

STATUTORY REPORT

# BUFFALO EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2012 through June 30, 2014



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

**BUFFALO EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2014**

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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

October 20, 2015

**TO THE BOARD OF DIRECTORS OF THE  
BUFFALO EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Buffalo Emergency Medical Service District for the period July 1, 2012 through 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, appearing to read "Gary A. Jones".

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

**BUFFALO EMERGENCY MEDICAL SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2013 and FY 2014**

	<u>FY 2013</u>	<u>FY 2014</u>
Beginning Cash Balance, July 1	\$ 154,947	\$ 196,214
<b>Collections</b>		
Ad Valorem Tax	112,672	85,624
Sales Tax	29,565	44,593
Charges for Services	163,211	144,668
State Health Department Grant	33,414	-
Interest	318	325
Total Collections	<u>339,180</u>	<u>275,210</u>
<b>Disbursements</b>		
Personal Services	173,085	194,190
Travel & Training	2,621	2,102
Maintenance and Operations	46,087	64,299
Capital Outlay	68,380	53,360
Audit Expense	7,740	402
Total Disbursements	<u>297,913</u>	<u>314,353</u>
Ending Cash Balance, June 30	<u>\$ 196,214</u>	<u>\$ 157,071</u>

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



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Buffalo Emergency Medical Service District  
P.O. Box 676  
Buffalo, Oklahoma 73834

## **TO THE BOARD OF DIRECTORS OF THE BUFFALO 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 2013 and FY 2014 were accurately presented on the estimate of needs.

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

July 10, 2015

**BUFFALO EMERGENCY MEDICAL SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2014-1 – Inadequate Internal Controls Over the Receipting and Depositing Process (Repeat Finding)**

**Condition:** Based on discussion with District staff and observation of procedures, the following weaknesses were noted:

- Although 3 or 4 employees may perform the duties of receipting and depositing, there are no internal control procedures in place to separate the duties of retrieving the mail, opening the mail, preparing the deposit, and taking the deposit to the bank.
- The Assistant Director may perform all duties of receipting and depositing. She also prepares the monthly bank statement reconciliation. There was no evidence that the bank statement reconciliations were reviewed by someone other than the preparer.
- Pre-numbered duplicate receipts were not issued for all monies received.
- There was no evidence of District review of payments to ensure they have been applied correctly to patient accounts by the third party billing service.
- The June 30, 2013 bank statement reconciliation reflected a deposit of \$383.00 which was posted as a reconciling item, but it could not be identified on the subsequent bank statement, most likely because the deposit slips do not provide detail of funds received.

**Cause of Condition:** Policies and procedures have not been designed to adequately segregate the duties of receiving and depositing monies, and mitigating controls over monitoring the process have not been implemented. Procedures have not been designed to ensure all patient account payments are reconciled and approved, and the amounts deposited in the bank account are complete and accurate.

**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. It is also recommended that the District purchase and maintain a daily receipt book. OSAI recommends that the District design procedures to ensure that activity on bank statement reconciliations are complete and accurate.

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**Management Response:**

**Board:** Different employees are now responsible for picking up the mail than the ones preparing the deposit to aid in separation of duties. The bank statement reconciliation is presented to the Board in conjunction with the bank statement for review. Pre-numbered duplicate receipts are now being used for all monies received. We are looking into a way for the District staff to review by using separate statements to ensure monies are being applied to the patient accounts correctly.

**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. Receipt books should be maintained to correctly document all receipt of monies. Reconciling items on bank statements should be clearly identified and documented.

**Finding 2014-2 – Inadequate Internal Controls Over the Revenue Process (Repeat Finding)**

**Condition:** Based on discussion with District staff and observation of billing records, the following weaknesses were noted:

- There was no evidence that the District verified the amounts charged by the third party billing service were accurate according to the District’s records. Evidence of the District’s monitoring of the collection process or oversight of the status of accounts was not documented.

After reviewing and recalculating 50 run sheets and related deposits, the following deficiencies were noted:

- No explanation was documented regarding 2 instances in which runs were not billed by the third party billing service.
- 41 instances in which the amount recalculated did not agree to the amount billed for charges for services.

Run #	Calculated	Billed	Overcharged/ (Undercharged)
2552212128	2,053.50	2,669.00	615.50
2552112160	1,028.60	1,022.00	(6.60)
2552212128	708.80	683.00	(25.80)
2552212211	456.60	461.00	4.40
2552112213	459.90	461.00	1.10
2552212214	674.40	925.00	250.60
2552113005	462.10	461.00	(1.10)
2552113010	1,136.70	1,674.00	537.30
2552213016	757.70	761.00	3.30



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<b>Run #</b>	<b>Calculated</b>	<b>Billed</b>	<b>Variance</b>
2552213029	457.70	461.00	3.30
2552213036	651.20	649.00	(2.20)
2552213038	2,490.50	2,485.00	(5.50)
2552113047	2,610.10	2,620.00	9.90
2552213049	3,085.30	3,082.00	(3.30)
2552113050	555.50	561.00	5.50
2552113065	2,785.00	2,675.00	(110.00)
2552113093	767.60	683.00	(84.60)
2552113115	2,801.50	2,796.00	(5.50)
2552213092	2,801.50	2,796.00	(5.50)
2552113122	2,785.00	2,224.00	(561.00)
2552113147	2,785.00	2,792.70	7.70
2552113163	765.40	1,058.00	292.60
2552213168	559.90	569.80	9.90
2552113178	771.50	793.00	21.50
2552113191	561.00	572.00	11.00
2552213192	992.00	1,231.00	239.00
2552113195	2,785.00	2,765.20	(19.80)
2552214007	1,126.20	1,119.60	(6.60)
2552214015	2,111.00	2,968.90	857.90
2552114028	2,067.80	2,050.20	(17.60)
2552214036	2,785.00	2,787.20	2.20
2552214044	3,037.50	2,663.00	(374.50)
2552214062	705.50	661.00	(44.50)
2552214076	2,937.50	2,943.00	5.50
2552114099	774.40	995.50	221.10
2552014109	761.20	1,022.40	261.20
2552214119	2,420.50	2,415.00	(5.50)
2552214137	952.40	1,154.80	202.40
2552114060	826.20	926.20	100.00
2552114072	2,571.20	2,569.00	(2.20)
2552114090	711.00	951.90	240.90

**Cause of Condition:** Policies and procedures have not been designed to adequately ensure the amounts billed for services are accurate, payments are applied correctly to patient accounts, and to ensure electronic payments are applied to proper accounts by the third party billing service.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, and the District under or over billing for ambulance services.

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**Recommendation:** OSAI recommends policies and procedures are designed and implemented over the third party billing process. Additionally, we recommend that the Board of Trustees (the Board) actively review the billing statements to ensure that correct amounts are billed and provide evidence of this review so as to mitigate some of the risk associated with having one individual perform all duties of billing accounts.

**Management Response:**

**Board:** We are working directly with our billing agent to obtain the amount billed at the time of billing to verify the correct amounts are being billed as well as being able to update the amount in our system.

**Criteria:** Effective internal controls require oversight by management to provide assurance that amounts billed are based upon the billing policies adopted by the Board, and the billing and collection process is monitored for correctness and completeness.

**Finding 2014-3 – Inadequate Internal Controls Over Disbursements (Repeat Finding)**

**Condition:** Based on discussion with District staff and observation of 50 randomly selected disbursements, we noted the following weaknesses with regard to the disbursement process:

- The Director is responsible for ordering supplies, receiving supplies, and preparing checks.

Of the 50 disbursements selected, the following exceptions were noted:

- Evidence of goods or services received was not documented in 9 instances on invoices.

**Cause of Condition:** Policies and procedures have not been designed to adequately segregate the duties over the disbursement process. Also, internal controls are inadequate to provide documentation of independent verification.

**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 some 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. Additionally, independent verification of invoices should be documented.

**Management Response:**

**Board:** We have assigned a secondary receiving officer to ensure a better segregation of duties. This issue was corrected prior to the auditor making mention of it.

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**Criteria:** Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated, and indication of goods and services being received should be documented.

An 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 untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

**Finding 2014-4 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)**

**Condition:** A test of 2 payroll periods reflected the following weaknesses:

- 14 out of 15 timesheets tested, lacked a documented supervisor review and employee signature.

Additionally, full-time employees receive an additional 12% of their salary compensation each payroll period. The description line on each employee's paycheck reads "Employment Retirement."

The policy states,

"It is the choice of the employee whether to receive for benefit; either health insurance for themselves only; fully paid by the EMS Board through Harper County, or in lieu of insurance to receive funds equal to 12% of their salary to be deposited into a retirement account as set up by the employee."

Finally, after reviewing payroll checks, it was determined each employee received extra pay in the form of "Safety Awards" during the month of November or December of each fiscal year.

- These "Safety Awards" were not described in the policy and procedures of the District.
- These "Safety Awards" were not approved by the Board in the Board minutes.
- Conditions required to earn such an award were not documented in a policy or Board minutes.

**Cause of Condition:** Policies and procedures have not been designed and implemented to provide reasonable assurance that payroll expenditures are properly recorded in the accounting records, including "Retirement" benefits approved by the Board, and a "Safety Award" policy and procedures established and approved by the Board.

**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:** OSAI recommends the District establish internal controls to provide reasonable assurance for the accurate and complete presentation of payroll expenditures in the financial records of the District, and establish policies and procedures for "Employee Retirement," and "Safety Awards."

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**Management Response:**

**Board:** We have set in place a policy that all employees must sign the register when they pick up their paychecks.

**Auditor Response:** Policies regarding all aspects of payroll should be implemented by the Board.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include key functions within a process be monitored to allow for prevention and detection of errors and abuse. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions.

An 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 untimely detection of unauthorized acquisition, use, or disposition of the entity's assets, and safeguarding assets from loss, damage, or misappropriation.

**Finding 2014-5 – Inadequate Internal Controls Over the Estimate of Needs**

**Condition:** Based on observation of the Estimate of Needs and verification of the revenue and disbursements for the period July 1, 2012 through June 30, 2014, we noted variances between the amounts recorded on the Estimate of Needs and the amounts recorded in the accounting records of the District. The variance for fiscal year 2013 was \$8,796.19 and the variance for fiscal year 2014 was \$9,904.67.

**Cause of Condition:** Policies and procedures have not been designed or implemented to allow the District Board or the Director to provide independent oversight with regard to the preparation of the Estimate of Needs.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation.

**Recommendation:** OSAI recommends that the District implement a system of internal controls to provide reasonable assurance that revenue, disbursements, and cash balances are accurately presented on the District's Estimate of Needs.

**Management Response:**

**Board:** The Board and Management will be seeking a source for independent oversight where the "Estimate of Needs" is concerned. At such time, there is only one accounting firm in our County that prepares this budget. Further education on this issue will be sought.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. 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,

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designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, safeguarding assets from misappropriation, and accurate financial reporting.

**Finding 2014-6 – Inadequate Internal Controls and Noncompliance Over the Bidding Process and Lease Purchase of Equipment (Repeat Finding)**

**Condition:** Upon inquiry of District staff and observation of the bidding process, it was noted the District purchased a 2013 Mercedes Type 5 Sprinter Ambulance for \$82,664.00 from Wheeled Coach through the dealer, Nebkan Specialty Vehicles of Salina, KS. To pay for this ambulance, the District entered into a Lease Purchase Agreement with Community First National Bank, Manhattan, Kansas on January 20, 2014. The District made a down payment of \$20,000.00 on March 4, 2014. The remaining \$62,664.00 was financed at 3.59%. The District has subsequently made one payment of \$22,405.39 on January 20, 2015. The remaining payments are \$22,405.39 which is due January 20, 2016 and a final payment of \$22,405.39 which is due January 20, 2017. The Director stated that the purchase was through a state contract.

However, the following discrepancies were noted:

- There is no evidence that the purchase was properly bid.
- There is no evidence that the District utilized the state bid contract or a Nationwide Bidding Program Contract.
- The District entered into a lease purchase agreement without statutory authority and without bidding the financing.

Additionally, the District submitted a grant proposal on May 10, 2012 to the State Department of Health for 2 Philips Heart Monitors for their ambulances. The District purchased 2 Philips Heart Monitors from Philips Healthcare with check #1414 for \$37,722.30, dated August 4, 2012. The District was reimbursed \$33,414.30 from the State Department of Health on May 21, 2013. The Director stated this purchase qualified as “sole source” and did not solicit bids for the equipment.

- The item did not qualify as a sole source item.
- The District did not follow the proper bidding requirements.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that expenditures in excess of statutory requirements be competitively bid in compliance with 19 O.S. § 1723. Further, policies and procedures have not been designed to enter into a lease-purchase agreement in compliance with 19 O.S. § 1723.

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

**Recommendation:** OSAI recommends that all purchases in excess of \$10,000\* be competitively bid in accordance with state statute. Furthermore; if a purchase in excess of \$10,000 is considered “sole source,” the District should document the steps taken in determining the qualifying item as “sole source.”

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**Management Response:**

**Board:** We contacted the auditor's office and believed that we were following the correct procedures for bidding as set forth by statute using a nationwide bidding program contract in lieu of going out for sealed bid. As for financing, we used the same lease purchase company that we had used for a prior lease purchase.

As for the finding of the monitors purchased on the grant, the grant narrative that was submitted detailed the specific purchase of two new Philips MP2 monitors to coincide with the equipment used by our local air service provider. Philips is the only company that makes the MP2 monitor, as specified in the grant proposal. We claimed that the item was sole source because the grant award was for 2 new Philips MP2 monitors.

**Auditor Response:** Documentation could not be provided that reflected a nationwide bidding program was utilized for the purchase of an ambulance. Further, grant applications should not be written in a manner that would exclude potential vendors from submitting a bid.

**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, which as of May 6, 2014 requires all purchases in excess of \$15,000 be competitively bid. Prior to May 5, 2014 the competitive bid threshold was \$10,000, and provides guidance with regard to the lease-purchase of equipment.



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