateral**

**Condition:** Upon inquiry of the District Treasurer, observation, and review of documents regarding the pledged collateral process, the following was noted:

- The Treasurer does not monitor the bank balance daily throughout the year to ensure that District funds are adequately secured.
- At June 30, 2017, the District’s deposits at one local bank were \$352,645.44; however, FDIC coverage of \$250,000.00 was not adequate to secure those deposits. Therefore, deposits were not secured by pledged collateral in the amount of \$102,645.44.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that bank deposits are adequately secured.

**Effect of Condition:** This condition resulted in noncompliance with state statute and unsecured District funds at June 30. Further, this condition could result in possible loss of funds.

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT  
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**Recommendation:** OSAI recommends that the District implement policies and procedures to obtain pledged securities in the event the bank balance is more than FDIC coverage of \$250,000.00 and compare bank balances to the fair market value of pledged collateral daily to ensure that District funds are adequately secured and that the District is in compliance with 62 O.S. § 517.4. Documentation for this daily procedure should be maintained.

**Management Response:**

**Chairman of the Board:** The Board discussed the audit findings at the Board meeting of June 25, 2018, and developed policies based on the auditor’s findings. The policies were approved by the Board in this meeting based on a motion made and seconded with all Board members voting aye to accept the policies. The bank account policies and procedures are as follows:

- Bank accounts will be kept under the secured amount of \$250,000.00. This is the total of both bank accounts.
- A Bank account will be opened at another bank within in the County and \$100,000.00 will be transferred from the original bank account to reduce the amount on deposit and provide adequate FDIC coverage of \$250,000.00 to secure funds on deposit.

**Criteria:** Effective internal controls require that monitoring pledged securities be performed daily to ensure compliance with state statute.

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.”

**Finding 2017-5 - Inadequate Internal Controls Over Fixed Assets Inventory**

**Condition:** Upon inquiry of the District Secretary/Treasurer and Board Chairman, regarding the policies and procedures of safeguarding fixed assets, the following weaknesses were noted:

- The District did not have a fixed assets inventory list available for review.
- The District did not maintain a fixed assets inventory list of vehicles being used by the provider per the service contract provisions or the stationary equipment within the vehicles.
- The District did not conduct an annual physical verification of fixed assets inventory items.

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

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**Effect of Condition:** The opportunity for loss and misappropriation of District fixed assets may be more likely to occur when the District does not maintain a current detailed fixed assets inventory listing.

**Recommendation:** OSAI recommends the Board be aware of these conditions and realize the importance of documenting fixed assets inventory. Further, OSAI recommends the Board take steps to document equipment used by the contract service provider and ensure these fixed assets are documented by annual fixed assets inventory verification.

**Management Response:**

**Chairman of the Board:** The Board discussed the audit findings at the Board meeting of June 25, 2018, and developed policies based on the auditor's findings. The policies were approved by the Board in this meeting based on a motion made and seconded with all Board members voting aye to accept the policies.

The fixed assets policies and procedures are as follows:

- o The Board will review and document the fixed assets inventory list of equipment and vehicles on a yearly basis.

**Criteria:** An important aspect of internal controls 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, including the verification of fixed assets inventory.



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