

STATUTORY REPORT

BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2012 through June 30, 2015



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

**BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 01, 2012 THROUGH JUNE 30, 2015**

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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 2, 2016

**TO THE BOARD OF DIRECTORS OF THE
BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Blaine County 522 Emergency Medical Service District for the period July 1, 2012 through June 30, 2105

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

**BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE PERIOD OF JULY 01, 2012 THROUGH JUNE 30, 2015**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2013, FY 2014, and FY 2015

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Beginning Cash Balance, July 1	\$ -	\$ 139,011	\$ 104,240
Collections			
Ad Valorem Tax	139,436	126,925	127,710
Total Collections	<u>139,436</u>	<u>126,925</u>	<u>127,710</u>
Disbursements			
Maintenance and Operations	425	2,818	2,505
Audit Expense	-	-	-
Contract Services	-	158,878	128,000
Total Disbursements	<u>425</u>	<u>161,696</u>	<u>130,505</u>
Ending Cash Balance, June 30	<u>\$ 139,011</u>	<u>\$ 104,240</u>	<u>\$ 101,445</u>

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



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Blaine County 522 Emergency Medical Service District
521 E. 7th
Watonga, Oklahoma 73772

TO THE BOARD OF DIRECTORS OF THE BLAINE COUNTY 522 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 disbursements 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 2013, FY 2014 and FY 2015 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Blaine County 522 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 Blaine County 522 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 Blaine County 522 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 25, 2016

**BLAINE COUNTY 522 EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE PERIOD OF JULY 01, 2012 THROUGH JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-01 - Inadequate Internal Controls Over the Revenue Process

Condition: Based on discussion with District staff, we determined the District does not have an adequate segregation of duties or mitigating controls in place with regard to the revenue process:

- One individual is responsible for receiving monies, depositing monies, receiving the bank statement, and reconciling the bank statement.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties of receiving and depositing funds. Additionally, internal controls over monitoring the process in order to mitigate inadequate segregation of duties have not been implemented.

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: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that management be aware of these conditions and determine if duties can be properly segregated. 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 approval of accounting functions.

Management Response:

Board: The Board has been made aware of segregation of duties. More of the duties will be divided among the Board members. As of November 9, 2015, the mailing address of the 522 account will be changed to the address of the Chairperson and reconciled by someone other than the record keeper.

Criteria: To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2015-02 - Inadequate Internal Controls Over the Disbursement Process

Condition: Based on discussion with District staff and observation of 21 disbursements, we noted the following weaknesses with regard to the disbursement process:

- One individual is responsible for calculating the contract payment, ordering goods and services, receiving goods and services, writing and distributing the checks, receiving the bank statements and reconciling the bank statement.

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- The District has not developed procedures for utilizing a claim form or receiving document for disbursements.
- Two instances reflected that checks were issued out of sequential order.
- Three of the 21 disbursements tested did not have an invoice attached.
- Five of the 21 disbursements tested did not have an independent verification of goods/services received.
- Fourteen of the 21 disbursements did not have evidence of being approved by the board.
- The District has not developed procedures to document the calculation of contract payments.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately monitor or segregate the duties over the disbursement process.

Effect of Condition: A single individual having responsibility for more than one area of recording, authorization, custody of assets, and reconciliation could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. 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 district and having management review and approval of accounting functions.

Management Response:

Board: The Board has been made aware of inadequate internal controls over the disbursement process. The Board will develop a form listing disbursements for approval at each meeting with copies of invoices attached to the claim, and these expenditures will be recorded in the minutes. The Board will appoint a member to review and sign as receiving agent on invoices prior to approving the purchase. The Board will implement a policy providing the secretary authority to pay expenditures up to the amount of \$300 per disbursement, without prior approval.

Criteria: To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2015-03 - Inadequate Internal Controls Over the Contract Provisions

Condition: The District agreed to pay Okeene EMS 90% of the annual tax collected. Based on discussion with the District Secretary, review of the provider contract, and observation of contract payments we noted the following discrepancies in the calculation of the amount due:

- Calculation of payments made to the service provider is not reviewed by someone other than the preparer.
- Payments to the service provider were less than 90% of the annual tax collected by the District.

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	FY 2013	FY 2014	FY 2015	Totals
Tax Collected During the Year	\$139,435.59	\$126,924.50	\$127,710.34	\$394,070.43
90 % of Tax Collected	125,492.03	114,232.05	114,939.31	354,663.39
Amount Distributed	62,794.38	128,083.22	128,000.00	318,877.60
(Underpaid)/Overpaid	<u>(\$62,697.65)</u>	<u>\$13,851.17</u>	<u>\$13,060.69</u>	<u>(\$35,785.79)</u>

Cause of Condition: Policies and procedures have not been designed or implemented by the Board to ensure that contractual obligations for the Blaine County 522 Emergency Medical District are being fulfilled.

Effect of Condition: This condition could result in contractual obligations of the District not being fulfilled.

Recommendation: OSAI recommends that the District Board design and implement procedures to ensure the contractual obligations of the District are being met and payments made to the service provider are accurate. At a minimum, payments made to the service provider should be calculated and reviewed and approved by someone other than the preparer.

Management Response:

Board: The Board has been made aware of inadequate internal controls over contract provisions. The Board will follow the contract and make payments calculated on 90% of the annual tax collected. The calculation and payment will be recorded in minutes of the regularly scheduled meeting minutes.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An effective internal control system provides accurate and reliable information through proper review and approval.

Finding 2015-04 - Inadequate Internal Controls and Noncompliance Over the Audit Expense Budget Account

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

It was further noted that the District has not carried forward the balance into the audit account each fiscal year. As a result, the District's balance in the audit budget account did not reflect a balance as of June 30, 2015. However, the correct balance should have been \$17,458.90.

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

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Effect of Condition: This condition resulted in noncompliance with state statute.

Recommendation: 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 account and that any unused portion be carried forward into the next year audit account in accordance with 19 O.S. § 1706.1.

Management Response:

Board: The Board has been made aware of inadequate internal controls and noncompliance over the audit expense Budget account. The Board will maintain a separate account summary of the net proceeds of the one-tenth mill annual ad valorem levy upon the net assessed valuation of the District for audit expenses.

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.

Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.



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