

STATUTORY REPORT

# BUFFALO EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2016



*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, 2016**

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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, 2016.

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, flowing style.

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 2016**

	<b>FY 2016</b>
Beginning Cash Balance, July 1	\$ 105,661
<b>Collections</b>	
Ad Valorem Tax	71,009
* Sales Tax Reimbursements	46,155
Charges for Services	150,469
Miscellaneous	171
Total Collections	267,804
<b>Disbursements</b>	
Personal Services	185,123
* Payroll Reimbursed by Sales Tax	46,155
Travel	1,488
Maintenance and Operations	45,419
Capital Outlay	22,405
Audit Expense	4,882
Total Disbursements	305,472
Ending Cash Balance, June 30	\$ 67,993

\* 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 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 2016 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 2016-2 – 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.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the collection process.

**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.

**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 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.

**Criteria:** Accountability and stewardship are overall goals of Board 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

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component of an effective internal control system is to provide accurate and reliable information through review of the bank statement reconciliations.

**Finding 2016-3 – Inadequate Internal Controls Over the Billing Process (Repeat Finding)**

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

- The District did not issue receipts in sequential order.
- 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 SAI Calculation	Amount Billed	Variance
2552115127	07/23/15	\$ 783.00	\$ 833.00	\$ 50.00
2552115154	08/28/15	\$ 774.40	\$ 856.00	\$ 81.60
2552115162	09/03/15	\$ 2,485.00	\$ 2,635.00	\$ 150.00
2552015168	09/23/15	\$ 1,978.30	\$ 2,006.30	\$ 28.00
2552015191	10/30/15	\$ 2,739.40	\$ 2,039.40	\$(700.00)
2552215209	12/03/15	\$ 566.50	\$ 572.50	\$ 6.00
2552216040	03/29/16	\$ 883.70	\$ 850.50	\$ (33.20)
2552016072	05/31/16	\$ 3,075.00	\$ 2,158.00	\$(917.00)
2552116074	06/06/16	\$ 455.50	\$ 461.00	\$ 5.50

- Four (4) of the District’s ambulance run sheets did not indicate the transport mileage; however, the patient was billed for miles transported.

Run	Mileage Amount	Date of Service
2552016005	\$ 33.00	01/15/16
2552016010	\$1,650.00	01/25/16
2552116019	\$ 218.80	02/21/16
2552116020	\$ 234.80	02/29/16

- The District was unable to locate four (4) of the ambulance run sheets.

Run	Date of Service
2552115206	11/28/15
2552215214	12/06/15
2552216060	04/29/16
2552016083	06/15/16



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- The third-party billing agency could not locate the billing information for five (5) ambulance runs.

Run	Date of Service
2552115206	11/28/15
2552215214	12/06/15
2552016025	03/06/16
2552216060	04/29/16
2552216091	06/15/16

- The third-party billing agency did not have record of sending a second billing for One (1) ambulance run.

Run	Date of Service
2552216040	03/29/16

**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.

**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 Board 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. Further, delinquent accounts should be reviewed by the Board to determine additional actions to initiate account settlement.

**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 the 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 the 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.

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**Finding 2016-4 – 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 performs 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.

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

- Ten (10) 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 \$1,950.00 in December 2015, however, the District has not developed a written policy for safety awards.

Additionally, through discussion with District staff, checks for invoice 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 in accordance with 25 O.S. § 305.

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**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 ordering, purchasing and receiving goods and services and has segregated those duties. 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 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 2016-6 – 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 and members of the Board, observation, and a review of ten (10) employee timesheets for the pay period of 11/01/2015 through 11/30/2015 reflected the following weaknesses:

- Eight (8) timesheets were not signed by employees.
- Ten (10) timesheets were not approved by the Director.
- Two (2) timesheets were signed by someone other than the employee or the Director.

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**Vacation Leave**

A test of four (4) full-time employees' leave balances for the pay period of 11/1/15 through 11/30/15 reflected the following weakness:

- Three (3) instances were noted in which leave balances on employees' timesheets varied from leave balances on check stubs.

<b>Employee</b>	<b>Timesheet Balance</b>	<b>Check Stub Balance</b>	<b>Variance</b>
Employee 1	180 hours	192 hours	12 hours
Employee 2	96 hours	168 hours	72 hours
Employee 3	36 hours	60 hours	24 hours

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

OSAI recommends management 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.

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**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 2016-7 - Inadequate Internal Controls Over Fixed Assets Inventory (Repeat Finding)**

**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.

**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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