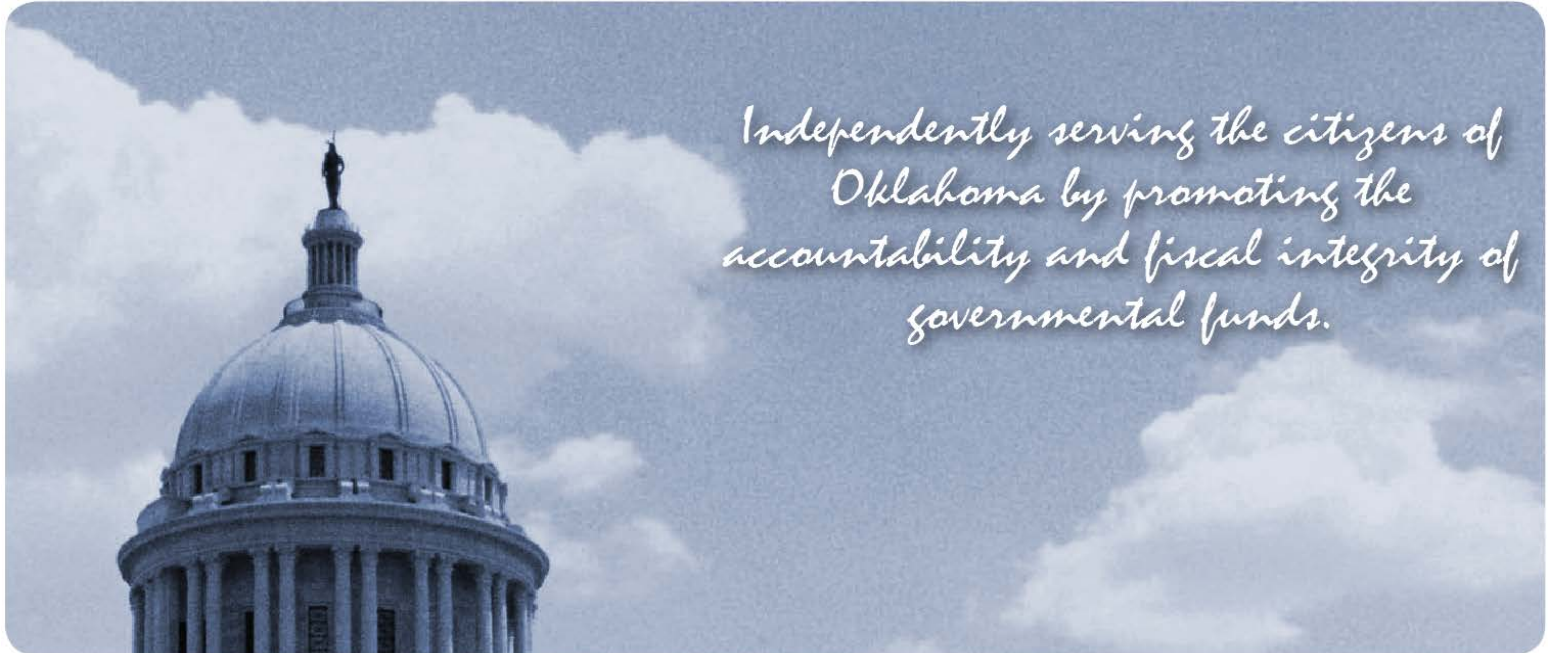


STATUTORY REPORT

CRESCENT 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

**CRESCENT EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE 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

May 31, 2018

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

Transmitted herewith is the audit report of Crescent 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 fluid and cursive.

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

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

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

	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ 114,333
Collections	
Ad Valorem Tax	76,078
Charges for Services	46,358
Miscellaneous	11,087
Total Collections	<u>133,523</u>
Disbursements	
Personal Services	153,604
Maintenance and Operations	45,168
Capital Outlay	18,885
Audit Expense	6,609
Total Disbursements	<u>224,266</u>
Ending Cash Balance, June 30	<u>\$ 23,590</u>

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



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Crescent Emergency Medical Service District
P.O. Box 233
Crescent, Oklahoma 73028-0233

TO THE BOARD OF DIRECTORS OF THE CRESCENT 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 Crescent 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 Crescent 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 Crescent 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

February 9, 2018

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

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-1 – Inadequate Internal Controls Over the Collection and Reconciliation Processes (Repeat Finding)

Condition: Upon inquiry and observation of the collection process of Crescent Emergency Medical Service District (the District), the following internal control weaknesses were noted:

- One employee issued the receipts, prepared the deposit, and made the deposits with the bank.
- Reconciliations were not always performed each month.
- During those times, a monthly reconciliation was performed by an employee for the District, however, there was no evidence that the reconciliation was reviewed by the Board.
- Receipts were not timely issued for the time period July 1, 2015 through October 1, 2015.
- Receipts were not issued for funds received after October 1, 2015.
- Electronic Funds Transfer (EFT) deposits were not verified to patients' accounts.
- Ad valorem checks and other checks received through mail were not deposited timely. As many as 148 days lapsed between the date received and the date of deposit.
- Four ad valorem checks could not be verified to a deposit due to lack of detailed documentation on the deposit slip that identified the amounts deposited.

Cause of Condition: Policies and procedures have not designed and implemented to sufficiently segregate the collection and reconciliation process and the review of the monthly reconciliation, to issue prenumbered receipts, or to ensure adequate documentation is available to support deposits made and that deposits are made in a timely manner.

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 regarding daily deposits and issuing receipts.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the Board 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 the Board 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 the Board review and approve accounting functions. In addition, OSAI recommends policies and procedures be implemented regarding issuing receipts and making accurate and timely deposits.

**CRESCENT EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Management Response:

Chairman of the Board: As a small District, limited personnel were available to segregate responsibilities. After the former Director resigned in the month of August 2016, the Vice Chairman began picking up the mail from the post office, depositing checks, bringing appropriate receipts for such, and presenting the bill during the monthly Board meetings for approval of payments.

Those responsibilities are now with the Crescent City Clerk's Office. Personnel from the City bring the mail to the Board Treasurer, who opens the ambulance service mail. Deposit slips are written by the City Clerk's office, deposited in the proper bank account, then entered a receipt book. Checks are posted in a check register and an Excel spreadsheet by the Finance Clerk. The Finance Clerk prepares the bank reconciliation. All financial information is presented to the Board as evidence of documentation and review. The Board is now aware that we should be initialing all documents and began to show evidence of their review in Board meetings.

Criteria: Accountability and stewardship are overall goals of the Board 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 funds should be segregated and someone other than the preparer should provide evidence of a review of the reconciliation.

Finding 2016-2 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Based upon inquiry with the District staff and observation of thirty-five (35) randomly selected disbursements, we noted the following weaknesses regarding the disbursement process:

- The duties of preparing the check, posting disbursements to accounting records, and reconciling monthly bank statements were performed by the District's Director without evidence of review by the Board.
- Disbursements did not have indication that goods and/or services had been received (i.e., receiving report, signature, etc.).
- The Board did not sign invoices as evidence of review and approval for payment.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the disbursement process to ensure adequate internal controls over the disbursements of funds.

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.

Recommendation: OSAI recommends the Board 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 the Board's oversight of office operations and a periodic

**CRESCENT EMERGENCY MEDICAL SERVICE DISTRICT
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review of operations. OSAI recommends that the District implement a system of internal controls to ensure adequate evidence of receiving goods and services and the Board's review and approval of disbursements.

Management Response:

Board Chairman: As a small District, limited personnel were available to segregate duties. On August 15, 2016, an agreement was made between the Board and Miller EMS to begin providing services, and to assume billing responsibilities for those services from that time forward.

Once the contract was signed in August 2016, the former Director resigned and no further filing, accounting or documentation was forthcoming from him. From August until November 2016, the checkbook was maintained by the Vice Chairman, but this proved inadequate to fulfill necessary bookkeeping requirements.

As a means of proper accounting, the Board approved all bookkeeping duties to be outsourced and performed by the City of Crescent Finance Office, which is under the direction of the Board Treasurer, who is also the City Manager of Crescent.

The City Clerk/Treasurer began in November 2017, to document bills and bill payments for the District, which are presented by the Board Treasurer to the Board for approval during posted open Board meetings.

Financial information has been prepared by the Crescent City Clerk's Office for District Board meetings. The Board has approved monthly bill payments since the Board meetings are scheduled quarterly. The Board is now aware of OSAI recommendations and will comply with initials on all bills and invoices as evidence of review.

Criteria: Accountability and stewardship are overall goals of the Board 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. Internal controls should be established to analyze and check accuracy, completeness, authorization, and validity of transactions, including evidence of receiving goods or services and evidence of the Board's review and approval.

Finding 2016-3 - Inadequate Internal Controls and Noncompliance Over the Board Meeting Minutes (Repeat)

Condition: Based on inquiry of the District Treasurer and review of the District's Board meeting minutes, the following exceptions were noted:

- Board minutes were not formally presented or completely legible and were incomplete.
- Board minutes were not signed or approved by the Board.
- Board minutes were not maintained in a safe and secure location.
- Agendas and Board minutes were not located for all Board meetings.

**CRESCENT EMERGENCY MEDICAL SERVICE DISTRICT
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Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate internal controls over the documentation of approval and safeguarding of District Board minutes to ensure compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with the state statute regarding the Open Meeting Act concerning the approval and retention of Board meeting minutes. Inadequate 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 completeness, signed as verification of this review, and maintained in a safe and secure location in accordance with Title 25 O.S. § 312.A.

Management Response:

Chairman of the Board: After the former Director resigned in August 2016, the Vice Chairman has assumed the responsibility for posting meeting agendas and keeping Board minutes. We, as the Board, were unaware that we needed to sign the minutes, though they were approved during meetings. Our meeting place moved from the ambulance yard to the Crescent City Hall during this fiscal year (2107-2018). The Board will provide more oversight regarding minutes and agendas, and these documents will be kept in a secure location in the Crescent City Hall City Clerk's office.

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

According to the Open Meeting Act, Title 25 O.S. § 312.A 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."

Finding 2016-4 – Inadequate Internal Controls Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry of the District staff, the following exceptions were noted:

- An updated and complete list of fixed assets was not maintained.
- A physical verification of fixed assets inventory was not performed.

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

**CRESCENT EMERGENCY MEDICAL SERVICE DISTRICT
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Effect of Condition: These conditions could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

Recommendation: OSAI recommends annual physical fixed assets inventory verification be performed by someone other than the individual maintaining inventory records to ensure accurate records are properly maintained, updated and documented by serial number and/or VIN numbers.

Management Response:

Chairman of the Board: The Board will update a complete inventory of fixed assets and maintain that list going forward.

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.

Finding 2016-5 - Inadequate Internal Controls Over Billing Statements (Repeat Finding)

Condition: The District contracts with an outside firm to prepare and send out all the billing statements for all the District's ambulance runs. All funds are collected by the District. Based upon inquiry and observation of the billing process, the following was noted:

The District did not receive monthly statements from the billing service, reflecting total amount billed, paid and total receivable. The District did not receive an estimate of benefits from the billing company documenting patient charges, receipts and patient balances. The software used by the billing company does not allow the District to access a patient account by name or account number; therefore, the following exceptions were noted:

- Receipts could not be traced to patient files to verify payment.
- Evidence of individual account balances being written off was not maintained and Board Minutes did not reflect uncollectible debt to be written off.
- There was no evidence that patient account balances were reviewed by the Board to determine if the account should be sent to a collection agency for possible payment.
- Our attempt to trace twenty-one (21) ambulance run sheets to billing company records resulted in the District being unable to locate accounts receivable information regarding these ambulance runs.

(Subsequent to this fiscal year ended, June 30, 2016, the District contracted with a service provider that assumed the responsibility of billing and collecting the revenue generated from ambulance service runs.)

Cause of Condition: The District has not designed and implemented policies and procedures to ensure that proper accounting records are maintained to determine patient accounts are reviewed for collections and/or amounts written off by the Board. Further, policies and procedures have not been designed and

**CRESCENT EMERGENCY MEDICAL SERVICE DISTRICT
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implemented to provide assurance the amounts received for patient accounts are posted correctly and timely so that the District can communicate with customers.

Effect of Condition: These conditions resulted in unrecorded transactions, misstated financial reports, undetected errors, and could result in misappropriation of funds.

Recommendation: OSAI recommends that the District obtain monthly patient account statements which reflect amounts billed, paid, and ending balances of individual patient accounts and review those statements for propriety.

Management Response:

Board Chairman: As a small District, limited personnel were available to segregate duties. On August 15, 2016, an agreement was made between the Board and Miller EMS to begin providing services, and to assume billing responsibilities for those services from that time forward. Once the contract was signed in August 2016, the former Director resigned and no further filing, accounting or documentation was forthcoming from him. No patient accounting has been necessary since the fiscal year began July 1, 2016 due to contracting with the service provider.

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 errors or misappropriation for amounts billed, paid, and ending balances of individual patient accounts.

Finding 2016-6 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Based upon inquiry of the current District Treasurer and Bookkeeper, observation, and a review of payroll checks, the following exceptions were noted:

- The Director did not complete a timesheet.
- Ambulance staff did not complete a timesheet.
- There was no indication that time worked was verified by the employee or supervisor for accuracy.
- Evidence of payroll taxes and deductions being documented could not be located.

(After the fiscal year ended, June 30, 2016, the District contracted with a service provider that assumed the responsibility of providing staff for the District.)

Cause of Condition: Policies and procedures have not been designed and implemented to provide reasonable assurance that payroll disbursements are properly recorded and approved in the accounting records.

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

**CRESCENT EMERGENCY MEDICAL SERVICE DISTRICT
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Recommendation: OSAI recommends the District ensure all employees prepare a timesheet, and that each timesheet is verified by the employee and supervisor for accuracy. Additionally, the District should maintain evidence of payroll deductions.

Management Response:

Chairman of the Board: On August 15, 2016, an agreement was made between the Board and the service provider to begin providing services, including staff payroll, and billing responsibilities for those services from that time forward.

Once the contract was signed in August 2016, the former Director resigned and no further filing, accounting or documentation was forthcoming from him.

Criteria: Accountability and stewardship are overall goals of the Board 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 and approved to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds.



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