

STATUTORY REPORT

# ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2017



*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, 2017**

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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

January 3, 2018

**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, 2017.

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 written in a cursive style with a long, sweeping tail on the letter "s".

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

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FISCAL YEAR ENDING JUNE 30, 2017**

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017**

	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ 171,404
Collections	
Ad Valorem Tax	175,824
Charges for Services	574,028
Governmental	3,689
Miscellaneous	1,189
Total Collections	<u>754,730</u>
Disbursements	
Personal Services	471,224
Maintenance and Operations	294,152
Audit Expense	16,777
Total Disbursements	<u>782,153</u>
Ending Cash Balance, June 30	<u>\$ 143,981</u>

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



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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 2017 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 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

November 8, 2017

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2017-01 – 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 were not properly segregated:

- Receiving and opening mail,
- Receiving funds and issuing receipts, and
- Preparing and taking deposits to the bank.

We noted the following internal control weaknesses:

- Receipts were handwritten on generic receipts that do not bear the District's information.
- Receipts were not issued in sequential order.

The test of ten (10) deposits reflected the following exceptions:

- Receipts were not deposited daily in two (2) deposits tested.
- Mail in payments were held and subsequently receipted in preparation for a weekly deposit.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the receipting process, to ensure funds received are deposited daily, 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 date sequence could result in incomplete deposits and an increased risk of fraud. Additionally, not depositing in a timely manner resulted in noncompliance with state statute.

**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 can perform all accounting functions. If 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. Additionally, OSAI recommends the District ensure all receipts have sufficient detail,

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

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are issued in sequential order, and deposits are made in a timely manner in accordance with Title 62 O.S. § 517.3B.

**Management Response:**

**Chairman of the Board:** This is a difficult finding to completely correct with limited personnel and the very nature of the District. There are times that there is only one person in the office. However, the administration will try to develop a plan for handling mail and making deposits. I plan on ordering receipt books that will have our contact information printed on them.

**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.

Title 62 O.S. § 517.3B states in part, "The treasurer of every public entity shall deposit daily, not later than the immediately next banking day..."

**Finding 2017-02 – 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 performed the following duties which were not properly segregated:

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

Additionally, while performing the test of forty (40) disbursements, the following exceptions were noted:

- One (1) disbursement was not for appropriate/legal use of the District due to the payment of late fees.
- Two (2) disbursements were not for appropriate/legal use of the District due to the payment including taxes.
- One (1) disbursement for \$250 was for reimbursement to an employee at a per diem rate that is not within the established IRS rate for per diem.

**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



**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

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implemented to ensure expenditures are incurred only for the lawful operation of the District and comply with IRS guidelines.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and IRS regulations, 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 can perform all accounting functions. If 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.

Further, policies and procedures should be designed and implemented to ensure all disbursements are properly documented, for the appropriate and lawful use of the District, and comply with State and IRS guidelines.

**Management Response:**

**Chairman of the Board:** The late fee was an isolated incident because of the timing of receiving the invoice, getting a purchase order and check authorized and mailed. The Director will follow up with the vendors that charge tax to us. A policy will be written and approved for travel and will include per diem. One of the employees has been trained to prepare purchase orders and the Director will present all of them to a different employee to check for errors. The ledger is presented to the Board members at our regular monthly meetings.

**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.

Effective internal controls require that management properly implement procedures to ensure that purchases comply with 19 O.S. § 1505. Further, effective internal controls require management properly implement procedures to comply with federal and state regulations and guidelines regarding travel reimbursements.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

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**Finding 2017-05 – Inadequate Internal Control Over Billing Process (Repeat Finding)**

**Condition:** During our test of forty (40) ambulance runs, we noted the following:

- The amount billed for one (1) run was overcharged by \$200.00 due to an error in the base rate charged.
- The amount billed for one (1) run was undercharged by \$396.25 due to an error in the 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.

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

**Management Response:**

**Chairman of the Board:** The billing company has been contacted. The two runs have been corrected and rebilled. An employee has been trained that will monitor the billing and help correct errors.

**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.



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