

STATUTORY AUDIT

# CRESCENT EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2009 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

**CRESCENT EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2013**

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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

March 19, 2014

**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 period July 1, 2009 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".

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

**CRESCENT EMERGENCY MEDICAL SERVICE DISTRICT  
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 JULY 1, 2009 THROUGH JUNE 30, 2013**

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2012 and FY 2013**

	<u>FY 2012</u>	<u>FY 2013</u>
Beginning Cash Balance, July 1	\$ 92,461	\$ 119,288
Collections		
Ad Valorem Tax	58,431	58,841
Transferred From Prior Years	2,666	2,384
Charges for Services	76,149	69,899
Miscellaneous	1,344	1,022
Total Collections	<u>138,590</u>	<u>132,146</u>
Disbursements		
Personal Services	77,500	75,528
Travel	-	-
Maintenance and Operations	34,263	37,791
Capital Outlay	-	-
Audit Expense	-	-
Total Disbursements	<u>111,763</u>	<u>113,319</u>
Ending Cash Balance, June 30	<u>\$ 119,288</u>	<u>\$ 138,115</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

## **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 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 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 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, 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

December 17, 2013

**CRESCENT EMERGENCY MEDICAL SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 1 – Lack of Segregation of Duties Over Receipting**

**Condition:** While gaining an understanding of the receipting, depositing, and reconciling functions of the Crescent Emergency Medical Service District (the District), we noted that the Director and Bookkeeper perform the following duties:

- Receive and open mail.
- Receive monies and issue receipts.
- Prepare deposits.
- Deposit Monies.

**Cause of Condition:** The District has not designed and implemented policies and procedures to sufficiently segregate the receipting 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, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of this condition and determine how to properly segregate duties. OSAI further 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 the accounting functions.

**Management Response:**

**Director:** Due to the limited number of employees, it is hard to have different employees perform separate things. Debra and I are in the office together only one or two days a week, other days her or I are in the office, and there are a few days neither one of us are in the office.

**Auditor Response:** The duties over the receipting process are not adequately segregated.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to the achievement of the entity's objectives with regard to the reliability of financial reporting. Effective internal controls require that key functions within a process be adequately segregated to allow for the prevention and detection of errors and possible misappropriation of funds.

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**Finding 2 – Lack of Segregation of Duties Over Disbursements**

**Condition:** While gaining an understanding of the disbursement process of the District, we noted the following concerning the responsibilities of the Director and Bookkeeper:

- The same individual who orders goods may also receive them on behalf of the District.

**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, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends management be aware of this condition and determine if duties can be properly segregated. In the event that 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.

**Management Response:**

**Director:** Due to a small office, we do the best we can. There is only one person in the office three days per week, receipts and deposits need to be made.

**Auditor Response:** The duties over the disbursement process are not adequately segregated.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to the achievement of the entity's objectives with regard to the reliability of financial reporting. Effective internal controls require that key functions within a process be adequately segregated to allow for the prevention and detection of errors and possible misappropriation of funds.

**Finding 3 – Disbursement Supporting Documentation**

**Condition:** Based upon inquiry and observation of the expenditures process, the following was noted concerning the testwork conducted:

- Check #7834 did not have supporting documentation attached to the claim, no evidence of voiding the check, and no board approval was noted on the voided claim.
- Check #7941 did not have supporting documentation attached to the claim.



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**Cause of Condition:** Policies and procedures have not been designed to ensure all claims are filed with sufficient supporting documentation, are physically voided if so necessary, and are voided only after board approval.

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

**Recommendation:** OSAI recommends that the District implement a system of internal controls to ensure that all expenditures have proper supporting documentation. Further, OSAI recommends that if an item is to be voided, it should be done so only after approval by the District board.

**Management Response:**

**Director:** We did not attach a copy of the account receivable card to check # 7941. From now on we will make sure all documentation is attached and refunded. Check # 7834 was a voided check at the end of the fiscal year. From now on we will make sure all voided checks are attached to the check stubs.

**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 such as itemized invoices attached to all claims.

**Finding 4 – Payroll Not Signed by Employee**

**Condition:** Based upon a review of the payroll records, it was noted that for the period of December 2012, one (1) employee did not sign their time card:

**Cause of Condition:** Procedures have not been designed to ensure all time cards are signed and approved for accuracy.

**Effect of Condition:** This condition could result in the District having inaccurate records or incomplete information.

**Recommendation:** OSAI recommends the District implement a procedure to ensure all time cards are signed accordingly.

**Management Response:**

**Director:** Usually all timecards are signed. The Bookkeeper and I both overlooked this timecard. From now on we will make sure all payroll sheets are signed by employees.

**Criteria:** Effective internal controls include instituting a review process over time cards. Time cards should be reviewed to verify the accuracy of employee hours worked. All timesheets should be signed by each employee to verify the time worked.

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**Finding 5 – Lack of Second Billings**

**Condition:** We tested twenty-five (25) ambulance runs, the following exceptions were noted:

- During fiscal year 2011, one (1) run did not have a second billing issued for payment.
- During fiscal year 2013, two (2) runs did not have a second billing issued for payment.

**Cause of Condition:** Procedures have not been designed to ensure that all runs have been issued a second billing prior to being turned over to collections and/or being written-off.

**Effect of Condition:** This condition could result in the District missing the opportunity to receive additional billing revenue.

**Recommendation:** OSAI recommends that the District implement a policy to ensure all claims have a second billing prior to being turned over to collections and/or being written-off.

**Management Response:**

**Director:** Envelopes on these kept coming back to us saying, “Not Good Address.” From now on we will keep envelopes instead of shredding them, attach them to the run sheet, and date when we receive them back.

**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 the regard to reliability of financial reporting. An integral aspect of this would be ensuring the District sends a second billing prior to turning an individual over to collections and/or having the account written-off.

**Finding 6 – Bids**

**Condition:** Based upon inquiry and observation of the competitive bidding process for the District, the following item was purchased with the below referenced exceptions:

<b>Vendor</b>	<b>Date</b>	<b>Check #</b>	<b>Purpose</b>	<b>Amount</b>
Stryker	1/11/2010	# 7650 & # 2010	Electric Cot	\$ 9,970.14

(Note: At the time of this purchase the bid threshold was \$7,500.)

- The District did not have a proof of publication for bids.
- Bids were not sealed.
- All bids were not time and date stamped when received.

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**Cause of Condition:** Policies and procedures have not been designed to ensure that expenditures in excess of the competitive bidding threshold are in compliance with 19 O.S. § 1723.

**Effect of Condition:** This condition could result in the District being in noncompliance with state statute, inaccurate records, incomplete information, or a misappropriation of assets.

**Recommendation:** OSAI recommends that all purchases in excess of \$10,000 for periods after July 1, 2012, be competitively bid in accordance with state statute.

**Management Response:**

**Director:** We did not publicize this bid because this cot could only be purchased through Stryker and several different catalogs. We E-mailed and called to receive bids. From now on we will publish bids and have them sealed. We will also date and time stamp when we receive the sealed bids.

**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.

Title 19 O.S. § 1723 as of July 1, 2012 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 7 – Lapsed Balance of Audit Expense Account**

**Condition:** For the period of July 1, 2010 through June 30, 2013, the EMS District did not lapse forward the proper amount for the audit expense account from the following year remaining balance. The following was noted concerning this:

<i>Fiscal Year</i>	<i>Amount Lapsed</i>	<i>Should Have Lapsed Amount</i>	<i>Variance Over/ (Under)</i>
2011	\$3,900	\$5,679	(\$1,779)
2012	\$5,820	\$7,644	(\$1,824)
2013	\$7,810	\$9,635	(\$1,825)

**Cause of Condition:** Procedures have not been designed to ensure compliance with 19 O.S § 1706.1.

**Effect of Condition:** This condition resulted in noncompliance with state statute and underfunding of the audit expense account.

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**Recommendation:** OSAI recommends the District implement policies and procedures designed to ensure that any unused portion from the audit expense account be lapsed forward into the next year's audit expense account in accordance with 19 O.S. § 1706.1.

**Management Response:**

**Director:** We will do a better job to make sure balance is carried forward and calculations are correct.

**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. Any unused budgeted funds are to be lapsed and carried forward to the next budget fiscal year.



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