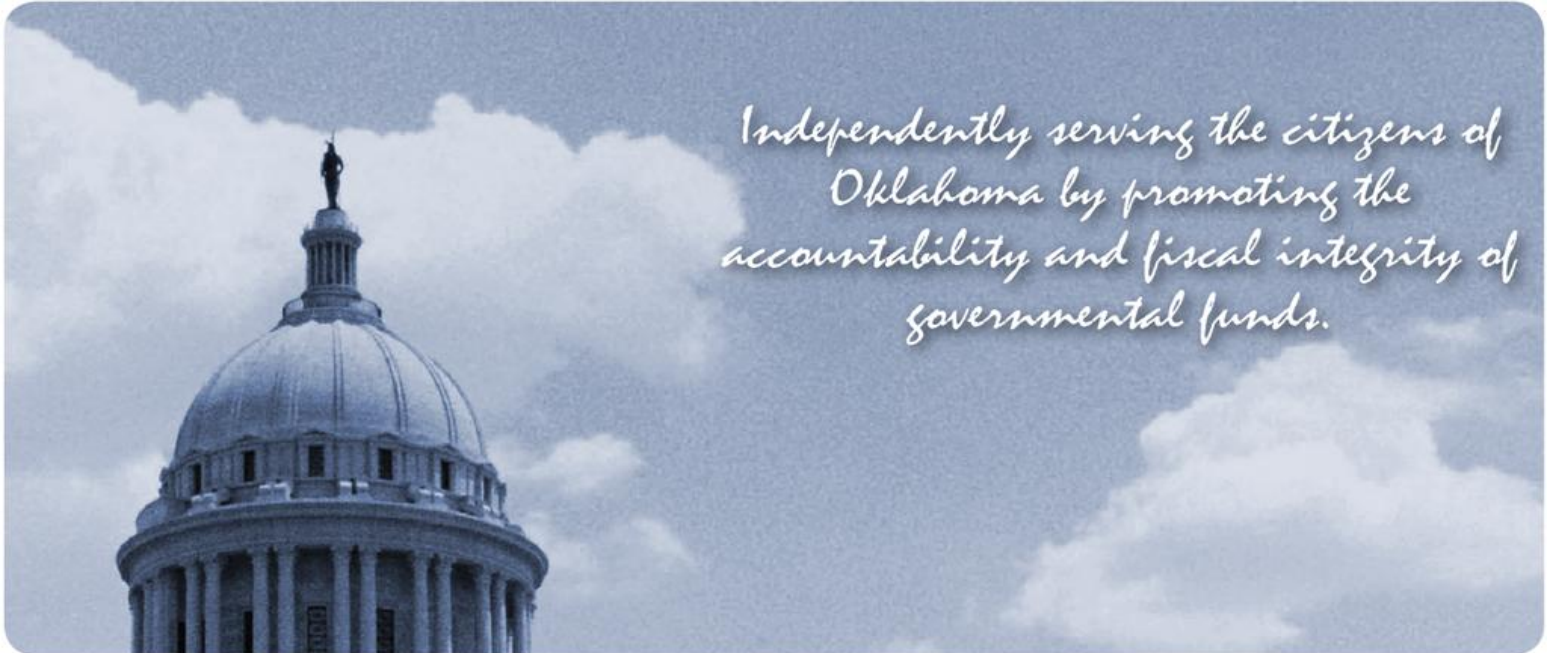


STATUTORY REPORT

# CREEK COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the of July 1, 2013 through June 30, 2015



*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

**CREEK COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE PERIOD OF JULY 1, 2013 THROUGH JUNE 30, 2015**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection(<http://digitprairie.ok.gov/cdm/serch/collection/audits/>) pursuant to 65 O.S. § 3-114.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

June 2, 2017

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

Transmitted herewith is the audit report of Creek County Emergency Medical Service District for the period of July 1, 2013 through June 30, 2015.

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 fluid and cursive, with the first name "Gary" being the most prominent.

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



# Oklahoma State Auditor & Inspector

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Creek County Emergency Medical Service District  
123 East Hobson  
Sapulpa, Oklahoma 74066

## **TO THE BOARD OF DIRECTORS OF THE CREEK 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 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 Creek 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 Creek 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 Creek County Emergency Medical Service District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

May 15, 2017

**CREEK COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 1 – Estimate of Needs Not Accurately Presented (Repeat Finding)**

**Condition:** While reviewing Creek County Emergency Medical Service District’s (the District) accounting records and comparing them to the Estimate of Needs, the following was noted:

Fiscal Year 2014

- The Estimate of Needs (EON) does not accurately reflect the cash balances held by the District.
  - The July 1, 2013 beginning cash balance contained an overstated variance of \$515,055.56 between the EON and the District records.
  - The June 30, 2014 ending cash balance depicted \$3,066,946.00 which was the same amount reported as the beginning balance on the EON for the 2015 fiscal year.

Fiscal Year 2015

- The Estimate of Needs does not reflect the appropriate mandatory one-tenth mill in the Audit Expense Budget Account.
  - The Audit Expense Budget Account is underfunded by \$215,023.59.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the Estimate of Needs was prepared in accordance with 19 O.S. § 1706.1 and 19 O.S. § 1709.

**Effect of Condition:** These conditions resulted in noncompliance with the state statute and the audit expense budget account being underfunded. The District’s Estimate of Needs for the period under review did not reflect the complete financial condition of the District.

**Recommendation:** The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the District ensure the Estimate of Needs is prepared in such a manner that the complete financial situation of the District is accurately presented. Additionally, OSAI recommends that the District implement policies and procedures designed to ensure 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.

**Management Response:**

**Chairman:** The District hired a professional CPA familiar with the Estimate of Needs procedures, August, 2015.

**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 ensure that all relevant accounting records are reviewed for accuracy.

Title 19 O.S. § 1706.1 states in part “The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for

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any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit .....

Title 19 O.S. § 1709 (A) states “A. ... Each budget shall provide a complete financial plan for the budget year. The budget format shall be as prescribed by the State Auditor and Inspector. The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

1. Actual revenues and expenditures for the immediate prior fiscal year;
2. Estimated actual revenues and expenditures for the current fiscal year; and
3. Estimated revenues and expenditures for the budget year.”

**Finding 2 – Inadequate Internal Controls Over the Receipting Process (Repeat Finding)**

**Condition:** Based upon inquiry and observation of the receipting process, the following was noted:

- One individual receives the mail, opens the mail, issues receipts, prepares the deposit, and credits patients’ accounts.
- Money receipted is not deposited daily.
- The District has accounts over 365 days old that have not been sent to collections.
- Reconciliations were not reviewed for accuracy by someone other than the preparer.
- The software system used does not generate pre-numbered receipts allowing receipt numbers to be manually entered into system.
- Receipts are deleted (backed out) instead of being “voided” and the receipt number is then re-issued.
- One receipt could not be located during testwork.
- EMS membership dues are added to closed accounts and then receipted.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the receipting process and verification of accuracy and reconciling revenue received to the accounting records. Further, the development of software controls are not properly designed and implemented to ensure all funds are received by the District.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, execution of transactions and the ability to delete or back out receipts could result in unrecorded transactions, misstated financial reports, 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

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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.

Further, OSAI recommends evidence of a review process be clearly documented for all bank reconciliations, and ensure the software system capabilities are utilized to generate pre-numbered receipts, so as to provide a mitigating control over the lack of duties for the receipting, depositing, and reconciling process.

**Management Response:**

**Chairman:**

- A. The District feels that it would be inefficient to have numerous people performing these different functions; however, to mitigate the risk, the office duties of managing the Accounts Receivables, (mail, receipting, depositing and crediting the accounts) have been dispersed among the staff. One person receives and opens the mail, adds up the deposits, then initials their work. Another person re-calculates the total and credits the Accounts Receivable account. If we have a third person in the office that day-that person will put the monies in the bank account via Remote Deposit Capture.
- B. Reconciliations are reviewed by another person in the office for accuracy and the reviewer initials the statement.
- C. Our software vendor has been petitioned for auto numbering receipts, but no answer has been forthcoming.
- D. Receipts are no longer backed out of the system.
- E. Membership dues are now billed as a charge and then receipted in that charge.

**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, recording, and depositing should be segregated. Bank reconciliations should be performed on a monthly basis and approved by someone other than the preparer and include an indication of review.

**Finding 3 – Inadequate Internal Controls Over the Disbursement Process**

**Condition:** While gaining an understanding of the disbursement process, we noted the following exceptions:

- The Director generates the purchase order in the system, prints and signs the checks as one of the two signers for payment, and mails the checks to vendors.

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**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the disbursement process, and to ensure disbursements are incurred only for the lawful operation of the District.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in inaccurate records, incomplete information or misappropriation of assets. 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:** OSAI recommends management implement a system of internal controls to ensure that all disbursements are properly segregated.

**Management Response:**

**Chairman:** The Director's responsibilities include the generation of purchase orders and insuring that financial obligations are met. The procedure is as described in the report. To mitigate the risks involved, the Assistant Director now compares the purchase order with the amount dispersed from a bank report generated within the district's software system.

**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 transactions and/or misappropriation of funds. Effective internal controls include key functions with a process be adequately segregated to allow for prevention and detection of errors and abuse. Key factors in this system are ensuring disbursements are only incurred in accordance with state statute.

**Finding 4 – Inadequate Internal Controls and Noncompliance Over Bidding Process (Repeat Finding)**

**Condition:** Based upon inquiry and observation of the competitive bidding process for the District, the following exceptions were noted:

Of the two (2) bids tested, the following exceptions were noted for fiscal year 2014:

- Two (2) bids did not have proof of publication available for review.
- Two (2) bids were not time and date stamped when received.

Of the three (3) bids tested, the following exceptions were noted for fiscal year 2015:

- Three (3) bids did not have proof of publication available for review.
- One (1) bid was not time and date stamped when received.

Additionally, fuel expenditures were not made in accordance with bidding requirements.



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**Cause of Condition:** Policies and procedures have not been designed to ensure that expenditures in excess of statutory requirements be competitively bid in compliance with 19 O.S. § 1723.

**Effect of Condition:** This condition resulted in noncompliance with state statute and could result in inaccurate records, incomplete information, or misappropriation of assets.

**Recommendation:** OSAI recommends that purchases in excess of \$15,000 be competitively bid in accordance with state statutes. (During the audit period, the threshold for bidding was \$10,000 until May 5, 2014.) Further, OSAI recommends that all bids be time stamped and dated upon receipt to ensure competitive bids are awarded in accordance with state statute and all relevant bid documents be retained as required by state statute. Regarding fuel purchases, OSAI recommends the District consider using the state contract to obtain fuel cards.

**Management Response:**

**Chairman:**

- A. The current bid process now included publication in a local newspaper.
- B. Although we have not recorded who received the bids from the delivery service or at what time they were received, the district will record that information in the future.
- C. The District is currently purchasing fuel through a vendor on the state contract.

**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 reliability of financial reporting and compliance with applicable laws and regulations.

As of July 1, 2012, Title 19 O.S. § 1723 requires EMS Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1501 and 19 O.S. § 1501, which as of May 6, 2014 requires all purchases in excess of \$15,000 be competitively bid. Between July 1, 2012 and May 5, 2014 the competitive bid threshold was \$10,000.

**Finding 6 – Inadequate Internal Controls Over Inventory (Repeat Finding)**

**Condition:** Based on inquiry and observation of the District, the following was noted concerning inventory:

- One individual receives purchases, maintains inventory and performs physical inventory.
- There was no evidence of anyone other than the preparer reviewing physical inventory.
- Two items were not marked "Property of Creek County EMS District".

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure inventory is being 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.

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**Recommendation:** OSAI recommends that policies and procedures be implemented to ensure inventory is being updated on an ongoing basis. Furthermore, OSAI recommends physical inventory verification, by someone other than the individual in charge of inventory, be completed and documented annually to verify inventory on hand.

**Management Response:**

**Chairman:** The physical inventory of the District is now performed by numerous people, none of which is the purchaser and a copy is sent to management for review.

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



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