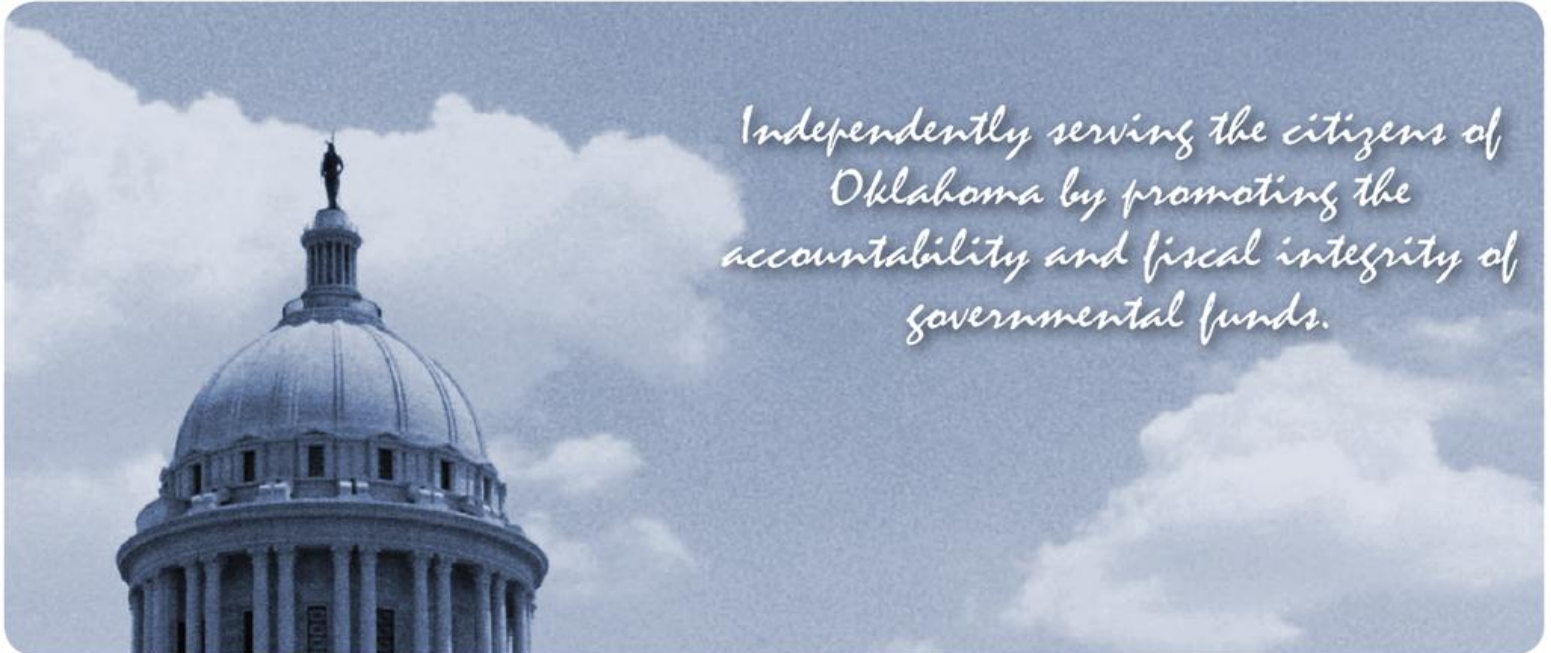


STATUTORY REPORT

GEARY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2012 through June 30, 2015



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

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

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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

August 10, 2016

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

Transmitted herewith is the audit report of Geary 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 that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

**GEARY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
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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	\$ 178,666	\$ 275,945	\$ 326,215
Collections			
Ad Valorem Tax	150,896	129,814	131,296
Miscellaneous	1,608	1,890	2,005
Total Collections	<u>152,504</u>	<u>131,704</u>	<u>133,301</u>
Disbursements			
Contracted Services	25,667	28,000	29,067
Maintenance and Operations	23,938	6,320	6,947
Capital Outlay	-	46,743	-
Audit Expense	5,620	371	-
Total Disbursements	<u>55,225</u>	<u>81,434</u>	<u>36,014</u>
Ending Cash Balance, June 30	<u>\$ 275,945</u>	<u>\$ 326,215</u>	<u>\$ 423,502</u>

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



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Geary Emergency Medical Service District
PO Box 115
Geary, Oklahoma 73040

TO THE BOARD OF DIRECTORS OF THE GEARY 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 fixed assets records were properly maintained.
- Determined that the Service Provider contract provisions were satisfied with regard to financial accounting records.
- Determined whether the District's collections, disbursements, and cash balances for FY 2013 and FY 2014, FY 2015 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Geary 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 Geary 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 Geary 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

June 21, 2016

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

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-01 – Inadequate Internal Controls and Noncompliance Over the Audit Expense Budget Account (Repeat Finding)

Condition: Based upon inquiry of District staff and observation of the budgeting process, it was determined that internal controls have not been designed or implemented to ensure the amount required by statute is correctly budgeted for the audit budget account. As a result, the District’s balance in the audit budget account reflected \$12,563.55 as of June 30, 2015. However, the correct balance should have been \$21,871.95 resulting in a \$9,308.40 deficit in the audit expense budget account.

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 the statutory requirement.

Effect of Condition: This condition resulted in noncompliance with state statute and underfunding of the audit expense budget 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 budget 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: We will speak with the budget maker about the calculation of the audit expense account and adjust the budget accordingly for fiscal year 2016-2017.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

Title 19 O.S. § 1706.1 states, “The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit shall henceforth be restricted to and used only for audit survey and reporting receipt, disbursement and management of emergency medical service district affairs financed by ad valorem levy and miscellaneous revenues other than ad valorem taxation accruing to the general fund of the emergency medical service district, whether such audit be in the performance of duties charged to the State Auditor and Inspector and instigated at the State Auditor and Inspector's own initiative and directive, on request of the board of trustees of the emergency medical service district, on request of the board of county commissioners of such county or on order of the Governor as provided by Section 212 of Title 74 of the Oklahoma Statutes. If, after completion of audit of all emergency medical service district accounts so financed, and

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report thereof, including report of audit of cash funds where possible, as provided by this section, unless there be directive from the Governor for other and/or further inquiry, the board of trustees of the emergency medical service district may, upon certificate of completion by the State Auditor and Inspector, request that any unexpended and unencumbered balance of appropriation therein be, by the board of trustees of the emergency medical service district, lapsed and canceled and the revenues restricted thereby revert to surplus, available for appropriation to any lawful emergency medical service district purpose.”

Finding 2015-02 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Based on discussion with the District’s Board members and observation of thirty-six (36) disbursements, we noted the following weaknesses with regard to the disbursement process:

- One individual maintains the checks, is an authorized signature for the checks, and performs the bank statement reconciliation.
- The District has not developed procedures for utilizing a claim form or receiving document for disbursements.
- Two of the disbursements tested did not have an invoice attached.
- Documentation as to the purpose for check 1128 for \$860.56 could not be located.
- Three of the disbursements tested did not have any indication the goods/services were received.
- Minutes document the Board approved payments; however, the minutes are not signed and dated by the Board Chairman and Secretary ensuring the minutes have been approved.
- The minutes for the May 13, 2013 meeting could not be located; therefore, we were unable to determine if expenditures for the month were approved by the Board.

Cause of Condition: Evidence of Board involvement was noted in the minutes of the meetings, such as approval of financial activity including a copy of the bank statement and approval of some expenditures; however, the District Board’s policy and procedures with regard to minutes and supporting documentation for some disbursements has not been completely established to segregate duties of preparing, recording, and reconciling the checks to the financial records.

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

Recommendation: OSAI recommends the District Board continue to provide compensating controls over the disbursement process with regard to minutes and supporting documentation for disbursements in order to segregate duties of preparing, recording, and reconciling the checks to the financial records. OSAI recommends implementing compensating controls to further mitigate the risks associated with a concentration of duties assigned to one individual, such as the individual that receives the goods and services should be different from the individual that orders goods and services.

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Management Response:

Board: The Board concurs with the auditor's recommendations and will implement them from this date forward.

Criteria: 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, supporting documentation of the disbursement such as an invoice, statement, and indication of goods and services being received should be evidenced.

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 2015-03 – Inadequate Internal Controls Over Fixed Asset Inventory (Repeat finding)

Condition: Through discussion with the Board Treasurer, we noted the District has purchased fixed assets; however, the Board has not designed policies or procedures to document or safeguard the District's fixed assets.

Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate controls over the fixed assets inventory. Supporting documentation of a physical fixed assets inventory count is not being maintained by the District.

Effect of Condition: Opportunities for loss and misappropriation of District assets may be more likely to occur when the District does not maintain supporting documentation of a physical fixed assets inventory.

Recommendation: OSAI recommends management implement a system of accounting for fixed asset inventory owned by the District and maintain supporting documentation for fixed assets inventory counts that documents the date of the count. OSAI further recommends all supporting documentation be signed and dated by the individual performing the count and the individual responsible for reviewing the accuracy of the documentation.

Management Response:

Board: We will implement a Board policy to establish a minimum dollar limit for fixed assets to be accounted for on inventory. The inventory listing will include a description of the item, the date purchased, the dollar amount of the item, the serial or model number, and an identification number denoting that it belongs to the EMS District.

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

**GEARY EMERGENCY MEDICAL SERVICE DISTRICT
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other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of fixed assets and safeguard assets from loss, damage, or misappropriation.

Finding 2015-04 – Inadequate Internal Controls and Noncompliance Over the Bidding Process (Repeat Finding)

Condition: Upon inquiry of the Board Treasurer and observation of documents, we determined internal controls over the bidding process have not been properly designed or implemented. The District did not follow the statutory requirements over the bidding process for following purchases.

- The EMS District purchased a LUCAS Chest Compression System in the amount of \$13,068.75 without seeking bids on March 14, 2013.
- The EMS District purchased a Lifepak 15 monitor/defibrillator in the amount of \$46,742.68 using a quote obtained by the Service Provider without seeking bids on June 30, 2014.

Cause of Condition: Policies and procedures have not been designed and implemented to comply with state statutes.

Effect of Condition: These conditions resulted in noncompliance with the state statute and may have resulted in the District paying more for equipment without the benefit of the bid process.

Recommendation: OSAI recommends the District implement procedures to ensure bidding is properly performed and adequate documentation of the process is maintained, including the following:

- Documentation of notification to the successful bidder.
- Evidence of public notice.
- Handling of unopened bids.
- Awarding bid to best bidder.
- Recording appropriate information in Board minutes.

Management Response:

Board: We were unaware of the state statute governing bidding for EMS Districts. We concur with the auditor's recommendations and will seek advice from the auditor in the future, when a situation occurs that will require bidding.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases over \$15,000 comply with 19 O.S. § 1723 (Effective May 6, 2014). Prior to that date, the bid limit was \$10,000.

**GEARY EMERGENCY MEDICAL SERVICE DISTRICT
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Finding 2015-05 – Inadequate Internal Controls Over the Service Provider Contract (Repeat Finding)

Condition: Upon inquiry of the District Treasurer, and review of the service provider contract, we determined that there is inadequate Board review of the contractual service provider’s provisional responsibilities to the District. The following weaknesses were noted:

- The “contract” on file with the District was dated in the year 2009; however, the month and day was not included in the agreement.
- The provider contract was not signed by the provider or the Board.
- The Board has not renewed or formally extended the contract on a fiscal year basis so as to avoid obligating funds for more than one fiscal year.
- There was no evidence in the Board minutes the service provider reported to the District the monthly billing and collection of claims information as required in the provider contract.
- One provision of the contract allowed the provider to purchase “supplies and minor equipment, with a cost of \$1,000.” This provision is unclear with regard to the cumulative cost or cost per item. However, the Board has informally established a \$5,000 threshold for equipment repairs by the provider to be reimbursed without approval of the Board.
- Additionally, the District has no documentation of the items or supplies purchased by the provider.
- A monthly “call schedule” was not provided to the Board as stipulated in the contract provisions.
- The Board approved an increase in contract payments from \$2,334.34 to \$2,600.00; however, a new contract has not been approved by the Board.

Cause of Condition: Policies and procedures have not been designed or implemented by the Board to ensure that contractual obligations for the District are being fulfilled by the provider.

Effect of Condition: These conditions could result in misuse or misappropriation of the District’s funds by the contractual service provider.

Recommendation: OSAI recommends that the District Board design and implement procedures to ensure the contractual obligations being provided to the service are documented prior to paying the provider for services. At a minimum, the following policy and procedures should be implemented.

- The Board should obtain a current contract that is for the fiscal year that is signed and dated by both the Board and the provider.
- A monthly report of runs, billing and collections should be provided to the Board.
- The Board should obtain documentation of supplies and minor equipment purchased by the provider.
- A monthly “call schedule” should be provided to the Board.

Management Response:

Board: We have been working on obtaining a new contract that will be for the period beginning July 1, 2016 and ending June 30, 2017.

**GEARY EMERGENCY MEDICAL SERVICE DISTRICT
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Criteria: Effective internal controls require that policies and procedures be implemented to ensure provisions of the provider contract are adequately documented and compliance is maintained by both parties.



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