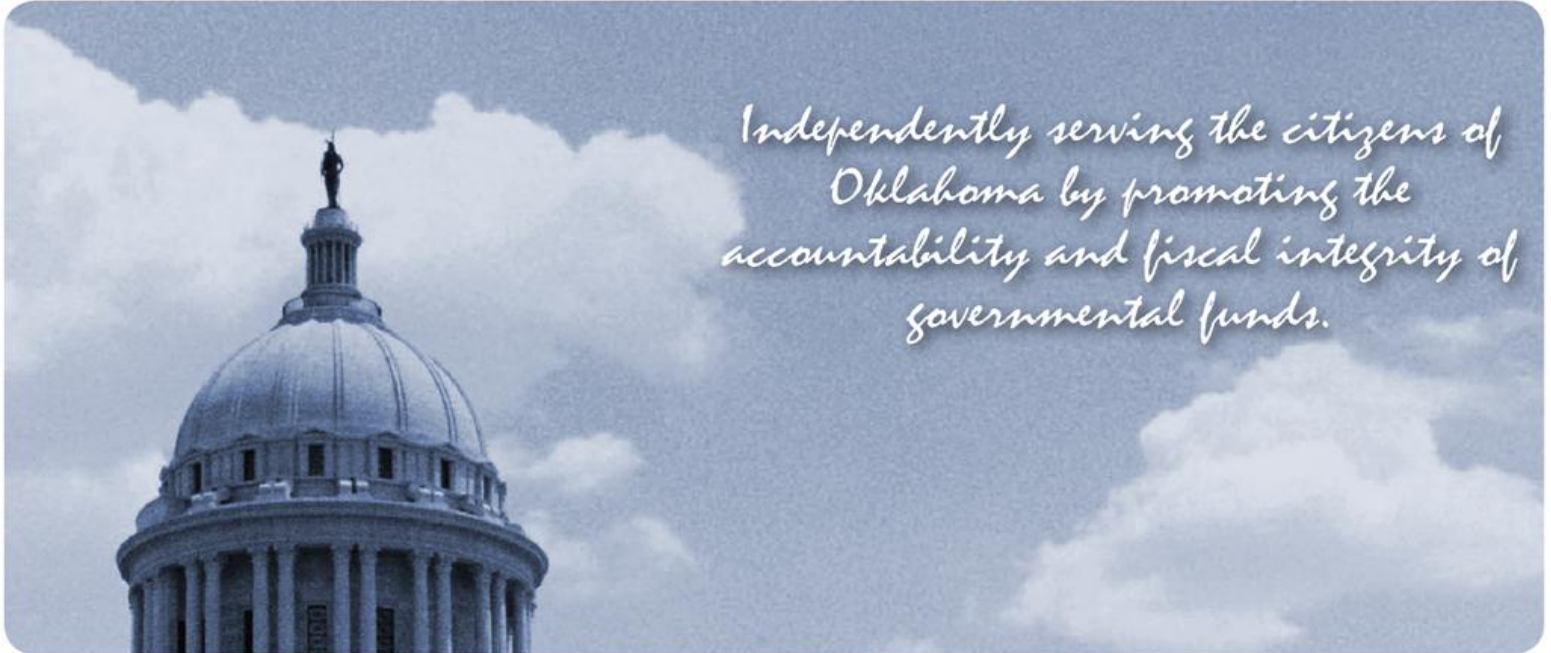


STATUTORY REPORT

ALFALFA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period of July 1, 2014 through June 30, 2016



*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

**ALFALFA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

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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 3, 2017

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

Transmitted herewith is the audit report of Alfalfa County Emergency Medical Service District for the period of July 1, 2014 through June 30, 2016

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". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

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

**ALFALFA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2015 and FY 2016

	<u>FY 2015</u>	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ 585,849	\$ 748,355
Collections		
Ad Valorem Tax	343,676	378,275
Intergovernmental	64,285	98,473
Charges for Services	281,975	264,623
Miscellaneous	1,072	7,989
Total Collections	<u>691,008</u>	<u>749,360</u>
Disbursements		
Personal Services	511,199	519,535
Maintenance and Operations	5,221	5,592
Capital Outlay	11,263	-
Audit Expense	819	-
Total Disbursements	<u>528,502</u>	<u>525,127</u>
Ending Cash Balance, June 30	<u>\$ 748,355</u>	<u>\$ 972,588</u>

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



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Alfalfa County Emergency Medical Service District
P.O. Box 36
Helena, Oklahoma 73741

TO THE BOARD OF DIRECTORS OF THE ALFALFA 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 2015 and FY 2016 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Alfalfa 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 Alfalfa 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 Alfalfa 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 that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

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

December 13, 2016

**ALFALFA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2014 THROUGH JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account (Repeat Finding)

Condition: Upon inquiry and observation of the budgeting process, it was determined that internal controls have not been designed and implemented to ensure the amount required by state statute is correctly budgeted for the audit expense budget account.

It was further noted, that Alfalfa County Emergency Medical Service District (the District) has not carried forward the balance into the audit expense budget account each fiscal year. As a result, the District's balance in the audit expense budget account for fiscal year 2016-2017 was not budgeted correctly. The District budgeted \$5,540.00; however, the correct balance should have been \$55,735.96, leaving the account underfunded by \$50,195.96.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the audit expense budget account is accurately budgeted in accordance with statutory requirements.

Effect of Condition: This condition resulted in noncompliance with the state statute and the audit expense budget account being underfunded.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the District implement a system of internal controls to provide reasonable assurance that one-tenth mill upon the net total assessed valuation be set aside in the audit expense budget account and that any unused portion be carried forward into the next year's audit expense budget account in accordance with state statute.

Management Response:

Chairman of the Board: The EMS Board of Directors will write a policy to verify that one-tenth mill be set aside in the audit expense budget account and that any unused portion from the previous years' calculations be carried over.

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. § 1706.1 states in part "The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit"

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

Condition: Upon inquiry, observation of the District's collection process, we noted the following weaknesses:

- Evidence of review by an employee or Board member independent of the process of the monthly bank reconciliations was not present on the documents provided to the auditor.
- The verification of twenty-four (24) deposits of ad valorem tax remittance checks from the County Treasurer to the District's bank account reflected nine (9) checks were deposited more than two weeks after being issued by the County Treasurer. One (1) of the nine (9) payments was deposited one hundred one (101) days after it was issued.

Cause of Condition: Policies and procedures have not been designed and implemented to document the review of bank reconciliations and to ensure all collections are deposited timely.

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

Recommendation: OSAI recommends the District implement internal controls to document the review of bank reconciliations by someone separate from the reconciliation process. OSAI also recommends the District implement controls to ensure all collections are deposited in a timely manner.

Management Response:

Chairman of the Board: The EMS Board of Directors will review reconciliation reports and sign along with other financial reports. Also the Board will work with the County Treasurer to ensure that all checks are deposited in a timely manner.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to the achievement of the entity's objectives with regard to the reliability of financial reporting including the review of bank reconciliations by someone other than the preparer and the timely deposit of collections.

Finding 3 - Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry of the District staff and a test of fifty (50) disbursements for the audit period, we noted the following weaknesses with regard to the disbursement process:

- Two (2) disbursements did not have supporting documentation.
- Six (6) disbursements did not have any indication that goods and/or services had been received. (i.e., receiving report, signature, etc.)
- Twenty-two (22) disbursements did not have indication that the Board approved the disbursement.

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Cause of Condition: The District has not designed and implemented policies and procedures to provide adequate supporting documentation of disbursements, Board approval of disbursements, and evidence to document the receipt of goods and/or services.

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

Recommendation: OSAI recommends that the District implement a system of internal controls to ensure adequate supporting documentation is maintained, all items received are reviewed for accuracy, and all disbursements have Board approval.

Management Response:

Chairman of the Board: The EMS Board of Directors have made a policy and procedure for purchasing and receiving and have put it into effect as of January 10, 2017.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be established to analyze and check accuracy, completeness, authorization and validity of transactions, including providing adequate documentation of disbursements, evidence of Board approval of disbursements and evidence to document the receipt of goods and/or services.

Finding 4 - Inadequate Internal Controls and Noncompliance Over Building Project Supervisor Payments

Condition: The Alfalfa County Board of County Commissioners approved the solicitation of bids and subsequently selected the bid for the construction of a building for the District. Upon review of District Board Minutes and payments for a “Building Project Supervisor” for the construction of the building in Cherokee, Oklahoma for housing of ambulances, and personnel, we noted the following weaknesses:

- There was no evidence that the Board entered into a contractual agreement with the Assistant Director to act as the Building Project Supervisor; however, on June 10, 2014, the Board approved to pay this employee \$30.00 per hour to act as Building Project Supervisor.
- The Building Project Supervisor was compensated for 72 hours of service totaling \$2,160.00 issued in three payroll payments as part of the District’s payroll system with payroll taxes withheld from the gross amounts. A portion of these payments appear to be for services provided prior to the date of the Board’s approval to hire the Assistant Director as the Building Project Supervisor.
- On August 12, 2014, the Board approved to pay the Building Project Supervisor. \$9,750.00 for 284 hours worked on this project. The documentation provided indicated the service was provided prior to the date of the agreement, June 10, 2014. The payment was for 284 hours worked during FY 2013 and FY 2014, but was paid with funds from FY 2015. Additionally, there was no documentation to support the claim, and there was no indication that the services were

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verified as received by someone other than the provider. Additionally, the payment of \$9,750.00 did not have payroll taxes withheld.

- Documents provided to the auditor indicated the Building Project Supervisor recorded a total of 356 hours worked as Building Project Supervisor; however, the employee was paid for a total of 397 hours worked, as noted in the table below:

Dates of Service	Date of Payment	Hours Reported	Hours Paid	Amount Paid	Method of Payment
5/28/2014 – 6/18/2014	7/5/2014	32	32	\$960.00	Payroll system
7/14/2014 – 7/22/2014	7/22/2014	20	20	\$600.00	Payroll system
7/21/2014 – 7/28/2014	8/5/2014	20	20	\$600.00	Payroll system
5/1/2013 – 5/27/2014	8/13/2014	284	325	\$9,750.00	Purchase Order
Totals		356	397	\$11,191.00	

- It appears an overpayment of \$1,230.00 (41 hours x \$30.00 per hour) was made to the Building Project Supervisor based on the documentation provided with regard to the compensation of the services provided.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the Board has approved contractual agreements prior to work being performed, maintained supporting documentation for all disbursements including evidence the service was received, and determined funds are disbursed from the proper fiscal year.

Effect of Condition: These conditions resulted in noncompliance with the state statute regarding the payment of expenses in the fiscal year for which they were incurred, and could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the Board establish policies and procedures to ensure approval of contracts prior to work beginning, maintain supporting documentation of all disbursements including evidence the service was received, and determine all funds are disbursed from the proper fiscal year.

Management Response:

Chairman of the Board: All contracts will be approved by the EMS Board of Directors if the need arises prior to work being started. Furthermore, the contract for work will be defined by hours and payment. No payment will be made without proper documentation of work provided. All payments for contract work will be paid in the fiscal year in which work was performed.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of

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disbursements and/or transactions, including Board approval of contractual agreements, documentation of services provided, and indication that services were received.

With regard to disbursing funds from the proper fiscal year,

Title 68 O.S § 3019 states, in part, "...The several items of the estimate as made and approved by the excise board for each fiscal year shall constitute and are hereby declared to be an appropriation of funds for the several and specific purposes named in such estimate, and the appropriations thus made shall not be used for any other fiscal year or purposes whatsoever..."

Finding 5 - Inadequate Internal Controls Over Petty Cash Disbursements

Condition: Upon inquiry of the District staff and a test of nineteen (19) petty cash disbursements for the audit period, we noted the following weaknesses with regard to the petty cash disbursement process:

- One employee maintains the petty cash funds, maintains the petty cash ledger, and is responsible for replenishing the petty cash funds.
- Five (5) petty cash disbursements did not have supporting documentation of the expense.
- Nineteen (19) disbursements did not have any indication that goods and/or services had been received. (i.e., receiving report, signature, and date of receipt).
- Nineteen (19) disbursements were not approved by the Board.

Cause of Condition: Policies and procedures have not been designed and implemented to segregate the duties of maintaining petty cash funds, documenting approval of petty cash disbursements and documenting the receipt of goods and/or services.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the Board 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.

In addition OSAI recommends that the District implement a system of internal controls to ensure all items received are reviewed for accuracy, have supporting documentation of the expense, and Board approval.

Management Response:

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Chairman of the Board: The EMS Board of Directors has written a policy and procedure for purchases using petty cash. The Board has determined the best course is to have an alternate "petty cash" procedure using the District's bank account to fund limited use of a debit card. All expenditures will be approved by the EMS Director prior to purchase and a receiving report will be completed. The Board will approve all petty cash purchases.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Written policies and procedures over petty cash disbursements should be established to analyze and check accuracy, completeness, authorization and validity of transactions including the segregation of duties and include indication of receiving and reviewing goods and/or services provided and Board approval.

Finding 6 - Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Based on inquiry of District staff and observation of one payroll period which included twenty-four (24) employees, we noted the following weaknesses:

- Salaried employees, including the Director, Assistant Director, and bookkeeper, did not complete timesheets.
- One hourly employee tested for the payroll period selected, did not have a timesheet on file.

Cause of Condition: Policies and procedures have not been designed and implemented to provide reasonable assurance that payroll disbursements are properly recorded in the accounting records.

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

Recommendation: OSAI recommends the District establish internal controls to provide reasonable assurance for the accurate and complete presentation of payroll disbursements in the accounting records of the District.

Those internal controls should include:

- Each employee prepares and signs a monthly timesheet.
- The Supervisor or Board member(s) approve timesheets as evidenced by initialing and dating them.

Management Response:

Chairman of the Board: The EMS Board of Directors will write and approve job descriptions for all salaried personnel. All salaried personnel will submit timesheets along with the hourly personnel for approval by the Board.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to the achievement of the entity's objectives with regard to the reliability of financial reporting.

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Additionally, policies and procedures should be designed and implemented to document the time worked by all employees, and the documentation of that worked should be approved by a Supervisor or the Board.

Finding 7 - Inadequate Internal Controls Over Fixed Assets Inventory Records

Condition: The Alfalfa County Board of County Commissioners approves and provides the funds for the purchase of fixed assets items for use by the District. The County also provides the insurance for these items. The District maintains the fixed assets items and accounts for the safeguarding of those fixed assets. Upon inquiry of the District staff and observation of fixed assets inventory records, the following weaknesses were noted:

- One individual is responsible for maintaining fixed assets inventory records and marking inventory items.
- Inventory records were not maintained by the District in a current manner.
- Three of the sixteen (16) fixed assets inventory items tested were not listed on the fixed assets inventory records.
 - Stryker Power Cot
 - Stryker Power Cot
 - 1999 Ford Ambulance
- Periodic physical inspections of fixed assets inventory were not performed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure inventory is properly accounted for, maintained by someone other than the individual that marks inventory items, 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 fixed assets inventory records are 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.

Management Response:

Chairman of the Board: The EMS Board of Directors will write a policy and procedure concerning fixed assets inventory and a yearly physical inventory process to verify fixed assets inventory records are accurate.

Criteria: An important 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

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other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.



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