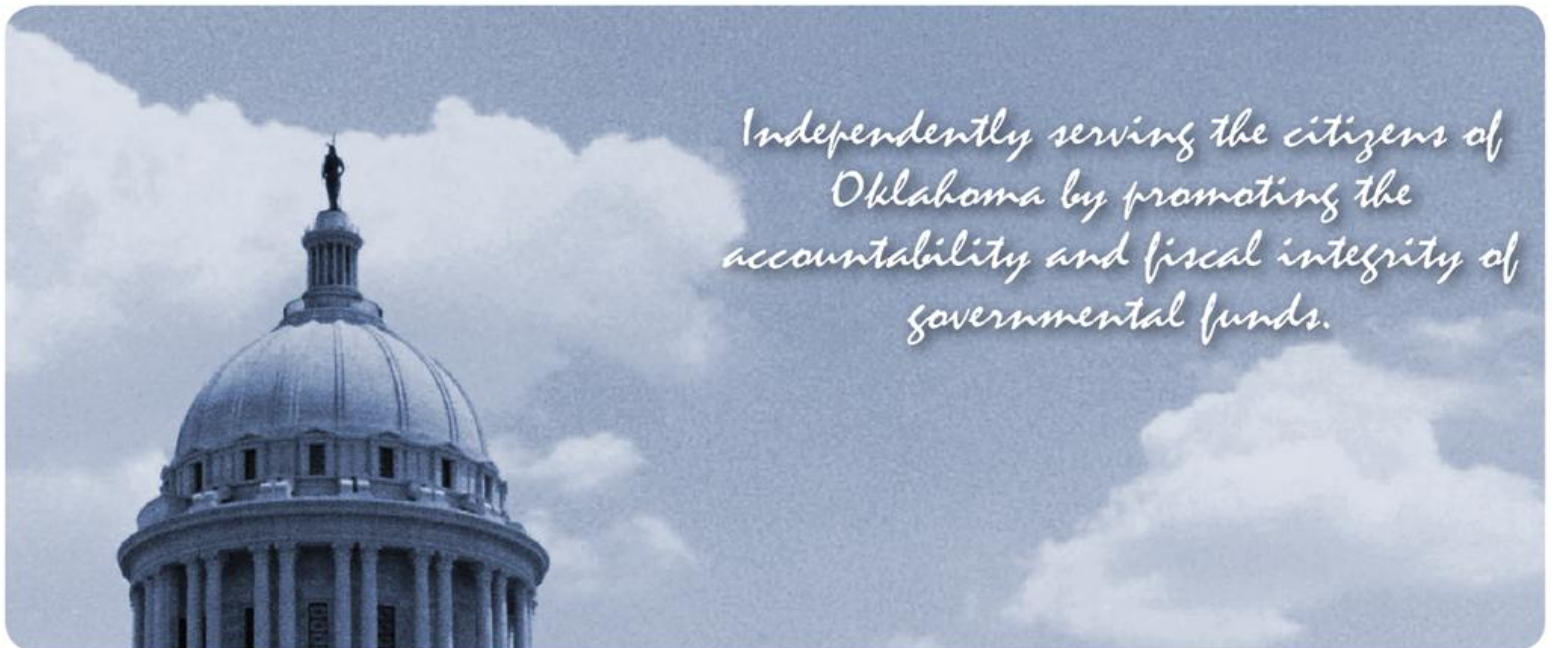


STATUTORY REPORT

TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

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



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

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2014**

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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

December 18, 2014

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

Transmitted herewith is the audit report of Tillman County 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, appearing to read "Gary A. Jones".

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

**TILLMAN COUNTY EMERGENCY SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY1, 2012 THROUGH 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, as restated	\$ 160,705	\$ 167,519
Collections		
Ad Valorem Tax	86,338	88,812
Charges for Services	240,708	317,040
Miscellaneous	64,115	3,264
Total Collections	<u>391,161</u>	<u>409,116</u>
Disbursements		
Personal Services	276,847	331,946
Maintenance and Operations	39,812	79,029
Capital Outlay	52,437	-
Contract Services	12,561	6,718
Audit Expense	2,690	1,589
Total Disbursements	<u>384,347</u>	<u>419,282</u>
Ending Cash Balance, June 30	<u>\$ 167,519</u>	<u>\$ 157,353</u>

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



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Tillman County Emergency Medical Service District
300 Lucille Avenue
Frederick, OK 73542

TO THE BOARD OF DIRECTORS OF THE TILLMAN 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 2013 and FY 2014 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Tillman County 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 Tillman 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 Tillman 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

November 14, 2014

**TILLMAN COUNTY 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 Reconciling Processes (Repeat Finding)

Condition: Upon inquiry and observation of the District's collection process, we determined the following:

- Duties are not adequately segregated due to one employee preparing patient accounts, performing the billing process, posting to patient accounts, and issuing receipts.
- At June 30, 2013, the bank statement was reconciled to the District's records. However, from the period September 2013 through June 30, 2014 bank statements were not reconciled to the District's records. The District Board does not review/approve bank reconciliations to ensure accurate reporting and that the process is being performed.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregating the duties over aspects of the collection process and over the reconciling of bank statements to the District's records.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, reconciling, 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 these conditions and realize that a concentration of duties and responsibilities in a limited number of individual is not desired from a control point of view. In the event a segregation of duties is not possible, OSAI recommends implementing compensating controls such as the implementation of review processes of key accounting functions.

Further, OSAI recommends that the bank statement be reconciled to the District's records and reviewed and approved by the District Board on a monthly basis during regular meetings.

Management Response: The District will work toward the design of review processes to enhance internal controls. Bank statements have now been reconciled to the District's records from September 2013 through July 2014. These reconciliations will be submitted for the review and approval of the District Board. Monthly bank reconciliations will be submitted to the District Board for review and approval.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, preparing patient accounts, performing the billing process, posting to patient accounts, and issuing receipts and transaction authorization should be segregated.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Further, an important aspect of internal control is the safeguarding of assets. A safeguarding of assets constitutes a process affected by an entity's governing body and management to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions or the misappropriation of funds.

Finding 2014-2 - Inadequate Internal Controls Over the Disbursements Process (Repeat Finding)

Condition: Upon inquiry, observation of the District's disbursements process, and the test of fifty purchase orders, we determined the following:

- Duties are not adequately segregated because one employee prepares purchase orders, posts expenditures to accounting records, prepares checks for payment, and performs the monthly bank reconciliation. Further the same employee may purchase goods and/or services.
- There is a review of purchase orders by the Administrator prior to the submission of disbursements to the District Board; however, the Administrator does not document the date of the review.
- The District does not have designated receiving officers; therefore, receiving reports are not prepared and attached to purchase orders to verify goods and/or services received.
- The District did not solicit bids for the purchase of equipment in the amount of \$34,797.

With regard to payroll disbursements we noted the following:

- Duties are not adequately segregated over the payroll process because one employee enrolls new hires, posts withholdings, maintains personnel files, initiates the payment of payroll, writes payroll checks, posts to accounting records, prepares state and federal reports, and reconciles bank statements.

Cause of Condition: Policies and procedures have not been designed and implement with regard to segregating the duties over the disbursements and payroll process and ensuring goods and/or services are visually verified upon receipt. Further, procedures have not been designed to ensure compliance with the bidding statute.

Effect of Condition: These conditions resulted in noncompliance with state statute with regard to bidding. Further, these conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Review processes implemented by the District should be dated by the reviewer.

OSAI recommends the District designate two receiving officers, as allowed by law, and receiving reports should be attached to purchase orders to ensure the verification of goods and/or services received by the District and enhance the safeguarding of assets.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Further, OSAI recommends the District comply with 19 O.S. § 1723 regarding bid requirements for purchases in excess of the statutory amount, currently \$15,000.

Management Response: The District will work toward the design of review processes to enhance internal controls over the disbursements of the District. All review process will be signed or initialed and dated. The EMS Board will designate two receiving officers and receiving reports will be attached to purchase orders. Further, with regard to bidding requirements, the EMS District will bid purchases in excess of \$10,000 to ensure compliance with 19 O.S. § 1723.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds a single person should not have responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions.

Further, an important aspect of internal controls is the safeguarding of assets. A safeguarding of assets constitutes a process affected by an entity's governing body and management to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions or the misappropriation of funds.

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 2014-3 - Inadequate Internal Controls and Noncompliance Over the Audit Expense Account

Condition: The audit expense account on the 2014-2015 Estimate of Needs should reflect \$10,717.11 in appropriations set aside for the audit of the District. This amount includes \$4,589.33 calculated for fiscal year 2014-15 and \$6,138.67 that should have been carried forward from fiscal year 2011-2012 and 2012-2013. The District Estimate of Needs reflects that \$13,500 was appropriated to the audit account. Therefore, the audit expense account was funded in excess of the amount that is required by 19 O.S. § 1706.1.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the audit expense account is accurately budgeted.

Effect of Condition: This condition resulted in noncompliance with state statute.

Recommendation: OSAI recommends management be aware of this condition and implement a system of internal control to provide reasonable assurance 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 account.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Management Response: The District will ensure the correct amount required is appropriated into the audit account.

Criteria: Accountability and stewardship are overall goals of management in 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 mil annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV