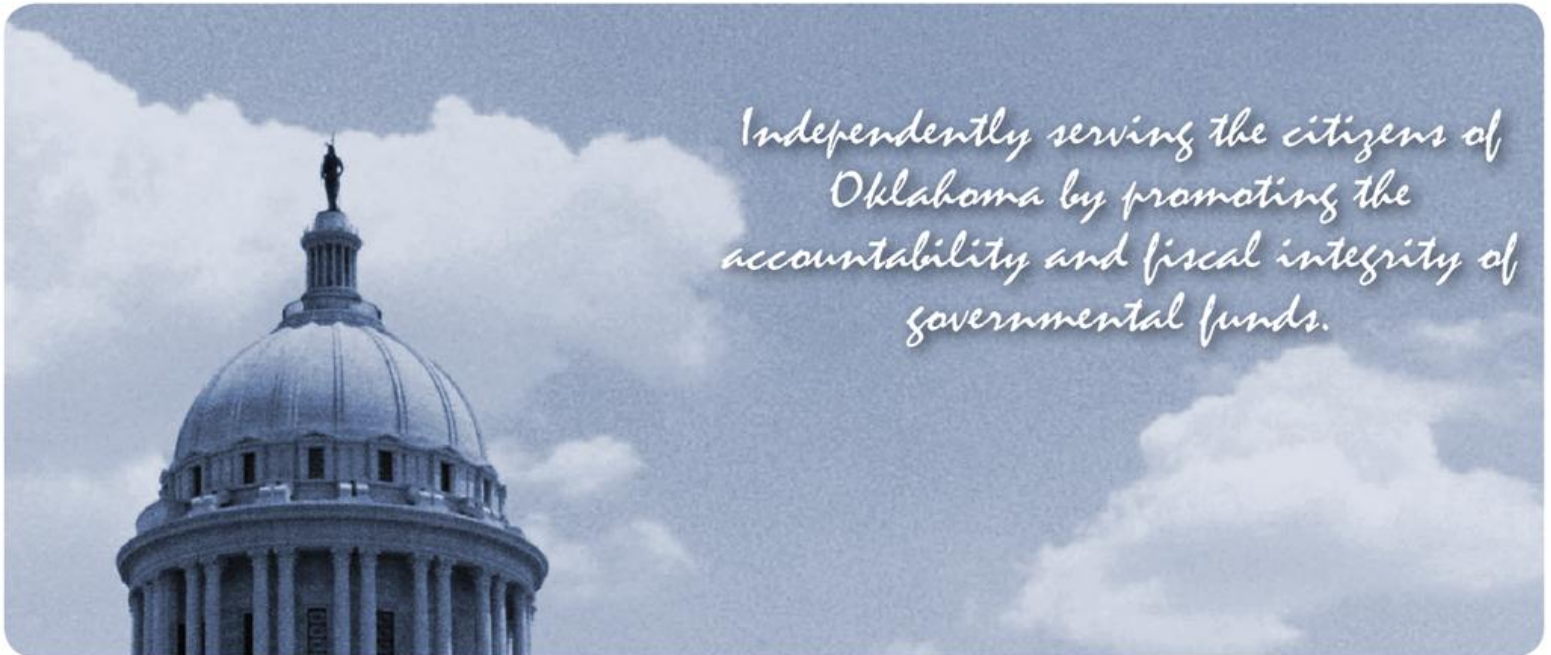


STATUTORY REPORT

ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2015



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

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

June 7, 2016

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

Transmitted herewith is the audit report of Atoka County Emergency Medical Service District for the fiscal year ended June 30, 2015.

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", is written over a light blue horizontal line.

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

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2015

	<u>FY 2015</u>
Beginning Cash Balance, July 1	\$ 171,298
Collections	
Ad Valorem Tax	167,024
Charges for Services	678,134
Intergovernmental Revenues	86,865
Miscellaneous	11,511
Total Collections	<u>943,534</u>
Disbursements	
Personal Services	459,112
Maintenance and Operations	343,159
Capital Outlay	174,305
Audit Expense	10,787
Total Disbursements	<u>987,363</u>
Ending Cash Balance, June 30	<u>\$ 127,469</u>

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



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Atoka County Emergency Medical Service District
1002 A West Liberty
Atoka, Oklahoma 74525

TO THE BOARD OF DIRECTORS OF THE ATOKA 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 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Atoka 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 Atoka 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 Atoka 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

April 19, 2016

**ATOKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-1 – Inadequate Segregation of Duties and Internal Controls Over Collections (Repeat Finding)

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of the District, it was noted that the following duties are not properly segregated:

- Receiving and opening mail,
- Receiving funds and issuing receipts,
- Posting transactions,
- Preparing and taking deposits to the bank, and
- Making adjustments to patient accounts.

Also, we noted the following internal control weaknesses:

- Receipts are handwritten on generic receipts that do not bear the District’s information.
- Receipts are not issued in sequential order.
- Receipts are not deposited daily.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the receipting process, to ensure funds received are deposited on a daily basis, and to ensure receipts and deposits are prepared accurately. Additionally, policies and procedures have not been designed and implemented to ensure the District’s receipts are issued with sufficient detail, in sequential order, and deposited in a timely manner.

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. Further, issuing unofficial receipts and issuing receipts out of sequence could result in incomplete deposits and an increased risk of fraud.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (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.

**ATOKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Additionally, OSAI recommends the District ensure all receipts have sufficient detail, are issued in sequential order, and deposits are made in a timely manner.

Management Response:

Chairman of the Board: Since July 1, 2015, the billing has been outsourced to an outside billing service. It has been a process but, in time, there will be a minimal amount of funds received in the mail. Since July 1, 2015, we have access to the billing but we do not have the ability to make any adjustments to accounts. This new system should alleviate the responsibility to the limited number of employees with proper knowledge of these duties. It will also reduce the amount of funds deposited from this location.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. 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. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, and reconciliations should be segregated. A component of effective internal control system is to provide accurate and reliable information through receipts with sufficient detail, in sequential order, and deposits made in a timely manner.

Finding 2015-2 – Inadequate Segregation of Duties and Noncompliance Over Disbursements (Repeat Finding)

Condition: While gaining an understanding of the disbursement process of the District, it was noted that the Director performs the following duties which are not properly segregated:

- Preparing purchase orders.
- Signing checks (along with one Board member).
- Mailing checks to vendors.
- Maintaining disbursement ledger.

We also noted the following noncompliance weaknesses:

- Fuel expenditures were not made in accordance with bidding requirements.
- The District is utilizing two credit cards that allow the District to incur debt.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process. Additionally, policies and procedures have not been designed and implemented to ensure expenditures are incurred only for the lawful operation of the District. This includes the incurrence of debt through credit cards, which is not permitted per state statute.

**ATOKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Effect of Condition: These conditions resulted in noncompliance with state statute, and could result in inaccurate records, incomplete information or misappropriation of assets. 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. Also, OSAI recommends the District consider using the state contract to obtain fuel cards and discontinue the use of their credit cards.

Management Response:

Chairman of the Board: Since the previous finding on this process, we have trained and we utilize other employees to verify the expenditures by signing each invoice attached to a purchase order. A ledger has always been maintained but, since last audit we have begun to put it on each months meeting agenda for approval of all purchase orders from the month by the board members. True to the very nature of an Emergency Medical Service (EMS) or ambulance service from a rural area, we make frequent long distant transfers, making it impractical to bid our fuel. As of April 20, 2016, I have contacted the company that is on the state contract and I am in the application process. I have also, as of April 19, 2016, applied for the vendor account cards, neither of which allows a revolving line of credit. One vendor account card was approved on the same date. Both of these cards are well controlled, with balances paid in full each month.

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.

Title 19 O.S. § 1723 requires that the District follow county purchasing procedures for competitively bidding fuel as outlined in Title 19 O.S. § 1501(A)(3)(g).

Title 19 O.S. § 1717 (B, C) states in part: "B. It shall be unlawful for any employee or member of the board in any budget year: 1. To create or authorize creation of a deficit in any fund...
C. Any obligation that is contracted or authorized by any member or employee of the board in violation of this act shall become the obligation of the member or employee himself and shall not be valid or enforceable against the district. Any member or employee who violates this act shall forfeit his position and shall be subject to such civil

**ATOKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

and criminal punishments as are provided by law. Any obligation, authorization for expenditure or expenditure made in violation of this act shall be illegal and void.”

Finding 2015-3 – Inadequate Internal Controls Over Payroll Leave Balances (Repeat Finding)

Condition: While gaining an understanding of the payroll process functions of the District, the following was noted:

- Leave balance reports are not detailed with beginning balance, ending balance, and any accrued or used amounts for the time period.
- The District’s vacation accrual for two (2) of the ten (10) employees tested had a variance.
 - One (1) employee was understated by twenty (20) hours.
 - One (1) employee was overstated by four (4) hours.
- The District’s sick accrual for four (4) of the ten (10) employees tested had a variance.
 - One (1) employee was understated by four (4) hours.
 - One (1) employee was overstated by sixteen (16) hours.
 - One (1) employee was understated by four (4) hours.
 - One (1) employee was understated by twenty (20) hours.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the leave ledger depicts the beginning balance, ending balance, and any accrued or used amounts for all employees. Additionally, policies and procedures have not been designed and implemented to ensure that the leave ledger is reviewed for accuracy.

Effect of Condition: These conditions resulted in inaccurate recordkeeping and incorrect accrual of wage and leave benefits.

Recommendation: OSAI recommends the District ensure the leave ledger depicts the beginning balance, ending balance, and any accrued or used amounts for all employees. We also recommend that the leave ledger be agreed to timesheets and reviewed for accuracy.

Management Response:

Chairman of the Board: The vacation and sick accrual hour’s details were not correct for a period of time after we changed formulas for our regular payroll sheets. When it was discovered they were all corrected and there is now a separate spread sheet used to serve as a backup for properly maintaining balances and accruals. The wording of the policy has been changed for employees’ time accrual for the second year of employment.

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. An important aspect of internal

**ATOKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

controls is to ensure timekeeping records are accurately prepared to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds.

Finding 2015-4 – Inadequate Internal Controls Over Fixed Assets

Condition: Based on inquiry, observation, and review of the District’s inventory records, the following was noted:

- An annual physical count of inventory was not adequately documented.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure inventory is properly maintained and updated through a periodic review by the District.

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

Recommendation: OSAI recommends an annual physical inventory verification by someone other than the individual maintaining inventory and the physical inventory count be performed and documented.

Management Response:

Chairman of the Board: We will enlist two (2) employees to conduct an annual physical inventory count and attached documentation to the inventory list as to who conducted the count and what date it was conducted. Neither of these employees will be the same as the person who maintains the list.

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

Finding 2015-5 – Inadequate Internal Control Over Billing Process

Condition: Our test of twenty-five (25) ambulance runs resulted in the following:

- An amount billed for one (1) run was undercharged by \$1,267.50 due to an error in mileage charged.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that all runs are billed accurately.

Effect of Condition: This condition resulted in inaccurate billing, and could result in the District missing the opportunity to receive additional billing revenue.

**ATOKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Recommendation: OSAI recommends the District implement recordkeeping policies and procedures to ensure all runs are billed accurately.

Management Response:

Chairman of the Board: This happened during the transition to the outsourced billing company we hired to take over our billing duties. This has been sent back to then to be re-billed as of April 19, 2016. We now have a team of professional billers, decreasing the odds of inaccurate billing.

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 the regard to reliability of financial reporting. A component objective of an effective internal control system is to ensure the District bills all runs accurately.



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

WWW.SAI.OK.GOV