

STATUTORY REPORT

CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2011 through June 30, 2013



*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

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2011 THROUGH JUNE 30, 2013**

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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 9, 2014

**TO THE BOARD OF DIRECTORS OF THE
CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Canton-Longdale Emergency Medical Service District for the period July 1, 2011 through June 30, 2013

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

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT
 STATUTORY REPORT
 JULY 1, 2011 TO JUNE 30, 2013**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2012 and FY 2013

	<u>FY 2012</u>	<u>FY 2013</u>
Beginning Cash Balance, July 1	\$ 135,703	\$ 102,428
Collections		
Ad Valorem Tax	55,324	98,004
Charges for Services	12,809	41,221
Miscellaneous	651	2,903
Total Collections	<u>68,784</u>	<u>142,128</u>
Disbursements		
Personal Services	54,067	53,592
Travel	1,097	632
Maintenance and Operations	27,661	27,338
Capital Outlay	16,716	541
Audit Expense	2,518	688
Total Disbursements	<u>102,059</u>	<u>82,791</u>
Ending Cash Balance, June 30	<u>\$ 102,428</u>	<u>\$ 161,765</u>

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



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Canton-Longdale Emergency Medical Service District
P.O. Box 39
Canton, Oklahoma 73724

TO THE BOARD OF DIRECTORS OF THE CANTON-LONGDALE 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 2012 and FY 2013 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Canton-Longdale 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 Canton-Longdale 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 Canton-Longdale 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

November 1, 2013

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2011 TO JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2013-1 – Inadequate Internal Controls Over Receipting, Depositing, and Reconciling Revenue

Condition: The Canton-Longdale Emergency Medical Service District (the District) is a service that has a very limited staff. The accounting and administrative duties are shared by two emergency medical technicians, that are also husband and wife. Based upon inquiry and observation of the receipting process, the following was noted:

- One individual receives the mail, opens the mail, writes receipts, prepares the deposit, credits customer's accounts, takes the deposit to the bank and reconciles the bank statement to the accounting records.

Cause of Condition: Procedures have not been designed to adequately segregate the duties of receiving, depositing, posting to accounts, and reconciling revenue received to accounting records.

Effect of Condition: This condition 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 & Inspector's Office (OSAI) recommends that management 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 management review and approval of accounting functions. We recommend evidence of the Board's review process be clearly documented so as to provide a mitigating control over the lack of segregation of duties for the receipting, depositing, and reconciling processes.

Management Response: All business operations, deposits, purchases, claims, and payments are reviewed by the Board monthly. All checks issued require the signature of two board members, and all bank statements are reviewed and initialed by all present board members.

Auditor Response: The duties regarding the collections process are not adequately segregated.

Criteria: 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. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2011 TO JUNE 30, 2013**

Finding 2013- 2 – Inadequate Internal Controls Over Charges for Services

Condition: Based on observation of billing records and discussion with District staff, we determined that duties of the billing process are not segregated, but are the responsibility of one individual.

- One individual calculates the mileage and service billing from the run sheet, prepares and mails the bill to either the insurance company, Medicaid or Medicare, or to the patient for self pay, receives the mail, and makes the deposit at the bank.

We reviewed and recalculated fifty run sheets and related receipts and deposits. We recalculated the amounts billed for fifty runs, and noted one instance in which the amount recalculated did not agree to the amount billed for charges for services, as follows:

Incident Date	Incident #	Billed	Calculated	Variance
3/10/2012	122002-1	485.15	516.60	31.45

Cause of Condition: Procedures have not been adequately designed and implemented to ensure the amounts billed for services are correct and duties of the billing process are segregated.

Effect of Condition: A single individual having responsibility for more than one area of recording, authorization, custody of assets, and reconciliation could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Additionally, this condition could result in the District under/over billing for ambulance services.

Recommendation: OSAI recommends the District Board actively review the billing statements to ensure that correct amounts are billed and provide evidence of this review so as to mitigate some of the risk associated with having limited staff to perform all duties of billing accounts.

Management Response: Hiring a third party billing service will be considered. However, the additional expense of professional outside services seems unnecessary and costly for an EMS District with limited funds.

Auditor Response: As stated in the recommendation, documenting that the District Board is actively involved in the review of billing statements would provide a mitigating control over the limited staff that performs the billing duties.

Criteria: Effective internal controls require oversight by management to provide assurance that amounts billed are based upon the billing policies adopted by the Board and duties are segregated to the greatest extent possible when staff is limited.

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2011 TO JUNE 30, 2013**

Finding 2013-3 –Inadequate Internal Controls Over Disbursements of District Funds

Condition: Based upon inquiry and observation of the disbursement process, the following was noted:

- One individual may order goods/services, receive goods/services, prepare checks, distribute the checks and reconcile the bank statements.
- The District does not use a purchase order system to document Board approval of the disbursements. Board approval is obtained informally for disbursements in excess of \$500.00.
- The District Board minutes did not list the disbursements that are approved for payment. The checks and invoices are brought to the monthly Board meetings for review and approval.

The test of fifty expenditures revealed the following:

- There was lack of verification that goods and/or services were received in twenty-one instances.

Cause of Condition: Procedures have not been designed to adequately segregate the duties for the disbursement of district funds, including the receiving of goods or services, the approval of disbursements by the Board, and the documentation of such in the Board minutes.

Effect of Condition: A single individual having responsibility for more than one area of recording, authorization, custody of assets, and reconciliation could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. This condition could also result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends that management 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 district and having management review and approval of accounting functions. We additionally recommend that the District Board develop a purchase order system to properly document the receiving and approval of goods and services. Further, we recommend the Board show evidence of the review of disbursements prior to approving the disbursement.

Management Response: The District Board feels that the current procedures for purchasing are adequate and secure. Assets are inventoried, and an asset list is maintained, and the Board approves write-offs from that list as necessary. All major purchases are approved by Board action, unless of emergency in nature, at which time the Board Chairman gives approval. Ambulance operations cannot always wait until a monthly meeting when an emergency arises for goods or services due to equipment failure.

Auditor Response: We recommend that the District develop policies and procedures to implement a purchase order system, to document the receipt of goods and services, and to identify and document the disbursement approval in Board Minutes.

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STATUTORY REPORT
JULY 1, 2011 TO JUNE 30, 2013**

Criteria: 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. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

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

Finding 2013-4 –Noncompliance Over Public Building Construction Contracts

Condition: Based upon inquiry and observation of the bidding process, we did not note any items requiring a bid for the period. However, we did observe the following:

- The District expanded the Ambulance Barn at a cost of \$15,945.65. The District did not adhere to public construction contracts as required by statute, and the Board minutes did not reflect the Board's attempt to receive more than one written estimate for the addition to the building.

Cause of Condition: Procedures have not been designed to ensure compliance with the public construction statute.

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

Recommendation: OSAI recommends the District design and implement procedures to ensure that public construction contracts are in compliance with 61 O.S. § 103.B.

Management Response: Minutes did not reflect the attempts to solicit and receive more than one bid on the construction. Such attempts did take place, causing months of delays on the project due to limited interest by contractors in a small market area to bid on a small, yet difficult addition to the ambulance building.

Criteria: Effective internal controls require that management properly implement procedures to ensure public construction contracts are in compliance with 61 O.S. § 103.B.

Title 61 O.S. § 103.B states, "Except as provided in subsection D of this section, other construction contracts for the purpose of making any public improvements or constructing any public building or making repairs to the same for Fifty Thousand Dollars (\$50,000.00) or less shall be let and awarded to the lowest responsible bidder by receipt of written bids or awarded on the basis of competitive quotes to the lowest responsible qualified contractor. Work may be commenced in accordance with the purchasing policies of the public agency".

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STATUTORY REPORT
JULY 1, 2011 TO JUNE 30, 2013**

Finding 2013-5 – Inadequate Internal Controls Over Payroll

Condition: Based on discussion with the District staff and review of payroll records, the following weaknesses were noted:

- Out of the fourteen timesheets tested, one instance was noted in which an employee did not sign the timesheet.
- None of the timesheets tested were documented as having supervisor review.

Cause of Condition: Procedures have not been designed over the payroll process to ensure adequate internal controls are in place to approve and review timesheets.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the following:

- All employees need to sign and approve their own timesheets before submitting to the Director.
- All timesheets should reflect a documented review by the Director.

Management Response: The District policy is for all timesheets to be signed by the employee. All efforts will be made to obtain the employees signature on timesheets. There are only a determined amount of possible work hours in a month. Those hours are totaled and balanced by examination of all timesheets every pay period and never exceed the number of hours that could be worked in that monthly pay period; therefore, hourly payroll is accurate.

Auditor Response: We recommend that timesheets be signed by the employee and approved by Director, with evidence of the approval being the signature of the Director.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to help ensure a proper accounting of funds.

Finding 2013-6 – Audit Expense Account

Condition: The audit account of the 2012-2013 Estimate of Needs should reflect \$6,319.40 in appropriations dedicated for the audit of the District; however, the amount presented on the Estimate of Needs is \$1,891.20.

Cause of Condition: Procedures have not been designed to ensure that the audit expense account is accurately calculated and budgeted in accordance with statutory requirements.

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2011 TO JUNE 30, 2013**

Effect of Condition: This condition resulted in under budgeting of the audit expense account and noncompliance state statute.

Recommendation: OSAI recommends that the District implement a system of internal controls 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 lapsed into the next year audit account in accordance with 19 O.S. § 1706.1.

Management Response: The accounting firm used to prepare the Estimate of Needs for the District will be advised of your recommendation.

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 review and approval.

Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.



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

WWW.SAI.OK.GOV