

Oologah-Talala Emergency Medical Service District

EXECUTIVE SUMMARY

WHY WE CONDUCTED THIS AUDIT

The Office of the State Auditor & Inspector conducted an Operational Audit of the Oologah-Talala Emergency Medical Service District for the period of July 1, 2013 through June 30, 2017 in accordance with Article 10 § 9C(I) of the Oklahoma Constitution as defined by 19 O.S. § 1704.3. Read the full audit report at <https://www.sai.ok.gov>.

WHAT WE FOUND

- Negligent oversight at every level of management resulted in financial mismanagement of taxpayer funds. Included within this finding was a lack of monitoring by the Board of Directors (Board) of credit card purchases to ensure purchases were legally authorized. The District's financial accounting consists of delinquent accounts, vendor accounts paid late and charged penalties, failure to keep fuel logs and monitor fuel usage, and payments to employees without timesheets. *(Finding 001 and 002)*
- Financial Reports presented by Management to the Board did not accurately reflect the financial position of the District. The Board was not provided supporting documentation and was incapable of verifying the accuracy of the report provided had it sought to do so. Too many facets of financial transactions, reconciliation, and reporting was only handled and reviewed by the preparer. *(Finding 014)*
- Purchasing practices did not adequately assure the legitimate expenditure of public funds including preparing purchase orders/claims prior to purchase, maintaining supporting documentation to justify the purchase, no management review and approval of credit card statements, insufficient packing slip verification by the designated receiving agent, and no Board oversight/action in the authorization or review of disbursements. *(Finding 006)*
- The District incurred debt in violation of state law by utilizing revolving lines of credit loans from a local bank and failing to completely pay off credit card accounts each month. The incurred debt was used to cover operational costs when disbursements exceeded revenues and budgetary limits. This fiscal mismanagement places the District in perpetual debt and makes it more susceptible to misappropriation of funds, fraud, and abuse. During the audit it was noted the District held outstanding debt as of March 9, 2018 from two revolving lines of credit totaling \$167,000. *(Finding 012)*

- The Board used restricted, dedicated ad valorem revenues through an improper transfer from its Sinking Fund to its General Fund in the amount of \$78,000 to help cover general operating costs. The transfer is a violation of the Oklahoma Constitution which mandates that “no tax levied and collected for one purpose shall ever be devoted to another purpose.” These restricted ad valorem revenues were to only be used to retire bond indebtedness. *(Finding 010)*
- We identified numerous concerns regarding the District’s improper accounting practices regarding payroll including compensation and reimbursement to the Director exceeding a purported contract as an executed contract between the Board and both the Director and Assistant Director could not be located. Time records for the Director and Assistant Director were not kept. The Board failed to review or approve payroll disbursement and Management was unaware its Payroll Officer did not submit payroll information from the District’s computer system and altered her personal payroll claim on at least three occasions without supporting documentation or approval. Additionally, Management did not review or approve leave balances and personnel files were not properly maintained, including documentation for withholdings. *(Finding 008)*
- The history of obtaining revolving lines of credit and utilizing restricted Sinking Fund revenues is indicative of the District not operating within the constraints of its budget and could result in the District being unable to meet its current financial obligations.
- The District is currently in litigation with the Internal Revenue Service which resulted from not properly remitting 2011 payroll withholding taxes. The debt was approximately \$42,000 at the date of our audit. This information was reported in a previous audit conducted by SAI.
- The Board did not maintain Executive Session records as required by the Oklahoma Open Meeting Act. Regular Board meeting minutes were not signed by a quorum of the Board. *(Finding 005)*
- The Board and Management did not periodically review financial information to ensure revenue collections met budgeted revenue expectations. This lack of fiscal oversight resulted in expenditures exceeding revenues by more than \$82,000 in FY17 and created a condition in which the District did not comply with state statutes. *(Finding 013)*
- We would also note that neither the Board nor Management complied with statutory requirements to set aside 1/10th of one mill for its audit expense budget account leaving the account underfunded. Further, audit expenses were improperly classified as Maintenance and Operation. *(Finding 007)*

CONCLUSION AND RECOMMENDATIONS

The Board has a fiduciary responsibility to be good stewards of public funds which includes effective oversight of Management and operations and establishing a system of internal controls designed to safeguard public assets. Oversight belongs to the Board. Implementation of effective internal control policies and procedures belongs to Management. Failure by either the Board or Management to be responsible stewards of public funds places these funds at risk of being squandered, misappropriated, and embezzled. Failure by both the Board and Management to carry out proper fiscal management erodes public trust and invites the financial collapse of the public entity.

At a minimum, we recommend the Board discontinue its use of credit cards, loans, and any other means by which it would incur debt in violation of the Oklahoma Constitution and state statutes. Further, this audit report contains repeat findings which resulted in the District continuing its improper accounting practices and lack of safeguards. All recommendations both previously reported and contained in this report should be implemented without additional delay to establish those safeguards necessary to protect public assets and restore public trust in the management and operation of this public entity.