

**VICI-CAMARGO
EMERGENCY MEDICAL SERVICE
SPECIAL-PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2002**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

December 16, 2003

TO THE BOARD OF TRUSTEES OF THE
VICI-CAMARGO EMERGENCY MEDICAL SERVICE

Transmitted herewith is the audit of the Vici-Camargo Emergency Medical Service, for the fiscal year ended June 30, 2002. The audit was conducted in accordance with *Government Auditing Standards*.

A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the Vici-Camargo Emergency Medical Service.

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

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahon".

JEFF A. McMAHAN
State Auditor and Inspector

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**VICI-CAMARGO
EMERGENCY MEDICAL SERVICE
BOARD OF TRUSTEES
JUNE 30, 2002**

CHAIRMAN

Tom Carman

VICE-CHAIRMAN

Larry Lynes

MEMBERS

Jim Perry

Loreta Dye

Billie Moran

ADMINISTRATOR

Robin Evans

INTRODUCTION

Article 10, § 9C of the Oklahoma Constitution authorized the formation of emergency medical service (EMS) districts and authorized a tax levy not to exceed 3 mills for the purpose of providing funds to support, organize, operate and maintain district ambulance services. District voters approved the formation of the district and 3 mill levy to support the operation of the EMS.

EMS districts are governed by a board of trustees. The board of trustees (the board) has the power to hire a manager and other personnel, contract, organize, maintain or otherwise operate the emergency medical service district. The trustees must act as a board when entering into contracts or other agreements affecting the district's welfare. Thus, actions taken by the board are voted on and approved by a majority of the trustees. The board of trustees' business meetings are open to the public. The board shall have the capacity to sue and be sued but shall enjoy immunity from civil suits for actions or omissions arising from the operation of the district. Such districts have the authority to charge fees for services, accept gifts, funds, or grants.

The Oklahoma Constitution also provides that the district shall be audited by the State Auditor and Inspector.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE BOARD OF TRUSTEES OF THE
VICI-CAMARGO EMERGENCY MEDICAL SERVICE

We have audited the special-purpose financial statements of Vici-Camargo Emergency Medical Service, as of and for the year ended June 30, 2002, as listed in the table of contents. These special-purpose financial statements are the responsibility of the Emergency Medical Service. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash balances of Vici-Camargo Emergency Medical Service, and comparisons of such information with the corresponding budgeted information for the general fund, and are not intended to be a complete presentation of the financial position and results of operations of Vici-Camargo Emergency Medical Service in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of all funds of Vici-Camargo Emergency Medical Service, and comparisons of such information with the corresponding budgeted information for the general fund, as of and for the year ended June 30, 2002, in conformity with the basis of accounting described in Note 1.

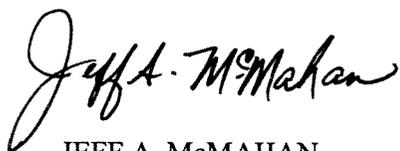
In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2003, on our consideration of Vici-Camargo Emergency Medical Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report.

This report is intended solely for the information and use of the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of the Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahán". The signature is written in a cursive style with a large initial "J" and a distinct "Mc" in the middle name.

JEFF A. McMAHAN
State Auditor and Inspector

September 19, 2003

Special-Purpose Financial Statements

**VICI-CAMARGO EMERGENCY MEDICAL SERVICE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
JUNE 30, 2002**

	General Fund
Beginning Cash Balance	<u>\$ 29,623</u>
Receipts:	
Ad Valorem Taxes	23,251
Charges for Services	31,766
Miscellaneous	2,218
Total Receipts	<u>57,235</u>
Disbursements:	
Warrants Paid	<u>48,963</u>
Total Disbursements	<u>48,963</u>
Ending Cash Balance	<u>\$ 37,895</u>

The notes to the financial statements are an integral part of this statement.

**VICI-CAMARGO EMERGENCY MEDICAL SERVICE
COMPARATIVE STATEMENT OF RECEIPTS, EXPENDITURES, AND
CHANGES IN CASH BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
JUNE 30, 2002**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
Beginning Cash Balances, Budgetary Basis	\$ 14,512	\$ 19,512	\$ 29,623	\$ 10,111
Receipts:				
Ad Valorem Taxes	20,990	20,990	23,251	2,261
Charges for Services	2,043	2,043	31,766	29,723
Miscellaneous Revenues			2,218	2,218
Total Receipts, Budgetary Basis	<u>23,033</u>	<u>23,033</u>	<u>57,235</u>	<u>34,202</u>
Expenditures:				
Personal Services	15,000	15,000	13,469	1,531
Maintenance and Operations	21,774	26,774	35,494	(8,720)
Capital Outlay	1	1		1
Audit Budget Account	770	770		770
Total Expenditures, Budgetary Basis	<u>37,545</u>	<u>42,545</u>	<u>48,963</u>	<u>(6,418)</u>
Excess of Receipts and Beginning Cash Balances Over Expenditures, Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	37,895	<u>\$ 37,895</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balances				
Ending Cash Balance			<u>\$ 37,895</u>	

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

**VICI-CAMARGO EMERGENCY MEDICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. Summary of Significant Accounting Policies

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of Vici-Camargo Emergency Medical Service (EMS), and comparisons of such information with the corresponding budgeted information for the EMS. The fund presented is established under statutory authority, and its operation is under the control of the EMS Board of Trustees. The more significant accounting policies and practices are described below.

A. Reporting Entity

The EMS is a special unit of government and does not possess political or governmental powers other than those necessary to carry out the specific purposes for which it was created. The EMS was created to provide ambulance service to all of the citizens. The EMS is not subject to federal or state income taxes.

The accompanying special-purpose financial statements include all EMS funds, functions, and activities over which the EMS Board exercises significant influence. Significant influence or accountability is based primarily on the oversight exercised by the EMS Board. The EMS does not have any component units.

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash balances of the EMS, and comparisons of such information with the corresponding budgeted information for the EMS. The fund presented is established by statute, and its operations are under the control of the Board of Trustees. The general fund is the EMS's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. Any other funds presented would account for financial resources whose use is restricted for specified purposes.

B. Fund Accounting

A governmental entity uses funds to report 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.

General Fund - The general fund is used to account for all activities of the EMS not accounted for in some other fund.

Capital Projects - accounts for financial resources segregated for the acquisition or construction of major capital properties.

**VICI-CAMARGO EMERGENCY MEDICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The special-purpose financial statements are prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

D. Budgetary Policies

Oklahoma Statutes require the EMS to prepare a formal budget for the general fund and other funds as the Board of Trustees may require. The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

The Statement of Receipts, Expenditures, and Changes in Cash Balances - Budget and Actual - General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Receipts, Disbursements, and Changes in Cash Balances because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

E. Cash and Investments

State statutes authorize the EMS to invest in obligations of the U.S. Treasury, certificates of deposit, or savings accounts of banks, savings and loans, and trust companies if secured by acceptable collateral where the collateral has been deposited with a trustee or custodian bank.

All funds were fully invested or deposited in interest-bearing demand accounts at June 30, 2002.

F. Risk Management

The EMS is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The EMS continues to carry commercial insurance for these types of risk. The EMS carries workers compensation, health, and accidental insurance on its employees. Management believes such coverage is sufficient to preclude any significant uninsured losses to the EMS. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the 2002 fiscal year.

VICI-CAMARGO EMERGENCY MEDICAL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before June 1 of each year, a budget for each fund, as required by the Board, shall be completed. The budget is approved by fund and object. The EMS Board may approve changes of appropriations within the fund by object. To increase or decrease the budget by fund requires approval by the Excise Board.

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the cash balance consisted of amounts in demand deposits and certificates of deposit. The reported amount of the EMS's deposits was \$37,895 and the bank balance was \$37,895. Of the bank balance, all funds were covered by federal depository insurance or collateral held by the EMS's agent in the EMS's name.

B. Ad Valorem Tax

The property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the District, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. The tax is collected by the County Treasurer and remitted to the EMS.

The County levied 3 mills for EMS general fund operations. The net assessed property value as of January 1, 2001, was approximately \$7,696,200.

Taxes are due on November 1 following the levy date, although, they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

Current year tax collections for the year ended June 30, 2002, were approximately 97 percent of the tax levy.

4. Accounts Receivable Contract

The EMS Board has contracted with LIFE EMS Service of Enid, Oklahoma to provide billing services for patient accounts receivable.

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

TO THE BOARD OF TRUSTEES OF THE
VICI-CAMARGO EMERGENCY MEDICAL SERVICE

We have audited the special-purpose financial statements of Vici-Camargo Emergency Medical Service, as of and for the year ended June 30, 2002, and have issued our report thereon dated June 23, 2003. Our report includes an explanatory paragraph discussing that the financial statements are not a complete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Vici-Camargo Emergency Medical Service's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of special-purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Finding 2002-1 – Fixed Assets – Equipment Inventory

Criteria: According to 19 O.S. 2001, § 1718, a ledger or group of accounts is to be maintained by the EMS District in which to record the details relating to the general fixed assets.

Condition:

1. The District has an incomplete list of equipment items that only includes such information as purchase date and price on some items, but is not up-to-date for other information such as serial or VIN numbers, location, or assignment.
2. The District has not established a formal policy for the minimum value of fixed asset items to be included in inventory, for the kinds of information and records to be maintained for the fixed asset items, or for how often items are to be inventoried and reconciled to the records.

Recommendation: The Board should evaluate its policies and procedures for recording, reporting, and inventorying its fixed assets and equipment and make the necessary changes to improve its controls over this area and its compliance with the above statute.

Finding 2002-2 – Exceeding Appropriations/Supplemental Budget

Criteria: Title 19 O.S. 2001, § 1721 provides the procedures for amending a budget. This section requires any supplemental budget or budget amendment to be approved by the EMS Board and filed with the County Excise Board and the State Auditor and Inspector.

Condition: The FY2003 budget form, which includes the “final” budget for FY2002, indicates a supplemental budget increase of \$10,000 to the FY2002 Maintenance and Operation appropriation account. There was no mention of a supplemental budget being approved in the minutes of the Board. No supplemental budget was filed at either the Dewey County Excise Board or the State Auditor and Inspector’s office.

Effect: The supplemental budget, as reported on the EMS budget form, was not a legally approved or authorized appropriation. The reported “actual” budget amount for Maintenance and Operation has been adjusted (reduced) by \$10,000.

Recommendation: Supplemental budgets and/or other budget amendments should be properly approved and filed, as required by law, under the procedures outlined in 19 O.S. 2001, § 1721.

Finding 2002-3 - Budgetary Control

Criteria: According to 19 O.S. 2001, § 1717 (A):

“No expenditure may be authorized or made by any employee or member of the board...which exceeds the appropriation for any fund of the budget as adopted or amended.”

Section 1717 also provides penalties for violations.

Condition: Because the supplemental budget described in Finding 2002-2 was neither authorized nor legally filed, the district exceeded its appropriation for Maintenance and Operation by approximately \$8,700.

Recommendation: The Board should evaluate its policies and procedures for the approval and filing of supplemental budgets to ensure that additional appropriations are legally authorized and valid.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Vici-Camargo Emergency Medical Service’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable

conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the EMS's ability to record, process, summarize, and report financial data consistent with the assertions of management in the special-purpose financial statements. The reportable conditions are described below.

Finding 2001-1 – Segregation of Duties – Bank Statement

Criteria: Effective internal control requires an appropriate segregation or separation of duties for a financial transaction.

Condition: The District has only one person for its administrative/financial staff. The Administrator does all the ordering, processing of bills and checks, is a signatory on the bank account, receives the bank statements and performs the bank reconciliations. The Chairman or another Board member provides a second signature on the checks.

Recommendation: Appropriate segregation of duties is difficult for a small office to achieve. However, the Board may consider the following recommendations:

1. Instead of the Administrator as a signatory, change the signature cards to have a second Board member or another available individual sign with the Chairman on all checks. This would separate the processing of bills and checks from the authorization of cash disbursements.
2. Consider having the bank statements delivered to the Chairman or another designated Board member for review, prior to delivering the bank statements to the office. It would be preferable to have the Chairman or another designated Board member perform the bank reconciliations; however, just a simple review of the bank statements would be a helpful addition to the segregation of duties.

Finding 2001-2 – Segregation of Duties – Payment Processing

Criteria: Effective internal control requires an appropriate segregation or separation of duties for a financial transaction.

Condition: The District has only one person for its administrative/financial staff. The District contracts for accounts receivable and billing services. However, the Administrator does all the opening of the mail, the writing of receipts, processing of payments, preparing bank deposits and taking deposits to the bank, receives the bank statements and performs the bank reconciliations.

Recommendation: Appropriate segregation of duties is difficult for a small office to achieve. However, the Board may consider the following recommendations:

3. Since the District's collections come through the mail, consider having both the Administrator and trainer obtain and process the mail together. One person would log all the checks/payments, while the other fills out the bank deposit. They could rotate the duty of taking the deposit to the bank. Have a third individual designated to be an alternate in case the Administrator or trainer is unavailable.

4. Since the receipts being written are not physically issued to payers, the payment log could be substituted for the receipt writing. As an additional step, photocopies of the checks/payments received could be made and filed for record keeping and internal control purposes.
5. Consider having the bank statements delivered to the Chairman or another designated Board member for review, prior to delivering the bank statements to the office. It would be preferable to have the Chairman or another designated Board member perform the bank reconciliations; however, just a simple review of the bank statements would be a helpful addition to the segregation of duties.

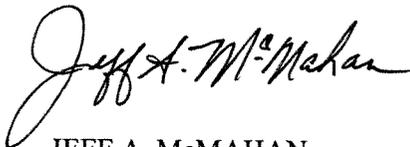
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 2001-1 and 2001-2 to be material weaknesses.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report.

This report is intended solely for the information and use of the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of the Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,



JEFF A. McMAHAN
State Auditor and Inspector

September 19, 2003