

STATUTORY REPORT

# CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2017



*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 FISCAL YEAR ENDED JUNE 30, 2017**

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# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 123 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

January 9, 2019

**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, 2017

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 "Gary A. Jones". The signature is written in a cursive, flowing style.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT  
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017**

	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ 268,703
Add: Cash on hand not included in prior year	<u>50</u>
Beginning Cash Balance, July 1, as restated	<u>268,753</u>
Collections	
Ad Valorem Tax	160,806
Charges for Services	8,804
Miscellaneous	<u>9,473</u>
Total Collections	<u>179,083</u>
Disbursements	
Personal Services	104,100
Travel	911
Maintenance and Operations	40,990
Capital Outlay	<u>23,122</u>
Total Disbursements	<u>169,123</u>
Ending Cash Balance, June 30	<u><u>\$ 278,713</u></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 2017 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 "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

October 18, 2018

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

**Finding 2017-003 – Inadequate Internal Controls and Noncompliance Over the Billing and Collection Process (Repeat Finding)**

**Condition:** Although Canton-Longdale Emergency Medical Service District (the District) has made efforts to implement mitigating controls, a concentration of duties and responsibilities continues to exist. While gaining an understanding of the receipting, depositing, and reconciling functions of the District, it was noted that the following duties are not properly segregated:

- Preparing patient bills,
- Receiving mail,
- Receiving funds and issuing receipts,
- Posting transactions,
- Preparing the deposit, and
- Taking the deposit to the bank.

A test of thirty (30) ambulance runs resulted in the following exception:

- Starting in January 2017, the District was unable to collect payment from Medicare patients due to the District being unable to make the necessary changes in filing requirements. This resulted in a significant reduction of ambulance service revenue, as follows:

Fiscal Year	2014-2015	2015-2016	2016-2017
Ambulance Service Revenue	\$36,836	\$41,060	\$8,804

Additionally, a test of eight (8) deposits resulted in the following exceptions:

- Three (3) receipts were not deposited timely.
- The dates were altered on two (2) receipts to reflect the deposit date.

**Cause of Condition:** Policies and procedures have not been fully designed and implemented to completely segregate the receipting process, deposit funds collected daily, and collect on accounts as allowable.

**Effect of Condition:** These conditions resulted in noncompliance with state statute regarding daily deposits. 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 and Inspector’s Office (OSAI) recommends management implement 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, including the Board Treasurer receiving the bank statement, and performing the initial bank reconciliation

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presented for the Chairman’s approval at the monthly Board meeting, depositing funds daily, and collecting all available revenue.

Furthermore, OSAI recommends the District issue receipts for all funds received, and deposit those funds in a timely manner in accordance with 62 O.S. § 517.3 B.

**Management Response:**

**Chairman of the Board:** Segregation of duties as recommended by the Oklahoma State Auditor’s Office is noteworthy but not feasible with budget constraints and the limited staff needed for this 522 office. The business office functions well and will continue to do so. All business actions are reviewable monthly by EMS board. Third party billing was initiated by the EMS to help with the difficulty of collecting from Medicare with their complex filing and collections process. Deposits of funds are always completed as soon as possible.

**Auditor Response:** We continue to recommend the Board review and approve transactions to mitigate the risk of a lack of segregation of duties with the limited staff and recommend funds collected be deposited timely in accordance with state statute.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of receiving, receipting, and recording, should be segregated and funds should be deposit daily.

Title 62 O.S. § 517.3 B states in part “The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office ...”

**Finding 2017-004 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)**

**Condition:** Although the District has made efforts to implement mitigating controls such as the Chairman approving all invoices and checks being signed by two Board members during open meeting, a concentration of duties and responsibilities continues to exist. While gaining an understanding of the disbursement process of the District, it was noted that the administrative assistant performs the following duties which are not properly segregated:

- Orders supplies,
- Compares good/services received to invoice,
- Prepares checks,
- Posts disbursements to accounting records,
- Mails checks to vendors,
- Reconciles the bank statement,



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- Maintains petty cash and petty cash records, and
- Maintains the credit card and documentation of each expense.

Additionally, a test of twenty-five (25) disbursements noted the following:

- Eight (8) did not have any evidence of receiving signature/verification of accuracy of the invoice.
- One (1) disbursement did not have all supporting documentation attached (EMT shirts).

**Cause of Condition:** The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process. Policies and procedures have not been designed to ensure all disbursements are filed with sufficient supporting documentation for recordkeeping and invoices are reviewed and approved by the Board.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, execution of transactions, verification of invoices, and maintaining supporting documentation 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 District Board implement 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, such as the Board Treasurer receiving the bank statement, and performing the initial bank reconciliation presented for the Chairman's approval at the monthly Board meeting.

Also, OSAI recommends the District design and implement policies and procedures to ensure that all disbursements have evidence of receiving goods and services and all invoices are reviewed and approved by the Board.

**Management Response:**

**Chairman of the Board:** All shipments received are opened, reviewed for accuracy and initialed and signed before being placed in inventory or use by the Director. Invoices are reviewed for accuracy before payment is made by both office staff, and the 522 EMS Board at their monthly meeting. All established checks and balances of the disbursement process are deemed adequate by this EMS Board.

**Auditor Response:** We continue to recommend the Board design policies and procedures to segregate the duties of disbursements and provide evidence of the review and approval of documents.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of ordering supplies, comparing good/services received to the invoice, preparing checks, posting disbursements to accounting records, mailing checks to vendors,

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reconciling the bank statement, maintaining petty cash and petty cash records, and the credit card and documentation of each expense should be segregated, and funds should be deposited daily.

**Finding 2017-007 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)**

**Condition:** The Board minutes stated in the April 10, 2017 meeting that the Board approved a statement *“the Office Manager is not required to maintain and submit a timesheet for monthly payroll.”*

Our review and observation of the payroll process indicated the Office Manager, nor the Director completed a timesheet during the audit period.

**Cause of Condition:** The Board may be unaware of the Fair Labor Standards Act regarding employees defined as executives or administrative employees completing timesheets.

**Effect of Condition:** This condition could result in noncompliance with the Fair Labor Standards Act.

**Recommendation:** OSAI recommends the District develop policies and procedures for all employees to complete timesheets to ensure the District complies with the Fair Labor Standards Act. In lieu of preparing timesheets, the Director and Office Manager may enter into contracts with the District to provide a service for an agreed upon amount for which an annual 1099 form will be issued for each contractor.

**Management Response:**

**Chairman of the Board:** The Board has previously established the Office Manager and Director when performing their respective office and director duties are not hourly employees. These positions are paid a Board approved salary for their respective responsibilities, and the employees agreed to and accepted their salary as established. If the jobs were established and paid as hourly positions, then the respective employees would be required to keep hourly timesheets for the recording of payroll.

**Auditor Response:** We continue to recommend the Board design and implement policies and procedures in accordance with Fair Labor Standards Act as noted in the criteria of this finding.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity’s objectives regarding the reliability of financial reporting. An important aspect of internal controls is to ensure timekeeping records are accurately prepared to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds.

Additionally, the Fair Labor Standards Act defines employees as exempt from filing timesheets as follows:

29 Code of Federal Regulation (C.F.R) § 541.100 states, “the term “employee employed in a bona fide executive capacity” is defined as “any employee”:

- (1) Compensated on a salary basis at a rate of not less than \$455 per week...;
- (2) Whose primary duty is management of the enterprise in which the employee is employed or of a customarily recognized department or subdivision thereof;

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- (3) Who customarily and regularly directs the work of two or more other employees; and
- (4) Who has the authority to hire or fire other employees or whose suggestions and recommendations as to the hiring, firing, advancement, promotion or any other change of status of other employees are given particular weight.”

And 29 C.F.R. § 541.200 states, “Under 29 C.F.R. § 541.200, the term “employee employed in a bona fide administrative capacity” means “any employee”:

- (1) Compensated on a salary or fee basis at a rate of not less than \$455 per week...;
- (2) Whose primary duty is the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer’s customers; and
- (3) Whose primary duty includes the exercise of discretion and independent judgment with respect to matters of significance.”

Based on these criteria, the United States Department of Labor has recommended timesheets be completed by the Director and Office Manager to document hours worked to ensure compliance with the Fair Labor Standards Act.

**Finding 2017-008 – Inadequate Internal Controls Over Fixed Assets (Repeat Finding)**

**Condition:** Upon inquiry of staff, observation, and review of the of the District’s fixed assets inventory records, the following weaknesses were noted:

- The District has not established a dollar threshold for the inventory of fixed assets.
- The District’s inventory list does not contain complete and accurate descriptions or identification of fixed assets (identification number, serial number, date acquired, cost, description).
- Periodic physical verification of fixed assets inventory was not documented.
- A Sony 48inch television was visually verified; however, the item did not appear on the fixed asset inventory records.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure fixed assets inventory is properly accounted for, maintained, and updated regularly by the District.

**Effect of Condition:** These conditions could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

**Recommendation:** OSAI recommends that the District implement policies and procedures to establish a dollar threshold to record fixed assets, accurately maintain fixed assets inventory records, and segregate duties over inventory recordkeeping. Records should be maintained in such a manner that fixed assets can be identified by serial number, date of acquisition, and purchase price. Additionally, an annual physical verification of assets should be performed and documented.

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**Management Response:**

**Chairman of the Board:** The fixed asset list has the description, date of purchase, serial numbers are listed, the ambulance(s) VIN numbers are listed. The fixed asset list is a permanent record of the assets, reviewed when adding or deleting any and every asset. All deleted assets by the Board are always removed and were during the 2017 audit. A policy is established to not record items as a fixed asset if the expenditure is under \$500 dollars. A Sony television was recorded as purchased in June 2016, but not added to the fixed asset list. The purchase price \$479.99, under the current approved \$500.00 asset listing amount. However, it was added to the asset list.

**Auditor Response:** As previously recommended, we appreciate the Board has established a dollar limit for fixed asset inventory items since the audit date and continue to recommend documentation of the verification of inventory of fixed assets be documented and the fixed asset inventory records be maintained in a manner that is complete and accurate to properly safeguard assets of the District.

**Criteria:** An important 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 timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.



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