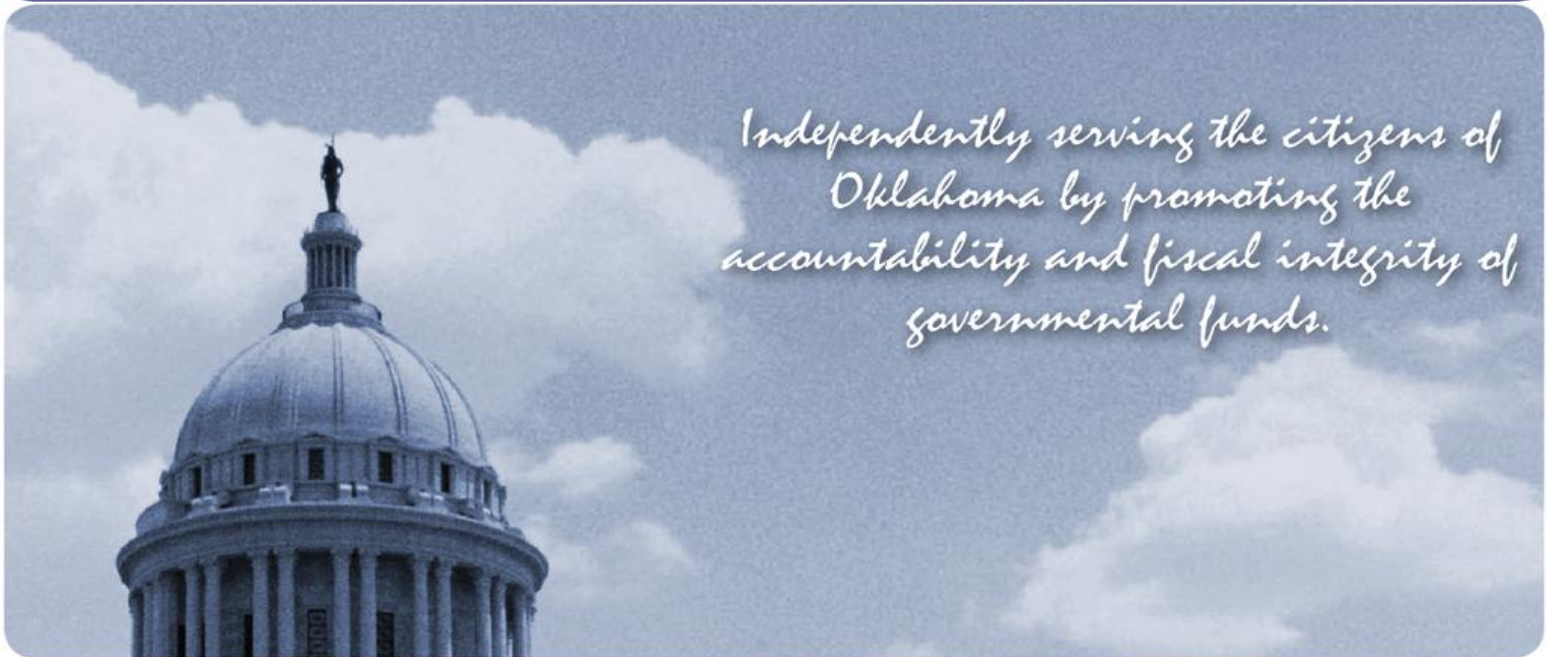


STATUTORY REPORT

# ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2014



*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

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

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](http://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

March 23, 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, 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". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

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

	<u><b>FY 2014</b></u>
Beginning Cash Balance, July 1	\$ 192,902
Collections	
Ad Valorem Tax	144,367
Miscellaneous	687,487
Total Collections	<u>831,854</u>
Disbursements	
Personal Services	476,391
Maintenance and Operations	376,538
Capital Outlay	529
Total Disbursements	<u>853,458</u>
Ending Cash Balance, June 30	<u>\$ 171,298</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 2014 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 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

August 24, 2015

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2014-1 – Inadequate Internal Controls Over Financial Reporting and Compliance**

**Condition:** Upon inquiry, observation, and review of documents, we noted the following internal control weaknesses:

- The District was unable to provide written policies regarding longevity payments to personnel, bad debt write-offs, and courtesy transports.
- Receipts:
  - 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.
- Disbursements:
  - When the District Board approves expenditures for the previous month, there is insufficient detail in the minutes to identify which purchase orders have been approved.
- Incurrence of Debt:
  - The District maintains and uses credit cards for fuel and two (2) vendors.

**Cause of Condition:** 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. Further, policies and procedures have not been designed and implemented to ensure the District's operations are conducted in an effective and efficient manner and to ensure that there is sufficient detail in the minutes to support approval of expenditures. Additionally, policies and procedures have not been developed 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.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds. In addition, these conditions could affect the entity's ability to initiate, authorize, record, process, or report financial data reliably.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the District be aware that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. Management should take action to mitigate the possibility of a misstatement. OSAI further recommends that the District personnel gain an understanding of the design of the internal control process and implement those controls in an effective and efficient manner. OSAI recommends all monies received be receipted in sequential order and deposited in a timely manner. Additional, OSAI recommends that there is sufficient detail included in

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

the Board minutes to support approval of expenditures. OSAI further recommends the District discontinue the use of their credit cards.

**Management Response:**

**EMS Chairman:** Policies will be written for review and approval by the Board of Directors related to longevity pay, and bad debt write off. We now have a written agreement with the local nursing home regarding non-emergent transports for the residents. The receipting process will be changing as we have begun the process of outsourcing our billing. A professional company has taken on the task which will remove all patient payments from coming directly through the place of business. A complete list of the month's expenditures (P.O.'s) will be presented to the Board of Directors at each month's meeting for approval.

We are researching viable options to replace the credit cards we have in use at this time.

**Criteria:** Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures in place that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management attitude, qualifications, and operating style become the foundation of all other internal control components.

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 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 2014-2 – Lack of Segregation of Duties Over Collections Process (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:

- Receive and open mail,
- Receive funds and issues receipts,
- Post transactions,
- Prepares and takes deposit to the bank, and
- Makes adjustments to patient accounts.



**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the collections 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:**

**EMS Chairman:** Our billing has been outsourced and future payments on accounts will not be coming directly through our office. This should alleviate the problem of a lack of segregation of duties and receipting.

**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.

**Finding 2014-3 – Lack of Segregation of Duties Over Disbursements (Repeat Finding)**

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

- Prepares purchase orders.
- Signs checks (along with one Board member).
- Mails checks to vendors.
- Maintains disbursement ledger.

**Cause of Condition:** The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

**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:**

**EMS Chairman:** I will enlist the help of supervisors in the process of preparing purchase orders and mailing vendor checks. I believe that this step, along with the approval of the P.O. list each month by all the board members, will alleviate this problem area.

**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 2014-4 – Inadequate Internal Controls Over Payroll Leave Balances**

**Condition:** Based upon inquiry, observation, and a review of District payroll documents 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.
- Vacation leave balances for three (3) of the nine (9) employees tested exceeded the District's policy limitation of 120 hours. The employees were over the policy limit by eighteen (18), twenty-nine (29), and thirty-four (34) hours.
- The District's vacation accrual rate for two (2) of the nine (9) employees tested did not match the policy accrual rate.
  - One (1) employee was accruing at a rate higher than years of service.
  - One (1) employee had an accrual variance due to an error, this was corrected by the Director in a subsequent period.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

- The sick leave balance for one (1) of the nine (9) was overstated by twelve (12) hours. The error was made when correcting sick leave taken in the prior period.

**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, policy leave limitations, and accrual rates as outlined in the personnel policy.

**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, reviewed for accuracy, reviewed for policy leave limitations, and reviewed for proper accrual rates as outlined in the personnel policy.

**Management Response:**

**EMS Chairman:** Most of the deficiencies found were not actual deficiencies but rather, wording in a policy that was not completely understood. Our vacation leave policy states an accrual rate for the first year and then for 2-5 years. As it was understood, an entire year was left out of the equation. I can understand the difference and make changes to the wording of the policy so that it will be more clearly understandable. There were no actual mistakes however; I will implement a separate ledger for keeping all accrued vacation and sick time as well as continuing periodic audits to ensure accuracy.

**Auditor Response:** Leave balances reports were not detailed and employees' vacation accrual total exceeds the maximum allowable amount per policy.

**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.



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

**[WWW.SAI.OK.GOV](http://WWW.SAI.OK.GOV)**