

STATUTORY REPORT

BUFFALO EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2015



*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

**BUFFALO EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED 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

January 3, 2018

**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 fiscal year ended June 30, 2015.

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

**BUFFALO EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2015

	FY 2015
Beginning Cash Balance, July 1	\$ 157,071
Add: Cash on hand not included in prior year	100
Beginning Cash Balance, July 1, restated	157,171
Collections	
Ad Valorem Tax	85,615
*Sales Tax Reimbursement	39,557
Charges for Services	132,511
Miscellaneous	225
Total Collections	257,908
Disbursements	
Personal Services	168,988
* Payroll Reimbursed by Sale Tax	39,557
Travel	1,483
Maintenance and Operations	50,965
Capital Outlay	48,425
Total Disbursements	309,418
Ending Cash Balance, June 30	\$ 105,661

* On November 8, 2011 the citizens of Harper County, approved a 1% sales tax for 5 years requiring 8% of collections be allocated to the District. The sales tax was used to reimburse payroll expenses of the District upon approval of the Harper County Board of County Commissioners.

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 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 2015 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 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 14, 2017

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

Finding 2015-2 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of Buffalo Emergency Medical Services District (the District), the following duties were not properly segregated:

- Receiving mail,
- Receiving funds and issuing receipts,
- Posting transactions,
- Preparing the deposit, and
- Reconciling of the bank statement.

Additionally, a test of five (5) deposits resulted in the following exceptions:

- Four (4) instances were noted where multiple payments were included on a single receipt making it not possible to trace the deposited amount to the receipted amount.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the collection process, and to ensure that all monies received and deposited are properly receipted.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets and execution of transactions and not accounting for payments on a single receipt 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 and Inspector’s Office (OSAI) recommends the Board 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 the Board’s oversight of office operations and a periodic review of operations. OSAI recommends the Board 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 the Board review and approve accounting functions: including issuing detailed receipts for funds collected, and review of the bank statement reconciliation by someone other than the preparer.

Management Response:

Chairman of the Board: The District contracted with the Harper County Community Hospital (HCCH) beginning October 1, 2017 to provide ambulance service for the District. HCCH has assumed the responsibility of collecting payments for patient accounts and has segregated those duties. Deposits are now made the date received if possible.

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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, and recording, should be segregated. A component of an effective internal control system is to provide accurate and reliable information through review of the bank statement reconciliations and issuance of receipts for each payment made.

Finding 2015-3 – Inadequate Internal Controls Over the Billing Process (Repeat Finding)

Condition: Upon inquiry of the District staff, observation of ambulance run sheets, billing records, and the test of thirty (30) ambulance runs resulted in the following exceptions:

- Prior to December 2014, the District did not issue receipts.
- Nine (9) of the amounts billed by the third-party billing agency did not agree to the amount calculated based on the Board approved fee schedule.

Run	Date of Service	Billing per OSAI Calculation	Amount Billed	Variance
2552214129	07/01/14	\$ 611.00	\$ 661.00	\$ 50.00
2552014133	07/07/14	\$ 828.40	\$ 862.00	\$ 33.60
2552114226	12/08/14	\$ 991.60	\$ 981.00	\$ (10.60)
2552015014	01/15/15	\$ 2,401.70	\$ 2,555.00	\$ 153.30
2552015029	02/04/15	\$ 1,580.80	\$ 1,880.80	\$ 300.00
2552015065	03/22/15	\$ 2,937.50	\$ 3,093.00	\$ 155.50
2552115070	04/09/15	\$ 848.60	\$ 876.60	\$ 28.00
2552015086	05/03/15	\$ 450.00	\$ 483.00	\$ 33.00
2552115097	05/22/15	\$ 457.70	\$ 463.20	\$ 5.50

- Nine (9) of the payments received were comingled with payments for other accounts and could not be traced to the deposit, due to receipts not being issued.

Run	Date of Service	Amount Paid
2552214129	07/01/14	\$ 471.11
2552014133	07/07/14	\$ 550.78
2552214152	08/08/14	\$ 403.45
2552214156	08/14/14	\$ 243.22
2552014169	09/05/14	\$ 1,321.27
2552214176	09/14/14	\$ 281.51
2552014186	09/26/14	\$ 984.70

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Run	Date of Service	Amount Paid
2552014200	10/09/14	\$ 2,391.50
2552114223	11/30/14	\$ 200.23

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all services provided are billed and amounts billed for services are accurate and receipts are issued for all payments received.

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, and the District under/over-billing for ambulance services.

Recommendation: OSAI recommends the District actively review the billing statements to ensure all services provided are billed and amount billed for services are accurate. In addition, OSAI recommends patient accounts be reviewed to ensure payments are received, properly receipted, and credited to patient accounts.

Management Response:

Chairman of the Board: The District contracted with HCCH beginning October 1, 2017 to provide ambulance service for the District. HCCH has assumed the responsibility of billing and receiving funds for patient accounts and has segregated those duties. The District is reviewing older patient accounts to determine the status of those accounts.

Criteria: Accountability and stewardship are overall goals of Board 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. Effective internal controls require oversight by Board to provide assurance that amounts billed are based upon the billing policies adopted by the Board, and the billing process is monitored for accuracy and completeness.

Finding 2015-4 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (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:

- Orders supplies,
- Receives goods/services,
- Posts disbursements to accounting records,
- Prepares checks, and
- Distributes checks to vendors.

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The test of twenty-five (25) disbursements, reflected the following exceptions:

- Eighteen (18) disbursements did not have any indication that goods and/or services had been received (i.e., receiving report, signature).
- The District issued safety awards totaling \$1,550.00 in December 2014; however, the District has not developed a written policy for safety awards.

Additionally, through discussion with District staff, checks for invoices received after the monthly Board meeting and payroll checks were signed and approved by three (3) Board members outside of the public open meeting.

Cause of Condition: The District has not designed and implemented policies and procedures to ensure proper segregation of duties, documentation, approval, and the receipt of goods and/or services, and compliance with state statutes regarding the Open Meeting Act and safety awards.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds.

Recommendation: OSAI recommends the Board 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 the Board's oversight of office operations and a periodic review of operations.

OSAI recommends that the District implement a system of internal controls to ensure all items received are reviewed for accuracy, and that all disbursements have Board approval and proper supporting documentation maintained for the Board's review and audit purposes. Additionally, OSAI recommends the Board develop a policy for the payment of incentive awards for safety-related job performance in accordance with 19 O.S. § 339(A)(11). Furthermore, we recommend that all checks are signed and approved by the Board during open meeting in accordance with 25 O.S. § 305.

Management Response:

Chairman of the Board: The District contracted with HCCH beginning October 1, 2017 to provide ambulance service for the District. HCCH has assumed the responsibility of purchasing and receiving goods and services. The District Board will develop a policy for safety awards.

Criteria: Accountability and stewardship are overall goals of the Board in the accounting of funds. 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. Internal controls should be established to analyze and check accuracy, completeness, authorization, and validity of transactions.

Title 19 O.S. § 339(A)(11) states, "To provide incentive awards for safety-related job performance. However, no employee shall be recognized more than once per calendar year and the award

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shall not exceed the value of Two Hundred Fifty Dollars (\$250.00); further, no elected official shall be eligible to receive a safety award;”.

Title 25 O.S. § 305 states, “In all meetings of public bodies, the vote of each member must be publicly cast and recorded.”

Finding 2015-6 – Inadequate Internal Controls Over the Payroll and Leave Process (Repeat Finding)

Condition: While gaining an understanding of the payroll and leave process of the District, it was noted that duties are not adequately segregated because one employee performed the following duties:

- Made all payroll changes,
- Input payroll into the accounting software,
- Printed payroll checks,
- Maintained personnel files,
- Maintained leave balances, and
- Distributed payroll checks.

Payroll

Based upon inquiry of the District staff, members of the Board, observation, and a review of eight (8) employee timesheets for the pay period of 07/01/2014 through 07/31/2014 reflected following weaknesses:

- Three (3) timesheets were not signed by employees.
- Eight (8) timesheets were not approved by the Director.

Vacation Leave

Based upon inquiry of the District staff and observation of timesheets the following was noted:

- Leave balances were not reported on the timesheets prior to April 2015.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties regarding the payroll and leave process. Additionally, policies and procedures have not been designed and implemented to ensure both employees and the director verify the accuracy of timesheets and leave balances.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions and no evidence of verification and approval of timesheets by the employee and/or the Director could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, and incorrect payment of wage and leave benefits.

Recommendation: OSAI recommends the Board 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

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duties. Compensating controls would include separating key processes and/or critical functions of the office, and having the Board's review and approval of accounting functions.

OSAI recommends the Board take steps to adequately segregate the following key accounting functions:

- Enrolling new employees and maintaining personnel files,
- Reviewing time records and preparing payroll, and
- Distributing payroll checks to individuals.

Additionally, OSAI recommends the District ensure each timesheet is verified by the employee and the Director for accuracy. OSAI also recommends the District ensure the leave ledger depicts the beginning balance, ending balance, and any accrued or used amounts for all employees in accordance with the policies of the District.

Management Response:

Chairman of the Board: The District contracted with HCCH beginning October 1, 2017 to provide ambulance service for the District. HCCH employs the staff and prepares the payroll records. The check stubs detail the leave accrual for each employee.

Criteria: Accountability and stewardship are overall goals of the Board in the accounting of funds. Effective internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions, including documentation of signed and approved timesheets for all employees and accuracy of leave, to allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated. An important aspect of internal controls is to ensure timekeeping records are accurately prepared and approved to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds. Additionally, the District should have an Employee Handbook documenting payroll and leave policies.

Finding 2015-7 – Inadequate Internal Controls Over Fixed Assets Inventory

Condition: Upon inquiry of District personnel, observation, and review of documentation, it was determined that:

- The Board did not establish a policy regarding accounting for fixed assets.
- There was no evidence of the District performing a physical inventory of fixed assets.

Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate internal controls over the fixed assets inventory.

Effect of Condition: Opportunities for loss and misappropriation of District assets may be more likely to occur when the District does not maintain supporting documentation of a physical fixed assets inventory.

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Recommendation: OSAI recommends the Board implement policies and procedures to account for fixed assets inventory owned by the District and maintain supporting documentation for fixed assets verification. OSAI further recommends all documentation be signed and dated by the individual performing the verification and the individual responsible for reviewing the accuracy of the documentation.

Management Response:

Chairman of the Board: The District contracted with HCCH beginning October 1, 2017 to provide ambulance service for the District. HCCH maintains and verifies the inventory of fixed assets.

Criteria: 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 acquisition, use, or disposition of fixed assets and safeguard assets from loss, damage, or misappropriation.



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