

STATUTORY AUDIT

MCCURTAIN EMERGENCY MEDICAL SERVICE AUTHORITY

For the period July 1, 2009 to 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

**McCURTAIN EMERGENCY MEDICAL SERVICE AUTHORITY
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2013**

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Oklahoma State Auditor & Inspector

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May 4, 2015

**TO THE BOARD OF DIRECTORS OF THE
McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**

Transmitted herewith is the audit report of McCurtain County Emergency Medical Service Authority 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

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
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Presentation of Collections, Disbursements, and Cash Balances of Authority Funds for FY 2012 and FY 2013

	<u>FY 2012</u>	<u>FY 2013</u>
Beginning Cash Balance, July 1	\$ 800,438	\$ 802,375
Collections		
Ad Valorem Tax	506,149	496,399
Charges for Services	1,130,771	1,350,820
Miscellaneous	1,099	13,333
Interest	-	5,670
Total Collections	<u>1,638,019</u>	<u>1,866,222</u>
Disbursements		
Personal Services	1,168,327	1,264,947
Travel	3,676	2,104
Maintenance and Operations	306,088	310,006
Capital Outlay	127,806	142,313
Other	30,185	-
Audit Expense	-	-
Total Disbursements	<u>1,636,082</u>	<u>1,719,370</u>
Ending Cash Balance, June 30	<u>\$ 802,375</u>	<u>\$ 949,227</u>

* The balances as presented above do not reflect the investments balances held by the McCurtain County Emergency Medical Service Authority. See Finding 8: Estimate of Needs on page 11 for details.

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



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McCurtain County Emergency Medical Service Authority
827 East Lincoln Road
Idabel, Oklahoma 74745

TO THE BOARD OF DIRECTORS OF THE McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY

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 Authority'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 Authority is the representation of the McCurtain County Emergency Medical Service Authority.

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 McCurtain County Emergency Medical Service Authority.

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 McCurtain County Emergency Medical Service Authority. 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

April 20 2015

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Cash Composition Test

Condition: The following was noted while performing a cash composition test for the period under review:

- Deposits are not made daily.
- On April 20, 2011 a check was receipted for the amount of \$344.15, but the deposited amount for this check was \$314.15. This resulted in an error of \$30.00 between the receipt and the deposit.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the Authority deposits funds received on a daily basis, and to ensure receipts and deposits are prepared accurately.

Effect of Condition: These conditions could result in incomplete records, unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Authority implement a receipt recordkeeping process whereby the receipt issued is always verified against the funds received for accuracy. Additionally, OSAI recommends the Authority ensure deposits are prepared in such a manner that the deposit slip always matches the funds deposited. This could be aided by having an individual other than the preparer of the deposit review it for accuracy. Lastly, OSAI recommends the Authority ensure deposits are deposited on a daily basis.

Management Response:

Director's Response with Board approval at April 13, 2015 meeting: We have not performed daily deposits due to the fact our bank is over 20 miles from the headquarters and it is not feasible to drive that far every day. The frequency of deposits was helped when we opened a substation approximately 4 miles from our bank and we are able to utilize this ambulance to make deposits in a more frequent manner. This will even get better when a branch bank is opened in Idabel this fall.

As for the error on the receipt book from April 2011, policies and practices had been put in place to ensure recording of deposits and receipts are balanced properly.

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 receipts are issued for the correct amount, ensuring deposits are prepared and made accurately, and ensuring deposits are made on a daily basis.

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Finding 2 – Pledged Collateral

Condition: The following was noted while performing a test of pledged collateral:

- The Authority was under-pledged on June 30, 2010 in the amount of \$892,355.40.
- The Authority was under-pledged on June 30, 2013 in the amount of \$99,600.53.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately monitor pledged collateral with regard to the bank balance.

Effect of Condition: Failure to monitor pledged collateral amounts to daily bank balances resulted in unsecured Authority funds and could result in the possible loss of Authority funds.

Recommendation: OSAI recommends the Authority comply with 62 O.S. § 517.4, which requires deposits with financial institutions be secured with collateral securities or instruments. Further, OSAI recommends that the Authority monitor and maintain evidence documenting the security of Authority deposits on a recurring and regular basis.

Management Response:

Director’s Response with Board approval at April 13, 2015 meeting: I have depended on the bank to ensure our pledges are up to date with our deposits.

Policies have been implemented to assure pledged collateral meets our deposited amounts. This policy holds that I (Director) will routinely (at least monthly) check pledge amounts to deposited amounts. Also, the bank will be contacted before making large deposits, such as ad valorem, to ensure proper pledges are in place.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. 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 safeguarding assets from misappropriation.

Finding 3 – Lack of Segregation of Duties Over Disbursements

Condition: While gaining an understanding of the expenditures process of the Authority, we noted that the Deputy Director performs the following duties:

- Prepares purchase orders.
- Prepares the checks for payment.
- Prepares envelopes and mails vendors checks.
- Maintains and files purchase orders.
- Records Authority Board minutes.

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Cause of Condition: The Authority 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 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.

Management Response:

Director's Response with Board approval at April 13, 2015 meeting: As per your recommendation, management is aware of these duties performed by the Deputy Director. Safeguards have been implemented to mitigate the risks involved with the concentration of said duties.

1. Director compares all purchase orders to invoices before signage.
2. Director compares checks to purchase orders.
3. All checks are required to have two signatures.
4. Board minutes are reviewed by Director and Board members for approval.

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 of 25 expenditures per fiscal year:

Fiscal Year 2010

- 17 of the 25 expenditures tested did not have evidence of a receiving signature/verification of accuracy.
- 4 of the 25 expenditures tested did not have an invoice attached to the claim.

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Fiscal Year 2011

- 13 of the 25 expenditures tested did not have evidence of a receiving signature/verification of accuracy.
- 5 of the 25 expenditures tested did not have an invoice attached to the claim.

Fiscal Year 2012

- 15 of the 25 expenditures tested did not have evidence of a receiving signature/verification of accuracy.
- 2 of the 25 expenditures tested did not have an invoice attached to the claim.
- 3 of the 25 expenditures tested had no documentation available for review.

Fiscal Year 2013

- 10 of the 25 expenditures tested did not have evidence of a receiving signature/verification of 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.

Recommendation: OSAI recommends the Authority implement a system of internal controls to ensure that all expenditures have proper supporting documentation.

Management Response:

Director's Response with Board approval at April 13, 2015 meeting: Internal controls have now been implemented to ensure the following:

1. Ensure expenditures have receiving signature/verification on packing slips or invoice when no packing slip is available.
2. Ensure expenditures are checked to ensure proper invoice is attached.
3. Ensure expenditures have proper documentation attached.

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. A key factor in this system is having supporting documentation maintained for recordkeeping and audit needs.

Finding 5 – Bids

Condition: Based upon inquiry, observation, and testwork conducted on the bidding process of the Authority the following was noted on the 9 items reviewed:

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- Board minute approval for the purchase, and a time and date stamp depicting when the bids were received could not be located for the following:

Purpose	Date	Amount
Ambulance	6/15/10	\$10,600.00

- A time and date stamp depicting when the bids were received was not available for review for the following:

Purpose	Date	Amount
Ambulance	4/30/10	\$71,811.00
Ambulance	7/12/10	\$80,000.00
Electric Gurney	10/31/10	\$11,725.33
AED Pacing	6/30/11	\$48,120.00
Ambulance	6/29/12	\$78,635.00
Ambulance	6/18/13	\$93,430.00

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

Effect of Condition: These conditions resulted in noncompliance with state statute, and it 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's Response with Board approval at April 13, 2015 meeting: The item of no Board minute approval for the expenditure of \$10,600.00 for a new ambulance: It was found at the time the auditors were here that this bid item was inadvertently left off the minutes of the April 14, 2011 Board minutes. The notes, taken by the Deputy Director, from that Board meeting were presented to the auditors at the time they notified us and the notes do show the opening of and approval of a bid for a new ambulance for \$80,000.00, with an insurance check paying \$65,400.00, and a trade-in allowance of \$4,000.00, leaving a balance of \$10,600.00. Therefore, the finding of this not being in the minutes is true and procedures have now been implemented to ensure accuracy of the Board minutes.

On the finding of time and date stamp depicting when the bids were received was not available for review: This finding is also true, however it has been our continued practice to make the cut-off date and time for receipt of all bids be at the time the Board meeting begins at which the bids will be opened. With that said, it would be practically impossible for the Board to open a bid that does not meet the dead line.

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

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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 entities to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1505, which requires all purchases in excess of \$10,000 be competitively bid. Prior to July 1, 2012, the competitive bid threshold for EMS entities was \$7,500.

Finding 6 – Inadequate Internal Controls Over Payroll

Condition: While performing testwork on payroll, the following was noted:

- On 8 occasions, it was noted the employee did not sign their timesheet.
- On 1 occasion, neither the employee nor the supervisor signed the timesheet.
- The Director does not complete a timesheet which is necessary to record usage of leave benefits.
- The December 2004 Board minutes depict an approval for a larger vacation accrual for the Director and Deputy Director. However, as of the date of fieldwork the Authority handbook had not been updated to reflect this increase.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure each employee prepares their own timesheet, to ensure every timesheet is reviewed for accuracy by a supervisor, and to ensure annual leave is accrued in accordance with the written Authority handbook.

Effect of Condition: These conditions resulted in employees accruing annual leave at a higher rate than the written Authority handbook amounts and could result in errors with regard to the accurate reporting of payroll expenditures.

Recommendation: OSAI recommends that the Authority ensure all employees personally fill out their timesheets. Each timesheet should then be reviewed and signed by a supervisor. Additionally, OSAI recommends the Authority ensure the handbook depicts the correct and current accrual rates for all employees.

Management Response:

Director's Response with Board approval at April 13, 2015 meeting: The EMS documents employees' payroll records (time worked and time off) for each pay period in two separate ways: 1) Timecards 2) Timesheets. We require all personnel that receive over-time (hourly or salaried nonexempt) to fill out a Timecard to document their hours worked. The Deputy Director depicts these times on the Timesheet which is a record of ALL employees (even salaried exempt) time worked as well as all time off, sick time, vacation time used, bereavement, as well as other compensation such as longevity. The Director's time and time off is accurately depicted on the Timesheet for all payrolls. In addition, all time off is recorded and calculated in a time off program that tracks all employees accrued time, time off and time remaining including the Director. Time off is taken from the biweekly Timesheet and entered into this program.

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As for the finding of missed signatures, the Director reviews all payroll documents such as the Timesheet, but will also begin checking all Timecards for signature of employee and supervisor.

The Authority Handbook will depict the approved leave as recommended.

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 – Inadequate Internal Controls and Noncompliance Over Audit Expense Account

Condition: For the period of July 1, 2009 through June 30, 2013, the Authority 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 \$32,500.00, but the balance should have been \$87,653.91 for the four year period of accruals reviewed. As a result the budget was underfunded by \$55,153.91.

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 Authority 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's Response with Board approval at April 13, 2015 meeting: The auditor's office will be contacted for amount to put into their account before the next budget is compiled.

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.

Finding 8 - Estimate of Needs

Condition: While reviewing the Authority accounting records and comparing them to the Estimate of Needs (EON) for the period of July 1, 2011 through June 30, 2013, the following was noted:

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- The fiscal year 2012 EON depicted revenues were \$13,372.71 less than the Authority records.
- The fiscal year 2012 EON depicted expenditures were \$511.82 more than the Authority records.
- The fiscal year 2013 EON depicted expenditures were \$997.92 more than the Authority records.
- The June 30, 2013 ending cash balance contained an overstated variance of \$11,924.44 between the EON and the Authority records.

Additionally, it was noted that investments held by the Authority were not depicted in any of the EON schedules, which led to a substantial understatement of the financial well-being of the District. As of June 30, 2013 the amount of investments held by the Authority totaled \$1,588,046.16.

Cause of Condition: Policies and Procedures have not been designed and implemented to ensure the balances on the Estimate of Needs reconcile to the balances of the Authority's financial records. Further, the Estimate of Needs was not prepared in accordance with 19 O.S. § 1702.

Effect of Condition: The Authority Estimate of Needs for the period under review did not reflect the complete financial condition of the Authority.

Recommendation: OSAI recommends the Authority ensure the Estimate of Needs is prepared in such a manner that the complete financial situation of the Authority is presented.

Management Response:

Director's Response with Board approval at April 13, 2015 meeting: The utilization of the Oklahoma auditor's budget spreadsheet (found on their website) will begin being utilized, doing away with the Auditor's budget "program" that had been utilized since 1996. Hopefully this will alleviate some of the errors associated with the estimate of needs.

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.

Title 19 O.S. § 1702 states in part that Authority's should "...3. Make available to the public and investors sufficient information as to the financial conditions, requirement and expectations of the district..."



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