



BUTLER EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

January 21, 2020

**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, 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



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

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2018

	<u>FY 2018</u>
Beginning Cash Balance, July 1	<u>\$ 105,700</u>
Collections	
Ad Valorem Tax	55,618
Charges for Services	2,348
Miscellaneous	<u>1,656</u>
Total Collections	<u>59,622</u>
Disbursements	
Personal Services	35,480
Maintenance and Operations	24,585
Audit Expense	<u>2,986</u>
Total Disbursements	<u>63,051</u>
Ending Cash Balance, June 30	<u>\$ 102,271</u>

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

Butler Emergency Medical Service District
P.O. Box 121
Butler, OK 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 charges for services were billed and collected in accordance with District Policies.
- 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 for the fiscal year ended June 30, 2018, 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 and 61 O.S. §101-139.
- 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 the fiscal year ended June 30, 2018 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 17, 2019

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

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-001 – Internal Controls Over the Collections Process (Repeat Finding)

Condition: Upon inquiry of the Butler Emergency Medical Service District (the District) Board Secretary and 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,
- Preparing deposits, and
- Preparing the Monthly Financial Report.

Additionally, receipts were not issued for ad valorem tax collections, payments on patient accounts, or donations received.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the collections process and to ensure funds received 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: The Oklahoma State Auditor and Inspector’s Office (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 from a control point of view. Additionally, 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 for funds collected.

Management Response: The District Board chose not to respond to this finding.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

Criteria: The GAO Standards – Principal 10 – Design and Control Activities – 10.03 states part:

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

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Finding 2018-002 – Internal Controls Over the Billing Process (Repeat Finding)

Condition: Upon inquiry of the District staff, third-party billing service, and the test of twenty (20) ambulance runs, the following exceptions were noted:

- The third-party billing service was unable to identify one ambulance run randomly selected for review and stated they had not received the ambulance run report for billing purposes.
- The District did not inform the third-party billing service of payments received on patient accounts; therefore, the billing service was not aware of account balances or the need for second billings.
- The District retained the services of a third-party to perform the billing for ambulance services; however, the District did not communicate to the third-party billing service payments received on accounts during the audit period. Patient account balances were not maintained on a regular basis.
- The District did not have proper documentation submitted to Medicare/Medicaid during the audit period and was unable to collect payment for services for those ambulance service runs.
- Patient account balances written-off as uncollectable were not approved by the Board.

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, proper documentation is provided to the third-party billing service for payment on account and amounts written off are approved by the Board.

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.

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

Recommendation: OSAI recommends the District design and implement procedures to actively review the status of the patient account billing to ensure all services provided are billed in a timely and accurate manner and approve amounts written off as uncollectible. Additionally, OSAI recommends patient account balances be monitored and maintained on a regular basis and all receipts to be posted to a patient's account and communicated to the third-party billing company in a timely manner to ensure proper billing.

Management Response: The District Board chose not to respond to this finding.

Criteria: The GAO Standards – Principal 13 –Information and Communication - 13.04 states:

Relevant Data from Reliable Sources

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.

Finding 2018-003 –Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Although the District has made efforts to implement mitigating controls over the disbursement process, including implementing policies and procedures whereby checks are signed by two Board members and bank statements are 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:

- Ordered goods and services, and
- Compared good/services received to invoice.

Additionally, a test twenty-five (25) disbursements reflected the following weaknesses:

- Six (6) instances were noted where claims submitted for reimbursement did not contain evidence of being reviewed for accuracy.
- One (1) instance was noted where the Board reimbursed an employee for mileage expenses that occurred in the prior fiscal year.

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

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

services. Also, policies and procedures have not been designed to ensure all claims are filed with sufficient supporting documentation and contain evidence of a review for accuracy. In addition, the Board has not developed procedures to ensure claims are submitted and paid within the proper fiscal year.

Effect of Condition: These conditions resulted in noncompliance with state statutes. 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, reimbursement 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 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 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 and reimbursements are made properly and in a timely manner.

Management Response: The District Board chose not to respond to this finding.

Criteria: The GAO Standards – Principal 10 – Design and Control Activities – 10.03 states part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

The GAO Standards – Principal 13 – Information and Communication – 13.04 states:

Relevant Data from Reliable Sources

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance

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

related. Management obtains data on a timely basis so that they can be used for effective monitoring.

Title 68 O.S § 3019 states, "...The several items of the estimate as made and approved by the excise board for each fiscal year shall constitute and are hereby declared to be an appropriation of funds for the several and specific purposes named in such estimate, and the appropriations thus made shall not be used for any other fiscal year or purposes whatsoever..."

Finding 2018-004 – Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)

Condition: Upon inquiry of the District Board Secretary and observation of fixed asset inventory items, the following weaknesses were noted:

- 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 fixed asset 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 maintaining a complete and accurate fixed asset inventory list and the performance and documentation of a periodic inventory of fixed assets.

Management Response: The District Board chose not to respond to this finding.

Criteria: The GAO Standards – Section 1 – Fundamental Concepts of Internal Control – OV2.24 states in part:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

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