



CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2022

Cindy Byrd, CPA
State Auditor & Inspector

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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July 12, 2024

**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, 2022.

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 2022

	<u>General Fund</u>	<u>Sales Tax Revolving Fund</u>
Beginning Cash Balance, July 1	\$ 489,028	\$ 260,037
Collections		
Ad Valorem Tax	184,143	-
Charges for Services	34,402	-
Sales Tax Revenue	-	81,683
Miscellaneous	362	-
Total Collections	<u>218,907</u>	<u>81,683</u>
Disbursements		
Personal Services	191,649	-
Travel	667	-
Maintenance and Operations	50,194	652
Capital Outlay	1,290	-
Audit Expense	10,409	-
Total Disbursements	<u>254,209</u>	<u>652</u>
Ending Cash Balance, June 30	<u>\$ 453,726</u>	<u>\$ 341,068</u>

Presented for informational purposes.

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County 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 Emergency Medical Service 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 for approved purchases.

For the fiscal year ended June 30, 2022, the Canton-Longdale Emergency Medical Service District was allocated \$81,683 in sales tax appropriations and expended \$652.



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

**TO THE BOARD OF DIRECTORS OF THE
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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 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, 2022 were secured by pledged collateral.
- Determined disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1, and were accurately reported in the accounting records.
- Determined all purchases requiring bids complied with 19 O.S. § 1723 and 61 O.S. §101-139.
- Determined payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined fixed assets records were properly maintained.
- Determined compliance with contract service providers.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2022 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

June 10, 2024

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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2022-001 – Lack of Internal Controls Over the Collections and Accounting Process (Repeat Finding)

Condition: Upon inquiry of the Canton-Longdale Emergency Medical Service District (the District) Office Manager, and observation of the accounting process and a reperformance of the June 30, 2022, bank reconciliation, the following weakness was 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.

- The Office Manager performs the following duties:
 - Receives the mail, including ad valorem tax, utility fees, and sales tax.
 - Prepares and delivers the deposit to the bank.
 - Performs bank account reconciliations.
 - Maintains the District’s financial ledger.

- Bank reconciliations were not signed by the preparer and had no evidence of review by someone other than the preparer and were not reviewed and approved by the Board.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the responsibilities of the accounting process. Additionally, policies and procedures have not been designed and implemented to ensure bank reconciliations are signed and dated by the preparer and signed and dated by someone other than the preparer as a secondary review. Further bank reconciliations should be reviewed and approved by the Board.

Effect of Condition: A single person that has 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 and Inspector’s Office (OSAI) recommends the District 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 evidence of the Board’s review and approval of accounting functions. Additionally, OSAI recommends the District design and implement

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policies and procedures to document the review of bank reconciliations, by someone other than the preparer and Board, to ensure accuracy of financial information.

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 EMS. Both Director and the Office Manager receive mail and deliveries, open mail and deliveries, and make deposits. The processes of checks and balances between the business office and the EMS Board has a proven track record of success without encumbering the service with additional payroll expense. Bank account reconciliations are completed monthly and reviewed by the EMS Board at each monthly meeting and signed at that time by the Chairman.

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.

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

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The GAO Standards - Principle 16 – Perform Monitoring Activities – 16.05 states in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

Finding 2022-002 – Lack of Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry of the District’s Office Manager and observation of the disbursement process, the following internal control weakness was 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.

- The Office Manager performs the following duties:
 - Maintains blank check stock.
 - Receives bills.
 - Writes and distributes checks to vendors.
 - Maintains the financial ledger.
 - Performs bank account reconciliations.

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

Effect of Condition: A single person that has 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 disbursement 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 evidence of the Board’s review and approval of the disbursement functions.

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Management Response:

Chairman of the Board: Supplies are ordered as per need as noted by the Director, Office Manager, or as per list provided by EMT 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. All disbursements are reviewed by the EMS Board at every monthly meeting, and the Chairman signs each document.

Check preparation, posting disbursements to accounting records, mailing payment to suppliers, reconciling the bank statement, and maintaining the credit card and documentation are the responsibility of the Office Manager. The EMS Board reviews all necessary documentation at the monthly board meetings. The Office Manager does not sign any checks for payroll or supplies or utilities, all checks are signed by two Board members, and all Board members review all aspects of the monthly financial statements.

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.

Finding 2022-003 – Lack of Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry of the District’s Office Manager and observation of the payroll process, the following internal control weakness was 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.

- The Office Manager performs the following duties:
 - Calculates total hours worked.
 - Calculates and posts payroll to the accounting records.
 - Prepares payroll checks.
 - Schedules payroll tax payments.
 - Distributes payroll checks to employees.

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

Effect of Condition: A single person that has 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 payroll 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 evidence of the Board's review and approval of the payroll functions.

Management Response:

Chairman of the Board: Calculating total hours worked involves all employees. Each EMT turns in a timesheet with their hours and signs their timesheet. Those are balanced with all other employee times sheets for accuracy, and the total workable hours in each month. 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. The exception is extra crew payroll when a second crew is utilized. 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. Financial prudence is necessary. Payroll tax payments are configured by vendor software, which is updated annually, and OTC payments are completed with amounts provided by the same program, and totally accurate. Payroll checks are placed in envelopes with their name on it, and then placed in the designated drawer in the squad room for the employee to pick up, unless they request it be mailed. There have not been any issues with the payroll 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,

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and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Finding 2022-004 – Lack of Internal Controls Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry of the District’s Office Manager and observation of the fixed assets inventory 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.

- The Office Manager performs the following duties:
 - Receives new assets.
 - Maintains inventory records.

Additionally, a periodic physical inspection of fixed assets inventory was not performed.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the responsibilities of the fixed assets inventory process. Additionally, policies and procedures have not been designed and implemented to ensure the District performs a periodic physical inspection of fixed assets inventory.

Effect of Condition: A single person that has 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 fixed assets inventory 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 evidence of the Board’s review and approval of the fixed assets inventory functions.

Additionally, OSAI recommends the District design and implement policies and procedures to perform and document a periodic physical verification of fixed assets.

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Management Response:

Chairman of the Board: The fixed asset list contains only items purchased for \$500.00 or more per advice of the Oklahoma State Auditor Office. The list was updated to reflect this Auditor advice on November 13, 2023, and signed by the EMS Board Chairman.

The EMS Director will institute a policy of review to be performed every January at the regularly scheduled EMS Board meeting. Each Board member will be provided a list of assets. An agenda item for review of the list, and a time for visual inspection will be performed under this agenda item. The EMS Board Chairman will then sign the list as part of that January meeting actions. Any obsolete, unused or damaged item on the asset list will be written off at the appropriate monthly meeting as an agenda item.

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.

Physical control over vulnerable assets

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

O·K·L·A·H·O·M·A
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