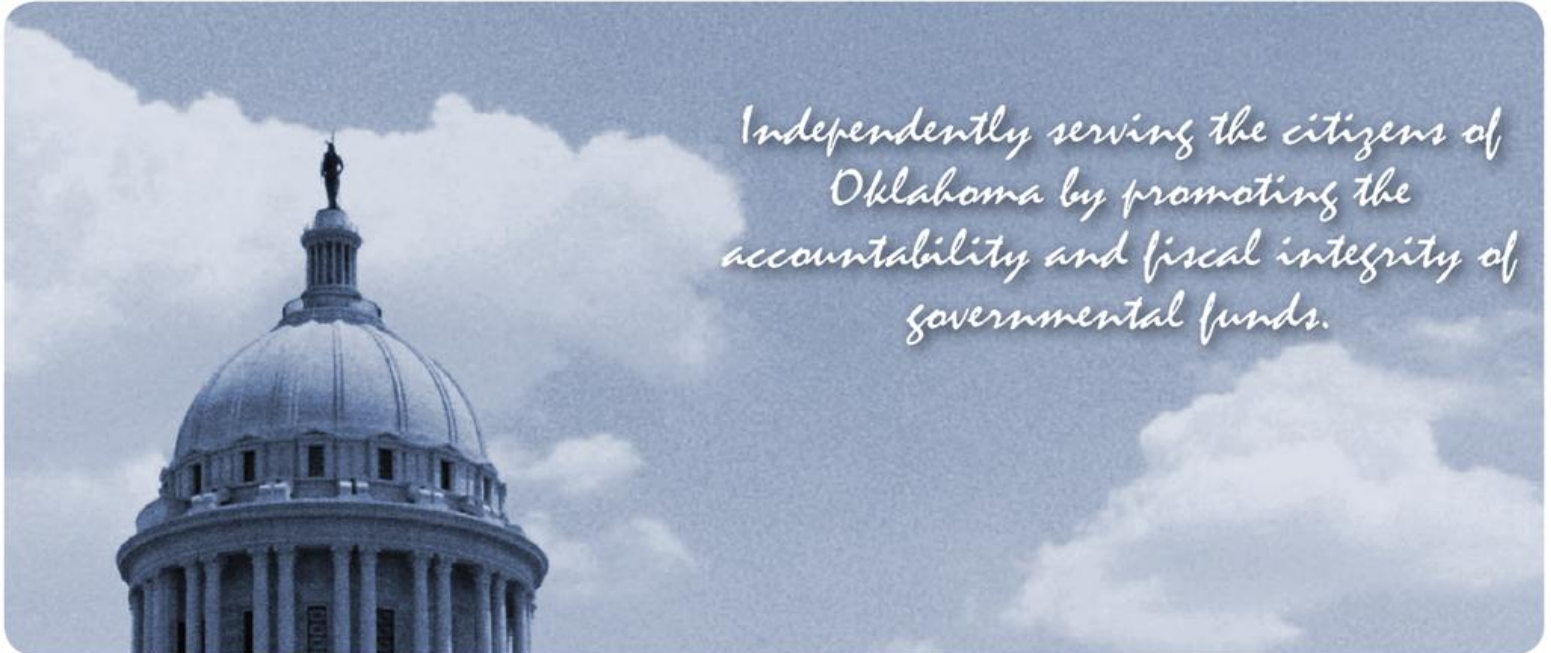


STATUTORY REPORT

# VICI-CAMARGO EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2012 through June 30, 2016



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



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

**VICI-CAMARGO EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2016**

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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

May 12, 2017

**TO THE BOARD OF DIRECTORS OF THE  
VICI-CAMARGO EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Vici-Camargo Emergency Medical Service District for the period July 1, 2012 through June 30, 2016.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

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

**VICI-CAMARGO EMERGENCY MEDICAL SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2013, FY 2014, FY 2015 and FY 2016**

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ 159,852	\$ 206,224	\$ 228,316	\$ 136,623
<b>Collections</b>				
Ad Valorem Tax	41,899	41,040	47,434	49,111
Charges for Services	73,067	88,220	85,703	83,147
Sales Tax	-	-	52,210	21,000
Miscellaneous	2,670	3,447	3,199	1,614
<b>Total Collections</b>	<u>117,636</u>	<u>132,707</u>	<u>188,546</u>	<u>154,872</u>
<b>Disbursements</b>				
Personal Services	29,814	31,687	46,933	48,343
Travel	-	-	-	45,358
Maintenance and Operations	37,661	36,626	51,650	-
Capital Outlay	-	41,872	181,656	18,195
Audit Expense	3,789	430	-	-
<b>Total Disbursements</b>	<u>71,264</u>	<u>110,615</u>	<u>280,239</u>	<u>111,896</u>
Ending Cash Balance, June 30	<u>\$ 206,224</u>	<u>\$ 228,316</u>	<u>\$ 136,623</u>	<u>\$ 179,599</u>

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

**VICI-CAMARGO EMERGENCY MEDICAL SERVICE DISTRICT  
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## **Sales Tax**

Vici-Camargo Emergency Medical Service District (the District) receives county sales tax that is passed through the Dewey County Public Facilities Authority from Dewey County per the sales tax ballot. The District has a designated bank account for the funds received and funds are disbursed for the improvement and operation of the District.

The Dewey County Public Facilities Authority Board approves the disbursement of county sales tax funds to the District. The District submits a claim for reimbursement or a purchase order detailing the item(s) the District would like to purchase using the County sales tax funds to the Dewey County Public Facilities Authority Board. The Facilities Authority Board votes to approve or deny the request for funds from the District. If the request is approved, the Dewey County Public Facilities Authority Board Treasurer requests that the bank issue a check to the District for the approved amount.

The District did not request or receive County sales tax from the Dewey County Public Facilities Authority for the fiscal year ended June 30, 2013 or for the fiscal year ended June 30, 2014.

The District received \$52,210.19 during the fiscal year ended June 30, 2015, and \$21,000.00 during the fiscal year ended June 30, 2016.



# Oklahoma State Auditor & Inspector

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Vici-Camargo Emergency Medical Service District  
PO Box 239  
Vici, Oklahoma 73859

## **TO THE BOARD OF DIRECTORS OF THE VICI-CAMARGO 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 2013, FY 2014, FY 2015, and FY 2016 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Vici-Camargo 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 Vici-Camargo 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 Vici-Camargo 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

March 9, 2017

**VICI-CAMARGO EMERGENCY MEDICAL SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-01 – Inadequate Internal Controls Over the Collections Process (Repeat Finding)**

**Condition:** While gaining an understanding of the receipting, depositing, and reconciling functions of the Vici-Camargo Emergency Medical Service District, it was noted that the following duties were not properly segregated:

- One employee picks up the mail, opens the mail, maintains customer accounts, prepares the deposit, takes the deposit to the bank, and reconciles bank statements.
- Bank deposits were not reviewed and approved by someone other than the preparer.
- Pre-numbered, duplicate receipts were not issued for funds received.
- The District Board approves the monthly financial report presented in open meeting; however, evidence of a review and approval was not present.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the receipting process. Additionally, policies and procedures have not been designed and implemented to ensure documentation of the Board's review and approval of the Monthly Financial Report is available.

**Effect of Condition:** 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, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends 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 management's oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that 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 management review and approve accounting functions.

Additionally, OSAI recommends the District Board ensure monthly financial reports are reviewed and approved by someone other than the preparer. Evidence of such review should be documented with initials and date and retained as verification.

**Management Response:**

**Chairman of the Board:** The Board is aware of these conditions and will work to implement compensating controls to mitigate the risks involved with a concentration of duties. Pre-numbered



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duplicate receipts will be issued for all funds received, and the Board will also document the review and approval of the monthly financial report in the Board minutes.

**Criteria:** Accountability and stewardship are overall goals of management in 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. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, and reconciliations should be segregated and bank reconciliations should be approved by someone other than the preparer.

**Finding 2016-02 – Lack of Internal Controls and Management Oversight Over Control Environment**

**Condition:** As part of our audit, we tested collections, disbursements, cash balances and the Estimate of Needs. Upon inquiry and observation of the District's internal controls and statutory compliance, we identified the following areas of concern regarding lack of internal controls and lack of management oversight.

Lack of Management Oversight:

- The District was unable to provide written Bylaws of the District.
- Numerous errors were noted when reconciling the financial statements to the Estimate of Needs.
  - Monthly financial reports were not reconciled properly.
  - The prior fiscal year ending balance did not agree to the next fiscal year beginning balance.
  - Automatic drafts from bank accounts were not accounted for on the monthly financial reports.
  - During fiscal year 2014, the District received and deposited a total of \$41,038.81 ad valorem tax remitted by the Dewey County Treasurer; however, the amount reported on the Estimate of Needs was \$47,846.64 resulting in an overstated variance of \$6,807.83.
  - A \$10,000 disbursement for equipment purchased from the Elk City Fire Department in January, 2015 was not posted to the District's financial statements until January, 2017.

**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.

**Effect of Condition:** These conditions adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably.

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**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the District's Board Members clearly communicate the responsibilities and duties expected of Management. Additionally, OSAI recommends that Management and key personnel gain an understanding of the design of the internal control process and implement those internal controls in an effective and efficient manner to reduce the risk of error and fraud within the District. Finally, OSAI recommends Management ensure operations adhere to policy and procedures in the form of bylaws.

**Management Response:**

**Chairman of the Board:** The Board will establish a process and implement controls to reduce the risk of error and fraud within the District. The Board will investigate procuring a third-party accounting service for the collection of charges for services.

**Criteria:** Effective internal controls are essential to provide assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management attitude, qualifications, and operating style, become the foundation of all other internal control components.

**Finding 2016-3 – Inadequate Internal Controls and Noncompliance Over Contract Renewal and Provisions**

**Condition:** Four (4) instances were noted where the District did not enter into a signed contract for labor.

1. In July of 2014, the District retained the services of a Director. The District Board refers to the Director as contract labor; however, the two parties have not signed a contract outlining the specific duties of the Director or other criteria regarding the contract labor.
2. In August of 2014, the District retained the services of a collections agency. The two parties have not signed a contract outlining the specific duties of the agency or other criteria regarding the contract labor.
3. During the audit period, the District paid \$100 per month to a physician for his services as Medical Director; however, the Board did not sign a contract with the physician, nor was a timesheet submitted each month.
4. During the audit period, the District paid \$100 per month to the District's Coordinator; however, the Board did not sign a contract with the District Coordinator, nor was a timesheet submitted each month.

**Cause of Condition:** The District Board was unaware of the statutory requirement for a contract to be signed and renewed on an annual basis.

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**Effect of Condition:** The District is issuing monthly payments for a contract that has not been signed by both parties, which resulted in noncompliance with state statute and could result in the misappropriations of assets.

**Recommendation:** OSAI recommends policies and procedures be designed and implemented with regard to the contract services. OSAI also recommends the contract be approved and signed by both parties in open meeting to ensure compliance with 19 O.S. § 1710.1 and the contract be renewed on an annual basis to ensure compliance with 62 O.S. § 479.

**Management Response:**

**Chairman of the Board:** The Board plans to move all staff to a contract labor status effective in the 2018 fiscal year, beginning July 1, 2017.

**Criteria:** Effective internal controls require that management properly implement procedures to ensure that that contracts are reviewed and approved in accordance with 19 O.S. § 1706.1 and 62 O.S. § 479.

**Finding 2016-04 - Lack of Segregation of Duties Over the Disbursements Process (Repeat Finding)**

**Condition:** While gaining an understanding of the disbursement process of the District, we noted the District Director performs the following duties:

- Prepares purchase orders and warrants.
- Takes purchase orders and warrants to the Board for approval.
- Posts warrants to the financial report.
- Mails warrants to vendors.
- Orders and receives goods/services.

**Cause of Condition:** Policies and procedures have not designed and implemented to sufficiently segregate the disbursement process.

**Effect of Condition:** 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, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends 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 management's oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that 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

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processes and/or critical functions of the office, and having management review and approve accounting functions.

**Management Response:**

**Chairman Response:** The Board will establish a process and implement controls to reduce the risk of error and fraud within the District. The Board will require management to segregate duties where possible and implement compensating controls to mitigate risks involved with concentration of duties. A second review and approval of accounting functions will be required by Board members as an ongoing process to mitigate the risks over lack of segregation of duties within the disbursements.

**Criteria:** Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. An important aspect of internal controls is the safeguarding of assets. 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/or misappropriation of funds.

**Finding 2016-05 - Inadequate Internal Controls Over the Disbursements (Repeat Finding)**

**Condition:** Based upon inquiry and tests of (48) forty-eight of the disbursements, the following internal control weaknesses were noted:

- FY 2013
  - Eleven (11) disbursements tested did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.
- FY 2014
  - Three (3) disbursements tested did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.
- FY 2015
  - Two (2) expenditures tested did not have adequate documentation attached to the invoice.
  - Nine (9) disbursements tested did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.
- FY 2016
  - Ten (10) disbursements tested did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.

**Cause of Condition:** Policies and procedures have not been designed to ensure all claims are filed with sufficient supporting documentation for recordkeeping and audit related needs.

**Effect of Condition:** These conditions could result in inaccurate records, incomplete information, or misappropriation of assets.

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**Recommendation:** OSAI recommends the District implement a system of internal controls to ensure that all disbursements have proper supporting documentation including invoices and statements, and evidence that the goods and/or services were received such as initialing and dating, as documentation on the invoice or the statement.

**Management Response:**

**Chairman of the Board:** The Board will establish policies and procedures to ensure the District Director reviews all disbursements for proper supporting documentation.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting. Key factors in this system are having supporting documentation maintained for recordkeeping and ensuring disbursements are only incurred for goods and/or services that have evidence of receipt, such as initials and dates.

**Finding 2016-06 – Inadequate Internal Controls and Noncompliance Over Bidding Procedures (Repeat Finding)**

**Condition:** Based upon inquiry, observation of District Board Minutes, and audit work conducted of the purchase of an ambulance during the audit period, we noted the following:

- On February 10, 2014, the District Board Minutes reflect the following, in part;

“A representative from Wheeled Coach presented information on a new ambulance and purchasing process. The Board entered into a question and answer time with the representative. There was no action taken at this time.”
- The Board minutes of August 18, 2014, reflect the following;

“Coordinator’s report: Coordinator brought paperwork from Wheeled Coach for the Board to sign so that Vici-Camargo can start the process of purchasing a new ambulance. Wheeled Coach had given us information about a pre-bid program for ambulances. Coordinator explained that the new ambulance will be a Chevy rather than Ford because Ford does not make the van style body anymore. The new ambulance will be very similar to Dewey 60. District Board Chairman signed the contract to purchase a new ambulance.”
- In lieu of soliciting bids, the District Director informed OSAI, the Board retained the services of Houston Galveston Area Council (hereinafter referred to as HGAC). HGAC is an approved vendor for the solicitation of bids for governmental entities such as the District. However, District Board Minutes do not reflect that HGAC services were retained when purchasing an ambulance.

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- No documentation of the competitive bidding procedures was retained in District records, such as follows:
  - Proof of publication of bid.
  - Evidence of sealed bid presented for consideration.
  - Evidence that bid was time and date stamped when received.
  - Approval of awarding the bid in the District Board Minutes.
  - Evidence that the governmental bid from HGAC was used in lieu of the District soliciting bids.

When we inquired about the competitive bid process for the ambulance, we were provided with an “Invitation to Bid” dated August 25, 2010. Upon further inquiry, we were told the “Invitation to Bid” was part of a bid packet from the previous purchase of an ambulance.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that disbursements are competitively bid in compliance with the state statute.

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

**Recommendation:** OSAI recommends that purchases of equipment in excess of \$15,000 be competitively bid in accordance with 19 O.S. § 1505.

**Management Response:**

**Chairman of the Board:** The District will seek competitive bids on all purchases of equipment in excess of \$15,000.00 in order to be in compliance with the state statute.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting and compliance with applicable laws and regulations.

Title 19 O.S. § 1723 requires Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. §§ 1501, 1505 which requires all equipment purchases in excess of \$15,000 be competitively bid.

Title 19 O.S. § 1501 (A)(3)(1) states in part,

- A. The county purchasing agent:
  - 3. Shall make purchases and rental or lease purchase agreements only after following the bidding procedures as provided for by law, except:
    - 1. when considering the purchase of an item or items from the state bid list as provided by the Office of Management and Enterprise Services or the General Services Administration, *if the same exact item* is available from a local vendor at or below the

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price listed on the state bid list or the General Services Administration, the item may be obtained by the vendor.

Further, Title 19 O.S. §1505 (B) (1) states in part,

B. The bid procedure for selecting a vendor for the purchase, lease-purchase, or rental of supplies, materials, equipment and information technology and telecommunication goods and services used by a county shall be as follows:

1. The county purchasing agent shall request written recommendations from all county officers pertaining to needed or commonly used supplies, materials, equipment and information technology and telecommunication goods and services. From such recommendations and available requisition, purchase, or inventory records, the county purchasing agent shall prepare a list of items needed or commonly used by county officers 19 O.S. § 1505.

“Purchases by any board of trustees of any emergency medical service district shall be made in accordance with the bidding requirements as provided in Sections 1501 and 1505 of this title.”

**Finding 2016-08 – Inadequate Internal Controls and Noncompliance Over Bidding Procedures for the Construction and Remodel of a Building**

**Condition:** Based upon inquiry, observation of the District Board Minutes of February 10, 2014, the following information concerning solicitation of competitive bids for building construction; stated as follows:

“The Board chose to skip to Agenda item #8 Bids concerning finishing the office area. Three official sealed bids were presented for consideration. (1) *Vendor 1* for \$9,000 which only included interior and exterior walls without finishing. (2) *Vendor 2* for \$97,604.00 which included finishing. (3) *Vendor 3* for \$56,065.00 which included all finishing with the exception of floor covering. *Vendor 4* was present but was unable to present a bid. The Board entered into a discussion concerning the offers; the bid from *Vendor 1* was a concern because it did not include finishing, plumbing, or electrical; the bid from *Vendor 2* was a concern because of the price. One Board Member made the motion to accept the bid from *Vendor 3*. Another Board Member seconded the motion. Motion carried 5 to 0.”

There was no evidence that the District Board followed the state statute guidelines with regard to soliciting competitive bids for building construction including the following:

- Proof of published twice in a local newspaper,
- Obtained sealed bids and bid bonds,

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- Obtained performance, payment and maintenance bonds, and
- Obtained proof of liability insurance.

Based on the three bids that were received as reported in the District Board Minutes, it does not appear that bid specifications were provided in bid solicitations mailed to potential bidders.

Subsequently, District Board Minutes do not reflect the approval of a revised building construction contract, which increased the original amount of the contract of \$56,064.66 by \$6,050.33 for a total payment of \$62,114.99 or approximately 9 % increase in the original bid.

The District Board approved the following payments for the construction project;

March, 2014	\$18,688.33
April, 2014	\$18,688.33
May, 2014	\$ 4,595.00
August, 2014	<u>\$20,143.33</u>
Total	<u>\$62,114.99</u>

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that disbursements are competitively bid in compliance with the state statute.

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

**Recommendation:** OSAI recommends the District follow bidding procedures as outlined in 61 O.S. § 103-138 with regard to construction of public building projects of \$50,000 or more.

**Management Response:**

**Chairman of the Board:** The District will seek competitive bids on construction projects in order to be in compliance with the state statute.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting and compliance with applicable laws and regulations.

Additionally, the Public Building Competitive Bidding Act of 1974 located in Title 61 O.S. § 103-138 provides guidance with regard to construction contracts of projects over \$50,000.00 including;

- Publish the notice twice in the local newspaper.
- Obtain sealed bids and bid bonds.
- Open and award bids in an open meeting.
- Obtain performance, payment and maintenance bonds from the prospective vendor.
- Obtain proof liability insurance from the prospective vendor.
- Other specific requirements in accordance with the bid specifications.



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**Finding 2015-07 – Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)**

**Condition:** Based on inquiry of the District Board Chairman, observation of fixed assets, and review of the District’s fixed assets inventory records, the following exceptions were noted:

- An updated inventory listing was not maintained containing complete and accurate descriptions or identification of fixed assets.
- Annual physical inventory verification of fixed assets was not performed.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure fixed assets inventory is properly maintained and updated through a periodic review by the District.

**Effect of Condition:** These conditions resulted in inadequate fixed assets inventory records, and could lead to misappropriation of assets and loss of District equipment.

**Recommendation:** OSAI recommends that policies and procedures be implemented to ensure fixed assets inventory records are properly maintained and annual physical inventory verification is performed by someone other than the individual maintaining inventory records.

**Management Response:**

**Chairman of the Board:** The District will develop policies and procedures to ensure a complete and accurate inventory of fixed assets is maintained and a physical inventory is performed annually.

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



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