



CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**CANTON-LONGDALE 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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June 23, 2020

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

Transmitted herewith is the audit report of Caton-Longdale 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



**CANTON-LONGDALE 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>General</u>	<u>Sales Tax Revolving Fund</u>
Beginning Cash Balance, July 1	\$ 278,713	\$ -
Collections		
Ad Valorem Tax	162,446	-
Charges for Services	28,667	-
Sales Tax Revenue	-	129,445
Miscellaneous	2,746	-
Total Collections	<u>193,859</u>	<u>129,445</u>
Disbursements		
Personal Services	107,044	-
Travel	452	-
Maintenance and Operations	42,277	-
Capital Outlay	9,752	-
Audit Expense	9,461	-
Total Disbursements	<u>168,986</u>	<u>-</u>
Ending Cash Balance, June 30	<u>\$ 303,586</u>	<u>\$ 129,445</u>

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

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

SALES TAX

On April 4, 2017, Blaine County voters approved a proposal authorizing levying a county sales tax of one-eighth percent (.125%) in addition to all other city, county, and state excise taxes presently being levied or assessed, upon the gross proceeds or gross receipts derived from all sales taxable under the Oklahoma sales tax code, to be administered by the board of county commissioners of Blaine County, Oklahoma, for the purpose of contracting with the 522 EMS Districts (Canton, Geary, Okeene and Watonga) for such emergency medical services as may be deemed necessary by the Board of County Commissioners; such sales tax to commence July 1, 2017, and recurring continually thereafter for such purpose.

The sales tax is budgeted within the “E1 CANTON EMS” account in the Blaine County Emergency Service Fund. The District submits a requisition to the Blaine County Clerk. The requisition is approved for payment by the Blaine County Board of County Commissioners. The Blaine County Clerk issues payment directly to the vendor for approved purchases.

For the fiscal year ended June 30, 2018, the Canton-Longdale Emergency Medical Service District was allocated \$129,445.40 in sales tax appropriations but did not request or expend any county sales tax as approved by the Blaine County Board of County Commissioners.

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

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 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 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

April 13, 2020

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

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-003 – Internal Controls Over the Collection Process (Repeat Finding)

Condition: Based upon inquiry of the Canton-Longdale Emergency Medical Service District (the District) employees and observation of the collection process, the following duties were performed by one employee:

- Receiving mail,
- Opening mail,
- Issuing receipts,
- Posting transactions,
- Preparing the deposit, and
- Taking the deposit to the bank.

Cause of Condition: Policies and procedures have not been designed and implemented to completely segregate the receipting process.

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. Additionally, this condition could result in the District having inaccurate records, incomplete information, misappropriation of assets, and/or the loss of revenue.

Recommendation: The Oklahoma State Auditor & Inspector's Office (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 management's oversight of office operations and a periodic review of operations. OSAI recommends management 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 management review and approve accounting functions.

Management Response:

Chairman of the Board: Segregation of duties as recommended by the Auditor is understandable; however, not economically feasible. The addition of payroll staff to accomplish these recommendations is not justifiable for the cost efficiency in operations of the Canton-Longdale Emergency Medical Service District. The processes of checks and balances between the business office and the District Board has a proven track record of success without encumbering the service with additional payroll expense.

Auditor Response: OSAI continues to recommend the Board provide evidence of the review and approval of transactions to mitigate the risk of a lack of segregation of duties with the limited staff.

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

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.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in 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.

Finding 2018-005 – Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Based upon inquiry of the District’s employees and observation of the disbursement process, the following duties were performed by one employee:

- Ordering supplies,
- Comparing goods and/or services received to the invoice,
- Preparing checks,
- Posting disbursements to accounting records,
- Mailing checks to vendors,
- Reconciling the bank statement,
- Maintaining petty cash and petty cash records, and
- Maintaining the credit card and documentation of each expense.

Additionally, a test of thirty (30) disbursements reflected the following weakness:

- In four (4) instances the District paid sales tax of \$64.83 on purchases.

Further, a test of seven (7) credit card disbursements reflected the following weaknesses:

- In three (3) instances the District paid sales tax of \$110.96 on purchases.
- In one (1) instance there was no evidence of verification of goods received.

Cause of Condition: Policies and procedures have not been designed and implemented to completely segregate the disbursement process, to document the verification of goods and/or services received and adherence to the state statute regarding the exemption of sales tax.

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

Effect of Condition: These conditions resulted in noncompliance with state statute regarding the exemption of sales tax on purchases. 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. Additionally, these conditions could result in inaccurate records, incomplete information, misappropriation of assets, and/or the loss of revenue.

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 management's oversight of office operations and a periodic review of operations. OSAI recommends management 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 management review and approve accounting functions. Additionally, OSAI recommends the Board design and implement policies and procedures to document the verification of goods and/or services received to avoid paying sales tax on goods purchased as provided by Title 68 O.S. § 1356 (22)(a).

Management Response:

Chairman of the Board: Supplies are ordered as per need as noted by the Director, Office Manager, or as per request by EMT employees. The Director normally places the order for online supplies, and the Office Manager normally purchases locally available items. As of March 2020, received supplies are checked and initialed by the Director, the Office Manager, or an EMT employee. Check preparation, posting disbursements to accounting records, mailing payments to suppliers, reconciling the bank statement, and maintaining the credit card and documentation are the responsibility of the Office Manager. The District Board reviews all necessary documentation at the monthly Board meetings. The Office Manager does not sign any checks for payroll, supplies or utilities. Maintaining petty cash and petty cash records is performed by both the Director and the Office Manager and is a simple and straightforward manner of maintaining the small, manageable \$50.00 fund. It is primarily used for washing the ambulance and postage.

The District is exempt from sales tax, but supplies have been purchased on rare occasion because of operational efficiency and the price from suppliers that did not grant the sales tax exemption. The District understands the exemption from sales tax and carries an exemption letter for those responsible for making the purchases. For atypical online purchases, there is not a simplified answer to this finding. However, unless operations are hampered by this exemption mandate, sales tax is and will be avoided.

Auditor Response: OSAI continues to recommend the Board design policies and procedures to segregate the duties of disbursements and provide evidence of the review and approval of disbursements to provide mitigating controls of the disbursement process. Further, OSAI recommends the District avoid noncompliance with Title 68 O.S. § 1356 (22)(a) regarding the District's exemption from the payment of sales tax.

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

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in 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.

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.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements. Some entities may set objectives to a higher level of performance than established by laws and regulations.

Title 68 O.S. § 1356(22)(a) states, “There are hereby specifically exempted from the tax levied by Section 1350 et seq. of this title:

“22 a. Sales of tangible personal property or services to any health center as defined in Section 254b of Title 42 of the United States Code.”

Finding 2018-006 – Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Based upon inquiry of the District employees and observation of the payroll process, duties were not segregated.

One employee performed the following duties:

- Calculating total hours worked,
- Calculating and posting payroll to the accounting records,
- Preparing payroll checks,
- Scheduling payroll tax payments, and
- Distributing payroll checks to employees.

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

Cause of Condition: Policies and procedures have not been designed and implemented to completely segregate the payroll process.

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. Additionally, these conditions could result in inaccurate records, incomplete information, misappropriation of assets, and/or the loss of revenue.

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 management’s oversight of office operations and a periodic review of operations. OSAI recommends management 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 management review and approve accounting functions.

Management Response:

Chairman of the Board: Calculating total hours worked involves all employees. Each EMT turns in a time sheet with their hours. Those are balanced with all other times sheets for accuracy, and total workable hours in that month by the employees. The Office Manager double checks for accuracy, and the Director signs off on each employee time sheet. It is impossible to pay for more or less hours than available hours in the month. No checks are signed by the Office Manager. All checks require review and signatures by two Board members.

Implementing recommendations of additional staff for segregation of duties requires adding expense and overhead to a small operation and is not a cost-efficient business practice.

Payroll tax payments are configured by our software which is updated annually, and OTC payments are completed with amounts provided by the same program and are totally accurate. Payroll checks are placed in envelopes with the employee’s name on it, then put in the designated drawer in the squad room for the employee to pick up, unless they request it to be mailed. There have not been any issues with this process.

Auditor Response: OSAI continues to recommend the Board design policies and procedures to segregate the duties of disbursements and provide evidence of the review and approval of disbursements to provide mitigating controls of the disbursement process. Board members can perform some elements of review without the need for additional employees.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in 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

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

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.

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