

STATUTORY REPORT

# BUFFALO EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2017



*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, 2017**

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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, 2017.

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".

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 2017**

|                                   | <b>FY 2017</b> |
|-----------------------------------|----------------|
| Beginning Cash Balance, July 1    | \$ 67,993      |
| Collections                       |                |
| Ad Valorem Tax                    | 69,212         |
| *Sales Tax Reimbursements         | 31,356         |
| Charges for Services              | 103,962        |
| Miscellaneous                     | 1,881          |
| Total Collections                 | 206,411        |
| Disbursements                     |                |
| Personal Services                 | 187,513        |
| * Payroll Reimbursed by Sales Tax | 31,356         |
| Travel                            | 679            |
| Maintenance and Operations        | 38,752         |
| Capital Outlay                    | 8,500          |
| Audit Expense                     | -              |
| Total Disbursements               | 266,800        |
| Ending Cash Balance, June 30      | \$ 7,604       |

\* 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 2017 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 2017-2 – Inadequate Internal Controls Over the Collections 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.

A test of five (5) deposits resulted in the following exceptions:

- Four (4) checks were deposited more than a week after being receipted.
- Receipts are not issued in sequential order.

| Receipt Number | Receipt Date | Receipt Total | Day Deposited | Time Between Received and Deposited |
|----------------|--------------|---------------|---------------|-------------------------------------|
| 324609         | 01/10/17     | \$3,091.91    | 01/23/17      | 13 Days                             |
| 324612         | 01/17/17     | \$2,813.90    | 01/30/17      | 13 Days                             |
| 324615         | 01/31/17     | \$ 103.01     | 02/13/17      | 13 Days                             |
| 324616         | 01/31/17     | \$ 448.80     | 02/13/17      | 13 Days                             |

**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 depositing daily in sequential order 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.

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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 receipts for funds collected in sequential order 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.

**Criteria:** Accountability and stewardship are overall goals of the 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 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 in sequential order.

**Finding 2017-3 – Inadequate Internal Controls Over Billing Process (Repeat Finding)**

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

- Six (6) 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 | Billed    | Variance  |
|------------|-----------------|-----------------------------|-----------|-----------|
| 2552117015 | 02/14/17        | \$ 829.50                   | \$ 826.20 | \$ (3.30) |
| 2552217026 | 03/02/17        | \$ 926.60                   | \$ 924.40 | \$ (2.20) |
| 2552217048 | 04/07/17        | \$ 453.30                   | \$ 455.50 | \$ 2.20   |
| 2552217061 | 05/02/17        | \$ 713.20                   | \$ 716.50 | \$ 3.30   |
| 2552217071 | 05/29/17        | \$ 750.00                   | \$ 765.00 | \$ 15.00  |
| 2552217081 | 06/22/17        | \$ 455.50                   | \$ 465.00 | \$ 9.50   |

- The District was unable to locate one (1) of the ambulance run sheets.

| Run        | Date of Service |
|------------|-----------------|
| 2552217066 | 05/15/17        |

- One (1) of the run numbers was used twice.

| Run        | Date of Service |
|------------|-----------------|
| 2552216155 | 10/27/16        |

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- The third-party billing agency could not locate the billing information for one (1) ambulance run sheet.

| Run        | Date of Service |
|------------|-----------------|
| 2552216094 | 07/04/16        |

- Two (2) of the payments received were comingled with payments for other accounts and could not be traced to the deposit.

| Run        | Date of Service |
|------------|-----------------|
| 2552216179 | 07/04/16        |
| 2552217039 | 03/23/17        |

- The District did not issue receipts in sequential order.

**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, delinquent accounts are reviewed to determine the status of these accounts and receipts are issued in sequential order.

**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. Further, delinquent accounts should be reviewed 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 2017-4 – 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.

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).
- Ten (10) disbursements did not have any indication they were approved by all three (3) members of the Board.

Additionally, through discussion with District staff, checks for bills received after the monthly Board meeting and payroll checks were signed and approved by three (3) Board members outside of a 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 the state statute regarding the Open Meeting Act.

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

**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. Furthermore, we recommend that all checks are signed and approved by the Board during open meeting in accordance with O.S. 25 § 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 ordering, purchasing and receiving goods and services and has segregated those duties.

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

**Finding 2017-6 – 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 ten (10) employee timesheets for the pay period of 06/01/2017 through 06/30/2017 reflected the following weaknesses:

- Three (3) timesheets were not signed by employees.
- Ten (10) timesheets were not approved by the Director.

**Vacation Leave**

A test of three (3) fulltime employees’ leave balances for the pay period of 6/1/17 through 6/30/17 reflected the following weaknesses:

- All three (3) instances were noted where leave balances were reported on the timesheets but were not recorded on check stubs.

**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 could result in unrecorded transactions,

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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 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 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 2017-8 - 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 performed a physical inventory of fixed assets.

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- Eleven (11) out of thirteen (13) items selected did not have an inventory number affixed to the asset.

| Item                      | Inventory Number | VIN/Serial Number |
|---------------------------|------------------|-------------------|
| Ambulance Unit 21         | 302-103          | 1FDXE45FX3HA42195 |
| Ambulance Unit 22         | 302-105          | 1FDXF46R68ED93913 |
| Ambulance Unit 20         | 302.105          | WD3PE7CC4D5806442 |
| Smart Board               | 104-116          | SB608-H2076004    |
| Cot Stryker Hydraulic     | 599-304          | 90440759          |
| Phillips Cardiac Monitor  | 501-103          | US00561453        |
| Stair Chair               | 595-104          | 595-104           |
| Stair Chair               | 595-109          | 595-109           |
| Cot Stryker H-Frame       | 599-303          | 11039215          |
| Repeater for Base Station | 605-001          | 748813            |
| Radio VHF Base Station    | 601-203          | 869YEE1030        |

**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, including affixing inventory numbers to each fixed asset, 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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