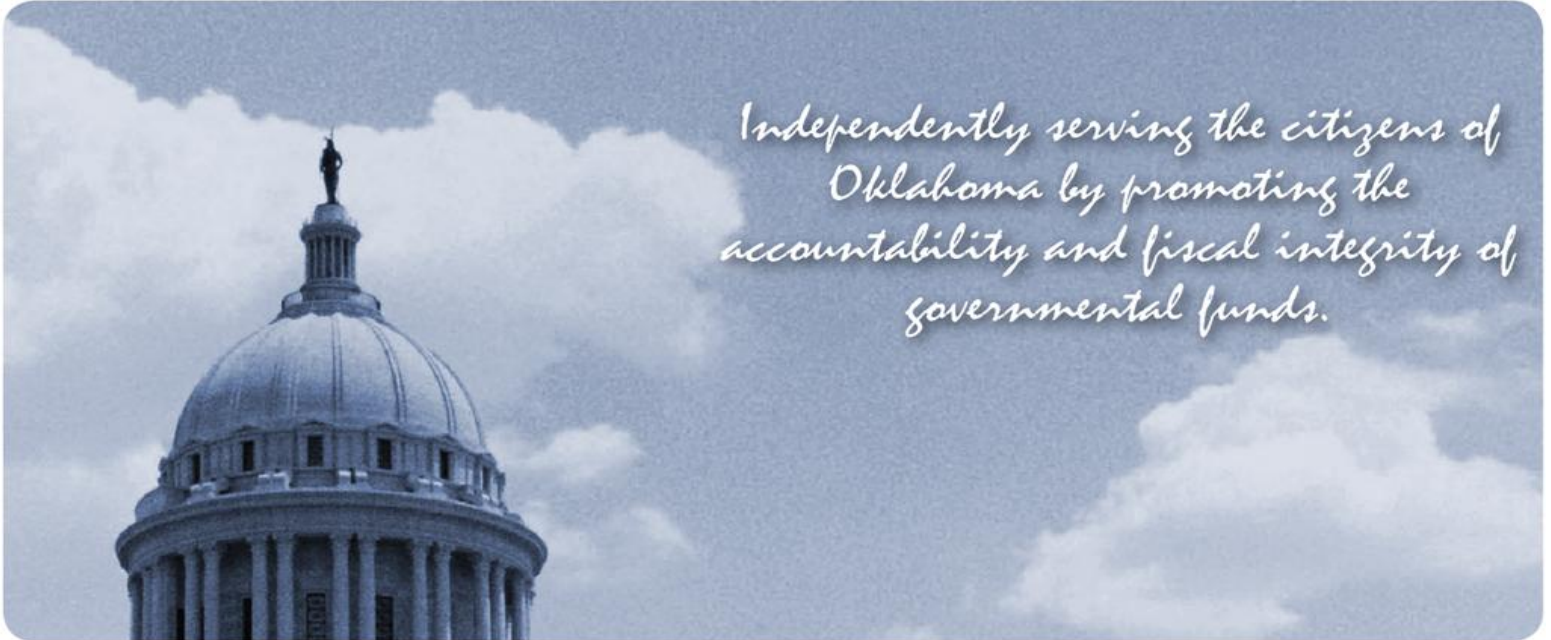


STATUTORY AUDIT

CREEK COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2008 through June 30, 2013



*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 JULY 1, 2008 THROUGH JUNE 30, 2013**

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) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



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 2, 2015

**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 July 1, 2008 through June 30, 2013.

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.

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



Oklahoma State Auditor & Inspector

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

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 2012 and FY 2013 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 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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

January 20, 2015

**CREEK COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Run Test

Condition: Our test of 25 ambulance runs per fiscal year resulted in the following:

- During fiscal year 2009, 3 runs did not have Explanation of Benefits (EOBs) that could be located for verification purposes.
- During fiscal year 2010, 5 runs did not have EOBs that could be located for verification purposes.
- During fiscal year 2011, 4 runs did not have EOBs that could be located for verification purposes.
- During fiscal year 2012, 4 runs did not have EOBs that could be located for verification purposes.
- During fiscal year 2012, run number 11-3539 was billed for 99 miles traveled when the ambulance run documentation depicts a distance of 78 miles, a difference of 21 miles.

Cause of Condition: Procedures have not been designed to ensure that all runs have adequate EOB documentation retained for recordkeeping and audit purposes, and to ensure the proper mileage is claimed from ambulance runs.

Effect of Condition: These conditions resulted in the District having inaccurate records and incomplete record information available for audit review.

Recommendation: OSAI recommends the District implement recordkeeping policies and procedures to ensure all EOBs from insurance companies are retained accordingly. Further, OSAI recommends all billings be verified for accuracy to ensure the proper amounts are billed.

Management Response:

Director: The recommendation to implement recordkeeping policies and procedures to ensure EOBs are retained has been accomplished by appropriately scanning all EOBs to the patient record and establishing a backup system to establish a failsafe.

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. A key factor in this system is ensuring supporting documentation is both accurate and complete.

Finding 3 – Receipt System Controls

Condition: Based upon our review of the receipting process of the District the following was noted:

- The software system used does not generate pre-numbered receipts. It does appear the District is manually entering receipt numbers sequentially.
- If a receipt has to be voided it can be backed out of the system instead of voided.

**CREEK COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

- Receipts are not being issued for all non-ambulance run related funds received.

Cause of Condition: Policies and procedures have not been developed to ensure information system controls are properly designed and implemented, and to ensure all funds received by the District are recorded via a receipt record.

Effect of Condition: Not issuing pre-numbered receipts for each transaction and allowing employees the ability to back receipts out of the software system could result in unrecorded transactions, misstated financial reports, clerical errors, or a misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends management request the software system vendor develop the option to use automatically generated receipt numbers, and to have the ability to void receipts and not simply reverse the entries. Further, the individual issuing the receipt should not have administrative rights to void receipts.

Management Response:

Director: The recommendation to request the software vendor develop an option to use automatically generated receipt numbers has been submitted to the vendor but no development has progressed on the issue at the date of this writing. However, individual identification and procedures are recorded in the history of the account.

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. A key factor in this system is ensuring any software used allows the entity to receipt and void all payments received sequentially and without the ability to back out a transaction.

Finding 4 – Bank Reconciliations

Condition: Based on the understanding obtained and the testwork performed of the reconciliation process of the District, the following was noted:

- OSAI was not provided with a reconciliation for one of the bank accounts for June 30, 2012 as it was not printed due to interest being the only reconciling item. OSAI was provided with May, June, and July 2012 bank statements to depict the interest as the only reconciling transaction.
- None of the reconciliations reviewed had the initials of the preparer or showed evidence of a review by someone other than the preparer.

Cause of Condition: Procedures have not been designed and implemented to ensure all accounts are reconciled accurately, signed by the preparer when completed, or reviewed and approved by someone other than the preparer.

**CREEK COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds.

Recommendation: OSAI recommends all accounts be reconciled on a monthly basis with an indication of review and approval by someone other than the preparer to help ensure accuracy of any reconciling items. All reconciling items should be verified as accurate and appropriate.

Management Response:

Director: The District will attempt to comply with any finding issued by the Oklahoma State Auditor's office.

June 30, 2012: The only transaction for the account referenced in June 2012 was for interest. The District did not print the reconciliation due to this fact.

It has and shall always be the District's and the Director's policy to reconcile all the accounts as soon as the reports are received from the bank. Further the bank account is reconciled to the accounts receivables for the month. If an account is out of balance, the administrative staff including the Director will make every effort to locate the out of balance record.

The preparer will in the future initial the account reconciled and have another staff member review the work and initial.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds all banks reconciliations should be performed monthly and approved by someone other than the preparer.

Finding 5 – Lack of Segregation of Duties Over Disbursements

Condition: While gaining an understanding of the expenditures process of the District, we noted that the Director performs the following duties:

- 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.
- The signature stamp of the Chairman of the Board is in the custody of the Director when not in use.
- The signature stamp of the Billing Manager is in the custody of the Director. As of 2012 this stamp was no longer to be used. However, it is still maintained on hand.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement 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,

**CREEK COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Not adequately securing neither the Chairman of the Board's nor the Billing Manager's signature stamps creates additional misappropriation risks.

Recommendation: OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. In the event the segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risk 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 the custody of the Chairman of the Board's signature stamp be secured to ensure the stamp can only be used by the intended individual, the Chairman personally. Lastly, the no longer to be used signature stamp of the Billing Manager should be secured in such a manner to ensure this stamp is not usable by any personnel or it should be destroyed.

Management Response:

Director: The recommendation to destroy the Billing Manager's stamp which has not been used since August of 2012 has been accomplished. The Chairman of the Board's stamp was in the Director's custody with the permission of the Chairman of the Board as the Director's office is the only office that remains locked when the Director is not present. The Chairman's signature stamp has been destroyed as he is no longer the Chairman.

A policy is being developed to segregate some duties of the disbursement process and management is to remain aware of the risks involved.

Criteria: Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. 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 6 – Disbursements

Condition: Based upon inquiry and observation of the expenditures process, the following was noted concerning the testwork conducted of 25 expenditures per fiscal year:

- Concerning fiscal year 2010, check 18756 was voided but not retained for recordkeeping purposes.
- Concerning fiscal year 2010, checks 20171, 20174, and 20350 were voided but not retained for recordkeeping purposes.
- Concerning fiscal year 2013, check 21071 was voided but not retained for recordkeeping purposes.

**CREEK COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

Cause of Condition: Policies and procedures have not been designed to ensure all claims are filed with sufficient supporting documentation for recordkeeping and audit related needs.

Effect of Condition: This condition could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends the District implement a system of internal controls to ensure that all expenditures have proper supporting documentation. Voided checks should be defaced and retained for audit purposes.

Management Response:

Director: The management of the District was informed by a previous auditor that voided checks should be destroyed and not retained as having voided checks present could invite counterfeit checks. Per the recommendation of the current audit, voided checks are being retained in a file for inspection.

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. A key factor in this system is having supporting documentation maintained for recordkeeping and audit needs.

Finding 7 – Bids

Condition: Based upon inquiry, observation, and testwork conducted on the bidding process of the District, the following was noted on the 4 items reviewed:

- All 4 purchases did not have proof of publication available for review.
- On the 4 instances the bids were not time and date stamped when received.
- On 2 instances the bids were not sealed when presented to the Board for consideration.

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

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

Recommendation: OSAI recommends that all purchases in excess of \$15,000 be competitively bid in accordance with state statutes. (During the period under audit, the threshold for bidding was \$7,500 for fiscal year 2012 and \$10,000 for fiscal year 2013.)

Management Response:

Director: The records regarding the competitive bid for each item were recorded in the book of minutes of the Board meeting for each year. The Creek County Emergency Ambulance Service District (CCEASD) will develop policies and procedures to ensure compliance with 19 O.S. § 1723.

**CREEK COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

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. § 1505, which requires all purchases in excess of \$10,000 be competitively bid. Prior to July 1, 2012, the competitive bid threshold for EMS Districts was \$7,500.

Finding 8 – Payroll Expenditures

Condition: Based upon inquiry, observation, and a review of District payroll documents the following was noted:

- For the pay period December 9, 2012 through December 22, 2012, there was no indication of employee or supervisor verification on the timesheets.
- The supervisor is the only individual who inputs leave amounts and balances, and there is no review and approval of this work by someone other than the preparer.
- Three salaried employees are responsible for keeping track of their own leave balances.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that both employees and supervisors verify the accuracy of timesheets, to ensure leave records are reviewed by an individual other than the recordkeeper, and to ensure leave benefits are tracked by the District as a whole and not individuals.

Effect of Condition: These conditions could result in the inaccurate recordkeeping and incorrect payment of wage and leave benefits.

Recommendation: OSAI recommends the District ensure both employees and supervisors verify timesheets for accuracy. Further, OSAI recommends leave for all employees be kept by the Supervisor and verified by someone other than the preparer for accuracy.

Management Response:

Director: Policies have been developed to implement that employees submit their timesheets via email. Leave records have been verified at the end of the quarter for the past year by the Director and the Supervisor that records the employees' time. The leave policy will be monitored and revised.

Criteria: Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. 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.

**CREEK COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

Finding 9 – Inventory Records

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

- The inventory records, not including medical supplies, are maintained by the Director, and a physical inspection and review of this inventory is not performed regularly.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure inventory is being properly maintained and updated through a periodic review by the District.

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

Recommendation: OSAI recommends that policies and procedures be designed and implemented to ensure inventory is updated on an ongoing basis. Furthermore, OSAI recommends physical inventory verification by someone other than the individual maintaining inventory occur on a recurring basis at least annually.

Management Response:

Director: CCEASD will design and implement policies to update and verify the inventory on record with the Director.

Criteria: An 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.

Finding 11 - Estimate of Needs

Condition: While reviewing the District accounting records and comparing them to the Estimate of Needs (EON) for the period of July 1, 2011 through June 30, 2013, the following was noted:

- The July 1, 2011 beginning cash balance contained an overstated variance of \$806,283.06 between the EON and the District records.
- The beginning cash balance amount depicted of \$3,168,807.77 on the EON is also the amount noted for revenues and the June 30, 2012 ending balance.
- The June 30, 2012 ending cash balance contained an overstated variance of \$493,017.97 between the EON and the District records.
- The July 1, 2012 beginning cash balance contained an understated variance of \$650,591.72 between the EON and the District records.

**CREEK COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

- The beginning cash balance amount depicted of \$2,025,198.08 on the EON is also the amount noted for revenues and the June 30, 2012 ending balance.
- The June 30, 2012 ending cash balance contained an understated variance of \$731,363.87 between the EON and the District records.

Due to large inaccuracies, the financial information for the Estimate of Needs was not presented in this audit report.

Cause of Condition: Policies and Procedures have not been designed and implemented to ensure the balances on the Estimate of Needs reconcile to the balances of the District's financial records.

Further, the Estimate of Needs was not prepared in accordance with 19 O.S. § 1702.

Effect of Condition: The District Estimate of Needs for the period under review did not reflect the complete financial condition of the District.

Recommendation: OSAI recommends the District ensure the Estimate of Needs is prepared in such a manner that the complete financial situation of the District is presented.

Management Response:

Director: The management of CCEASD further requests training from the State Auditor's office regarding this issue. Policies and procedures cannot be developed regarding this issue without instruction from the Auditor's office as to be in compliance regarding preparation.

Auditor Response: OSAI discussed with the District the possibility of hiring an outside accountant for the preparation of the Estimate of Needs, and/or attending a training course entitled "Budget Process for Counties" as possible aids to help with the Estimate of Needs.

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.

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..."



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

WWW.SAI.OK.GOV