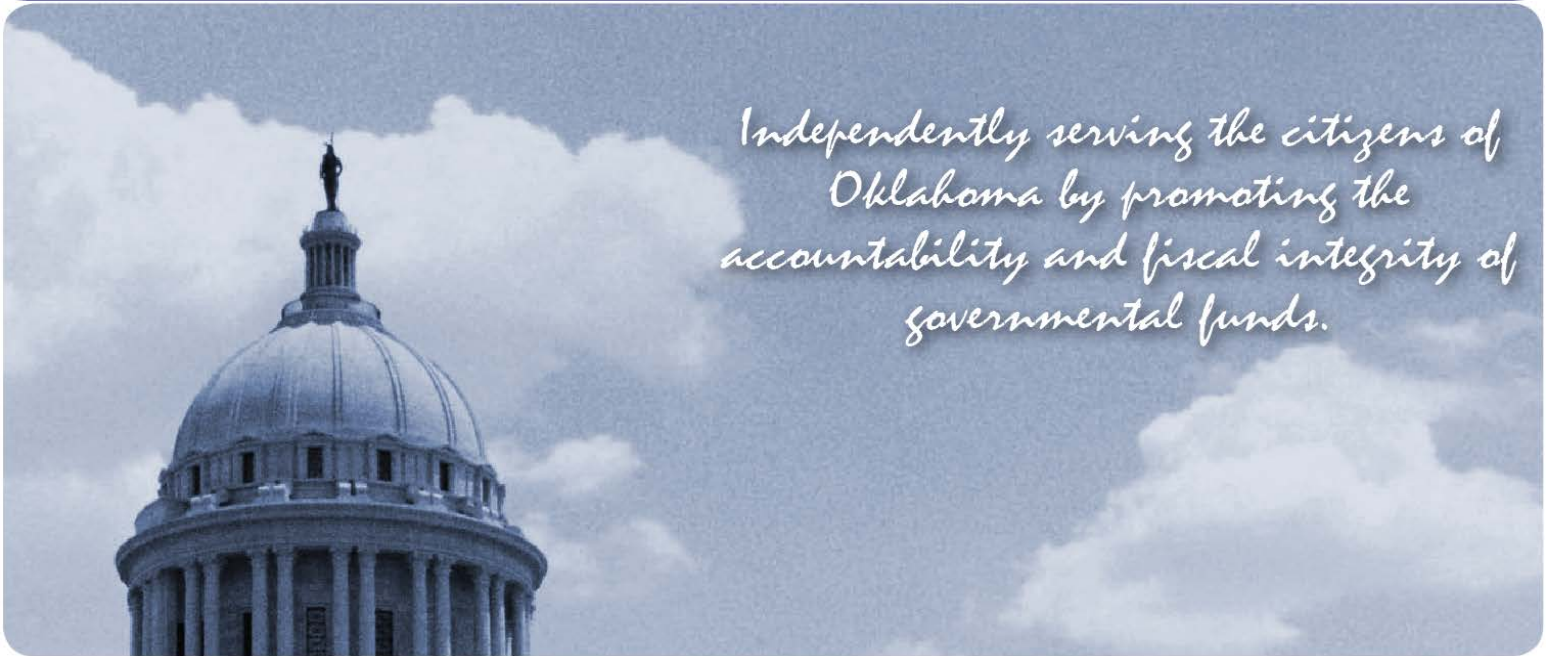


STATUTORY REPORT

# CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2016



*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 FISCAL YEAR ENDED JUNE 30, 2016**

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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

July 17, 2017

**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, 2016.

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  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2016**

	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ 270,225
Collections	
Ad Valorem Tax	110,391
Charges for Services	41,060
Miscellaneous	844
Total Collections	<u>152,295</u>
Disbursements	
Personal Services	72,258
Travel	2,350
Maintenance and Operations	32,181
Capital Outlay	41,340
Audit Expense	5,688
Total Disbursements	<u>153,817</u>
Ending Cash Balance, June 30	<u>\$ 268,703</u>

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



# Oklahoma State Auditor & Inspector

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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 2016 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

May 8, 2017

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-1 – Inadequate Segregation of Duties and Internal Controls Over the Receipting 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:

- Receiving mail,
- Receiving funds and issuing receipts,
- Posting transactions,
- Preparing the deposit, and
- Reconciling the bank statement.

**Cause of Condition:** Policies and procedures have not been fully 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.

**Recommendation:** The Oklahoma State Auditor and Inspector's (OSAI) recommends the 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, including the Board Treasurer receiving the bank statement, and performing the bank reconciliation presented for the Chairman's approval at the monthly Board meeting, and evidence of the review of documents presented at the Board meeting.

**Management Response:**

**Chairman of the Board:** All business operations, deposits, purchases, claims and payments are reviewed by the Board monthly. All checks issued are not signed by the Office manager or the Director. They are reviewed and signed by the Board members. All bank statements are signed by all Board members present during the monthly business meeting.

**Auditor Response:** As discussed with the Board and noted in the recommendation, we recommend the Board implement compensating controls such as the Board Treasurer receive the bank statement and perform the reconciliation in order to provide compensating controls over segregation of duties of the receipting process.

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT  
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**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.

**Finding 2016-2 – Inadequate Internal Controls and Noncompliance Over 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 Office Manager and Director perform the following duties which are not properly segregated:

- Orders supplies,
- Compares good/services received to invoice,
- Prepares checks,
- Posts disbursements to accounting records, and
- Mails checks to vendors.

We tested twenty five (25) disbursements and the following was noted:

- Nine (9) did not have any evidence of receiving signature/verification of accuracy of the invoice.
- Two (2) invoices were not signed by the Board.

**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 and implemented to ensure all disbursements are filed with sufficient supporting documentation for the receipt of goods and or services and the approval of the Board.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, execution of transactions, and lack of documentation of Board approval to support the disbursement or evidence of a receiving signature or verification of accuracy of the invoice 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 the Board 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.



**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT  
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Also, OSAI recommends the District design and implement policies and procedures to ensure that all disbursements have supporting documentation of Board approval and evidence of receiving goods and services.

**Management Response:**

**Chairman of the Board:** The Board feels the policy and procedures we have established are adequate and the Board's oversight at all monthly meetings provides the control and security necessary for our daily operations. The Director is involved in all inventory replenishment, the ordering and assuring the shipments match packing slips, and invoices match inventory ordered. Disbursement checks are not issued without the Board reviewing the invoices and signing checks.

**Auditor Response:** As discussed with the Board and recommended, we believe the duties of ordering and receiving supplies, and preparing, posting and mailing checks to vendors should be segregated or compensating controls be implemented which include Board involvement in the disbursement process, including the evidence of signing off as receiving goods and or services and supporting documentation of Board approval of invoices.

**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 with regard to the reliability of financial reporting. Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse.

Further, an important aspect of internal controls is the safeguarding of assets. 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/or misappropriation of funds.

**Finding 2016-3 - Inadequate Internal Controls and Noncompliance Over the Audit Expense Budget Account**

**Condition:** It was determined through discussions with District personnel, observation, and review of documents, that internal controls have not been designed and implemented to ensure the amount required by statute is correctly budgeted for the audit expense budget account.

It was further noted that the District has not carried forward the balance into the audit expense budget account each fiscal year. The District's balance in the audit expense budget account as of June 30th, should have been \$11,932.22; however, the Estimate of Needs reflected a balance of \$3,222.71 in the audit expense budget account.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the audit expense budget account is accurately budgeted in accordance with statutory requirements.

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT  
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**Effect of Condition:** This condition resulted in noncompliance with the statute and the audit budget expense account being underfunded in the amount of \$8,709.51.

**Recommendation:** OSAI recommends 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 budget account and that any unused portion be carried into the next year's audit expense budget account in accordance with 19 O.S. § 1706.1.

**Management Response:**

**Chairman of the Board:** The accounting firm used to prepare the Estimate of Needs for the District will be notified of this requirement.

**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.

**Finding 2016-4 – Inadequate Internal Controls Over Timesheets and Payroll (Repeat Finding)**

**Condition:** Upon inquiry and observation of the payroll process, and a test of one payroll period, the following internal control weaknesses were noted:

- The Director does not complete a timesheet.
- The Office Manager does not complete a timesheet.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that all employees submit a timesheet and a supervisor or Board member verifies the accuracy of timesheets.

**Effect of Condition:** These conditions could result in inaccurate recordkeeping and incorrect accrual of wage benefits.

**Recommendation:** OSAI recommends the District ensure all employees prepare a timesheet, and that each timesheet is verified by the employee and supervisor. OSAI also recommends the District develop written policies and procedures to ensure all compensation comply with the policies established by the EMS handbook.

**Management Response:**

**Chairman of the Board:** The Office Manager is not required to keep a timesheet. As Office Manager, she is paid a salary. Regardless of hours worked, the Board has approved the above statement.

**CANTON-LONGDALE EMERGENCY MEDICAL SERVICE DISTRICT  
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**Auditor Response:** As discussed with the Board and as recommended, we believe the employees of the District should have completed timesheets and those timesheets should be signed by the employee and approved by a Board member to provide adequate internal controls over the disbursements of the District. However, we have noted the Board minutes of the April 10, 2017 meeting in which the Board approved a statement that the Office Manager is not required to maintain and submit a timesheet for monthly payroll.

**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 with regard to 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.



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