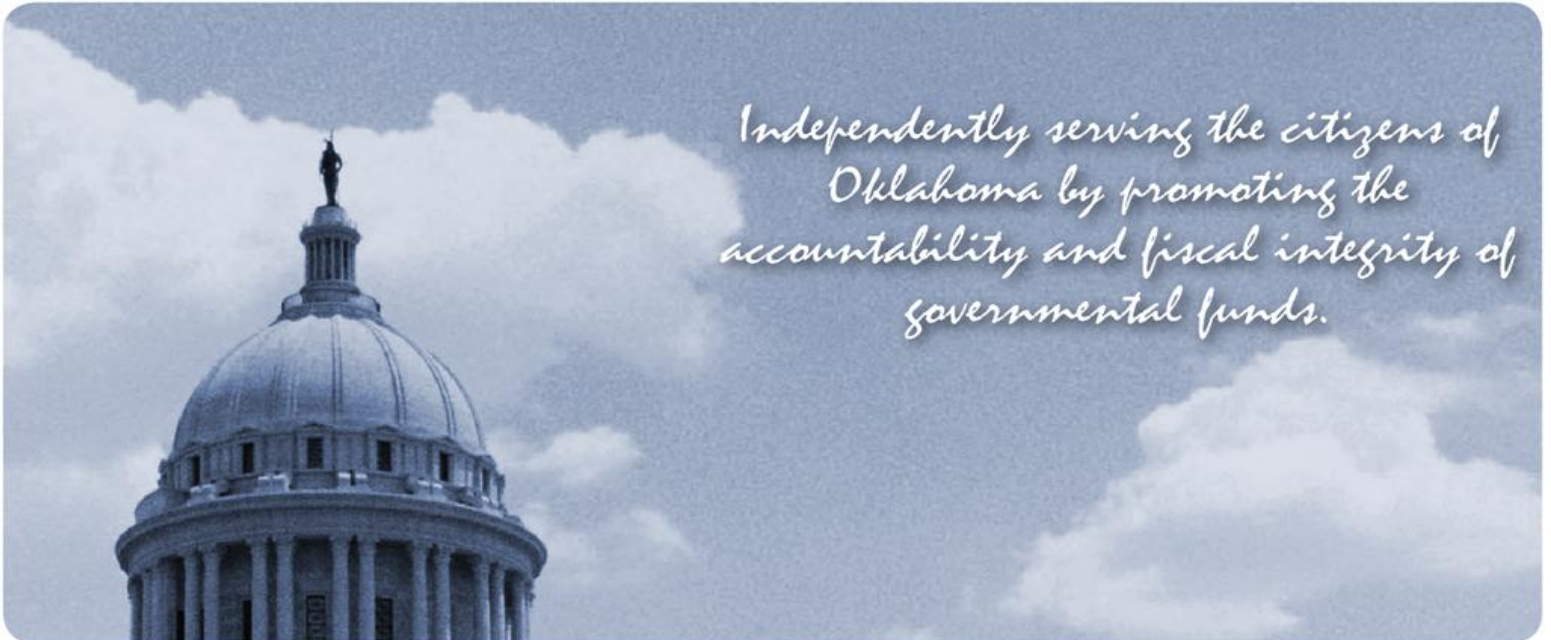


STATUTORY AUDIT

HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2009 through June 30, 2013



*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

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2013**

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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

March 26, 2015

**TO THE BOARD OF DIRECTORS OF THE
HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Hughes County Emergency Medical Service District for the period July 1, 2009 through June 30, 2013.

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, appearing to read "Gary A. Jones".

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

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
 STATUTORY REPORT
 JULY 1, 2009 THROUGH JUNE 30, 2013**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2012 and FY 2013

	<u>FY 2012</u>	<u>FY 2013</u>
Beginning Cash Balance, July 1	\$ 396,502	\$ 183,313
Collections		
Ad Valorem Tax	359,068	394,678
Charges for Services	533,516	575,530
Intergovernmental	28,297	-
Miscellaneous	3,390	294
Total Collections	<u>924,271</u>	<u>970,502</u>
Disbursements		
Personal Services	754,061	757,511
Travel	2,560	1,209
Maintenance and Operations	376,706	244,000
Capital Outlay	1,716	3,374
Other	143	297
Audit Expense	-	-
Total Disbursements	<u>1,135,186</u>	<u>1,006,391</u>
Less: Lapsed Appropriations	<u>2,274</u>	<u>-</u>
Ending Cash Balance, June 30	<u>\$ 183,313</u>	<u>\$ 147,424</u>

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



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Hughes County Emergency Medical Service District
114 North Oak Street
Holdenville, Oklahoma 74848

TO THE BOARD OF DIRECTORS OF THE HUGHES COUNTY 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 2012 and FY 2013 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Hughes County Emergency Medical District Service.

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 Hughes County 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 Hughes County 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, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

March 26, 2015

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2009 THROUGH JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Lack of Segregation of Duties Over Receipting

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of Hughes County Emergency Medical Service District (the District), we noted that the same individual receives and receipts payments, records the transactions, and deposits funds.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the receipting 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: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of this condition and determine how to properly segregate the duties of receiving payments, recording transactions, and depositing funds. OSAI further 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 the accounting functions.

Management Response:

Director on Behalf of the Board: Management is aware of these findings, but due to budget constraints we are only able to employ a single person to oversee more than one area of recording, authorization, custody of assets, and execution of transactions. However we have an independent accounting firm that oversees and approves all our financial reports.

Auditor Response: The duties over the receipting process are not adequately segregated.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Finding 2 – Run Test

Condition: Our test of 25 ambulance runs per fiscal year resulted in the following:

- During fiscal year 2010, 5 runs did not have payment information available, and 3 runs did not have information that a second billing had been sent. Records for September and November of this fiscal year were not available for review by OSAI.

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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- During fiscal year 2011, 6 runs did not have payment information available, and 1 run payment could not be traced by the identifying number to the deposit.
- During fiscal year 2012, 11 runs did not have payment information available, 1 run did not have information that a second billing had been sent, and 1 run payment could not be traced by the identifying number to the deposit.
- During fiscal year 2013, 6 runs did not have payment information available, and 1 run did not have information that a second billing had been sent.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that all runs have adequate documentation retained for record keeping and audit purposes, and to ensure second billings are always sent if payment for a run is not received.

Effect of Condition: These conditions resulted in the District having incomplete record information available for audit review, and could result in the District missing the opportunity to receive additional run revenue.

Recommendation: OSAI recommends the District implement recordkeeping policies and procedures to ensure all records are maintained in such a manner that they are complete and readily available for review. Further, OSAI recommends second billings always be sent on runs if no payment is received after the first billing.

Management Response:

Director on Behalf of the Board: We have notified our billing company of the findings and directed them to send second billing on runs if no payment is received after the first billing and we have also informed to ensure that all records are maintained in a complete and readily available manner for review and audit purposes.

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 ensuring supporting documentation is both accurate and complete, and ensuring the District utilizes every opportunity available to receive run revenue.

Finding 3 – Lack of Segregation of Duties Over Disbursements

Condition: While gaining an understanding of the expenditures process of the District, we noted that the same individual performs the following duties:

- Prepares purchase orders.
- Receives invoices from vendors.
- Prepares the checks for payment.

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Cause of Condition: The District has not designed and implemented policies and procedures 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 determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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.

Management Response:

Director on Behalf of the Board: A single person is not completely responsible. We have an independent accounting firm that reviews and approves all purchase orders and invoices. All checks issued require two signatures; either the Director and one board member or two board members must sign. The person preparing the checks to be issued cannot sign the checks.

Auditor Response: The duties over the disbursements process are not adequately segregated.

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 4 – Disbursements

Condition: Based upon inquiry and observation of the expenditures process, the following was noted concerning the testwork conducted per fiscal year:

- Concerning the 25 expenditures tested for fiscal year 2010, 4 did not have supporting documentation with the claim, 6 did not have evidence of a receiving signature as verification of accuracy, and 7 did not have supporting documentation or a receiving signature present.
- Concerning the 28 expenditures tested for fiscal year 2011, 3 did not have supporting documentation with the claim, 3 did not have evidence of a receiving signature as verification of accuracy, and 8 did not have supporting documentation or a receiving signature present.
 - Additionally check number 7534 for \$65.15 and check number 7505 for \$98.00 appeared to have been paid twice.

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- Concerning the 25 expenditures tested for fiscal year 2012, 14 did not have evidence of a receiving signature as verification of accuracy, and 7 did not have supporting documentation or a receiving signature present.
- Concerning the 25 expenditures tested for fiscal year 2013, 15 did not have evidence of a receiving signature as verification of accuracy, and 2 did not have supporting documentation or a receiving signature present.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all expenditure documentation is maintained and attached to purchase orders, to ensure invoices/receiving reports are verified for accuracy and signed when received, and to ensure payments are only made once.

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

Recommendation: OSAI recommends the District implement a system of internal controls to ensure that all expenditures have proper supporting documentation. This would consist of ensuring all invoices are verified and signed as accurate, and ensuring all supporting documentation is retained and made available for management review and audit purposes. Further, OSAI recommends the District critically review all invoices received to ensure payments are not made in duplicate.

Management Response:

Director on Behalf of the Board: A system has been put into place to ensure that expenditures have the proper supporting documentation. In the future all invoices will be signed and dated upon receipt and all documentation will be retained and made available for management review and audit purposes.

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 accurately and complete for record keeping and audit needs, and ensuring expenditures are only paid for once.

Finding 5 – Bids

Condition: Based upon inquiry and observation of the competitive bidding process for the District, the following was noted:

- In fiscal year 2012 defibrillators in the amount of \$58,544.60 were purchased on check 7993 without being competitively bid.
- In fiscal year 2013 the bid packet was incomplete without a listing of bidders and bids for the repair of an ambulance in the amount of \$24,101.31.

Cause of Condition: Policies and procedures have not been designed to ensure that expenditures in excess of the statutory limit be competitively bid in compliance with 19 O.S. § 1723.

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

Recommendation: OSAI recommends that all purchases in excess of \$15,000 be competitively bid in accordance with state statutes. (During the period under audit, the threshold for bidding was \$7,500 for fiscal year 2012 and \$10,000 for fiscal year 2013.)

Management Response:

Director on Behalf of the Board: In the future all purchases over \$15,000.00 will be sent out for competitive bid process in accordance with state laws.

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.

As of July 1, 2012, Title 19 O.S. § 1723 requires EMS Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1501 and 19 O.S. § 1501, which as of May 6, 2014 requires all purchases in excess of \$15,000 be competitively bid. Prior to July 1, 2012, the competitive bid threshold for EMS Districts was \$7,500. Between July 1, 2012 and May 5, 2014 the competitive bid threshold was \$10,000.

Finding 6 – Inadequate Internal Controls Over Payroll

Condition: While performing test work on payroll, the following was noted:

- On 2 occasions, it was noted the Director prepared the timesheet for the employee.
- On 1 occasion, no timesheet was made available for review by OSAI.
- Employees accrued sick leave at a rate of 5.01 hours per pay period. The District Policy Manual depicts a rate of 4.62 hours per pay period. This resulted in an increase of 0.39 hours per pay period more than the written policy.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure each employee prepares their own timesheet, and to ensure sick leave is accrued in accordance with District policy.

Effect of Condition: These conditions could result in errors with regard to the accurate reporting of payroll expenditures, and did result in employees accruing sick leave at a higher rate than the District Policy Manual amount.

Recommendation: OSAI recommends that the District ensure all employees personally fill out their time sheets. Additionally, OSAI recommends the District adhere to their District Policy Manual concerning sick leave accrual. If the District's objective is to provide employees with an increase in their sick leave,

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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this approval should be so stated in the minutes and the District Policy Manual should be adjusted accordingly.

Management Response:

Director on Behalf of the Board: In the future each employee will personally fill out and sign their own time sheet. The policy handbook has been updated to reflect the correct amount of sick time accrual.

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 7 – Inventory Records

Condition: Based on inquiry and observation of the District, the following was noted concerning inventory:

- The inventory listing is not being updated and reviewed for accuracy on a regular basis.
- 1 item depicted the wrong serial number on the inventory listing.
- 3 items could not be located.

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

Effect of Condition: These conditions could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

Recommendation: OSAI recommends that policies and procedures be implemented to ensure inventory is being updated on an ongoing basis. Furthermore, OSAI recommends physical inventory verification, by someone other than the individual in charge of inventory, be completed and documented annually to verify inventory on hand. If exceptions are noted during this verification, OSAI recommends the District investigate further into the status of any missing items.

Management Response:

Director on Behalf of the Board: Policy and procedures have been put in place to ensure that in the future inventory will be updated on an ongoing basis and that documentation of inventory is kept and made available for review.

Criteria: An 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 untimely detection of unauthorized

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Finding 8 – Inadequate Internal Controls and Noncompliance Over Audit Expense Account

Condition: For the period of July 1, 2009 through June 30, 2013, the District did not carry forward the proper amount for the audit expense account from the previous year's remaining balance. The following was noted:

- The audit expense account budgeted amount per the Estimate of Needs on June 30, 2013 was \$9,108.98, but the balance should have been \$49,682.05 for the four year period of accruals reviewed. As a result the budget was underfunded by \$40,573.07.

Cause of Condition: Procedures have not been designed to ensure compliance with 19 O.S § 1706.1.

Effect of Condition: This condition resulted in noncompliance with the statute and underfunding of the audit expense account.

Recommendation: OSAI recommends that the District implement policies and procedures designed to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit expense account, and that any unused portion be carried forward into the next year audit expense account in accordance with 19 O.S. § 1706.1.

Management Response:

Director on Behalf of the Board: We have directed our budget maker to appropriate the proper amount for all future years.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses. This balance is to be carried forward into future years.

Finding 9 – Bank Reconciliations

Condition: During a review and re-performance of the bank reconciliations conducted by the District, it was noted that interest earned for the month was not reflected in the reconciliation for the four years under review.

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Cause of Condition: Policies and procedures have not been designed and implemented to ensure a true and accurate reconciliation occurs between District and bank records.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds.

Recommendation: OSAI recommends all accounts be reconciled on a monthly basis with an indication of review and approval by someone other than the preparer to help ensure accuracy of any reconciling items including interest.

Management Response:

Director on Behalf of the Board: In the future our independent accounting firm will review all banking records on a monthly basis and make journal entries for interest paid.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds all banks reconciliations should be performed monthly and approved by someone other than the preparer.



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