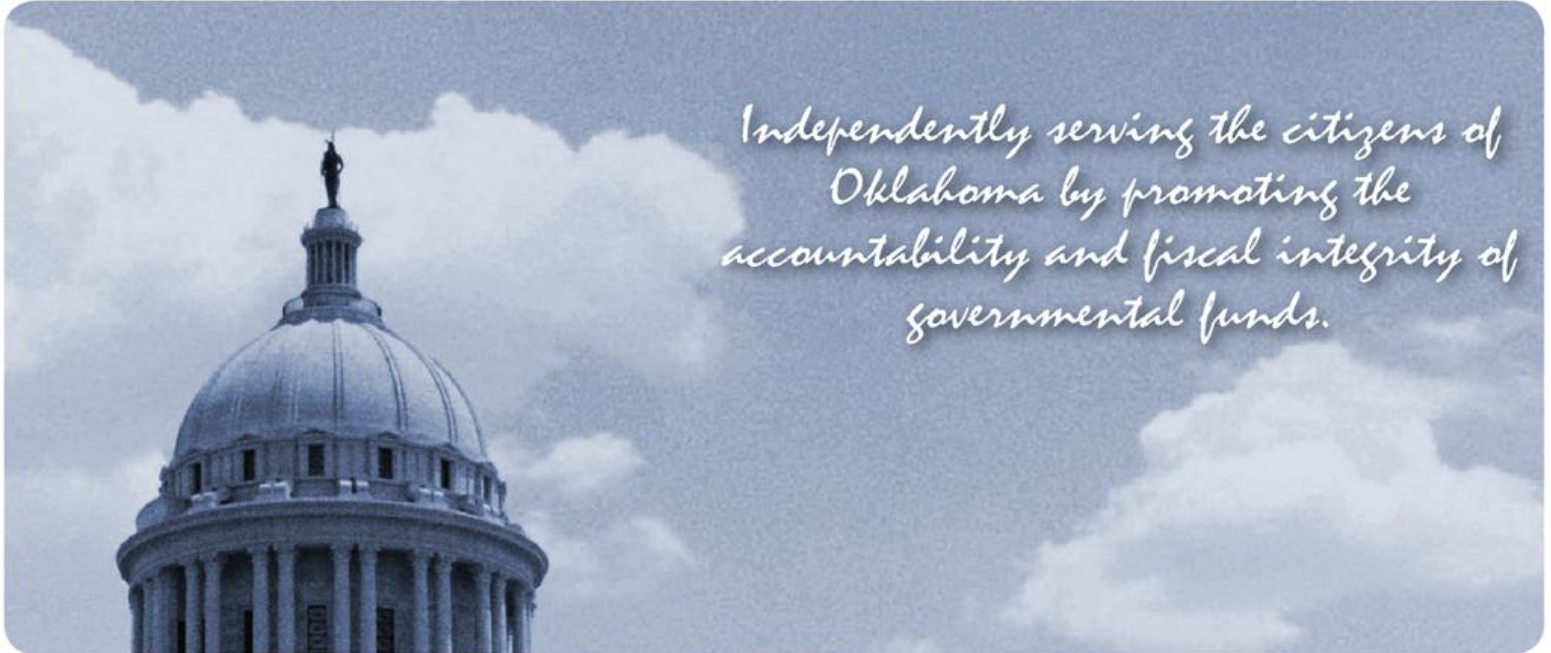


STATUTORY REPORT

CIMARRON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2013 through 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

**CIMARRON COUNTY 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

February 16, 2017

**TO THE BOARD OF DIRECTORS OF THE
CIMARRON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Cimarron County 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". The signature is written in a cursive style with a long, sweeping underline.

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

**CIMARRON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
 STATUTORY REPORT
 FOR THE PERIOD 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	\$ 241,018	\$ 230,794	\$ 211,032
Collections			
Ad Valorem Tax	101,458	112,010	147,166
Charges for Services	32,862	40,342	46,267
Intergovernmental	2,026	1,789	2,305
Miscellaneous	1,497	1,370	1,163
Total Collections	<u>137,843</u>	<u>155,511</u>	<u>196,901</u>
Disbursements			
Personal Services	95,490	99,750	104,899
Travel	3,539	3,881	2,456
Maintenance and Operations	47,971	64,676	34,702
Capital Outlay	1,067	3,817	-
Audit Expense	-	3,149	-
Total Disbursements	<u>148,067</u>	<u>175,273</u>	<u>142,057</u>
Ending Cash Balance, June 30	<u>\$ 230,794</u>	<u>\$ 211,032</u>	<u>\$ 265,876</u>

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



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Cimarron County Emergency Medical Service District
P.O. Box 367
Boise City, Oklahoma 73933

TO THE BOARD OF DIRECTORS OF THE CIMARRON COUNTY 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 2013, FY 2014, and FY 2015 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Cimarron County 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 Cimarron County 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 Cimarron County 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 large initial "G" and a long horizontal stroke at the end.

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

November 11, 2016

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

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-1 - Inadequate Internal Controls Over the Disbursements Process (Repeat Finding)

Condition: Cimarron County Emergency Medical Service District (the District) expends funds using purchase orders that are paid by the County using District funds. Through inquiry, observation of the District's disbursements process, and the test of thirty-six (36) purchase orders, we noted the following weaknesses:

Fiscal Year 2014

- Three (3) claims for reimbursement of travel expense did not have adequate documentation attached to the claim to support the expense.

Fiscal Year 2015

- Three (3) claims for reimbursement of travel expense did not have adequate documentation attached to the claim to support the expense.
- Two (2) purchase orders had completed receiving reports attached to the claim; however the reports were not signed.
- One (1) purchase order for payment of hotel room expense had sales tax included in the payment amount.

Fiscal Year 2016

- One (1) claim for reimbursement of travel expense did not have adequate documentation attached to the claim to support the expense.
- One (1) purchase order did not have a signature verifying the receipt of goods or services on the invoice.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure invoices are signed to indicate verification of receipt of goods or services, documentation of travel reimbursements for travel expense and exemption from sales tax.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management design and implement policies and procedures to ensure adequate documentation is attached to claims and the documentation of verification of goods and/or services and all reports received by the District. Also, policies and procedures should be implemented to ensure the sales tax exemption is adhered to for government entities.

**CIMARRON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Management Response:

Board Chairman: The Board concurs with the auditor's recommendations and will implement policies and procedures to document each claim and provide evidence that goods and services are verified. We will also make sure the sales tax on hotel receipts is not paid for by our District.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be established to analyze and check accuracy, completeness, authorization, and validity of transactions, including providing adequate documentation of each disbursement and verification of the receipt of goods and/or services.

**Finding 2016-2 - Inadequate Internal Controls Over Collections and Record Keeping Processes
(Repeat Finding)**

Condition: Upon inquiry of the District staff and observation of the collection and patient billing processes, we determined that duties are not adequately segregated.

- The Director opens the mail, issues receipts, prepares deposits, and delivers them to the Cimarron County Treasurer.
- The Director also prepares patient runs to be billed and sends them to the third party billing company.
- When payments for patients are received, the Director posts payments to patient accounts.

Mitigating controls with regard to a second review of the deposit prior to it being taken to the Treasurer have been implemented; however, these controls are not sufficient to segregate the internal controls over recordkeeping.

Cause of Condition: The District has not designed and implemented policies and procedures with regard to segregating the duties of opening mail, issuing receipts, preparing and depositing funds. Further, policies and procedures have not been implemented to ensure a separate review and approval with regard to the billing process and posting to patient accounts.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds.

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.

**CIMARRON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Additionally, OSAI recommends the following:

- Mail should be opened by two employees.
- Patient accounts should be reviewed and approved by someone other than the preparer.
- Claims should be reviewed and approved by two employees prior to submitting them for billing with evidence of review with initials and date.
- Posting to patient accounts should be reviewed and approved by someone other than the preparer with evidence of review with initials and date.

Management Response:

Board Chairman: The Board agrees with the auditor's recommendation and will segregate the duties over collections and record keeping as best as possible. The Board will implement mitigating controls over patient accounts receivable by reviewing those records during meetings and indicating in minutes that the Board is involved in the process of record keeping.

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.

Finding 2016-3 Inadequate Internal Controls and Noncompliance Over the Third Party Billing Contract

Condition: The District has contracted with a third party billing service on a monthly basis to provide billing and collection services for the District. The District could not locate the signed contracts effective during the audit period.

Cause of Condition: The District was not aware of the requirement to maintain a signed contract for each fiscal year in their records.

Effect of Condition: Policies and procedures have not been designed and implemented to ensure a contract is signed by both parties each fiscal year, and a copy of the contract retained in the District's records for each fiscal year.

Recommendation: OSAI recommends the District monitor and update all contracts for billing and collection services on a fiscal year basis in accordance with Article 10 § 9C of the Oklahoma Constitution and 19 O.S. § 1710.1(B) to provide adequate internal controls over the contract with the third party billing service.

Management Response

Board Chairman: The Board concurs with the auditor's recommendation and will make sure all contracts are on file at the District.

**CIMARRON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Criteria: Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, supporting documentation of the disbursement such as a contract, should be retained.

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 untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Article 10 § 9C of the Oklahoma Constitution, states in part:

The district board of trustees shall have the additional powers to hire a manager and appropriate personnel, contract, organize, maintain or otherwise operate the emergency medical services within said district and such additional powers as may be authorized by the Legislature.

Title 19 O.S. § 1710.1(B) states, "Emergency medical service districts formed pursuant to said Section 9C of Article X of the Oklahoma Constitution may own and operate the ambulance service or may provide ambulance service through contracts with one or more ambulance service providers."



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