

STATUTORY REPORT

ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2017



*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

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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

January 5, 2018

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

Transmitted herewith is the audit report of Ellis County Emergency Medical Service District for the fiscal year ended June 30, 2017.

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, flowing style.

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

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017

	FY2017
Beginning Cash Balance, July 1	\$ 1,266,400
Collections	
Ad Valorem Tax	241,645
Charges for Services	116,405
Sales Tax	175,841
Miscellaneous	2,590
Total Collections	536,481
Disbursements	
Personal Services	327,406
Administrator Salary	16,337
Maintenance and Operations	330,938
Audit Expense	-
Total Disbursements	674,681
Ending Cash Balance, June 30	\$ 1,128,200

Note: Sales Tax

On April 6, 2010, Ellis County voters approved a 1% sales tax commencing on October 1, 2010 for five (5) years. The sales tax was renewed on September 30, 2015. The Ellis County Emergency Medical Service District (the District) receives 25% of a 1% percent sales tax to be used for funding of the District. The District submits claims for reimbursement to the Ellis County Board of County Commissioners for approval for payment.

The County reimbursed the District \$175,841 for wages and maintenance and operations of the District which is included in the schedule above.

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



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Ellis County Emergency Medical Service District
P.O. Box 591
Shattuck, Oklahoma 73858

TO THE BOARD OF DIRECTORS OF THE ELLIS 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 2016 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Ellis 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 Ellis 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 Ellis 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 long horizontal stroke at the end.

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

November 6, 2017

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-2 Inadequate Segregation of Duties of the Bookkeeping Processes (Repeat Finding)

Condition: Upon review of the bookkeeping process of the Ellis County Emergency Medical Service District (the District), it was noted that duties are not adequately segregated and one individual performed the following duties:

- Revenue/Receipts:
 - Picks up the mail,
 - Opens the mail,
 - Issues receipts,
 - Prepares deposits,
 - Receives the bank statements, and
 - Prepares the Monthly Financial Reports.

- Patient Accounts:
 - Maintains all patient records, and
 - Determines amounts of uncollectible debt to be written off.

- Disbursements:
 - Picks up the mail,
 - Opens the mail,
 - Orders goods,
 - Prepares checks,
 - Signs checks,
 - Receives items ordered, and
 - Receives the bank statements.

- Payroll:
 - Prepares the work schedules,
 - Prepares the timesheets for all employees,
 - Calculates payroll deductions,
 - Issues payroll checks,
 - Remits taxes for state and federal withholdings,
 - Prepares payroll reports and related tax forms, and
 - Receives the banks statements.

Cause of Condition: Although these conditions have been discussed with the Board in the prior year, policies and procedures to adequately segregate the bookkeeping processes have not been designed and implemented nor have mitigating controls been implemented.

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Effect of Condition: These conditions 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 and Inspector's office (OSAI) recommends that the Board be aware of these conditions and determine if duties can be properly segregated. If 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 which include monitoring and reviewing the bookkeeping processes and evidencing this review by initialing and dating documents. Additionally, compensating controls could include involving the Board in daily functions of reviewing deposit slips and reconciling the monthly bank statements.

Management Response:

Chairman of the Board: We are a small District and only have one Administrator, but the Board is working on outsourcing payroll and most of the financial reports. The Board is working on a policy for timesheets and recording of vacation time. The Board will update all bank accounts and three (3) Board members will be on the list to sign checks. The Board will work on a policy to designate duties to the best extent possible.

Criteria: 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.

Finding 2017-3 - Inadequate Internal Controls Over Bank Reconciliations, Monthly Financial Reports, and Accounts Receivable (Repeat Finding)

Condition: Through inquiry of District staff and observation of certain accounting processes, several weaknesses were noted as follows:

- The District did not maintain a general ledger; therefore, no reconciliations of bank balances were performed.
- Because the District received Medicaid payments in total, the amount of Medicaid payments was not recorded on individual patient's accounts; thus, the amount of accounts receivable could not be determined and the amounts to be written off as uncollectable were an estimate determined by the Administrator.

Cause of Condition: Policies and procedures have not been designed and implemented to account for the accuracy of financial records and reports.

These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, and could result in misappropriation of funds not being detected in a timely manner.

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Recommendation: OSAI recommends that the District maintain a general ledger to better account for the cash assets of the District and reconcile bank statements and monthly financial reports and research to Medicaid payments to determine the accounts to which the payments belong to accurately represent accounts receivable and uncollectable accounts.

Management Response:

Chairman of the Board: The Board is working on outsourcing financial reports, including payroll and general ledger information. The Board will review all bank statements and reports in the monthly Board meetings. The Board and Administrator will work with the billing service company to obtain detailed reports for the Medicaid payments to determine the best manner to credit the patient account with the payment.

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 the regard to reliability of financial reporting. Effective internal controls require oversight of the Board to provide assurance that bank balances are reconciled to financial records and reports, and accounts receivable and uncollectable amounts represent actual amounts.

Finding 2017-4 - Inadequate Internal Controls Over Ambulance Service Run Activities (Repeat Finding)

Condition: Upon inquiry of District staff, observation of records, and the test of twenty-five (25) ambulance runs, the following exceptions were noted:

- Seven (7) ambulance runs listed on the run log reflected payments on account that could not be traced to receipts.
- Two (2) ambulance run sheet numbers could not be verified to the third-party medical billing company records.
- Fifteen (15) ambulance runs had outstanding balances totaling \$12,664.17, at the date of review; however, no action had been taken on the collection of these funds.
- Fifteen (15) ambulance runs reflected write-offs totaling \$3,269.37 that were not approved in detail in the Board minutes.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all services provided are correctly recorded on the run log, receipts are prepared for all monies received, delinquent accounts are reviewed, and the Board approves all write-offs.

Effect of Condition: These conditions did result in unrecorded transactions, misstated financial reports, clerical errors, and could result misappropriation of funds not being detected in a timely manner, and the District under/over-billing for ambulance services.

Recommendation: OSAI recommends the District actively review the billing statements to ensure all services provided are billed and ensure the accuracy of the amounts billed for services. In addition, OSAI

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recommends patient accounts be reviewed to ensure payments are received, properly receipted and credited to patient accounts. Further, delinquent accounts should be reviewed by Staff and the Board to determine additional actions to initiate account settlement.

Management Response:

Chairman of the Board: The Board will work with the billing service company to obtain detailed reports of the amount billed and the amount collected for each ambulance run. The Board will review the billing statements at the monthly Board meetings. The Board will work on a policy to determine action to be made for account settlement.

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. Effective internal controls require oversight by management to provide assurance that amounts billed are based upon the billing policies adopted by the Board, and the billing process is monitored for accuracy and completeness.

Finding 2017-5 - Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Upon discussion with District personnel, observation, and the test of forty (40) disbursements, we noted the following concerns regarding weaknesses in internal controls over the disbursement process:

- Two (2) items did not have proper supporting documentation attached to the claim.
- Sixteen (16) invoices were not signed and verified for accuracy.
- Twelve (12) items may not have been appropriate/legal disbursements for the District.
 - Items included food and snack purchases.

Credit Cards

Upon review of five (5) credit card statements, totaling \$2,132.50, we noted the following concerns regarding weaknesses over controls of credit card usage:

- All statements reflected purchases that may not be appropriate/legal for the District. The purchases included snacks, meals, and groceries. These purchases totaled \$834.40, or approximately 39% of total purchases on the credit card for statements tested.

Cause of Condition: The District has not designed and implemented policies and procedures to ensure all claims are appropriate and legal disbursements for the District and are filed with sufficient supporting documentation, and verified by signature to ensure accuracy for recordkeeping and audit related needs.

Effect of Condition: These conditions resulted in noncompliance regarding appropriate/legal disbursements and could result in inaccurate records, incomplete information or misappropriation of assets.

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Recommendation: OSAI recommends the District implement a system of internal controls to ensure that all disbursements have proper supporting documentation, are verified for accuracy, and are appropriate and legal for the District.

Management Response:

Chairman of the Board: The Board will implement a policy of purchasing and receiving all items and maintain records of all documentation. The Board no longer uses a personal credit card for purchases.

Auditor Response: The Board has not addressed the purchase of food and snacks. We recommend the Board establish policies and procedures to comply with state statutes regarding the purchase of supplies *for the purpose of providing funds for the support, organization, operation and maintenance of district ambulance services, known as emergency medical service districts*” as noted in Title 19 O.S. § 1710.1(A).

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. Key factors in this system are having supporting documentation maintained for record keeping and audit needs and documentation of receipt of goods and or services is evidenced.

Title 19 O.S. § 1710.1(A) states, “A. Any proceeds collected pursuant to the provisions of Section 9C of Article X of the Oklahoma Constitution shall only be expended *for the purpose of providing funds for the support, organization, operation and maintenance of district ambulance services, known as emergency medical service districts.*”

Finding 2017-7 - Inadequate Internal Control Over Timesheets, Leave Balances and the Payroll Process (Repeat Finding)

Condition: Upon examination of payroll registers, timesheets, check stubs, and a sample of employees of the District for the selected pay periods, the following was noted:

Part-time Payroll:

- Nine (9) employees for November of 2016:
 - All timesheets were prepared by the Administrator, rather than the employee.
 - Timesheets were not signed by the employee or by the supervisor.
- Nine (9) employees for June of 2017:
 - All timesheets were prepared by the Administrator, rather than the employee.
 - Timesheets were not signed by the employee or by the supervisor.

Full-time Payroll:

All full-time employees were selected for two pay periods during the year.

- Six (6) employees for November of 2016:
 - All timesheets were prepared by the Administrator, and not by the employee.

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- Timesheets were not signed by the employee or by the supervisor.
- Seven (5) employees for June of 2017:
 - All timesheets were prepared by the Administrator, and not by the employee.
 - Timesheets were not signed by the employee or by the supervisor.

Leave Balances:

Leave balances were not maintained by the District.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the employee and supervisor verify the accuracy of timesheets. Additionally, policies and procedures have not been designed and implemented to ensure leave balances are maintained and updated as necessary.

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

Recommendation: OSAI recommends the District ensure timesheets or documentation of shifts worked and on-call hours are prepared and signed by the employee and verified by the supervisor for accuracy and leave balances are maintained and verified by both the employee and supervisor.

Management Response:

Chairman of the Board: The Board and the new Administrator will work on a time recording policy where the employees will prepare and sign their timesheet and the Administrator will verify and sign each timesheet. The Board will review timesheets in monthly Board meetings. The Board will implement a policy of recording leave balances for employees that is verified by the employee and the Administrator.

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 about the reliability of financial reporting. An important aspect of internal controls is to ensure timekeeping records are accurately prepared to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds.

Finding 2017-8 - Inadequate Internal Controls Over Fixed Assets Inventory

Condition: Based on inquiry of the District Administrator, observation of fixed assets, and review of the District's fixed assets inventory records, the following exceptions were noted:

- An inventory listing was not maintained containing complete and accurate descriptions or identification of fixed assets.
 - The three (3) ambulances owned by the District were not listed on the fixed assets inventory list.
- There was no documentation that an annual inventory verification was performed.

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

Effect of Condition: These conditions resulted in inadequate fixed assets inventory records, and could lead to misappropriation of assets and loss of District equipment.

Recommendation: OSAI recommends that the District implement policies and procedures to establish a dollar threshold to record fixed assets, accurately maintain fixed assets inventory records, and segregate duties over fixed assets inventory record keeping. Records should be maintained in such a manner that assets can be identified by serial number, date of acquisition, and purchase price. Further, an annual physical verification of assets should be performed and documented.

Management Response:

Chairman of the Board: The Board will implement an inventory tracking policy for all fixed assets and the Administrator will assign an inventory number and track all information. We will conduct an annual visual inspection and document its completeness in the monthly Board meeting.

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

Finding 2016-8 - Inadequate Internal Controls and Noncompliance Over Board Meeting Documentation (Repeat Finding)

Condition: Upon inquiry of staff, observation of records, and review of the District, the following exceptions were noted:

- The minutes did not detail the Board's approval of disbursements by purchase order number.
- The minutes did not detail the Board's approval of write-offs by run number.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate internal controls over the documentation of the District Board minutes.

Effect of Condition: These conditions resulted in incomplete documentation of Board approval for disbursements and write-offs and noncompliance with state statute.

Recommendation: OSAI recommends the District comply with the Open Meetings Act and maintain written minutes that reflect the approval of the Board detailing disbursements by purchase order and the amounts considered uncollectable to be written-off. Lost comment, but changed recommendation.

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Management Response:

Chairman of the Board: The Board will document the purchase order number for each disbursement approved in the Board minutes. The Board will work with the billing service company to obtain detailed report so the Board can review delinquent accounts in monthly Board meetings.

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 of the Board meetings.

Further, 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.”



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