

STATUTORY REPORT

CASHION EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2016



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**CASHION EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2013 THROUGH 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

January 13, 2017

**TO THE BOARD OF DIRECTORS OF THE
CASHION EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Cashion Emergency Medical Service District for the period July 1, 2013 through 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".

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

**CASHION EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2014, FY 2015 and FY 2016.

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ 15,438	\$ 22,394	\$ 24,490
Collections			
Ad Valorem Tax	140,948	143,992	140,942
Interest	10	9	27
Miscellaneous	2,564	9	-
Total Collections	<u>143,522</u>	<u>144,010</u>	<u>140,969</u>
Disbursements			
Contract	132,109	129,604	74,216
Past Due Contract	-	7,428	-
Revaluation	1,018	1,823	1,520
Maintenance and Operations	1,208	1,798	4,209
Audit Expense	2,232	1,261	-
Total Disbursements	<u>136,567</u>	<u>141,914</u>	<u>79,945</u>
Ending Cash Balance, June 30	<u>\$ 22,394</u>	<u>\$ 24,490</u>	<u>\$ 85,514</u>

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



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Cashion Emergency Medical Service District
P.O. Box 7
Cashion, Oklahoma 73016

TO THE BOARD OF DIRECTORS OF THE CASHION 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 2014, FY 2015, and FY 2016 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Cashion 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 Cashion 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 Cashion 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 fluid and cursive, with the first name "Gary" being the most prominent.

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

October 12, 2016

**CASHION EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-1 – Inadequate Internal Controls and Noncompliance Over Estimate of Needs Financial Statement

Condition: The financial statement amounts presented on the Estimate of Needs and financial statement, included discrepancies in regard to the following information:

- The same amount for the beginning and ending cash balance was reported on the financial statement for each fiscal year audited.
- In fiscal year 2014, a refund was reported on the financial statement as a negative disbursement in the amount of \$2,563.59, rather than collections; thus, understating both disbursements and collections.
- In fiscal year 2015, a deposit was reported twice in collections in the amount of \$1,689.60; thus, overstating collections for the year.
- In fiscal year 2016, the error in collections for fiscal year 2015 was corrected in the amount of \$1,689.60.

These documents were signed and approved by the District Board members.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the financial activity reflected on the Estimate of Needs and financial statement is accurate and reliable.

Effect of Condition: This condition resulted in the misstatement of information on the District's certified Estimate of Needs and financial statement for each fiscal year audited.

Recommendation: The Oklahoma State and Inspector's Office (OSAI) recommends that the District implement policies and procedures designed to ensure the Estimate of Needs and financial statement is accurate and verified by someone other than the preparer.

Management Response:

Board Chairman: The Board confirmed the Estimate of Needs and financial statement accounted for all funds and disbursements, and that said statement was and will continue to be reviewed, approved and signed by the Board prior to submittal to the appropriate counties. The Board will communicate to the Board accountant the requirement to ensure the outage related to the model of reporting aligns with governmental accounting verses any other form of accounting as well as the failure to populate the summary page stated.

Auditor Response: Although we understand the Board reviewed and approved the Estimate of Needs and financial statements for the years audited, the financial information did contain errors that could have been prevented with proper review. OSAI recommends the Board establish a policy and procedure to determine the amounts presented on the Estimate of Needs and financial statement are accurate prior to approving these documents.

**CASHION EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

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. As such, the Estimate of Needs should be an accurate reflection of the District’s financial situation based on the appropriate basis of accounting.

Title 19 O.S. § 1702 states in part that Districts should “...3. Make available to the public and investors sufficient information as to the financial conditions, requirement and expectations of the district...”

Finding 2016-2 – Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account (Repeat Finding)

Condition: Upon inquiry and observation of the budgeting process, it was determined that internal controls have not been designed or implemented to ensure the amount required by statute is correctly budgeted for the audit expense budget account.

Fiscal Year	Amount Lapsed	1 /10th of one Mill	Less Checks Issued to SA&I	Ending Balance Should be	District’s Ending Balance	Variance Over/(Under)
FY 2014	\$17,684.28	\$4,761.38	\$2,231.64	\$20,214.02	\$7,251.28	(\$12,962.74)
FY 2015	\$20,214.02	\$4,721.54	\$1,260.46	\$23,675.10	\$10,718.73	(\$12,956.37)
FY 2016	\$23,675.10	\$4,727.91	\$ -	\$28,403.01	\$39,365.04	\$10,962.03

It was further noted that the District has not carried forward the balance into the audit budget expense account each fiscal year. As a result, the District’s balance in the audit budget expense account as of June 30, 2016 was \$39,365.04. However, the correct balance should have been \$28,403.01. This resulted in an overstatement in the amount of \$10,962.03.

Additionally, we noted a disbursement in the amount of \$975.00 was posted to the audit expense budget account category for the fiscal year 2015-2016; however, this expense was for budget preparation and should have been posted to the maintenance and operations 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.

Effect of Condition: These conditions resulted in noncompliance with the state statute and the audit expense budget account being overfunded at the end of fiscal year 2016.

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 forward into the next year’s audit expense budget account in accordance with 19 O.S. § 1706.1.

**CASHION EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

Management Response:

Board Chairman: The Board will communicate to the Board accountant the requirement to ensure the outage related to posting the accounting cost to the audit cost verses maintenance and operations and ensuring the audit funding is reported as such and carried forward until said funding is released back to the General Fund.

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 2016-3 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)

Condition: Upon inquiry of the District Board members, observation of the collection process, and test of timely deposits, we noted the following weaknesses in internal controls:

- One individual collects the monthly ad valorem tax checks; however, another individual prepares deposits, and makes deposits.
- Deposits are not made timely.
- There is no evidence of monthly bank statement reconciliations being performed or verified by someone other than the preparer.
- Monthly financial reports are maintained on a Board member's computer, but are not printed as evidence of Board approval. Reconciliations could not be located within the District Board's files.

Additionally, the FY 2015 financial report had a variance of \$1,689.60. This variance was due to a deposit reported twice that was not adjusted until FY 2016 on the District's financial records.

Cause of Condition: The District has not designed and implemented policies and procedures with regard to segregating the duties of collecting funds, preparing deposits, and depositing funds. Policies and procedures have not been designed and implemented to ensure timely deposits, monthly bank statement reconciliations are performed timely and Board approval of financial reports.

Effect of Condition: Collections not being timely deposited, bank statement reconciliations not being performed monthly, and evidence of financial reports not being approved by the Board could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. OSAI recommends management be aware of these conditions and monitor

**CASHION EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

collections to ensure deposits are made daily and bank statement reconciliations and financial reports are completed monthly and approved by the Board.

Management Response:

Board Chairman: The Board is a voluntary five (5) member Board that has been operating with four (4) active members for over four (4) years. The By-laws of the Board do designate roles and responsibilities with the Secretary holding the primary role of picking up the mail. The Chairman holds the primary role of writing the checks. The Treasurer holds the role of keeping the books. This small office cannot operate like a county office with a Purchasing Officer, Receiving Officer, Secretary, Treasurer, and Chairman having individual and non-shared roles. The controls set to prevent issues are two (2) signatures are required on any check issued; and two (2) signatures are required for deposits with the Treasurer prevented from signing checks and making deposits. All deposits, expenses and payments are presented to the Board at meetings for approval and issuance. Additionally, the Board meets every odd month to conduct business. The Board will continue to make every effort to deposit funds timely. The Board will also continue to review our financial reports, including bank statement reconciliations, and document that review in our meetings minutes. As an added control for transparency, we will also sign and date said financial statements and bank statement reconciliations so there is no question that the financials were indeed reviewed.

Auditor Response: In regard to bank statement reconciliation process, OSAI recommends evidence of the bank statement reconciliations be presented at Board meetings and that someone other than the preparer initial and date the reconciliation so as to provide evidence of the review. Further, with regard to financial reports being printed for review and documentation, OSAI recommends the Board emphasize the importance of documenting the financial report review at public meetings so as to safeguard the assets of the District.

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 timely deposits, monthly bank statement reconciliations, and financial reports that are approved by the Board and provide monitoring over collection duties so as to properly segregated the functions of receiving collections, preparing deposits, making the deposit with the banking institution, reconciling and approving bank statements on a monthly basis, and maintaining monthly financial reports.

Finding 2016-4 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Based upon inquiry of the District board members, observation of the disbursement process, and review of disbursements, it was noted that the District has not properly designed and implemented internal control procedures concerning the disbursement of District funds. We noted the following weaknesses:

- One individual receives mail with invoices for payment; however, another individual prepares the checks, is one of the signers on checks, and distributes the checks to the vendors for payment.

**CASHION EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

FY 2014

The test of fifteen (15) disbursements reflected the following:

- Three (3) disbursements did not have proper supporting documentation (calculation of contract payments).
- Six (6) disbursements did not have evidence of Board approval.

FY 2015

The test of eighteen (18) disbursements reflected the following:

- One (1) disbursement did not have proper supporting documentation (calculation of contract payments).
- One (1) disbursement did not have any evidence of a receiving officer signature for verification of accuracy.
- Two (2) disbursements did not have evidence of Board approval.

FY 2016

The test of eighteen (18) disbursements reflected the following:

- Eight (8) disbursements did not have proper supporting documentation (calculation of contract payments and/or invoices).
- Two (2) disbursements did not have any evidence of a receiving signature for verification of accuracy.
- One (1) disbursement did not have evidence of Board approval.
- Two (2) checks for contract service and postage cleared the bank prior to the Board approving the claims for payment.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure disbursements are incurred only for the lawful operation of the District, to provide adequate documentation for disbursements, to document approval of disbursements, to indicate receipt of goods and/or services, and to segregate the duties of disbursements.

Effect of Condition: A single individual having responsibility for more than one area of recording, authorization and custody of assets could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Inadequate segregation of duties along with inadequate documentation such as calculation of contract payments, no evidence of the receipt of goods and/or services, no Board approval of disbursements or Board approval after making payment, could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds.

**CASHION EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

Recommendation: OSAI recommends management 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 following:

- Invoices including calculation of contract payments should accompany all claims for disbursements prior to payment.
- Evidence that goods and/or services have been received should be indicated by the initials and date of a designated receiving officer.
- Evidence that the claim for disbursement was approved in an open meeting by the District Board should be indicated prior to payment.

Management Response:

Board Chairman: The Board is a voluntary five (5) member Board that has been operating with four (4) active members for over four (4) years. The By-laws of the Board do designate roles and responsibilities with the Secretary holding the primary role of picking up the mail. The Chairman holds the primary role of writing the checks. The Treasurer holds the role of keeping the books. This small office cannot operate like a county office with a Purchasing Officer, Receiving Officer, Secretary, Treasurer, and Chairman having individual and non-shared roles. The controls set to prevent issues are two (2) signatures are required on any check issued; and two (2) signatures are required for deposits with the Treasurer prevented from signing checks and making deposits. All deposits, expenses and payments are presented to the Board at meetings for approval and issuance and documented in meeting minutes. The Board will continue to document the current monthly payments required for the service provider in our District in the Agenda and Minutes. Additionally, we will have the provider initiate invoices for said documented monthly payments so that they can be initialed and attached to payments.

Auditor Response: With regard to compensating controls over the disbursement process, we recommend the Board ensure that each disbursement be accompanied by an itemized invoice and that evidence that goods and/or services have been received be indicated by initials and dates. OSAI further recommends the Board maintain all Board minutes to document the approval of all disbursements.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. Internal controls should be established to analyze and check accuracy, completeness, authorization, and validity of transactions.

**CASHION EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

**Finding 2016-5 – Inadequate Internal Controls and Noncompliance Over Board Meeting Minutes
(Repeat Finding)**

Condition: Upon review of the District’s Board meeting agendas and minutes, the following weakness exists:

FY 2016

- November 2015 and December 2015 minutes were not signed as approved by the Board members.

Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate internal controls over the documentation of approval of District Board minutes and compliance with state statute.

Effect of Condition: Failure to provide adequate internal controls over documentation and approval of District Board minutes could result in inaccurate records.

Recommendation: OSAI recommends the District Board meeting minutes be reviewed for accuracy and signed as verification of this review, and maintained in a safe and secure location.

Management Response

Board Chairman: The Board did retain a minute documentation for all meetings and acknowledge that the original signed minutes for the months listed in the finding were misplaced. In 2015, the building that housed the Board and documents was closed to the public due to a black mold issue. This presented the Board with challenges in ensuring timely and proper filing. This issue was recently remedied and Board has been relocated with all our documents to the new site for meetings. This move enables the filing to occur immediately after recess of all board meetings and will ensure compliance with state statute.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective control system is to provide accurate and reliable information through proper documentation and approval of the Board meetings.

According to the Open Meeting Act, Title 25 O.S. § 312 states, “The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.”

Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective control system is to provide accurate and reliable information through proper documentation of the Board meetings.

**CASHION EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2016**

Finding 2016-06 - Inadequate Internal Controls Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry of the District Board, observation of the District's accounting for fixed assets, and the test of fixed assets, we determined the following:

- The District has not established a policy regarding the minimum dollar threshold for fixed asset items.
- Evidence of a verification of fixed assets inventory being performed annually was not maintained.
- The inventory list provided to the auditor was incomplete with regard to serial numbers or VIN numbers and original cost of each item.

Cause of Condition: Policies and procedures have not been designed and implemented to maintain an updated fixed asset list and to perform annual physical fixed assets inventory verification.

Effect of Condition: Failure to provide adequate internal controls over fixed assets could result in inaccurate inventory records, unauthorized use of inventory, or misappropriation of inventory items.

Recommendation: OSAI recommends the District implement internal controls over the safeguarding of fixed assets by establishing policies to determine the threshold for fixed assets and by maintaining a current and complete inventory that includes the serial numbers or VIN numbers of inventory items. OSAI also recommends an annual physical inventory verification of fixed assets be performed and documentation be retained of the physical count.

Management Response:

Board Chairman: The Board did perform a physical verification of all Board assets and documented said listing. The Board acknowledges, "We did not sign list of assets that we documented and filed." Additionally, the Board was not aware of the ability to establish a policy regarding a minimum threshold for fixed asset items, nor were we aware of the serial number or VIN number requirement. The Board intends to place on the Agenda of the next Board meeting a recommendation to have a minimum dollar threshold for fixed asset items of \$500 added to our By-laws which will resolve the issue since the board owns no items of any value. If the Board acquires any items of value, they will be recorded with the serial or VIN number and reviewed annually in a regular meeting with acknowledgement of review and signature.

Criteria: 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 acquisition, use, or disposition of fixed assets and safeguard assets from loss, damage, or misappropriation.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV