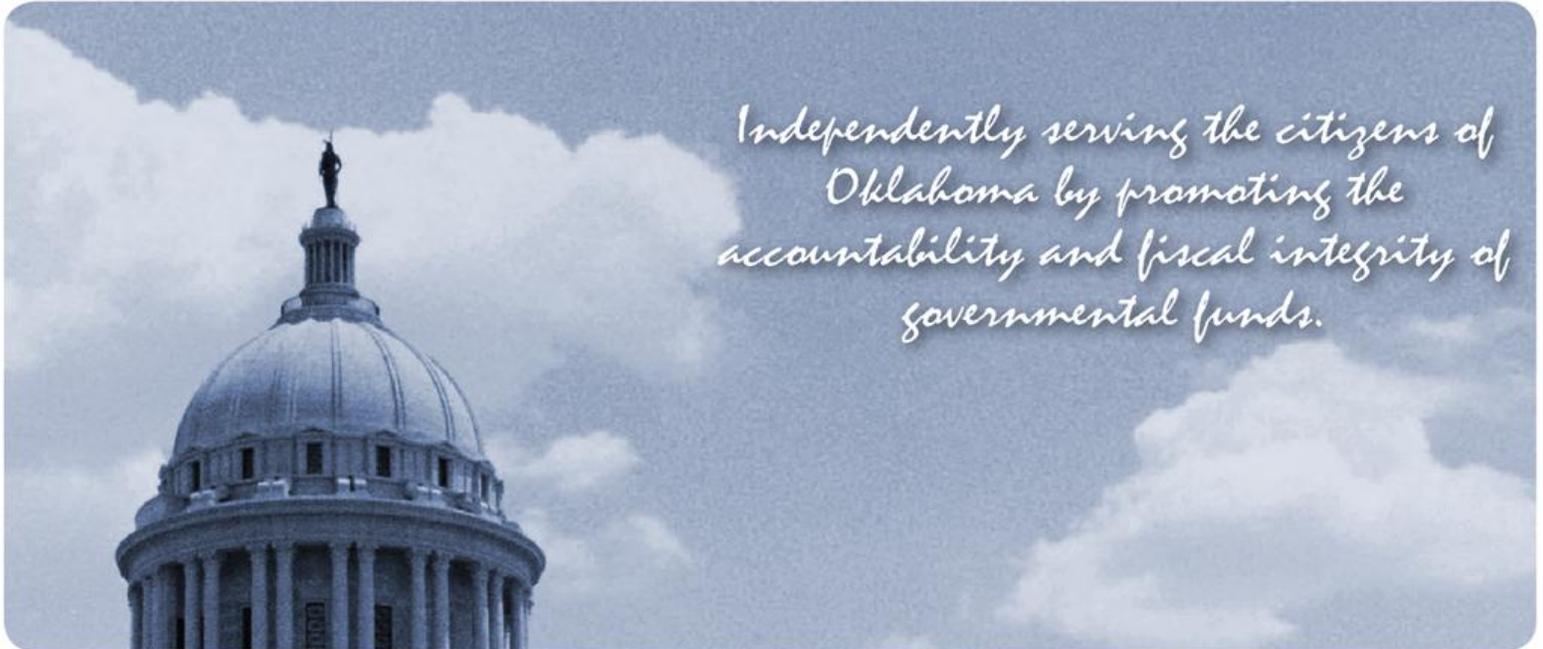


STATUTORY REPORT

BUTLER EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2012 through June 30, 2015



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2012 THROUGH 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

July 20, 2016

**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 period of July 1, 2012 through 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, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2013, FY 2014, and FY 2015

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Beginning Cash Balance, July 1	\$ 63,184	\$ 55,120	\$ 81,677
Collections			
Ad Valorem Tax	38,703	43,970	39,373
Miscellaneous	3,987	15,062	14,584
Total Collections	<u>42,690</u>	<u>59,032</u>	<u>53,957</u>
Disbursements			
Personal Services	28,715	28,003	27,750
Maintenance and Operations	16,872	4,472	18,656
Audit Expense	5,167	-	-
Total Disbursements	<u>50,754</u>	<u>32,475</u>	<u>46,406</u>
Ending Cash Balance, June 30	<u>\$ 55,120</u>	<u>\$ 81,677</u>	<u>\$ 89,228</u>

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



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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 2013, FY 2014, and FY 2015 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, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

June 6, 2016

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2012 THROUGH JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-1 - Inadequate Internal Controls Over the Disbursements Process (Repeat Finding)

Condition: Upon inquiry of the District Board Secretary, observation of the District's disbursements process, and the test of 30 of the 145 disbursements for the audit period, we noted the following weaknesses in internal control:

- Duties are not adequately segregated with regard to purchasing, because one employee prepares purchase orders, orders items and receives items.
- Invoices are not signed and dated acknowledging the receipt and verification of goods and/or services.

During the review of Board Meeting Minutes, we noted the following weaknesses in internal controls:

- The District Board approves the Treasurer's Report presented; however, for the fiscal year 2014 and the fiscal year 2015, there is a lack of audit evidence of any review or approval on the documents.
- Several times throughout each year audited, the President and other Officers of the Board did not sign the minutes of the meeting.
- The renewal of the Service Contract for billing is not discussed in the Board Meetings, nor is an annual contract signed by the District and the provider.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregating the duties over the disbursements and ensuring goods and/or services are visually verified upon receipt. Further, procedures have not been implemented to ensure Treasurer's Reports being reviewed and approved. Policies have not been implemented to ensure Board Meeting Minutes are signed by Board members. Also, policies and procedures have not been designed and implemented with regard to the Service Contract being approved in Board Meetings and an annual contract being signed by both parties.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Review processes implemented by the District should be evidenced by initials and dates by the reviewer. OSAI also recommends the District ensure the documentation of verification of goods and/or services and all reports received by the District.

With regard to the Service Contract, OSAI recommends the contract be reviewed annually and approved in Board meetings and that the contract is signed by a representative of the District and by a representative of the Service for billing.

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Management Response:

Vice Chairman and Treasurer of the Board:

- Policies and procedures will be implemented to ensure duties are segregated with regard to purchasing.
- Invoices will be signed and dated.
- The District Treasurer's monthly report will be signed by the Treasurer and at least one Board member.
- The Board will ensure Board Meeting Minutes are signed by Board Members.
- We will contact the billing service and request that a contract be signed each year.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds a single person should not have responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions. Also, an important aspect of internal controls is the safeguarding of assets. A safeguarding of assets constitutes a process affected by an entity's governing body and management to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions or the misappropriation of funds. This would include Service Provider Contracts.

Finding 2015-2 – Inadequate Internal Controls and Noncompliance Over the Audit Expense Account

Condition: A review of the District's Estimate of Needs for the period audited reflected the District did not calculate or appropriate funds to the audit expense account. The audit expense account was under funded by \$5,166.99 for the amount that is required by 19 O.S. § 1706.1.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the audit expense account is accurately budgeted.

Effect of Condition: This condition resulted in noncompliance with state statute.

Recommendation: OSAI recommends management be aware of this condition and implement a system of internal control to provide reasonable assurance that one-tenth mill upon the net total assessed valuation be set aside in the audit expense account and that any unused portion be carried forward into the next year audit account.

Management Response:

Vice Chairman and Treasurer of the Board: In the future, the Board will ensure the budget is accurately prepared and reviewed.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
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Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mil annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregating the duties over aspects of the collection process and issuing receipts for each collection.

Effect of Condition: These conditions including lack of segregation of duties and lack of issuing receipts for collections could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individual is not desired from a control point of view. In the event a segregation of duties is not possible, OSAI recommends implementing compensating controls such as the implementation of review processes of key accounting functions and issuing receipts for each collection.

Management Response:

Vice Chairman and Treasurer of the Board: From this date forward, at least two members will sign and date all deposits and receipts.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, preparing patient accounts, performing the billing process, posting to patient accounts, and issuing receipts and transaction authorization should be segregated.

Further, an important aspect of internal control is the safeguarding of assets including issuing pre-numbered duplicate receipts for collections. Safeguarding of assets constitutes a process affected by an entity's governing body and management to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions or the misappropriation of funds

**BUTLER EMERGENCY MEDICAL SERVICE DISTRICT
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Finding 2015-4 – Inadequate Internal Controls Over Fixed Assets Inventories (Repeat Finding)

Condition: Upon inquiry and observation of fixed asset inventory items, we noted the original cost of items and serial numbers are not reflected on the fixed asset inventory sheet.

Cause of Condition: 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 management implement internal controls over the performing and documenting of periodic inventory of fixed assets. Additionally, the key functions of receiving duties and inventory control duties should be performed by separate employees in order to effectively segregate those duties.

Management Response:

Vice Chairman and Treasurer of the Board: Effort will be made to ensure a complete and accurate fixed asset inventory list is available containing original costs and serial numbers for all items.

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.



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