



CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Cindy Byrd, CPA | State Auditor & Inspector

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January 21, 2022

**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 fiscal year ended June 30, 2020.

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
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2020

	<u>General Fund</u>	<u>Sales Tax Revolving Fund</u>
Beginning Cash Balance, July 1	\$ 282,963	\$ 408,569
Collections		
Ad Valorem Tax	196,756	-
Charges for Services	43,362	-
Sales Tax Revenue	-	144,905
Provider Relief Funds Phase 1 – CARES Act	1,917	-
Miscellaneous	3,531	-
Sales Tax Reimbursement	48,351	-
Total Collections	<u>293,917</u>	<u>144,905</u>
Disbursements		
Personal Services	156,291	-
Reimbursement for Salaries	-	48,351
Maintenance and Operations	41,706	198,625
Capital Outlay	16,414	-
Total Disbursements	<u>214,411</u>	<u>246,976</u>
Ending Cash Balance, June 30	<u>\$ 362,469</u>	<u>\$ 306,498</u>

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

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Sales Tax

Sales tax ballot information: On April 4, 2017, Blaine County voters approved a proposal authorizing levying a county excise 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-Longdale EMS” account in the EMS – 522 – ST Fund. The District submits a requisition to 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 or to the Canton-Longdale Emergency Medical Service District Board for reimbursement of payroll.

For the fiscal year ended June 30, 2020, the Canton-Longdale Emergency Medical Service District was allocated \$144,905 in sales tax appropriations and expended \$246,976.

Coronavirus Aid, Relief, and Economic Security (CARES) Act

Provider Relief Funds Phase 1 – CARES Act – money distributed to healthcare providers who bill Medicare fee-for-service to provide financial relief during the coronavirus (COVID-19) pandemic. Funds were distributed by the Department of Health and Human Services (HHS) through the Health Resources and Service Administration. The District received \$1,917 for fiscal year 2020.

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, 2020 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, 2020 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 that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

December 13, 2021

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2020-001 – Lack of Internal Controls Over the Collection Process (Repeat Finding)

Condition: Upon inquiry of the Canton-Longdale Emergency Medical Service District (the District) employees and observation of the collection process, the following internal control weaknesses were noted:

The District did not have an adequate segregation of duties to ensure that duties assigned to individuals are performed in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

- One employee performed the following duties:
 - Received the mail,
 - Opened the mail,
 - Issued receipts,
 - Posted transactions,
 - Maintained patient accounts,
 - Prepared the deposit, and
 - Made the deposit.

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

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 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.

Management Response:

Chairman of the Board: Segregation of duties as recommended by the auditor is understandable; however, not financially advisable. 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. Both the Director and the Office Manager receive mail and deliveries, opens mail and deliveries, and makes deposits. The process of checks and balances between the business office and the Board has a proven track record of success without encumbering the service with additional payroll expense.

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Auditor Response: OSAI continues to recommend the Board design policies and procedures to segregate the duties of the collection process and document evidence of the review and approval of transactions to mitigate the risk of a lack of segregation of duties with the limited staff. Board members can perform some elements of review without the need for additional employees.

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 2020-002 – Lack of Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry of the District employees and observation of the disbursement process, the following internal control weaknesses were noted:

The District did not have an adequate segregation of duties to ensure that duties assigned to individuals are performed in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

- One individual performed the following duties:
 - Ordered supplies,
 - Compared good/services received to invoice,
 - Prepared checks,
 - Posted disbursements to accounting records,
 - Mailed checks to vendors,
 - Reconciled the bank statement,
 - Maintained petty cash and petty cash records, and
 - Maintained the credit card and documentation of each expense.

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

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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 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.

Management Response:

Chairman of the Board: Supplies are ordered as per need as noted by the Director, Office Manager, or as per request by employees. The Director normally places the order from established suppliers, and the Director or 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 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 Board reviews all necessary documentation at the monthly Board meetings. The Office Manager does not sign any checks for payroll or 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 ambulance wash and postage.

Auditor Response: OSAI continues to recommend the Board design policies and procedures to segregate the duties of the disbursement process and document evidence of the review and approval of disbursements to provide mitigating controls over the disbursement process.

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.

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Finding 2020-003 – Lack of Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry of the District employees and observation of the payroll process, the following internal control weaknesses were noted:

The District did not have an adequate segregation of duties to ensure that duties assigned to individuals are performed in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

One individual performed the following duties:

- Calculated total hours worked,
- Calculated and posted payroll to the accounting records,
- Prepared payroll checks,
- Scheduled payroll tax payments, and
- Distributed payroll checks to employees.

Additionally, a test of timesheets for the payroll period September 9, 2019 to October 25, 2019, which included six (6) employees, reflected the following internal control weaknesses over the review and approval of timesheets:

- One (1) timesheet was not signed by an employee.
- Five (5) timesheets were not signed by the Director.

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.

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. Additionally, OSAI recommends the Board design and implement policies and procedures to ensure timesheets are signed by the employees and reviewed and signed by the Director.

Management Response:

Chairman of the Board: Calculating total hours worked involves all employees. Each employee turns in a timesheet with their hours. Those documents are balanced with all other timesheets for accuracy, and total

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workable hours in that month by the employees. The Office Manager double checks for accuracy, and the Director signs off on each employee timesheet. 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 software, which is updated annually. State tax 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 the payroll process and document evidence of the review and approval of payroll disbursements to provide mitigating controls over the payroll 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 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.

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