



COUNTRY CORNER FIRE DISTRICT

Special Investigative Audit

February 8, 2019

Cindy Byrd, CPA
State Auditor & Inspector

COUNTRY CORNER FIRE DISTRICT
INVESTIGATIVE AUDIT REPORT
JULY 1, 2015 THROUGH JUNE 30, 2017

February 8, 2019

TO THE HONORABLE MIKE FISHER, DISTRICT ATTORNEY, DISTRICT 10

Pursuant to a request in accordance with **74 O.S. § 212(H)**, our office performed an audit of Country Corner Fire District for the period of July 1, 2015, through June 30, 2017, a scope that was expanded when examination was warranted.

The objectives of this audit primarily included, but were not limited to, the concerns noted in the request letter. The results of this audit, related to these objectives, are presented in the accompanying report.

Because the procedures of this audit did not constitute an audit conducted in accordance with generally accepted auditing standards, our office does not express an opinion on the account balances or financial statements of Country Corner Fire District.

The goal of the State Auditor & 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.

Our office wishes to express appreciation to Country Corner Fire District for the assistance and cooperation extended during the course of our engagement.

This report is addressed to, and is for the information and use of, the District Attorney, as provided by statute. This report is also a public document pursuant to the Oklahoma Open Records Act, in accordance with **51 O.S. §§ 24A.1, et seq.**

Sincerely,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



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Executive Summary

Why We Conducted This Audit

We were engaged at the request of the district attorney, District 10, pursuant to 74 O.S. § 212(H), to perform an investigative audit of the finances of “Country Corner Fire & Ambulance Service”.

What We Found – Key Issues

- The District improperly operates its *ambulance service* as part of its fire-protection district. (Pg. 4)
- The District incurred \$303,875 of debt without voter approval. (Pg. 5)
- The District improperly supplemented its ambulance service with a total of \$68,144.42 in funds that were restricted for use by its fire service. (Pg. 8)
- The District did not have supporting documentation for more than \$13,000 of expenditures. (Pg. 12)
- The District expended over \$9,200 on Christmas party costs and gifts, expenses that did not appear to be for a public purpose or benefit. (Pg. 13)
- The District board conducted a “phone vote” resulting in official business being conducted outside of a public meeting. (Pg. 16)
- The Board discussed matters in executive sessions not allowed per statute and conducted an executive session without giving prior public notice as required by law. (Pg. 17-18)
- The District is not in compliance with its reporting and payment of payroll taxes due the Internal Revenue Service. (Pg. 22)

Country Corner Fire District – Investigative Audit

Background

On February 20, 1997, the Sperry West Fire Company, a rural fire department, was formed as a charitable, not-for-profit corporation under 18 O.S. § 592. Under this statute, the department had authority to provide fire-protective services to both its members and nonmembers within or outside of the unincorporated area in which it was situated.

On May 8, 1997, Sperry West Fire Company’s board renamed the fire department Country Corner Fire Company.

On April 3, 2001, citizens voted to make the fire department a rural fire-protection district, a political subdivision of the state, under 19 O.S. §§ 901.1, *et seq.* The district was named the Country Corner Fire Protection District (the District).

A primary benefit of the District becoming a political subdivision was the ability to establish an annual assessment against property of the District along with the collection of *ad valorem* (property) taxes.¹

On July 16, 2001, the Osage Board of County Commissioners appointed three people to serve on the District’s board of directors. The District has subsequently held elections, either contested or uncontested, for board members.

On January 11, 2012, the District’s board of directors voted to license an ambulance service with the state Department of Health. On October 10 of that year, the District board adopted the current fire-district boundaries as the same boundaries for an EMS service area to be serviced by “Country Corner Fire”. The Board also added to the EMS service area a part of the Town of Skiatook’s boundaries. The District’s “Ambulance Billing and Reconciliation Policy” provides:

CCFD Ambulance Service Area: Residents living within the CCFD Ambulance Service Area but outside of the CCFD Protection Area are not specifically taxed for CCFD services and are responsible for the full billed amount of any services provided.

The following individuals served as board members at various times throughout the audit period of July 1, 2015 through June 30, 2017:

- | | |
|-----------------|---------------------|
| ● Tom Branch | ● Trent Renfro |
| ● Mike Brace | ● Don Martin |
| ● Lana Clark | ● Darrell Mayfield |
| ● Randy Meyer | ● Lisa Rose-Pridgen |
| ● Brian Wedlake | |

¹ 19 O.S. § 901.19(B)

Country Corner Fire District – Investigative Audit

<i>Audit</i>	The district attorney requested the State Auditor & Inspector’s Office (SA&I) perform an investigative audit of “Country Corner Fire & Ambulance Service” finances, primarily to account for county funds received by the District and equipment purchased with public monies.
<i>Objectives</i>	<p>Based on the district attorney’s request, SA&I established the following audit objectives:</p> <ol style="list-style-type: none">I. District Structure – Determine if the District was properly established and operates according to statute.II. Revenues and Expenditures – Determine if the District expended funds in compliance with laws and policies.III. Open Meetings – Determine if the District board complied with the Open Meeting Act.IV. Other Issues – Determine if any other reportable issues exist.
<i>Authority</i>	<p>According to 19 O.S. § 901.35, SA&I has advisory authority for rural fire-protection districts. The statute provides:</p> <p style="padding-left: 40px;">The State Auditor and Inspector [...] shall advise [rural fire-protection] districts on procedural and technical matters relating to accounting and budget procedures [...]. It shall be the duty of the district with notice of such advice to follow the instructions or advice of the State Auditor and Inspector until relieved of such duty by a court of competent jurisdiction or until the Supreme Court shall hold otherwise.</p>

OBJECTIVE I

DISTRICT STRUCTURE

Summary of Findings:

- The District improperly operates its *ambulance service* as part of its Title 19 fire-protection district.
- The District incurred \$303,875 of debt without voter approval as required by law.
- The District board did not properly approve all loan advances.
- The District did not formally approve the levy of the initial seven mills on the dollar levied against district property.

Background

The district attorney requested SA&I to audit the District’s finances. Before addressing financial issues, an evaluation of the District’s legal structure was performed to determine whether the District had been properly established and was operating properly in accordance with law.

Finding

The District improperly operates its *ambulance service* as part of its Title 19 fire-protection district.

The District currently operates its ambulance service and its firefighting service as one public entity, Country Corner Fire District.

Title 19 O.S. §§ 901.1, *et seq.*, which defines the authority and establishment of “Fire Protection Districts”, does not contain provisions allowing for the operation of an *ambulance service*.

Ambulance Service Options

Ambulance services in Oklahoma can operate under any one of the following forms, each of which has its own separate legal requirements for creation and operation:

- Oklahoma Constitution, Article 10 Section 9C - Constitutional Emergency Medical Service Districts
- Title 19 O.S. §§ 1201, *et seq.* - Statutory Ambulance Service Districts
- Title 60 O.S. §§ 176, *et seq.* - Public-Trust Districts
- Title 11 O.S. §§ 9-108(4), 10-106(6), 11-108(5), or 12-106(6) - Municipal Ambulance Departments
- Title 18 O.S. §§ 581(2) and 1001, *et seq.* - Nonprofit Corporations

Regardless of how the District chooses to organize its ambulance service, it should operate its firefighting service independently from its ambulance service and maintain separate and distinct boards that oversee each. The District should also separate ambulance-service revenues and expenses from fire-service revenues and expenses and should not utilize restricted funds, such as firefighting grants and *ad valorem* tax revenues², for ambulance-service purposes.

Resulting Problems

As a result of the District improperly operating its *ambulance service* as part of its Title 19 fire-protection district, the following problems were noted:

- The District’s current insurance policy covers the ambulance service as a governmental entity. At this time, the ambulance service is not properly organized as a governmental entity, resulting in the ambulance service being incorrectly insured. Governmental entities are insured differently than non-profit organizations, having legal protections under the state Governmental Tort Claims Act³.
- A \$50,000 line of credit was obtained using a firetruck as collateral. The funds drawn down against the line of credit were used in the operation of the ambulance service. Since the ambulance service should not be part of the governmental fire district, the ambulance service’s use of loan proceeds collateralized against a firetruck would not be allowable.
- The District incorrectly reports itself to the Internal Revenue Service as a non-profit corporation.

Finding

The District incurred \$303,875 of debt without voter approval as required by law.

Article 10 Section 26 of the state Constitution prohibits political subdivisions⁴ from borrowing money or otherwise incurring debt without approval by the voters:

Except as herein otherwise provided, no....political corporation, or subdivision of the state, shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for such year **without the assent of three-fifths of the voters thereof, voting at an election, to be held for that purpose...** [Emphasis added]

² The use of *ad valorem* tax revenue for ambulance-service expenses is addressed in *Objective II* of this report.

³ 51 O.S. §§ 151 - 172

⁴ The fire-protection district under 19 O.S. §§ 901.1, *et seq.*, is a political subdivision.

Country Corner Fire District – Investigative Audit

According to Attorney General Opinion 87-139, fire-protection districts may not borrow money without a vote of the people. The opinion provides, in relevant part:

Neither an Emergency Medical Service District.... nor a Fire Protection District (authorized and operating under 19 O.S. [§§] 901.1, *et seq.*), may borrow money or obligate such districts to incur debt without an election.

On November 14, 2014, the District “incurred debt” through loans from its bank in the amounts of \$253,875 and \$50,000, without approval by the voters in a duly-held election. In addition, the \$253,875 loan, utilized for the purchase of a firetruck, obligated the District for a seven-year period.

As noted in the Constitution, not only may a political subdivision incur debt only after a vote of the people, but it cannot become indebted in any year in an amount exceeding the income and revenue provided for such year.

The District’s multi-year purchase of equipment or assets should be managed by a lease-purchase agreement with a non-appropriation clause, insuring that funds are not obligated in any amount exceeding a fiscal year’s income and revenue.

As of October 31, 2018, the District owed \$112,867.11 and \$9,964.28 on the loans.

Finding

The District board did not properly approve *all* loan advances.

According to 21 O.S. § 901.7, the board of directors shall have the *duty* to manage and conduct the business affairs of the District. The District received the following principal advances against its established line of credit. Not all of the advances were properly approved by the Board.

- A \$25,000 advance was taken on September 16, 2015. Meeting minutes reflected a discussion of drawing down the funds from the line of credit, but a vote was never taken or documented.
- A \$10,000 advance was taken on December 23, 2015. Meeting minutes did not reflect a vote of the Board to approve this advance.
- Advances of \$25,000 and \$20,000 were taken on September 14, 2016, and December 21, 2016, respectively. Both of these advances were reflected in meeting minutes as properly approved by the Board.
- A \$10,000 advance was taken on December 21, 2017. It was reflected in the meeting minutes as “discussed” but was tabled and subsequently approved by a “telephone vote”⁵.

⁵ Telephone voting is addressed in *Objective III* of this report.

Finding

The District did not formally approve the levy of the initial seven mills on the dollar levied against district property.

Title 19 O.S. § 901.19(B) provides, in part:

1. Except as otherwise provided by this subsection, the board **shall** also levy an annual assessment sufficient to care for the cost of operation of the district and the maintenance of the fire department and its equipment, and for payment of salaries of the officers and employees of the district, provided, that no such annual assessment for operation, maintenance, and salaries shall exceed seven (7) mills on the dollar of assessed value of the property in the district. [Emphasis added]
2. The board **may** levy an assessment over seven (7) mills but not to exceed ten (10) mills upon approval for such at an election held at such time and in such manner as provided by Section 901.5 of this title for election of board members. [Emphasis added]

The District levied an assessment of seven mills on the dollar on property in the district when it became a rural fire-protection district in 2001. There was no evidence that the initial seven-mill levy was ever approved by the District board.

The District board was statutorily required, at the time of inception of the district, to levy an assessment “sufficient to care for the cost of operation of the district”. The District board could have voted to levy a lesser millage or could have not established a millage. As such, a vote documenting the official millage amount approved by the Board would have been critical information for the citizens of the District as to related tax consequences.

On November 4, 2008, voters approved levying an additional three mills on the dollar on property. The levy is now at 10 mills, the maximum number of mills that the District can levy.

OBJECTIVE II

REVENUES AND EXPENDITURES

Summary of Findings:

- In FY2016 and FY2017, the District improperly supplemented its ambulance service with a total of \$68,144.42 in funds that were restricted for use by its fire service.
- The District did not segregate grant funds into separate account groups as required by statute.
- The District did not have supporting documentation for more than \$13,000 of expenditures.
- The District expended over \$9,200 on Christmas party costs and gifts, expenses that did not appear to be for a public purpose or benefit.
- The District paid for the medical director and fire chief's cell phones without documented board approval.
- The District board did not approve all claim payments, and does not pay claims with warrants, both of which are required by law.
- The District often pays sales taxes as part of purchases made incurring additional unwarranted costs.

Background

We analyzed the District's revenues and expenditures to obtain an understanding and accounting of funds allocated and utilized by both the fire service and ambulance service, the use of county monies received by the District, and the proper use of any restricted funds.

The key objectives were to determine if the fire service and the ambulance service were independently self-supporting and if any revenues restricted for the fire service had been expended on the ambulance service.

Revenues

Finding

In FY2016⁶ and FY2017⁷, the District improperly supplemented its ambulance service with a total of \$68,144.42 in funds that were restricted for use by its fire service.

⁶ FY2016 – Fiscal Year Ending June 30, 2016, see complete breakdown of revenues and expenditures at Exhibit 1.

⁷ FY2017 – Fiscal Year Ending June 30, 2017, see complete breakdown of revenues and expenditures at Exhibit 2.

Country Corner Fire District – Investigative Audit

The District's fire service received the following revenues during FY2016 and FY2017. As noted in the table, property-tax proceeds and the fire-service state grants are restricted funds, not available for use outside of fire-service purposes.

Fire-Service Revenues				
Revenue Source	Type of Funding	FY2016	FY2017	Totals
Property-Tax Proceeds	Restricted	\$134,499.53	\$150,835.58	\$285,335.11
Grants	Restricted	\$4,589.96	\$3,817.42	\$8,407.38
Other Revenue	Unrestricted	\$13,807.45	\$11,181.61	\$24,989.06
Total		\$152,896.94	\$165,834.61	\$318,731.55

Use of property-tax proceeds is governed by 19 O.S. § 901.19(B)(1) which restricts the use of such proceeds for the District. The statute states in relevant part:

B. 1. Except as otherwise provided by this subsection, the board shall also levy an annual assessment sufficient to care **for the cost of operation of the district** and the maintenance of the fire department and its equipment, and for payment of salaries of the officers and employees of the district, [...] [Emphasis added]

Use of the grant funds received is restricted to the fire department as defined in 19 O.S. § 901.56(F) and (H) which state in part:

F. Any amount so distributed from the Rural Fire Protection Program Fund to any eligible participant shall be expended only for the maintenance of its fire department, the purchase, construction, maintenance, repair and operation of its fire stations, fire apparatus and equipment, the purchase, rental, installation or maintenance of fire hydrants, the payment of insurance premiums upon fire stations, fire apparatus and equipment, and insurance premiums for injuries or death of fire fighters, as otherwise provided by law.[...]

H. [...] **In no event shall any such monies to be expended for any purpose which does not relate to the permitted purposes specifically stated in this section.**[Emphasis added]

As shown in the table below, ambulance-service revenues were overspent by \$93,133.48. After applying available unrestricted fire-service revenue of \$24,989.06 toward these expenditures, all remaining ambulance-service costs were covered by revenues restricted for fire services.

Country Corner Fire District – Investigative Audit

Ambulance Use of Restricted Fire-Service Funds			
	FY2016	FY2017	Totals
Ambulance Revenues	\$316,267.58	\$274,028.63 ^a	\$590,296.21
Ambulance Expenditures	\$380,846.42	\$302,583.27	\$683,429.69
Difference	(\$64,578.84)	(\$28,554.64)	(\$93,133.48)
Unrestricted Fire-Service Revenue	\$13,807.45	\$11,181.61	\$24,989.06
Restricted Fire-Service Funds Used	(\$50,771.39)	(\$17,373.03)	(\$68,144.42)

^a FY2017 reported revenues include \$70,000 (7 months x \$10,000) provided by Osage County.

Property-tax revenues and grant funds were maintained in the District's bank accounts which were utilized for both fire-service and ambulance-service revenues and expenditures. This comingling resulted in property-tax proceeds and grant funds restricted for fire-service purposes being used on the ambulance service.

Vendor Revenue Sources

Revenue paid to the District from outside vendors, including but not limited to Sperry Utility Services Authority, Verdigris Valley Electric Cooperative, Oklahoma Health Care Authority, Health Choice, Blue Cross Blue Shield, and Community Care, was reconciled to the District's records with no exceptions noted.

Other Revenue Sources

The District hosted an annual public golf tournament and a monthly breakfast. These activities were reviewed to determine if they were profitable for the District.

According to the District's budget records and bank statements both activities have been profitable. The District spent, receipted, and profited the following on the golf tournaments:

Golf Tournament Activity			
	Revenues	Expenditures	Profits
2015	\$7,761.00	\$3,072.87	\$4,688.13
2016	\$11,555.00	\$7,055.91	\$4,499.09
2017	\$10,862.00	\$4,271.35	\$6,590.65
Totals	\$30,178.00	\$14,400.13	\$15,777.87

According to the District's budget records and bank statements, the District spent, receipted, and profited the following on the monthly breakfasts:

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Monthly Breakfast Activity			
	Revenues	Expenditures	Profits
FY2016	\$5,971.00	\$4,821.60	\$1,149.40
FY2017	\$5,396.00	\$5,083.19	\$312.81
Totals	\$11,367.00	\$9,904.79	\$1,462.21

The District has established accounting policy for both the tournament and breakfast. These policies provide the following:

Annual Golf Tournament: The annual golf tournament revenues are to be identified, tallied, dated and witnessed by initialing of two members of the event committee. All received funds should be promptly deposited in the bank.

Breakfast: - The monthly breakfast revenues are to be counted and witnessed by at least two appointed designees immediately following the conclusion of the breakfast. A written and signed tally amount is to be placed along with the revenues in the cash draw for deposit into the bank.

If these activities are continued, we recommend the District expand their policies to include specific procedures on receipting of funds, to include issuing receipts to, or maintaining a sign-in log of, participants for better accountability of collected revenues.

Finding

The District did not segregate grant funds into separate account groups as required by statute.

Title 19 O.S. § 901.46(2) provides:

A district shall maintain, according to its own accounting needs, some or all of the funds and account groups in its system of accounts that are consistent with legal and operating requirements and as prescribed by the State Auditor and Inspector. The required funds may include, but not be limited to, special revenue funds, as required, to account for the proceeds of specific revenue sources that are restricted by law to expenditures for specified purposes.

Additionally, § 901.41 requires the District to account for received monies by fund and account, and § 901.47 requires the District classify estimated revenues separately by source in its budgets.

The District classified its revenues in the following categories per its budget records. As such, the District did not segregate its grant funds into a separate account group.

- Ambulance-related
- Taxes for the fire department
- The Sperry ambulance-service agreement

Country Corner Fire District – Investigative Audit

- The Verdigris Valley Electric Cooperative ambulance-service agreement
- The annual golf tournament
- Monthly breakfasts
- Other programs
- Other miscellaneous

Additionally, the District deposited the \$128,096⁸ received from a FEMA grant into the District's payroll bank account, then expended the funds to purchase an ambulance from that account.

The District should account for grant funds separately as required and should deposit grant funds into the bank account established for that purpose, to assist in the accountability of grant fund expenditures.

Expenditures

Finding

The District did not have supporting documentation for more than \$13,000 of expenditures.

Of \$101,388.83 in expenditures reviewed between July 2015 and December 2017, the District did not maintain documentation to support \$13,175.41, or 13% of the amount tested.

Title **51 O.S. § 24A.4** requires that supporting documentation for the expenditure of public funds be maintained. The statute provides:

...every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of any public funds reflecting all financial and business transactions relating thereto, except that such records may be disposed of as provided by law.

Expenditures without supporting documentation were as follows:

Expenditures Without Supporting Documentation			
Date	Amount	Payment Type	Recipient/Payee
8/26/2015	\$99.95	Check	Randall Williamson
9/30/2015	\$82.00	Debit	Skiatook Auto Lube
10/22/2015	\$512.50	Check	Mac's
12/18/2015	\$1,300.00	Cash Withdrawal	Randall Williamson
4/21/2016	\$71.00	Debit	Skiatook Auto Lube
9/9/2016	\$191.59	Check	Gary Foshee
9/19/2016	\$1,000.00	Cash Withdrawal	Tom Branch
9/22/2016	\$100.00	Cash Withdrawal	Unknown

⁸ The \$128,096 is included in total FY2016 ambulance expenditures.

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9/29/2016	\$450.11	Check	Ben McIntyre
9/29/2016	\$380.79	Check	Tom Branch
12/9/2016	\$800.00	Cash Withdrawal	Randy Meyer
12/19/2016	\$1,700.00	Cash Withdrawal	Lisa Rose-Pridgen
9/1/2017	\$750.00	Check	Tom Branch
9/14/2017	\$199.62	Check	Jim McIntyre
Various	\$4,619.88	Checks	Betty's Country Store
Various	\$545.07	Debits	Sam's Club
Various	\$300.31	Debits	Walmart
Various	\$72.59	Debits	Dollar General
Total	\$13,175.41		

All but one check had a purpose for the expenditure noted in the “memo line” of the check, but no receipts could be provided to support the so noted disbursements. The debit transactions and cash withdrawals were identified from the District’s bank statements, but no supporting documentation could be provided to support the transactions.

Per District officials, some of the cash withdrawals were used to purchase golf tournament supplies and/or Christmas gifts but no supporting documentation for these expenses was provided.

Finding

The District expended over \$9,200 on Christmas party costs and gifts, expenses that did not appear to be for a public purpose or benefit.

The District held a Christmas party each year and provided food, gift cards, and gifts for the firefighters and EMTs and their families. The parties were not open to the public.

The District expended at least the following on the 2015, 2016, and 2017 Christmas parties:

Christmas Party Expenditures				
Date	Amount	Payment Type	Recipient/Payee	Items Purchased
12/14/2015	\$713.43	Check	Darlene Massey	Gift Items
12/18/2015	\$1,300.00	Cash Withdrawal	Randall Williamson	No Receipts – Christmas*
12/18/2015	\$613.00	Check	Mac's Barbecue	Food/Dinner
12/15/2016	\$529.50	Debit	Mac's Barbecue	Food/Dinner
12/9/2016	\$800.00	Cash Withdrawal	Randy Meyer	No Receipts – Christmas*
12/19/2016	\$1,700.00	Cash Withdrawal	Lisa Rose-Pridgen	No Receipts – Christmas*
12/5/2017	\$800.00	Cash Withdrawal	Randall Williamson	Gifts/Gift Cards
12/8/2017	\$2,100.00	Cash Withdrawal	Randall Williamson	Gift Cards
12/9/2017	\$740.00	Check	Mac's Barbecue	Food/Dinner
	\$9,295.93	Total		

*No receipts provided. Per Williamson the purchase was for Christmas gifts or gift cards. These amounts are also included in the amount of “no receipt” purchases reported above.

Country Corner Fire District – Investigative Audit

Article 10 Section 17 of the Oklahoma Constitution prohibits governmental subdivisions and incorporated districts from appropriating money to any individual.

Attorney General Opinion 01-030 specifically holds that an expenditure of public funds must comply with Article 10 Section 17 of the Constitution, and states in part:

“Any expenditure [...] for meals and refreshments, [...] or other such expenses must be for a lawful ‘public purpose’,” and, “Public funds can only be appropriated for a public purpose and must be used in furtherance of a governmental function as opposed to benefitting private individuals or groups.”

The use of District funds for a holiday party would appear to be in violation of law.

Finding

The District paid for the medical director and fire chief’s cell phones without documented board approval.

Besides the District’s monthly business telephone payments to AT&T, the District also made a \$110 monthly payment to AT&T toward the cell phone payments of the former medical director and current fire chief’s cell phones. There was no documented board approval for such payments.

On June 11, 2018, the District board voted to begin paying Fire Chief Williamson a “phone stipend” of \$110 per month.

Finding

The District board did not approve all claim payments, and does not pay claims with warrants, both of which are required by law.

Title 19 O.S. § 901.21 provides:

No claims shall be paid by the treasurer of said district until the same shall have been presented and allowed by the board of directors and only warrants signed by the president and countersigned by the clerk[...]. All claims against the district shall be verified the same as is required in the case of claims filed against the counties in this state[...]. The district treasurer shall keep a register in which he shall enter each warrant presented for payment, showing the date and amount of such warrant, to whom payable, the date of the presentation for payment, the date of payment, and the amount paid in redemption thereof, and all warrants shall be paid in the order of their presentation for payment to the district treasurer. All warrants shall be drawn and payable to the claimant or his assignee only.

Country Corner Fire District – Investigative Audit

The District board does not approve all claim payments or pay claims with warrants. Instead, it utilizes checks from its bank accounts. The District board should approve all claim payments and pay claims with warrants, as required by law.

Finding

The District often pays sales taxes as part of purchases made incurring additional unwarranted costs.

Title 68 O.S. § 1356(1) exempts governmental subdivisions from paying state sales taxes.

The District often pays sales tax on purchases. It was noted that sales tax was paid on at least 52 of the 74 expenditures made at Walmart during the audit period. In the example shown here, \$24.05 of unwarranted sales-tax expense was incurred.

5427240	2	EA	129.99	EA
BB KEYPAD ENTRY LOCK			259.98	
SUB-TOTAL:	259.98	TAX:	24.05	
		TOTAL:	284.03	
	BC AMT:		284.03	

The District should not pay sales taxes on purchases incurred related to fire service business.

OBJECTIVE III

OPEN MEETINGS

Summary of Findings:

- The District board conducted a “phone vote”, resulting in official business being conducted outside of a public meeting.
- The District board discussed matters in executive sessions not allowed per statute.
- The District board conducted an executive session without giving prior public notice as required by law.
- The District board conducted executive sessions regarding employees without identifying them or their positions in the posted agendas.
- The District’s meeting minutes did not reflect individual board members’ votes as required by law.
- Several of the District’s meeting minutes did not reflect the Board voted to enter executive sessions as required by law.

Finding

The District board conducted a “phone vote” resulting in official business being conducted outside of a public meeting.

The Board discussed the purchase of an ambulance during its December 11, 2017, meeting, including discussing approval of a \$10,000 advance on the District’s \$50,000 line of credit. The matter was tabled in the meeting until the District could get an estimate on the cost of repairing its existing ambulance.

According to the January 8, 2018, meeting minutes, the Board subsequently cast a “phone vote” outside of a public meeting on December 15, 2017, to move forward with the purchase of the ambulance and expend the \$10,000.

- **Update On Purchase Of Second Ambulance**
 - On 1/15/2017 a phone vote was taken because of the necessity to moving quickly to secure the purchase of the Ambulance for the agreed on price of \$10,000.00. Phone vote was unanimous to purchase the Ambulance under those circumstances, and remit payment ASAP. Payment was sent on 12/22/2017 by wire transfer. Deliver is expected on 1/10/2018.
 - Mike Smith will be driving the Ambulance down from Minot ND.
 - Trent made a motion to approve up to \$1500.00 in expenses for the delivery and return air fare for Mike.
 - To be paid after Mike submits receipts for expenses.
 - Randall stated that it the bank only required one signature to authorize the wire transfer.
 - The board will need to revise our policy on 2 signatures required on all checks to include wire transfers.

Note: The date of 1/15/2017 should have been 12/15/2017.

Title 25 O.S. §§ 305 and 306 requires the Board to cast all votes in public meetings. The statutes state:

In all meetings of public bodies, the vote of each member must be publicly cast and recorded.

No informal gatherings or any electronic or telephonic communications, except teleconferences as authorized by Section 3 of this act, among a majority of the members of a public body shall be used to decide any action or to take any vote on any matter.

The District board should vote on all matters in public meetings, with all votes both publicly cast and recorded.

Finding

The District board discussed matters in executive sessions not allowed per statute.

Title 25 O.S. § 307(A) specifies that executive sessions may only be utilized for items specifically provided for in § 307(B). The District discussed the following issues in executive sessions that were not allowed per statute:

July 17, 2017 – Meeting minutes reflected that an executive session was held to appoint a board member and to elect board officers, neither action is allowable in executive session.

August 28, 2017 – Meeting minutes could not be provided for this meeting. However, the agenda for the meeting reflected that an executive session would be held to discuss action regarding the agreement between the District and Osage County. A discussion of such an agreement in executive session would not have been allowable.

October 23, 2017 – Meeting minutes indicated that the Board entered an executive session to discuss dive-team training, policies, and payment for certification training. These issues are not executive-session matters.

December 11, 2017 – An executive session held during this meeting included discussion of a possible audit, which is not an allowable executive-session matter.

January 8, 2018 – This meeting included an executive session to discuss providing reports to the county commissioners and to discuss the use of transports to generate income. Neither subject is defined in statute as allowable executive-session matters.

Transparency is government’s obligation to share information with citizens that is needed to make informed decisions and hold officials accountable for the conduct of the people’s business. The District board should be transparent in conducting District business, discussing only matters in executive sessions that are statutorily allowed.

Finding

The District board conducted an executive session without giving prior public notice as required by law.

Title 25 O.S. § 307(E)(1) specifies that no public body may go into an executive session unless the proposed session is noted on the meeting agenda.

The agenda for the October 23, 2017, meeting did not reflect a possible executive session. Although the District board did hold an executive session, as noted in the minutes, it subsequently took no action, ultimately recognizing that the executive session was not properly presented on the agenda.

Acting Chair, Randy Meyers, called for the Board to go into Executive Session at 7:12 and asked Chief Randall Williamson to join the Board to help clarify any questions the Board
--

Returned to regular meeting at 8:02 p.m.
--

It was brought to the Boards attention that because the Executive Session was not on the Agenda the Board could not hold an Executive Session.
--

Finding

The District board conducted executive sessions regarding employees without identifying them or their positions in the posted agendas.

Title 25 O.S. § 311(B)(2) requires a public body to “identify the items of business and purposes of the executive session”. As stated in 97 OK AG 61:

...an agenda item for a meeting of a public body in which personnel matters are to be discussed and for which an executive session is proposed must identify either the position or the individual salaried employee who is the subject of the discussion. The Act does not specify that a person must be identified by name; however, it is evident that identification by name is necessary unless the position held by the person is so unique as to allow adequate identification.

The Board terminated Jim Massey’s employment as the District’s medical director after discussing his employment in an executive session. The proposed executive session was listed on the meeting agenda, but neither his name nor his position was listed.

The agenda for the May 9, 2016, meeting included the following:

3. Executive Session. Personnel Discussion and Possible Discipline action

4. Return from Executive Session. Board Findings discussion and possible actions

The subsequent meeting minutes read as follows:

3. The Board moved into Executive Session.

4. The Board returned from Executive Session with one recommendation and one point of information.

4a. A motion was made by Tom Branch to terminate James Massey effective May 10. The motion was seconded by Darrell Mayfield. The motion was approved.

4b. The Executive Committee has approved the self-reporting of suspected violations to the Oklahoma Department of Health for investigation. This action is in response to information that has been communicated to the Board.

When the District proposes a possible executive session regarding employment, the District’s meeting agenda should reflect the potential executive session and identify the employee by name or by employment-position title if no other employee has the same title.

Finding

The District’s meeting minutes did not reflect individual board members’ votes as required by law.

Title 25 O.S. § 305 requires the vote of each member to be publicly cast and recorded. Meeting minutes did not always reflect the votes of each board member.

2017-18 budget, Motion made by Mike to accept the 2017-18 budget as presented, Lisa second. APPROVED

In lieu of noting “APPROVED”, the District’s meeting minutes should reflect the individual vote of each board member.

Finding

Several of the District’s meeting minutes did not reflect the Board voted to enter executive sessions as required by law.

Title 25 O.S. § 307(E)(2) requires the District board to vote to enter into executive sessions:

No public body may go into an executive session unless the following procedures are strictly complied with:

Country Corner Fire District – Investigative Audit

2. The executive session is authorized by a majority vote of a quorum of the members present and the vote is a recorded vote;

On at least five separate occasions, meeting minutes did not reflect the Board voted to go into its executive sessions. For example, the May 18, 2017, minutes reflected entering an executive session as follows:

Executive Session

- | |
|---|
| <ul style="list-style-type: none">• The board adjourns for discussion |
|---|

The District's meeting minutes should document each board member's vote to enter executive sessions.

OBJECTIVE IV

OTHER ISSUES

Summary of Findings:

- **The District prepared annual budgets but did not strictly comply with all related statutory requirements.**
- **The District is not in compliance with their reporting and payment of payroll taxes due the Internal Revenue Service.**

Budgets

Finding

The District prepared annual budgets but did not strictly comply with all related statutory requirements.

- The District’s FY2017 and FY2018 budgets were prepared and published as required but did not reflect the revenues and expenditures of the immediate prior fiscal years in tabular form as required by 19 O.S. § 901.37(A)(1).
- The District held public meetings regarding its budgets *after* the implementation of the budgets instead of at least 15 days prior to the beginning of the budget years as required by 19 O.S. § 901.42.

For the FY2017 budget, a “public hearing” was advertised on June 22, 2016, to be held on July 11, 2016. For the FY2018 budget, an “annual meeting” was advertised on July 6, 2017, to be held on July 17, 2017.

- The District filed budget summaries, but not the complete budgets, with the Osage County Clerk’s Office as required by 19 O.S. § 901.43(B), and no budget documents or prior-year financial statements were filed with SA&I as required by 19 O.S. §§ 901.43(B) and 901.36, respectively.

Payroll

Title 19 O.S. § 901.19(B)(1) provides that the District board may pay salaries to “the officers and employees of the district”.

On December 12, 2016, the Board adopted a “Payroll Procedure and Approval Policy”. It specifies:

At the end of each pay period, the payroll preparer will assemble hardcopy data of all of the information required to calculate and document each employee's payroll amount. Hardcopy data shall include the Employee Pay Summary, Shift Schedule, Standby Schedule, EMS Run Log and the individual Run Reports. A Board member or appointed designee will then review the Employee Pay Summary for accuracy and conformance with the current payroll schedule (Exhibit "A"). Once approved, the Board member or designee will initial each employee's pay amount on the Employee Pay Summary. Payroll Checks must then be signed by two Board members. All documentation used during this process must be retained in the office for future reference.

1. Pay Period – The Pay Period shall be a two week (14 Day) period beginning at midnight on Tuesday and ending on the second following Monday at midnight.
2. Base Pay – The fixed amount per pay period paid to designated full time employees. Base pay will vary amongst different employees depending upon several factors but not limited to job classification, skills and experience.
3. Call Pay – Pay earned by employees by responding to each emergency call. Call Pay is a fixed amount per call although the total Call Pay is variable depending on the total number of calls responded to by the employee during the Pay Period
4. Standby Pay – Pay earned by off duty, full-time employees when responding to a "call-in" for duty. Part time employees may earn standby pay when responding to a "call-in" for duty or when they are scheduled to be on duty according to the shift schedule.
5. Transfer Pay – Pay earned by employees by conducting non-emergency transfers.
6. Miscellaneous Pay - Taxable reimbursements such as fuel purchases. Bonus payments.

Payroll documents for three pay periods were analyzed and reconciled to the hours each employee reported as worked to the call/run logs, reports, and stand-by timesheets. No exceptions were found in the analyses of this information.

An evaluation of the total number of paychecks issued for 12 employees was performed, determining that paychecks were only issued for valid District payroll periods. We found no exceptions.

We also assessed if the District was current on their filings and payments of payroll taxes, including withholdings and payments due the Oklahoma Tax Commission, the Oklahoma Employment Security Commission, and the U. S. Department of the Treasury's Internal Revenue Service (IRS).

According to the Oklahoma Tax Commission and the Oklahoma Employment Security Commission, the District was in compliance with its state payroll and state unemployment taxes as of September 2018.

Finding

The District is not in compliance with its reporting and payment of payroll taxes due the Internal Revenue Service.

Our analysis of payroll taxes due and paid the IRS reflected the District was not in compliance with federal employee tax reporting and related payments. The District has been notified by the IRS that delinquent tax and reporting deficiencies exist. The magnitude of the deficiency has not yet been determined by the IRS. SA&I will monitor the conclusion of this process and communicate with the appropriate authorities the end result.

The District has hired a CPA firm to manage the payroll tax reporting process effective July 1, 2018.

Country Corner Fire District – Investigative Audit

Exhibit 1

FY2016 District Revenues⁹			
Revenue Source	Fire	Ambulance	Total
Property-Tax Proceeds	\$134,499.53	\$0	\$134,499.53
FEMA Grant	\$0	\$128,096.00	\$128,096.00
Ambulance Runs/Calls	\$0	\$92,830.74	\$92,830.74
Service Fees on Sperry Utility Bills	\$0	\$45,459.34	\$45,459.34
Loan Advances	\$0	\$35,000.00	\$35,000.00
State/Firefighters Charitable Foundation Grant	\$4,589.96	\$4,600.00	\$9,189.96
Annual Golf Tournament	\$3,905.50	\$3,905.50	\$7,811.00
Monthly Breakfasts	\$2,985.50	\$2,985.50	\$5,971.00
Charitable Donations	\$2,502.50	\$2,502.50	\$5,005.00
Cash Deposits	\$3,734.44	\$888.00	\$4,622.44
Purchases from Sperry Fire Department	\$679.51	\$0	\$679.51
Totals	\$152,896.94	\$316,267.58	\$469,164.52
	32.6%	67.4%	

FY2016 District Expenditures⁹			
Budget Category (Expenditures)	Fire	Ambulance	Total
Ambulance Purchase	\$0	\$130,500.00	\$130,500.00
Payroll	\$27,040.00	\$102,228.60	\$129,268.60
Payments on Loan	\$0	\$40,026.70	\$40,026.70
Payroll Taxes	\$3,112.20	\$28,705.65	\$31,817.85
EMS Equipment, Supplies, and Fees	\$0	\$23,578.30	\$23,578.30
Insurance	\$2,230.40	\$20,073.60	\$22,304.00
Vehicles Maintenance/Repairs	\$2,174.14	\$9,500.16	\$11,674.30
Utilities	\$438.06	\$8,323.22	\$8,761.28
Office Supplies	\$3,985.16	\$3,985.16	\$7,970.32
Vehicle Fuel	\$696.87	\$6,271.86	\$6,968.73
Firefighting Equipment and Supplies	\$5,580.26	\$0	\$5,580.26
Monthly Breakfasts	\$2,410.80	\$2,410.80	\$4,821.60
Other/Miscellaneous	\$1,125.51	\$2,181.28	\$3,306.79
Annual Golf Tournament	\$1,536.44	\$1,536.44	\$3,072.88
Training, Certifications, and Licenses	\$975.62	\$1,140.25	\$2,115.87
Building Maintenance/Repairs	\$384.40	\$384.40	\$768.80
Totals	\$51,689.86	\$380,846.42	\$432,536.28
	12.0%	88.0%	

⁹ Source: Categorization per District's Budget Spreadsheet

Country Corner Fire District – Investigative Audit

Exhibit 2

FY2017 District Revenues¹⁰			
Revenue Source	Fire	Ambulance	Total
Property Taxes	\$150,835.58	\$0	\$150,835.58
Ambulance Runs/Calls	\$0	\$93,290.14	\$93,290.14
Osage County Appropriation	\$0	\$70,000.00	\$70,000.00
Service Fees on Sperry Utility Bills	\$0	\$54,526.49	\$54,526.49
Loan Advances	\$0	\$45,000.00	\$45,000.00
Annual Golf Tournament	\$5,777.50	\$5,777.50	\$11,555.00
Monthly Breakfasts	\$2,698.00	\$2,698.00	\$5,396.00
State Grant	\$3,817.42	\$0	\$3,817.42
Service Fees on VVEC Utility Bills*	\$0	\$2,128.00	\$2,128.00
Miscellaneous Revenues	\$1,600.11	\$17.50	\$1,617.61
Charitable Donations	\$825.00	\$325.00	\$1,150.00
Liability-Insurance Reimbursement	\$211.00	\$211.00	\$422.00
Purchase from Sperry Fire Department	\$70.00	\$0	\$70.00
CPR Training	\$0	\$55.00	\$55.00
Totals	\$165,834.61	\$274,028.63	\$439,863.24
	37.7%	62.3%	

* Verdigris Valley Electric Cooperative utility bills – May and June only

FY2017 District Expenditures¹⁰			
Budget Category (Expenditures)	Fire	Ambulance	Total
Payroll	\$27,040.00	\$118,116.38	\$145,156.38
Payments on Loan	\$0	\$85,311.05	\$85,311.05
EMS Equipment, Supplies, and Fees	\$0	\$29,039.53	\$29,039.53
Insurance	\$1,883.40	\$16,950.60	\$18,834.00
Payroll Taxes	\$3,112.20	\$10,125.80	\$13,238.00
Utilities	\$632.66	\$12,020.55	\$12,653.21
Office Supplies	\$4,473.69	\$4,473.69	\$8,947.38
Building Maintenance/Repairs	\$4,057.59	\$4,057.59	\$8,115.18
Vehicle Fuel	\$797.33	\$7,176.01	\$7,973.34
Firefighting Equipment and Supplies	\$7,710.64	\$0	\$7,710.64
Annual Golf Tournament	\$3,527.96	\$3,527.96	\$7,055.92
Other/Miscellaneous	\$2,567.61	\$3,473.32	\$6,040.93
Monthly Breakfasts	\$2,541.60	\$2,541.60	\$5,083.20
Training, Certifications, and Licenses	\$94.40	\$4,859.99	\$4,954.39
Vehicles Maintenance/Repairs	\$728.71	\$909.20	\$1,637.91
Retirement Pensions	\$780.00	\$0	\$780.00
Total	\$59,947.79	\$302,583.27	\$362,531.06
	16.5%	83.5%	

¹⁰ Source: Categorization per District's Budget Spreadsheet; for informational purposes only.

DISCLAIMER

In this report, there may be references to state statutes and legal authorities which appear to be potentially relevant to the issues reviewed by the State Auditor & Inspector's Office. This Office has no jurisdiction, authority, purpose, or intent by the issuance of this report to determine the guilt, innocence, culpability, or liability, if any, of any person or entity for any act, omission, or transaction reviewed. Such determinations are within the exclusive jurisdiction of regulatory, law-enforcement, prosecutorial, and/or judicial authorities designated by law.



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