

STATUTORY REPORT

ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2012 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

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

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 24, 2016

**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 period July 1, 2012 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, appearing to read "Gary A. Jones".

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

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
 STATUTORY REPORT
 FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2013, FY 2014 and FY 2015.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Beginning Cash Balance, July 1	\$ 422,431	\$ 503,387	\$ 797,688
Collections			
Ad Valorem Tax	223,294	256,727	261,908
Sales Tax	339,486	496,887	578,529
Charges for Services	80,900	170,679	135,981
Interest	721	1,353	2,244
Total Collections	<u>644,401</u>	<u>925,646</u>	<u>978,662</u>
Disbursements			
Personal Services	266,260	310,237	389,866
Maintenance and Operations	285,802	309,218	352,600
Capital Outlay	11,383	7,405	-
Audit Expense	-	4,485	-
Total Disbursements	<u>563,445</u>	<u>631,345</u>	<u>742,466</u>
Ending Cash Balance, June 30	<u>\$ 503,387</u>	<u>\$ 797,688</u>	<u>\$ 1,033,884</u>

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



Oklahoma State Auditor & Inspector

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

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 2013, 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 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, 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 14, 2015

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-1 – Lack of Segregation of Duties and Inadequate Internal Controls Over the Revenue Process (Repeat Finding)

Condition: Based on observation of billing records and discussion with District staff, we determined the following weaknesses within the District’s internal control system:

- The Administrator retrieves the mail, opens the mail, prepares the deposit, takes the deposit to the bank, and reconciles the bank statement.
- There is no evidence that the District verifies the amounts charged by the third party billing company are accurate according to their records.
- After reviewing and reconciling the bank statements to the District’s records, it was determined that for the bank reconciliation dated June 30, 2013, there was an irreconcilable difference of \$1,660.00.
- There was no evidence that someone other than the preparer reviews the monthly bank statement reconciliation.

After reviewing and recalculating sixty (60) run sheets and related deposits, the following deficiencies were noted:

- 19 instances in which the amount recalculated did not agree to the amount billed for charges for services.

PCR # / Run #	Calculated	Billed	Variance
421218017	379.50	636.27	(256.77)
421218032	768.27	636.27	132.00
4212243	720.27	636.27	84.00
4212266	624.27	625.47	(1.20)
4212259	2,700.27	2,431.50	268.77
4212274	624.27	1,783.50	(1,159.23)
4213023	379.50	391.50	(12.00)
4213003	1,164.27	1,212.27	(48.00)
421318024	636.27	660.27	(24.00)
4213169	636.27	633.87	2.40
4213177	636.27	633.87	2.40
421419027	2,640.27	2,383.50	256.77
421814018	840.27	1,032.27	(192.00)
421914153	864.27	990.00	(125.73)
421914190	720.27	846.00	(125.73)
421914188	708.27	784.00	(75.73)
4214067	984.27	1,110.00	(125.73)

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

PCR # / Run #	Calculated	Billed	Variance
421915043	2,640.27	2,666.00	(25.73)
42195088	828.27	636.27	192.00

Cause of Condition: Policies and procedures have not been designed to adequately segregate the duties receiving and depositing monies, and mitigating controls over monitoring the process have not been implemented and to adequately ensure the amounts billed for services are accurate. Policies and procedures have not been designed and implemented to ensure all accounts are reconciled, approved, and the amounts recorded on the bank accounts are complete and accurate.

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, and the District inaccurately billing for ambulance services.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that management be aware of these conditions 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 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 approval of accounting functions. We recommend the Board of Trustees (the Board) actively review the billing statements to ensure that correct amounts are billed and provide evidence of this review so as to mitigate some of the risk associated with having one individual to perform all duties of billing accounts. OSAI additionally recommends the District design procedures to ensure that activity on bank statement reconciliations are complete and accurate and reviewed independently of the preparer.

Management Response:

Board:

- We are a one-person office and are presently comfortable with the Administrator doing all of the various jobs in the office.
- We pay a billing company for the job of billing. We are not sure how we could track what they charge for items according to Medicare price, etc.
- Each Board member views the monthly bank reconciliation statement at the Board meetings and it is signed.

Auditor Response: OSAI strongly recommends the Board make every effort to provide mitigating controls over the Administrator's lack of segregation of duties, including reviewing billing reports and comparing those reports to collections deposited. Further, strongly recommend the Board take an active role in the monitoring and reviewing of the bank statement reconciliation in order to safeguard the District's financial activity. It is the duty of the Board to provide this oversight of the collection process.

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

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

the ability to authorize transactions, have physical custody of assets, and record transactions. Reconciling items on bank statements should be clearly identified and documented.

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 and collection process is monitored for correctness and completeness.

Finding 2015-2 –Inadequate Internal Controls including Lack of Segregation of Duties and Noncompliance and Over Disbursements (Repeat Finding)

Condition: Based on observation and discussion with District staff, we noted the following weakness with regard to the disbursement process:

- The Administrator is responsible for ordering and receiving goods, inputting data, printing and distributing the checks, and reconciling the bank statement.

After observing sixty-two (62) randomly selected disbursements, the following exception was noted:

- Evidence of goods or services received was not documented in fifty-two (52) instances on invoices.

Additionally, while reviewing all the check stubs and the “Transaction List by Vendor” report for the audit period, the following was noted:

- There were several purchases made on the credit card that appear to be extraordinary expenses of the District. These included large purchases of hooded sweatshirts, sweaters, shirts, pants and boots which total \$2,000.00 or more per occurrence.
- Monthly purchases were made from the local grocery store for items such as “pop, candy, and snack foods” and food for the Board of Directors’ dinner at their monthly meeting. These expenditures average \$150.00 per month and do not appear to be allowable expenses of the District.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties over the disbursement process. Also, the internal controls do not provide adequate documentation to support independent verification of goods or services received, and credit cards have been used by the District for several years to expedite the expenditure process.

Effect of Condition: A single individual having responsibility for more than one area of recording, authorization, custody of assets, and reconciliation could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Inadequate segregation of duties along with inadequate monitoring of expenditures and use of an unauthorized credit card could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds.

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

Recommendation: OSAI recommends that management be aware of these conditions 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 risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the district and having management review and approval of accounting functions. Additionally, we recommend someone other than the person ordering goods or services provide evidence that goods or services have been received prior to approving disbursements. Also, we further recommend that the District refrain from using credit cards and utilize statutorily approved credit cards such as P-Cards and ComData Fuel cards.

**Management Response:
Board:**

- The Board will suggest the use of a requisition form for the ordering and receiving process, with invoices attached to the requisition.
- People receiving the purchased hooded sweatshirts, shirts, pants, boots, etc. will sign a paper saying what they received. This will be filed in the office.
- Grocery store purchase of food for monthly Board meeting meals has been previously "voted/approved" by the Board as these meals are the only compensation Board members receive.

Auditor Response: OSAI strongly recommends the Board develop policies and procedures regarding the documentation of goods and or services received, and evidence of invoices being attached to the payment prior to approving the disbursements. The purchase of clothing and shoes for personnel should be reviewed by the Board to determine its necessity and may be considered a fringe benefit for each employee. Additionally, Board members are strictly forbidden from receiving compensation for serving on the Board. We strongly recommend the Board discontinue purchasing groceries for meals for the Board members' monthly meeting.

Criteria: The official opinion of the Attorney General, 1983 OK AG 280, is that an Emergency Medical Service District formed pursuant to Article 10, § 9C of the Oklahoma Constitution, may not lawfully pay compensation to board members. This opinion further states that by constitutional provision, "the Legislature is authorized to create additional powers for the board of trustees of the EMS district, which conceivably could include compensation and/or reimbursement for travel expenses for the board members. However, no such legislative authorization has occurred."

Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated, and indication of goods and services being received should be documented.

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

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

Finding 2015-3 - Inadequate Internal Controls and Incurrence of Debt Using Credit Cards (Repeat Finding)

Condition: Based on observation of records and discussion with District staff, we noted the District utilized a credit card for meals when transporting patients, lodging and fuel, some office supplies, computers, uniforms, and other incidentals. The Administrator has control of this credit card which is maintained at the District office. The District also uses three fuel credit cards. One card is maintained in each ambulance at Shattuck and one credit card is in the Administrator's office.

We reviewed 10 statements for each card in the audit period. We noted the following weakness in the use of the credit cards:

- The District is not authorized to acquire credit cards or obtain a revolving line of credit as prohibited by Article 10 section 9C of the Oklahoma Constitution.
- After further research, it was discovered that the line of credit on the credit card has been extended to the Administrator personally, rather than the District.
- While reviewing each statement, it was evident that supporting documentation was attached; however individual verification of items received was lacking on each statement.

Cause of Condition: In order to purchase items and to reduce the need to reimburse the employees, the District has acquired credit cards.

Effect of Condition: These conditions resulted in unauthorized purchases and may result in improper or abusive purchases. Additionally, the use of credit cards also increases the risk of improper purchases going undetected.

Recommendation: OSAI recommends that the District discontinue use of credit cards that are not authorized by Article 10 section 9C of the Oklahoma Constitution. We further recommend the District utilize P-Cards and ComData Fuel Cards as these credit cards are approved through state contract. Additionally, we recommend the District close the account for which the Administrator's personal line of credit has been used by the District.

Management Response:

Board: The Board will look into the use of a P-card.

Auditor Response: As recommended above, the use of unauthorized credit cards should be discontinued immediately.

Criteria: Effective internal controls require that management establish policies and procedures that detect and prevent abusive and unauthorized transactions. Furthermore, the Oklahoma statutes do not authorize Districts to utilize credit cards that are not statutorily approved.

Article 10 section 9C of the Oklahoma State Constitution allows only the sale of bonds as a manner for incurring debt, as follows;

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

“Any district board of trustees may issue bonds, if approved by a majority vote at a special election for such purpose.”

Title 19 O.S. § 1717 (B, C) states in part: “B. It shall be unlawful for any employee or member of the board in any budget year: 1. To create or authorize creation of a deficit in any fund... C. Any obligation that is contracted or authorized by any member or employee of the board in violation of this act shall become the obligation of the member or employee himself and shall not be valid or enforceable against the district. Any member or employee who violates this act shall forfeit his position and shall be subject to such civil and criminal punishments as are provided by law. Any obligation, authorization for expenditure or expenditure made in violation of this act shall be illegal and void.

Finding 2015-4 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: A test of the payroll for the period of March, 2014, which included nineteen (19) timesheets, reflected the following weaknesses:

- All timesheets lacked a documented employee’s signature.
- All timesheets lacked a documented supervisor review.
- Two (2) timesheets could not be located and four (4) timesheets were incomplete with regard to salary and overtime pay.
- The Administrator does not prepare a timesheet for her monthly “salary pay.”
- Annual leave is clearly stated in the policy manual, but no records or calculations are maintained to document the correct use of paid leave.

Further review of the payroll process reflected the following internal control weaknesses within the preparation of payroll disbursements:

- The Administrator performs all duties of the payroll process, including determining the hours worked for employees, calculating withholdings, printing checks, transferring payroll taxes and maintaining payroll records. There is no evidence of review of someone other than the preparer of the payroll checks and related documents.
- The payroll program was utilized to print the payroll checks. It was not used to calculate federal and state withholding amounts. Withholding amounts were manually calculated.
- The payroll amounts that can be calculated in the payroll program were not utilized to transfer the amounts automatically to the various IRS Forms including 941’s and W-2’s. These calculations were manually calculated.
- While the payroll program has the capability to provide detailed, concise and accurate payroll reports, these payroll records were maintained on a variety of Excel spreadsheets.
- The quarterly 941 reports were not reconciled to each monthly payroll period; thus, the amounts reported to the IRS did not agree to the disbursements made for payroll taxes.
- The yearly W-3 is not reconciled to the quarterly 941’s for the year; therefore, each W-2 may not be accurate.

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

- The method of calculating overtime was inconsistent and not documented. We were unable to determine the total hours worked for the payroll period for each employee and verify that payroll amounts were supported by full-time (salary), overtime, and part-time hours worked.

In addition, it was noted that payroll expenses for the audit period have significantly increased each year, while the amount of runs has remained fairly constant, as noted in the table below.

Fiscal Year	Total Payroll Disbursements	Amount of Increase from Prior Year	% Increase in Payroll Expense	Number of Runs	Amount of Increase/Decrease from Prior Year	% Increase/Decrease in Runs
2010-2011	\$155,064.11	\$56,009.87	56.5%	150	-	-
2011-2012	\$189,803.06	\$34,738.95	22.4%	326	176	53.9%
2012-2013	\$266,260.15	\$76,457.09	40.3%	258	(68)	(26.3%)
2013-2014	\$310,237.31	\$43,977.16	16.5%	310	52	16.8%
2014-2015	\$389,866.29	\$79,628.98	20.4%	294	(16)	(5.4%)
<i>Increase over 5 year period</i>		\$290,812.05	39.77%		144	10.76%

Upon review of payroll records and discussion with District staff, we determined that this increase in the payroll expenditures was due to:

- The overtime amounts for salaried EMT’s had increased.
- The wage amounts for the part-time paid volunteers had also increased.
- The Administrator received a monthly salary for her duties as District Administrator, but was also on call during office hours; therefore, she received a monthly salary and part-time “on call pay” for the same time period.
- The amount of “part-time” pay for the Administrator had increased.
- Records obtained from the Oklahoma State Department of Health reflect for the period July 1, 2010 through June 30, 2015, the Administrator was on call 645 times. Records for fiscal year 2015 were not complete as of the date of the report.

Additionally, records obtained from the Oklahoma State Department of Health reflected that four of the District Board members had performed services and received compensation for the District during the period audited.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that both employees and supervisors verify the accuracy of timesheets and to ensure that all employees complete a timesheet. Also, procedures have not been designed and implemented to fairly and accurately record and track annual leave. Additionally, the District’s payroll system is not being utilized to the fullest extent to provide accurate payroll records. With regard to payroll expenses increasing over the last three years, the District has not developed policies and procedures to analyze the cost of part-time, “on

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

call” pay, in relation to the number of runs made per year. Payments to Board members for services and additional pay for the Administrator have not been completely addressed.

Effect of Condition: These conditions could result in inaccurate recordkeeping and possible incorrect payment of wages, as well as possible incorrect payments and recording of wages reported to the IRS. Further, continued increases in payroll disbursements could result in budgetary shortfalls.

Recommendation: OSAI recommends the District ensure all employees prepare a timesheet, and that each timesheet is verified by the employee and supervisor for accuracy. It is also recommended that the District utilize the capabilities of the computerized payroll system so that all the data can be presented in a concise and accurate format. We additionally recommend the District Board review payroll costs to determine the need for “on call” part-time and employees in relation to the number of runs made on a monthly basis, and implement a policy that Board members do not receive compensation for services performed with regard to the District.

Management Response:

Board:

- The Board will establish office hours for the Administrator, and only runs done by the Administrator outside office hours will be separately compensated.
- Full-time employees can use time cards.
- Payroll software sometimes is not compatible to the multi-pay levels and at times we deal with; that requires some manual calculation.
- The Board can look into outside payroll service.

Auditor Response: OSAI believes the Board has not fully addressed the conditions as described in Finding 2015-4 and we strongly recommends that each employee complete a timesheet that is signed and approved, and payroll responsibilities be monitored and reviewed by the Board for propriety. We further recommend the Board members refrain from being compensated. We agree that contracting with a third party to complete the payroll process would serve as a compensating control over that aspect of the Administrator’s duties as both payroll clerk, Administrator, and EMT.

Criteria: The official opinion of the Attorney General, 1983 OK AG 280, is that an Emergency Medical Service District formed pursuant to Article 10, § 9C of the Oklahoma Constitution, may not lawfully pay compensation to board members. This opinion further states that by constitutional provision, “the Legislature is authorized to create additional powers for the board of trustees of the EMS district, which conceivably could include compensation and/or reimbursement for travel expenses for the board members. However, no such legislative authorization has occurred.”

Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include key functions within a process be monitored to allow for prevention and detection of errors and abuse. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions.

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

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 2015-5 – Inadequate Internal Controls Over Fixed Assets Inventory

Condition: Based on the observation of ten (10) items from the inventory listing and observing the three (3) ambulances, we found no discrepancies. However, after further discussion with District staff, the following was determined:

- Three (3) Surface Tablets, which were purchased at approximately \$900 each, were not on the fixed assets inventory listing.

Cause of Condition: Policies and procedures have not been designed and implemented for the accurate accounting of fixed assets.

Effect of Condition: This condition could result in inaccurate records, unauthorized use of fixed assets, and/or loss of fixed assets.

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

Management Response:

Board: We will do better at fixed asset inventory. We replaced previously owned tablets.

Criteria: An important aspect of internal controls is the safeguarding of assets, which includes adequate segregation of duties. 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 acquisition, use, or disposition of inventory and safeguarding inventory from loss, damage, or misappropriation.

Finding 2015-6 – Inadequate Internal Controls and Noncompliance Over the Audit Expense Budget Account (Repeat Finding)

Condition: Upon inquiry and observation of the budgeting process, it was determined that controls have not been designed or implemented to ensure the amount required by state statute is correctly budgeted for

**ELLIS COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

the audit expense budget account. It was further noted that the District has not carried forward the balance into the audit account each fiscal year. The following was noted:

- The District's balance in the audit expense budget account as of June 30, 2015 was \$34,938.00; however, the correct balance should have been \$57,608.55. As a result, the budget was underfunded by \$22,670.55.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the audit expense budget account is accurately budgeted in accordance with statutory requirements.

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

Recommendation: OSAI recommends the District implement a system of internal controls to provide reasonable assurance that one-tenth mill upon the net total assessed valuation be set aside in the audit expense account, and that any unused portion be carried forward into the next year audit expense budget account in accordance with 19 O.S. § 1706.1.

Management Response:

Board: The Board needs a better understanding of the audit budgeting process.

Auditor Response: The audit expense budget account is calculated using the net proceeds of the one-tenth mill annual levy upon the net total assessed valuation of the District for audit expenses and set aside for the audit of the District's funds.

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 levy upon the net total assessed valuation of the District for audit expenses.



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

WWW.SAI.OK.GOV