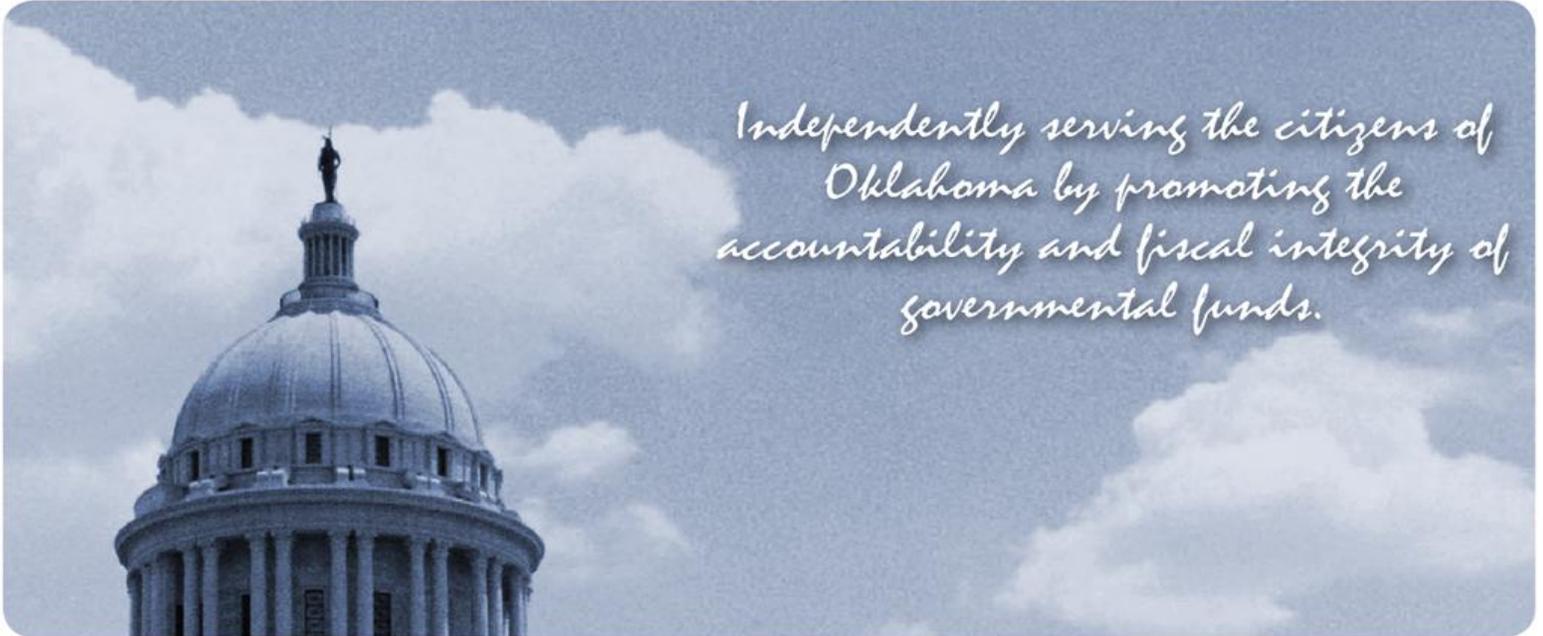


STATUTORY AUDIT

ATOKA EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2009 through June 30, 2013



*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 PERIOD JULY 1, 2009 THROUGH JUNE 30, 2013**

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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 26, 2015

**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 period July 1, 2009 through June 30, 2013.

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

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2009 THROUGH JUNE 30, 2013**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2012 and FY 2013

	<u>FY 2012</u>	<u>FY 2013</u>
Beginning Cash Balance, July 1	\$ 196,043	\$ 102,813
Collections		
Ad Valorem Tax	149,532	151,922
Miscellaneous	739,843	804,254
Total Collections	<u>889,375</u>	<u>956,176</u>
Disbursements		
Personal Services	498,856	522,226
Maintenance and Operations	325,191	313,103
Capital Outlay	158,558	30,758
Audit Expense		
Total Disbursements	<u>982,605</u>	<u>866,087</u>
Ending Cash Balance, June 30	<u>\$ 102,813</u>	<u>\$ 192,902</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 2012 and FY 2013 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

January 23, 2015

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2009 THROUGH JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Lack of Segregation of Duties Over Revenue

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of Atoka County Emergency Medical Service District (the District), it was noted the Director and Assistant Director perform the following duties:

- Receive and open mail.
- Receive funds and issues receipts.
- Post transactions.
- Prepares and takes deposit to the bank.
- Verifies the deposit to the bank statement.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the receipting and reconciling processes.

Effect of Condition: A single employee having responsibility for more than one area of the collection and reconciling processes could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds. This condition could result in inaccurate record, incomplete information or misappropriation of assets.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends the District segregate the accounting duties of receiving payments, preparing the deposit, and maintaining ledgers.

Management Response:

Director: We will segregate duties for opening mail, receiving funds, posting transactions, preparing deposits, and reconciling bank statements.

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, and depositing funds should be segregated.

Finding 2 – Run Test

Condition: The following was noted concerning the 25 ambulance runs per fiscal year tested:

Fiscal Year 2010

- The fee billed for two runs did not agree to the District fee schedule.
- For one run, the run sheet could not be located.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2009 THROUGH JUNE 30, 2013**

Fiscal Year 2011

- The fee billed for six runs did not agree to the District fee schedule.
- For one run, the run sheet could not be located.
- Board minutes could not be located which authorized the write-off of bad debts on two in the amounts of \$735 and \$920.

Fiscal Year 2012

- The fee billed for four runs did not agree to the District fee schedule.
- For one run, the run sheet could not be located.

Fiscal Year 2013

- The fee billed for three runs did not agree to the District fee schedule.

Cause of Condition: Procedures have not been designed to ensure charge sheets are completed accurately and in accordance with the fee schedule. Additionally, procedures have not been designed to ensure Board authorization exists for any bad debt write-offs incurred.

Effect of Condition: These conditions resulted in the District having inaccurate records, incomplete record information available for audit review, and instances of over and under billing of runs.

Recommendation: OSAI recommends the District implement recordkeeping policies and procedures to ensure all charge sheets are completed accurately, and to ensure bad debt write-offs only occur with Board approval.

Management Response:

Director: We will implement an internal control item for the purpose of checking to make sure charges assessed match the current rate sheet and all run sheets are properly maintained for an appropriate length of time. We will implement an internal control item to insure that all bad debts have board authorization to be written off. Internal control items will be monitored monthly by an individual not preparing the deposits, taking the deposit, receiving the mail or any other funds, and will not be the same individuals reconciling the deposit logs or bank statements.

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. Key factors in this system are ensuring supporting documentation is both accurate and complete, and ensuring Board approval exists before bad debt write-off occurs.

Finding 3 – Lack of Segregation of Duties Over Disbursements

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

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2009 THROUGH JUNE 30, 2013**

- Prepares and signs purchase orders.
- Receives goods and services.
- Signs checks and mails checks to vendors.

It was also noted the District has a vendor credit card without statutory authority to have such a card.

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 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: This condition resulted in noncompliance with state statute. 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 determine if duties can be properly segregated. In the event the segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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. OSAI further recommends the District discontinue the use of their credit card.

Management Response:

Director: The employees responsible and authorized to make purchases of goods or services will verify if what is received is correct and will indicate so on the packing slips and invoices. The office clerk will check the billing to make sure the extensions are correct and the packing slips or invoice has been approved. The Director will prepare a purchase order with the supporting documents attached. The purchase order will be approved by a board member. The check will be prepared and signed by either the Director and a board member or 2 board members. An internal control item will be implemented to verify that each payment is accompanied by the proper documentation. The document mentioned above will be maintained for an appropriate length of time.

The board of directors has approved and is fully aware that we have and use credit cards. There are only certain individuals that are allowed to use them and the purchases are monitored very closely by the Director and Asst. Director. They are also presented to a 3rd person for verification that the goods bought are for use by Atoka EMS only.

Criteria: Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. Important aspects of internal controls are ensuring expenditures are incurred only for the lawful operation of the government entity, and ensuring 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.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2009 THROUGH JUNE 30, 2013**

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 4 – Disbursements

Condition: Based upon inquiry and observation of the expenditures process, the following was noted concerning the testwork conducted of 25 expenditures per fiscal year:

- Concerning fiscal year 2010, 15 expenditures had no evidence of a receiving signature as a verification of accuracy for the goods or services recieved.
- Concerning fiscal year 2011, 18 expenditures had no evidence of a receiving signature as a verification of accuracy for the goods or services received.
- Concerning fiscal year 2012, 23 expenditures had no evidence of a receiving signature as a verification of accuracy for the goods or services received.
- Concerning fiscal year 2013, 22 expenditures had no evidence of a receiving signature as a verification of accuracy for the goods or services received. Additionally, on one of these 22 expenditures noted, check 5926, there was no supporting documentation available for review.

Cause of Condition: Policies and procedures have not been designed to ensure invoices/receiving reports are verified for accuracy or signed when received, and to ensure supporting documentation is attached to purchase orders.

Effect of Condition: These conditions could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends the District implement a system of internal controls to ensure that all expenditures have proper supporting documentation. This would consist of ensuring all invoices are verified and signed as accurate, and ensuring all supporting documentation is retained and made available for management review and audit purposes.

Management Response:

Director: All expenditures will be signed for and verified with invoices and packing slips attached to purchase orders.

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

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2009 THROUGH JUNE 30, 2013**

entity's objectives with regard to the reliability of financial reporting. A key factor in this system is having supporting documentation maintained accurately and complete for recordkeeping and audit needs.

Finding 5 – Bids

Condition: Based upon inquiry, observation, and testwork conducted on the bidding process of the District the following was noted on the five items reviewed for the period under audit:

- Two purchases were not bid:

Purpose	Date	Amount
Refurbish Unit #1	10/29/2010	\$40,052.70
Small Mannequin	03/08/2012	\$9,950.00

- The bid packet and board minutes could not be located for one item.
- None of the items reviewed contained a time or date stamp attesting as to when the bid was received.

Cause of Condition: Policies and procedures have not been designed to ensure that expenditures in excess of statutory requirements be competitively bid in compliance with 19 O.S. § 1723.

Effect of Condition: These conditions resulted in the District being in noncompliance with state statute, and it could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends that all purchases in excess of \$15,000 be competitively bid in accordance with state statutes. (During the period under audit, the threshold for bidding was \$7,500 for fiscal year 2012 and \$10,000 for fiscal year 2013.)

Management Response:

Director: All items over \$7,500 will go through the competitive bidding process with all bid packets received – date stamped, signed, and kept for verification. Minutes from all Board meetings will be kept for accurate amount time.

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 reliability of financial reporting and compliance with applicable laws and regulations.

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.

**ATOKA COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2009 THROUGH JUNE 30, 2013**

Finding 6 – Payroll Expenditures

Condition: Based upon inquiry, observation, and a review of District payroll documents the following was noted:

- On one occasion an employee’s timesheet was not signed by the supervisor.
- Two employees tested accrued more leave than the accrual limit as set by the personnel policy. One employee accrued 106.67 hours of sick leave in one month, when the policy allows for an accrual of 6.67 hours per month. The other employee accrued 11 hours of annual leave in one month, when the policy has a cap of accruing 10 hours per month.
- Two timesheets selected for testing could not be located.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that timesheets are being reviewed and signed by supervisors for accuracy, to ensure sick and annual leave amounts are being accrued at rates beyond that outlined in the personnel policy, and to ensure all timesheets are being retained.

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

Recommendation: OSAI recommends the District ensure both employees and supervisors verify timesheets for accuracy. Further, OSAI recommends leave for all employees be accrued at rates as outlined in the personnel policy. Lastly, OSAI recommends the District ensures all timesheets are maintained for recordkeeping and audit purposes.

Management Response:

Director: An internal control item will be put in place to verify only time worked will be paid for as evidenced by a time sheet, all time sheets are signed by the Director, all accrued time is correct and time sheets are maintained for an appropriate length of time. As for the employee that accrued 106.67 hours of sick leave in one month, it was found to be an error and was immediately corrected. All accrued time, both sick and vacation time will be audited every 6 months and corrections will be made if any mistakes are found.

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.



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