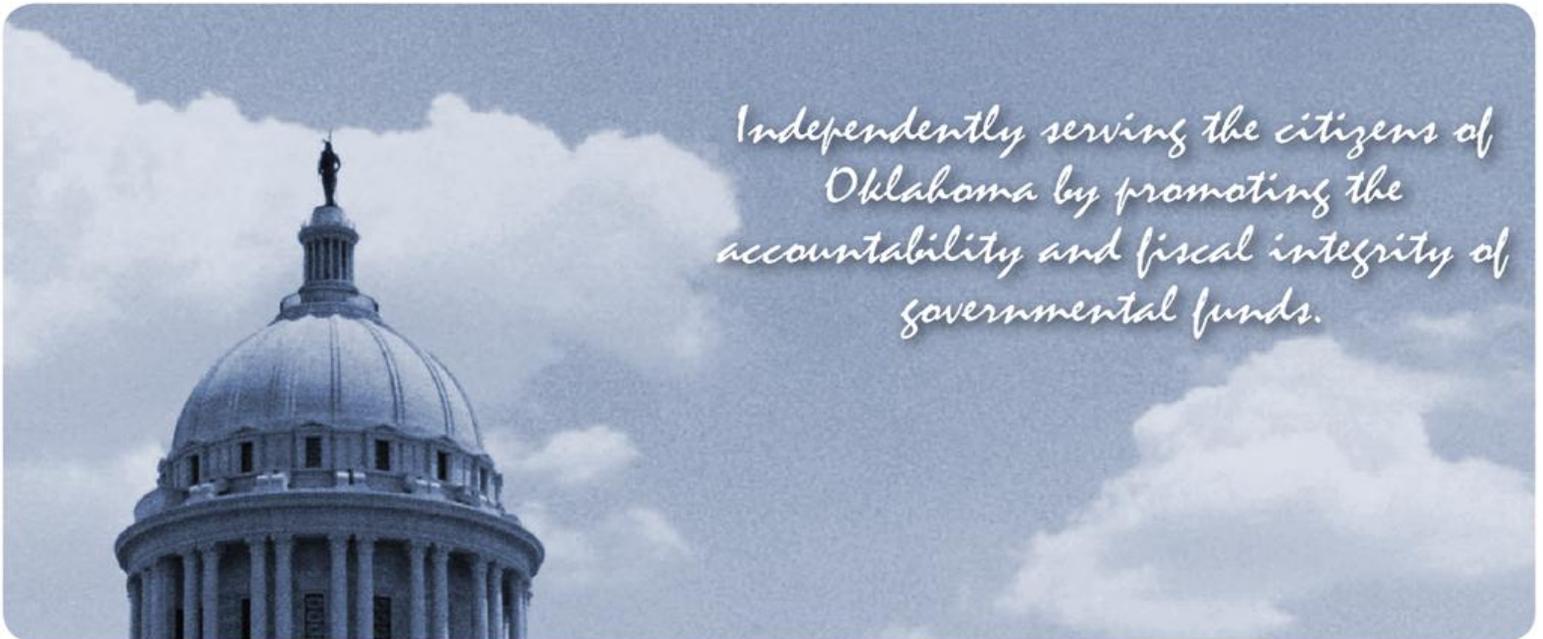


STATUTORY AUDIT

MOUNTAIN VIEW - GOTEBO EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2012 through June 30, 2014



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

**MOUNTAIN VIEW-GOTEBO EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2014**

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Oklahoma State Auditor & Inspector

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March 26, 2015

**TO THE BOARD OF DIRECTORS OF THE
MOUNTAIN VIEW-GOTEBO EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Mountain View-Gotebo Emergency Medical Service District for the period July 1, 2012 through June 30, 2014.

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

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

Sincerely,

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

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

**MOUNTAIN VIEW-GOTEBO EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2012 TO JUNE 30, 2014**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2013 and FY 2014

	<u>FY 2013</u>	<u>FY 2014</u>
Beginning Cash Balance, July 1	\$ 45,696	\$ 12,698
Collections		
Ad Valorem Tax	79,871	84,004
Charges for Services	15,415	18,870
Intergovernmental	2,500	7,440
Miscellaneous	5,882	-
Total Collections	<u>103,668</u>	<u>110,314</u>
Disbursements		
Personal Services	100,432	20,867
Maintenance and Operations	36,009	12,892
Contract For Services	-	75,796
Audit Expense	225	4,242
Total Disbursements	<u>136,666</u>	<u>113,797</u>
Ending Cash Balance, June 30	<u>\$ 12,698</u>	<u>\$ 9,215</u>

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



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TO THE BOARD OF DIRECTORS OF THE MOUNTAIN VIEW-GOTEBO 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 Mountain View-Gotebo Emergency Medical Service District.

Our emergency medical service district statutory engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of the Mountain View-Gotebo 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 Mountain View-Gotebo 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".

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

December 9, 2014

**MOUNTAIN VIEW-GOTEBO EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2014**

SCHEDULE OF FINDINGS AND RESPONSES

Finding -2014-1 – Inadequate Internal Controls Over the Collection and Reconciliation Process (Repeat Finding)

Condition: Upon inquiry of management and observation of the District’s collection process, the following exceptions were noted:

- For the period July 1, 2012 through October 31, 2013, financial duties were not adequately segregated. One employee issued receipts, prepared the deposit, deposited with the financial institution, and reconciled the monthly bank statement.
- The same employee was also responsible for maintaining patient records, including run sheets and Explanation of Benefits from insurance agencies.
- On November 1, 2013, the District entered into a Service Contract with the Town of Carnegie.
- One member of the Board of Trustees now issues receipts and prepares the deposits for collections received by the District.

Further, the following deficiencies were noted during observation of documentation for the runs for the District.

- The ambulance run log could not be located.
- Explanation of Benefits could not be traced to run sheets, and run sheets did not identify insurance information.
- Receipts issued by the District did not identify the patient or run number.
- The District did not issue receipts for money directly deposited to the bank account.
- For the period January 1, 2014 through June 30, 2014, District records identifying revenue and expenditures were not maintained; therefore, the bank statement could not be reconciled.

Cause of Condition: Procedures have not been designed and implemented to segregate the duties of receipting, depositing, and reconciling. For the Period November 1, 2013 through June 30, 2014, following the implementation of the Service Contract with the Town of Carnegie, the duties of maintaining District records and reconciling those records to monthly bank statements have not been performed.

Effect of Condition: A single person having responsibility for more than one area of the collection process and the absence of accounting records 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 and Inspector’s Office (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 risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having

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management review and approve accounting functions. We recommend evidence of management's review process be documented so as to provide a mitigating control over the lack of segregation of duties for the receipting and depositing processes.

Further, OSAI recommends that revenue and expenditures of the District be recorded. Those records should, be reconciled to the bank statement on a monthly basis and be reviewed and approved by the Board of Trustees.

Management Response: Management chose not to respond.

Criteria: To help ensure a proper accounting of funds, the duties of receipting, depositing cash and checks, reconciliations, and transaction authorization should be segregated and documentation should be maintained.

Finding- 2014-2 – Inadequate Internal Controls and Noncompliance Over Disbursements Including Payroll (Repeat Finding)

Condition: Based upon inquiry of management and observation of the disbursement process, including payroll, the following deficiencies were noted:

- For the period of July 1, 2012 through October 31, 2013, duties regarding disbursements were not adequately segregated. One employee ordered goods and/or services, prepared purchase orders, received goods and/or services, and prepared the check for payment.
- For the period of November 1, 2013 through June 30, 2014, one member of the Board of Trustees prepared all purchase orders and checks.
- Further, although the dates of District Board of Trustees meetings were scheduled and filed with the Kiowa County Clerk, meetings were not held during the months of February, March, April, May, and June 2014. Therefore, purchase orders and checks signed during that time period were not reviewed or approved in open meeting by the Board of Trustees.

The test of thirty-three disbursements reflected the following deficiency:

- In nine instances there was no evidence that goods and/or services were received.

Payroll:

- For the period of July 1, 2012 through October 31, 2013, the District Administrator enrolled new hires, posted withholdings, maintained personnel files, collected, reviewed, and approved employee timesheets, wrote payroll checks, posted to accounting records, and reconciled the bank statement.
- After the inception of the Service Contract between the District and the Town of Carnegie, the District retained one employee for several months in the position of District Administrator. This employee prepared his payroll purchase order and also wrote his payroll check.

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Cause of Condition: Procedures have not been designed and implemented segregating the duties over the disbursement process and ensuring goods and/or services are visually verified upon receipt.

Further, procedures have not been designed and implemented segregating the duties over the payroll process.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and reconciliation 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 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. We recommend evidence of management's review process be documented so as to provide a mitigating control over the lack of segregation of duties for the receipting and depositing processes.

Management Response: Management chose not to respond.

Criteria: To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. Internal controls should be established to analyze and check accuracy, completeness, authorization, and validity of transactions.

25 O.S. § 311 A. states, in part, "...all regularly scheduled...meetings of public bodies shall be preceded by public notice as follows: 1. All public bodies shall give notice in writing by December 15 of each calendar year of the schedule showing the date, time and place of the regularly scheduled meetings..." and that management meet on the days scheduled."

Finding-2014-3 – Inadequate Internal Controls and Noncompliance Over Fixed Assets (Repeat Finding)

Condition: Upon inquiry of District personnel and observation of fixed asset records, the following deficiencies were noted:

- For the period of July 1, 2012 through October 31, 2013, the District did not maintain a detailed list of fixed assets. The list does not contain information such as description, serial number, cost, and date of purchase.
- The District did not perform a physical inventory verification of fixed assets.

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- Subsequent to the District entering into a Service Contract with the Town of Carnegie, for the period of November 1, 2013 through June 30, 2014, the District leased all fixed assets (equipment) to the Town of Carnegie per the Service Contract. However, the Service Contract states in **Section 5 Equipment**, “A detailed listing of equipment will be attached in the event that the contract is no longer in effect, in which case all equipment shall be returned to the District.”

Cause of Condition: Procedures have not been designed and implemented to maintain an adequate list of all fixed assets inventory.

Effect of Condition: Opportunities for loss and misappropriation of District assets may be more likely to occur when the District does not maintain a detailed fixed asset inventory list of items.

Further, when the contract between the District and the Town of Carnegie ceases to be in effect, the District will not be able to identify the equipment leased to the Town of Carnegie.

Recommendation: OSAI recommends management be aware of these conditions and realize the importance of documenting fixed assets.

Further, OSAI recommends management take steps to document equipment leased to the Town of Carnegie. OSAI recommends the list provide sufficient information such as a detailed description and serial number of equipment.

Management Response: Management chose not to respond.

Criteria: 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 2014-4 – Contractual Obligations between the District and the Town of Carnegie

Condition: Upon inquiry of the District Board Treasurer and review of the contract between the District and the Town of Carnegie, we have determined that the Board of Trustees has not taken an active role in overseeing the compliance of contractual obligations. The following deficiencies are reflected below:

- The Board of Trustees did not meet in an open meeting during the months of February, March, April, May, or June 2014.
- The Services Contract between the District and the Town of Carnegie was not renewed in an open meeting for the fiscal year subsequent to this audit report.

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- Payments from the District to the Town of Carnegie were not made in a timely manner and were not calculated per contract stipulations. Based on recalculations performed, the District appears to owe the Town of Carnegie \$8,051.53 at June 30, 2014.
- The Board of Trustees has not received proof of liability insurance from the Town of Carnegie nor received an insurance certificate naming the District as an additional insured party for the replacement cost of any vehicle leased.
- Per the contract entered into on November 1, 2013, the Town of Carnegie is responsible for all expenses regarding the maintenance of any vehicle leased from the District. However, the District expended \$2,210.00 to Campbell Diesel Services for repairs to an ambulance on January 3, 2014 as documented on an invoice dated November 5, 2013.
- The Board of Trustees has not requested a report showing the number of runs to residents of the District or any budgetary reports from the Town of Carnegie.

Cause of Condition: Procedures have not been designed and implemented to ensure compliance with contractual obligations between the District and Town of Carnegie.

Effect of Condition: These conditions resulted in noncompliance with the contract between the District and the Town of Carnegie.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends management be aware of these conditions and realize the importance of taking an active role in overseeing the compliance of contractual obligations.

To accomplish this, OSAI recommends:

- The Board of Trustees meets in open meeting once per month.
- The Board of Trustees reviews and approves the renewal of the contract with the Town of Carnegie prior to the beginning of each new fiscal year.
- The Board of Trustees makes payment to the Town of Carnegie monthly per the contract and according to the calculations stipulated in the contract.
- The Board of Trustees requests in open meeting, proof of liability insurance, and an insurance certificate naming the District as an additional insured party from the Town of Carnegie.
- The Board of Trustees reviews and approves payments to the Town of Carnegie
- The Board of Trustees requests a report showing the number of runs to residents of the District, as well as any budgetary reports from the Town of Carnegie on a regular basis.

Management Response: Management chose not to respond.

Criteria: Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also

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serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. District management is responsible for designing a district-wide internal control system to ensure contractual obligations are met.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.



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