

STATUTORY REPORT

GEARY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2016



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



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

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

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Oklahoma State Auditor & Inspector

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

January 3, 2018

**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 fiscal year ended June 30, 2016.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long, sweeping tail on the letter "s".

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

**GEARY EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2016

	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ 423,502
Collections	
Ad Valorem Tax	140,374
Miscellaneous	<u>1,815</u>
Total Collections	<u>142,189</u>
Disbursements	
Contracted Services	31,200
Maintenance and Operations	<u>6,929</u>
Total Disbursements	<u>38,129</u>
Ending Cash Balance, June 30	<u>\$ 527,562</u>

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



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Geary Emergency Medical Service District
P.O. 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 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 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 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

November 14, 2017

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

Finding 2016-2 – Inadequate Internal Controls and Noncompliance Over Board Meeting Documentation

Condition: Upon inquiry of the Geary Emergency Medical Service District (the District) Treasurer and review of the District’s Board Meeting agendas and minutes, the following weaknesses were noted:

- Board Minutes were not signed as approved by Board members.
- Agendas did not specify items to be discussed at the monthly Board meeting.
- Board minutes do not reflect Board approval of the payment of each disbursement.

Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate internal controls over documentation of approval and safeguarding of District Board agendas and minutes in compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with the state statute regarding the Open Meeting Act concerning the approval of Board meeting minutes, including payment for each disbursement, and detailed agendas. Inadequate internal controls over documentation and approval of District Board minutes could result in inaccurate records.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the District Board meeting minutes be reviewed for accuracy and signed as verification of this review, maintained in a safe and secure location, and evidence of disbursements being approved by the Board be documented. Further, agendas should be specific in nature regarding items for discussion in Open Meetings in accordance with 25 O.S. § 312.A.

Management Response:

Chairman of the Board: The Board will make changes to the manner we approve meeting minutes by not only approving the last month’s meeting minutes as read, but by also printing the previous month’s minutes and having the Chairman and the Secretary sign the minutes as approved. Another adjustment the Board will make will be to have more detailed agendas, more specific line items of what will be discussed at the meetings. The Board minutes will include from this time forward the payment amount for the bills paid and the check number for these bills.

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

According to the Open Meeting Act, Title 25 O.S. § 312.A states, “The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions

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taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.”

Finding 2016-3 – Inadequate Internal Controls Over the Collections Process

Condition: Although the District has limited transactions and collects only ad valorem taxes from two Counties, a lack of internal controls and segregation of duties continues to be an exception regarding the following duties:

- Receiving mail, including ad valorem tax remittances from the Blaine County Treasurer,
- Preparing the deposit, and
- Posting transactions and preparing bank account reconciliations.

Also, audit evidence was not available to document the Board’s review and approval of the monthly bank statement and reconciliation.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the duties of the collection process, to ensure funds are accurately reported.

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. Additionally, this condition could result in the District having inaccurate records, incomplete information, misappropriation of assets, and/or the loss of revenue.

Recommendation: OSAI recommends the District Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in the District Board’s oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one person can perform all accounting functions. 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. Compensating controls would include separating key processes and/or critical functions of the office, including providing evidence that the Board reviews and approves accounting functions.

Management Response:

Chairman of the Board: The Board will make changes in the manner of handling the deposits made to our accounts by dating and initialing deposits by the members of the Board to signify oversight of the collection process.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help ensure a

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proper accounting of funds, the duties of receiving, recording, and reconciling bank statements should be segregated.

Finding 2016-4 – Inadequate Internal Controls Over the Disbursements Process (Repeat Finding)

Condition: Upon inquiry, observation of the District’s disbursements process, and the test of all checks issued for the fiscal year, we determined the following:

- Duties were not adequately segregated due to one person preparing and signing checks, and reconciling bank statements.
- Four (4) instances were noted in which checks were signed only by the District Board Treasurer.
- During the review of Board Meeting minutes, it was noted the District Board approves the Treasurer’s Monthly Financial Report presented; however, evidence of a review and approval was not present.

Additionally, the Treasurer’s Monthly Financial Report for the month of January 2016, could not be located and several instances were noted in which the reports were not accurately presented.

Cause of Condition: Policies and procedures have not been designed and implemented regarding segregating the duties over the disbursements and ensuring checks have two signatures. Further, procedures have not been implemented to ensure Treasurer’s Reports are signed to indicate review and approval. Also, policies and procedures have not been designed and implemented to ensure the District Board’s action is accurately reflected in the Board Meeting minutes.

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 the Board be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Policies should be implemented to ensure checks contain two signatures; therefore, ensuring internal controls regarding disbursements and evidence of the Board’s review of disbursements and the Treasurer’s Monthly Financial Report be documented.

Management Response:

Chairman of the Board: The Board will make changes regarding checks being signed by two signers rather than just the Treasurer. The Board will also make sure in our monthly meetings that the Board not only approves the Treasurer’s Report, but that we sign the Treasurer’s Report noting that members of the Board reviewed the report and maintain those reports for safekeeping.

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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 regarding the reliability of financial reporting. Further, 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.

Finding 2016-5 – Inadequate Internal Controls Over Fixed Asset Inventory (Repeat Finding)

Condition: Through discussion with the Board Treasurer, we noted the District has purchased fixed assets for the use of the contract service provider. However, the following deficiencies were noted:

- The Board could not provide a list of the District's fixed assets.
- There was no evidence of the Board performing an annual physical verification of 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 an annual physical verification of fixed assets was not maintained by the District.

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

Recommendation: OSAI recommends the Board implement a system of accounting for fixed assets inventory owned by the District and maintain supporting documentation for fixed assets inventory verification. OSAI further recommends all supporting documentation be signed and dated by the individual performing the verification and the individual responsible for reviewing the accuracy of the documentation.

Management Response:

Chairman of the Board: The Board will compile a list of the fixed assets costing over \$500.00 and owned by the Board. After the fixed assets are itemized, the Board will perform annual visual inspection of these fixed assets.

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 acquisition, use, or disposition of fixed assets and safeguard assets from loss, damage, or misappropriation.

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Finding 2016-6 – 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 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 original provider contract was not signed by the provider or the Board.
- The Board did not renew or formally extend the contract on a fiscal year basis 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 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 regarding 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.

As of January 7, 2016, the District Board approved a new contract with Medic West. The contract contained a clause that stated,

“The EMS District will provide a subsidy of \$2,600.00 a month and a one-time start-up fee of \$10,000.00...”

This *start-up fee* appears to be included in error from the previous contract.

An additional clause within the contract stated,

“The District would lease their ambulances to Medic West for \$1.00 per year.”

However, there is no evidence of this transaction taking place.

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

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 District are documented prior to paying the provider for services.

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At a minimum, the following policy and procedures should be implemented:

- The Board should obtain a current contract that is for the fiscal year and 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, as provided for in the contract.
- The Board should obtain documentation of supplies and minor equipment purchased by the provider.
- A monthly “call schedule” should be provided to the Board as stipulated in the provider contract.

Management Response:

Chairman of the Board: The Board will make changes in our current contract with the service provider. The Board will need to make sure that the dates are correct along with the dollar amount in our contract. Also, the new contract will be updated and approved every year in July. The Board will also begin requiring a monthly report from the service provider. The Board will request a list of all supplies and equipment purchases for the service provider. The Board will request a monthly call schedule to be provided by the service provider.

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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