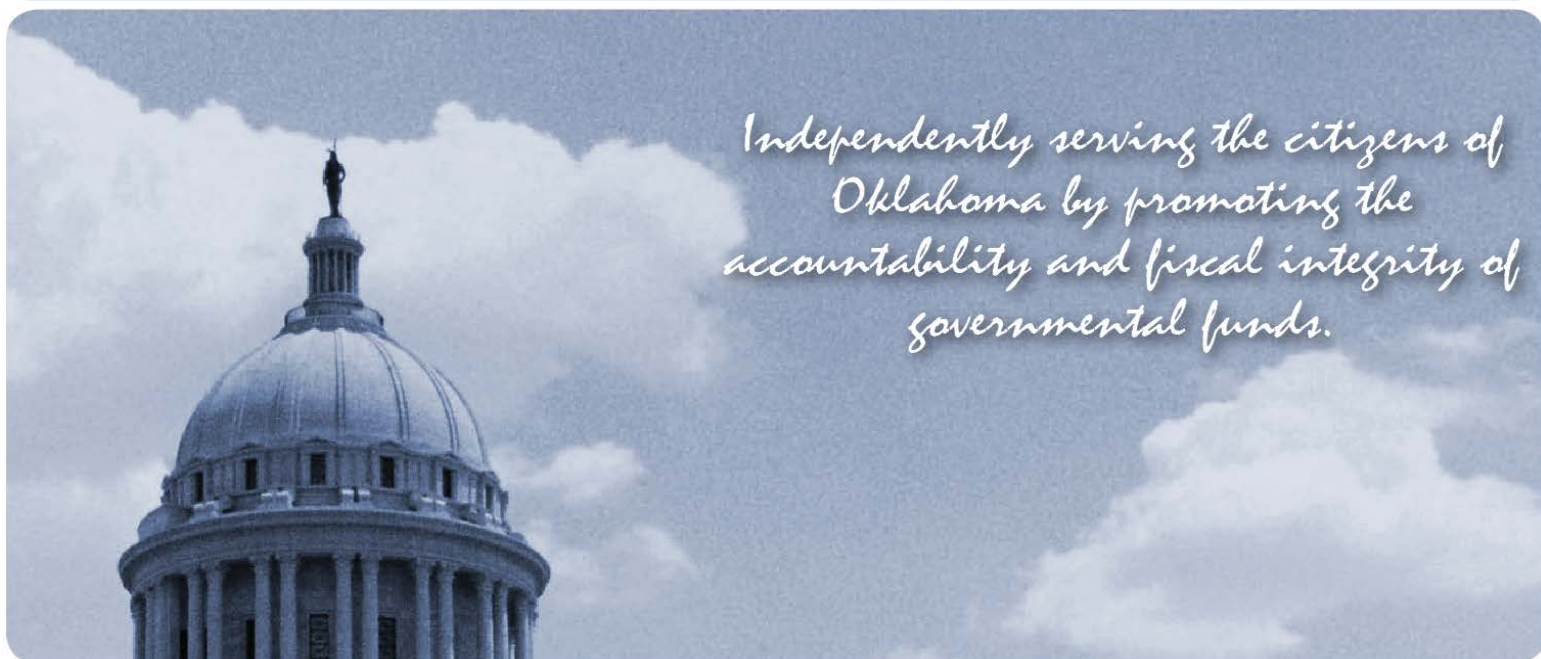


STATUTORY REPORT

BUTLER 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

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



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 30, 2018

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

Transmitted herewith is the audit report of Butler 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". 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

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017

	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ 119,849
Collections	
Ad Valorem Tax	46,973
Charges for Services	837
Miscellaneous	<u>280</u>
Total Collections	<u>48,090</u>
Disbursements	
Personal Services	33,450
Maintenance and Operations	24,371
Audit Expense	<u>4,418</u>
Total Disbursements	<u>62,239</u>
Ending Cash Balance, June 30	<u>\$ 105,700</u>

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



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

Butler Emergency Medical Service District
P.O. Box 121
Butler, Oklahoma 73625

TO THE BOARD OF DIRECTORS OF THE BUTLER 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 Butler 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 Butler 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 Butler 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

October 16, 2017

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-1 – Inadequate Internal Controls and Noncompliance Over Board Meeting Documentation (Repeat Finding)

Condition: Upon inquiry of the District Administrator and review of the District’s Board meeting agendas and minutes, the following weaknesses were noted:

- Eight (8) monthly Board meeting minutes were not signed as approved by the Board members.
- Two (2) monthly Board meeting minutes were signed only by the District Board Secretary.
- Eleven (11) monthly meeting agendas were not signed as approved by the Board.
- The District Board approves the Treasurer’s Report presented; however, there is a lack of audit evidence of any review or approval on the documents.

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

Effect of Condition: These conditions resulted in noncompliance with the state statute regarding the Open Meeting Act concerning the approval and retention of Board meeting minutes. Inadequate 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 meeting minutes be reviewed for accuracy and signed as verification of this review, and maintained in a safe and secure location in accordance with Title 25 O.S. § 312.A.

Management Response:

Chairman of the Board: These conditions have been addressed by the Board and a change has been implemented. A copy of the previous Board minutes and current agenda are presented to the Board for approval as evidenced by signatures at each meeting by the Board Secretary. The Board Treasurer now secures signatures of Board members as evidence of review and approval on all purchase orders, deposits, and disbursements.

Criteria: Accountability and stewardship are overall goals of the Board in the accounting of funds. A component objective of an effective control system is to provide accurate and reliable information through proper documentation and safeguarding of the Board Minutes.

According to the Open Meeting Act, Title 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 shall be open to public inspection and shall reflect the manner and time of notice required by this act.”

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 the District, it was noted that the following duties were not properly segregated:

- Receiving mail,
- Receiving funds and issuing receipts,
- Posting transactions,
- Preparing the deposit,
- Reconciling of the bank statement, and
- Receipts are not issued for all monies received.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the collections process, to ensure funds are deposited on a timely basis, 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, execution of transactions, and receipts not being issued 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 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 receipts for funds collected, timely deposits and review of the bank statement reconciliation by someone other than the preparer.

Management Response:

Chairman of the Board: Due to the limited personnel that is willing to volunteer for such a thankless, time consuming position, it makes it hard to conform to the recommendations of the State Auditor. Except for the occasional memorial donation, which is receipted and sent to the bank for deposit, all other payments are direct deposits by the various insurance sources.

Auditor Response: We are aware of the District's dedicated volunteers that have served the District. However, we again recommend, the Board review and approve accounting functions; including issuing receipts for funds collected, timely deposits and review of the bank statement reconciliation by someone other than the preparer.

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 receipts with monies being receipted, and deposits being made in a timely manner and review of the bank statement reconciliation.

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

Condition: Upon inquiry of the District Administrator and observation of ambulance run sheets and billing records, the test of twenty-five (25) ambulance runs resulted in the following exceptions:

- In twenty-one (21) instances, no payments for ambulance runs were collected during the fiscal year.
- Four (4) ambulance runs were not sent to the third-party billing agency in a timely manner.

Ambulance Run Number	Date of Service	Date Received by Billing Agency
3552017000009-1	03/24/17	06/01/17
3552017000012-1	03/25/17	06/01/17
3552017000013-1	03/28/17	06/01/17
3552017000017-1	04/20/17	07/01/17

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all services provided are billed in a timely and accurate manner.

Effect of Condition: These conditions resulted in unrecorded transactions, misstated financial reports, clerical errors and the District under/over-billing for ambulance services, and could result in misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the District actively review the status of the ambulance runs billing to ensure all services provided are billed in a timely and accurate manner.

Management Response:

Chairman of the Board: New procedures will be implemented by the Board to try to avoid any recurrence of the problems noted in this finding. A second reviewer will be added to review ambulance run reports prior to forwarding the paperwork to the third-party billing company for processing.

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

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

Finding 2017-4 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Although the District has made efforts to implement mitigating controls including checks signed by two Board members and bank statements mailed to and reviewed by the Treasurer, a concentration of duties and responsibilities continues to exist within the duties of the Board Secretary.

While gaining an understanding of the disbursement process of the District, it was noted that the Board Secretary performs the following duties which were not properly segregated:

- Orders goods and services, and
- Compares good/services received to the invoice.

Additionally, it was noted that the District Treasurer performs the following duties which were not properly segregated:

- Prepares the purchase order,
- Reconciles the bank account, and
- Is an authorized signor on the bank account.

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

- Twenty-five (25) did not have any evidence of a receiving signature/verification of accuracy of the invoice.

Cause of Condition: The District has not completely designed and implemented policies and procedures to sufficiently segregate the disbursement process regarding the ordering and receiving of goods and services. Policies and procedures have not been designed to ensure all claims are filed with sufficient supporting documentation for recordkeeping and audit related needs.

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: 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

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Also, OSAI recommends the District implement a system of internal controls to ensure that all disbursements have proper supporting documentation, regarding the ordering and receiving of goods and services.

Management Response:

Chairman of the Board: Due to the limited number of volunteers, some duties are completed by the same person. However, a second volunteer is now required by the Board to be present when a supply order is received and verified to the packing slip or invoice.

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 regard to the reliability of financial reporting. Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. In addition, key factors in this system are having supporting documentation maintained as evidence of receipting of goods and services.

Finding 2017-5 – Inadequate Internal Controls Over Fixed Assets Inventories (Repeat Finding)

Condition: Upon inquiry and observation of fixed asset inventory items, we noted the following weaknesses:

- The original cost of items and serial numbers were not reflected on the fixed assets inventory list.
- Evidence of an annual fixed asset inventory verification was not retained.

Cause of Condition: Policies and procedures have not been designed and implemented to provide for accurate inventory records and the safeguarding of fixed asset items.

Effect of Condition: When fixed assets are not monitored, opportunities for misuse or loss of equipment can occur.

Recommendation: OSAI recommends the Board implement internal controls over maintaining a complete and accurate fixed asset inventory list and the performance and documentation of a periodic inventory of fixed assets.

Management Response:

Chairman of the Board: The Board will generate and maintain a more detailed inventory of fixed assets.

Criteria: 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.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV