



BUFFALO EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**BUFFALO EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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July 15, 2019

**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, 2018.

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 "Cindy Byrd".

CINDY BYRD, CPA
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 2018

	<u>EMS</u>	<u>Sales Tax</u>
Beginning Cash Balance, July 1	\$ 7,604	\$ 2,693
Collections		
Ad Valorem Tax	68,584	-
Charges for Services	95,391	-
Sales Tax Reimbursements	18,571	-
Sales Tax Apportionments	-	18,953
Donations	27,494	-
Miscellaneous	4,263	-
Total Collections	<u>214,303</u>	<u>18,953</u>
Disbursements		
Personal Services	54,971	-
Travel	320	-
Maintenance and Operations	12,664	-
Sales Tax Allocations	-	18,508
Contracted Services	144,338	-
Audit Expense	6,698	-
Total Disbursements	<u>218,991</u>	<u>18,508</u>
Ending Cash Balance, June 30	<u>\$ 2,916</u>	<u>\$ 3,138</u>

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

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Sales Tax of November 8, 2016

On November 8, 2016, the citizens of Harper County approved a 1% tax on the gross receipts of proceeds on certain sales as herein defined: providing for allocation of funds to Harper County OSU Extension, nine percent (9%); Harper County Free Fair, ten percent (10%); Harper County Rural Fire Association, eleven percent (11%); Buffalo EMS, eight percent (8%); Buffalo Senior Citizens, one-half of one percent (.5%); Laverne Senior Citizens, one-half of one percent (.5%); Harper County Rural Development Council, two percent (2%); Laverne Delphian Municipal Library, one-half of one percent (.5%); Buffalo Public Library, one-half of one percent (.5%); Harper County Health Department, fourteen percent (14%); and Harper County General Fund, thirty six percent (36%). The tax imposed herein shall expire after sixty (60) months; defining terms, allocating funds, prescribing procedures, remedies, lien and fixing penalties, fixing an effective date; making provisions separable, and declaring an emergency.

The Buffalo Emergency Medical Service District was allocated \$18,953.07 during the fiscal year. These proceeds are accounted for in the County Sales Tax – Buffalo EMS Fund of Harper County.

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 2018 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 4, 2019

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

Finding 2018-001 – Internal Controls and Noncompliance Over the Open Meeting Act

Condition: Based upon a review of the Buffalo Emergency Medical Service District (the District) Board minutes and agendas, the following weaknesses were noted:

- Board minutes for July 24, 2017, January 2, 2018, and May 5, 2018 meetings could not be located.
- Four (4) regular meetings were held at a location other than the scheduled location filed with the Harper County Clerk. The District did not notify the County Clerk of the changes in meeting locations.

Cause of Condition: Policies and procedures have not been designed and implemented to provide internal controls over the documentation of approval and safeguarding of District Board minutes and agendas in compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with the state statutes regarding the Open Meeting Act concerning the approval and retention of Board Minutes and Agendas. Additionally, the failure to provide adequate internal controls over documentation and approval of District Board Minutes could result in inaccurate records.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the District Board hold meetings at dates, times, and locations filed with the Harper County Clerk, sign the Board minutes as approved by the Board and maintain signed minutes in a safe and secure location in an orderly manner as provided by the Open Meetings Act, 25 O.S. § 311 and 312.

Management Response and Chairman of the Board: The District Board has filed with the Harper County Clerk’s office a list of the 2019 regular Board meetings and the meeting location. The approved and signed Board minutes are now filed for safekeeping at the Harper County Community Hospital.

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 documentation and safeguarding of the Board minutes.

25 O.S. § 311(A)(8) states: “If any change is to be made of the date, time or place of regularly scheduled meetings of public bodies, then notice in writing shall be given to the Secretary of State or county clerk or municipal clerk, as required herein, not less than ten (10) days prior to the implementation of any such change.”

25 O.S. § 312(A) states: “The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting

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shall be open to public inspection and shall reflect the manner and time of notice required by this act.”

Finding 2018-003 – Internal Controls and Noncompliance Over the Collection Process and Daily Depositing of Funds (Repeat Finding)

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of the District, it was noted that prior to October 1, 2017, the following duties were not properly segregated:

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

A test of eight (8) deposits reflected receipts were not issued in sequential order.

Additionally, the test of twelve (12) ad valorem tax deposits reflected five (5) deposits were made between four (4) and twelve (12) days after the Harper County Treasurer issued the warrant.

Cause of Condition: Policies and procedures have not been designed and implemented to segregate duties over the collection process, ensure receipts are issued for collections in sequential order, ensure deposits are made daily, and provide evidence of a review and Board approval of the bank statement reconciliation, investment activity, and financial statements.

Effect of Condition: These conditions resulted in noncompliance with state statute. Additionally, 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: OSAI recommends the District Board be aware of these conditions and realize that the 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 can perform all accounting functions. If 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 receipts in sequential order for funds collected and review of the bank statement reconciliation by someone other than the preparer.

Further, funds should be deposited daily in accordance with 62 O.S. § 517.3 B.

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Management Response: The District’s daily operations have been contracted with Harper County Community Hospital (HCCH) as of October 1, 2017. The contractor, HCCH, has divided the duties so that no one person has control over the entire accounting process.

Chairman of the Board: The Board has contracted with HCCH and assumed these duties as of October 1, 2017.

Auditor Response: Although the District has contracted ambulance service with HCCH, the responsibility of the Board include oversight over the collections and daily depositing of funds. OSAI recommends the Board be aware of these conditions and realize that the concentration of duties and responsibilities in a limited number of individuals is not desired for effective internal controls and daily deposits are required in accordance with 62 O.S. § 517.3 B.

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 the regard to reliability of financial reporting, including segregation of duties, independent verification and documentation of review. Key factors in this system are issuing receipts in sequential order and depositing funds in a timely manner to safeguard collections from possible misappropriation and maintain complete and accurate records.

Title 62 O.S. § 517.3 B states in part “The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office ...”

Finding 2018-004 – Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: While gaining an understanding of the disbursement process of the District prior to October 1, 2017, one employee performed the following duties:

- Ordered supplies,
- Received good and/or services,
- Posted disbursements to accounting records,
- Prepared checks, and
- Distributed checks to vendors.

Additionally, a test of forty-seven (47) disbursements reflected the following exceptions:

- One (1) instance was noted in which supporting documentation for a disbursement could not be located.
- Two (2) instances were noted in which the District paid sales tax on purchases.
- Two (2) instances were noted in which the District paid finance charges totaling \$156.00, due to late payment of invoices.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure disbursements are supported by adequate documentation, adherence to state statute regarding the exemption of sales tax, and timely payment of invoices.

Effect of Condition: These conditions resulted in noncompliance regarding the exemption of sales tax on purchases and 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 implement a system of internal controls to ensure that all disbursements are supported by adequate documentation, adhere to Title 68 O.S. § 1356 (1) regarding the exemption of sales tax, and invoices are paid timely to avoid the payment of late fees.

Management Response: These duties were assumed by HCCH as of October 1, 2017 and are in effect as of the date of fieldwork.

Chairman of the Board: These duties are now handled by HCCH.

Auditor Response: Although the District has contracted ambulance service with HCCH, the responsibility of the Board includes oversight over the disbursement process. OSAI recommends the Board be aware of these conditions and realize that the concentration of duties and responsibilities in a limited number of individuals is not desired for effective internal controls, proper supporting documentation should accompany purchase orders, late fees should be avoided by promptly paying invoices, and purchases are exempt from sales tax in accordance with Title 68 O.S. § 1356 (1).

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 regarding the reliability of financial reporting. Further, an important aspect of internal controls is to ensure that all disbursements are supported by adequate documentation, adhere to state statute regarding the exemption of sales tax, and invoices are paid timely.

Title 68 O.S. § 1356 (1) states, "There are hereby specifically exempted from the tax levied by Section 1350 et seq. of this title:

1. Sale of tangible personal property or services to the United States government or to the State of Oklahoma, any political subdivision of this state or any agency of a political subdivision of this state; provided, all sales to contractors in connection with the performance of any contract with the United States government, State of Oklahoma or any of its political subdivisions shall not be exempted from the tax levied by Section 1350 et seq. of this title, except as hereinafter provided."

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Finding 2018-005 – Internal Controls Over Timesheets and the Payroll Process (Repeat Finding)

Condition: While gaining an understanding of the payroll process of the District prior to October 1, 2017, one employee performed the following duties:

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

Additionally, a review of timesheets for seven (7) employees for the pay period of August 30, 2017 to September 29, 2017 reflected the following exceptions:

- The hours recorded as worked on two (2) timesheets were incorrectly calculated based on payroll documentation.
- Six (6) timesheets were not signed as reviewed by the Director.

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 that the Director verifies the accuracy of timesheets.

Effect of Condition: These conditions resulted in inaccurate records and incomplete information and could result in misappropriation of assets. Additionally, 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: OSAI recommends the District 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 can perform all accounting functions. If 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. OSAI also recommends the District ensure timesheets are verified and signed by the supervisor for accuracy.

Management Response: The District daily operations have been contracted to HCCH as of October 1, 2017. HCCH has divided the duties of payroll among the employees of HCCH and no one person has complete control over the payroll process.

Chairman of the Board: The duties of the payroll process were assumed by HCCH as of October 1, 2017.

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Personnel are employed by the ambulance service contract provider, HCCH.

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 the regard to reliability of financial reporting, including segregation of duties, independent verification and documentation of review. Key factors in this system include adequate evidence of the review of accuracy of timesheets by the District.

Finding 2018-006 – Internal Controls Over Fixed Asset Inventory (Repeat Finding)

Condition: Upon inquiry of the District staff, observation, and review of the of the District's fixed assets inventory records, the following weaknesses were noted:

- The District has not established a dollar threshold for the inventory of fixed assets.
- Periodic physical inspection of fixed assets inventory was not performed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory is properly accounted for, maintained, and updated regularly by the District.

Effect of Condition: These conditions could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

Recommendation: OSAI recommends that the District implement policies and procedures to establish a dollar threshold to record fixed assets and accurately maintain fixed assets inventory records. Additionally, an annual physical verification of assets should be performed and documented. Further, Board minutes should reflect the Board's approval of the disposition of fixed assets.

Management Response: The Board is going to implement policies and procedures to maintain and verify accurate fixed assets listing. The Board will approve additions and deletions from the fixed assets listing.

Chairman of the Board: The Board will establish a dollar threshold for adding and deleting from the fixed assets listing and update the existing fixed assets list.

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

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