

STATUTORY REPORT

GLENPOOL EMERGENCY MEDICAL SERVICE DISTRICT

For the 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

**GLENPOOL EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE 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

October 3, 2017

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

Transmitted herewith is the audit report of Glenpool 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".

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

**GLENPOOL 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	\$ 378,071
Less prior year accounts payable	(191)
Less prior year outstanding checks	<u>(727)</u>
Adjusted Beginning Cash Balance, July 1	<u>\$ 377,153</u>
Collections	
Ad Valorem Tax	\$ 233,603
Miscellaneous	<u>158</u>
Total Collections	<u>233,761</u>
Disbursements	
Personal Services	10,865
Maintenance and Operations	123,451
Contract for Services	68,003
Capital Outlay	-
Audit Expense	<u>925</u>
Total Disbursements	<u>203,244</u>
Ending Cash Balance, June 30	<u>\$ 407,670</u>

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



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Glenpool Emergency Medical Service District
12205 S. Yukon Ave.
Glenpool, Oklahoma 74003

TO THE BOARD OF DIRECTORS OF THE GLENPOOL 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 Glenpool 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 Glenpool 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 Glenpool 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

August 7, 2017

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

Finding 2016-1 – Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account (Repeat Finding)

Condition: Upon inquiry of the Glenpool Emergency Medical Service District (the District) staff and observation of the budgeting process, it was determined the amount required by state statute was not correctly budgeted for the audit expense budget account.

Fiscal Year	Amount Calculated to Carry Forward	Amount Carried Forward by District	1 /10th Of One Mill	Ending Balance Should be	District's Ending Balance	Variance Over/(Under)
2016	\$36,918.31	\$0.00	\$7,601.98	\$44,520.29	\$398.02	(\$ 36,520.29)

It was further noted the District has not carried forward the balance into the audit expense budget account each fiscal year. As a result, the District's balance in the audit expense budget account as of June 30, 2016 was \$8,000.00. The correct balance should have been \$44,520.29; thus leaving an underfunded balance of (\$36,520.29).

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: These conditions resulted in noncompliance with the state statute and the audit expense budget account being underfunded.

Recommendation: The Oklahoma State Auditor & Inspector's Office (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 account in accordance with 19 O.S. § 1706.1

Management Response: A procedure for calculating the audit expense budget account in accordance with 19 O.S. §1706.1 was implemented, but the procedure to carry forward unspent appropriations was not completely understood. Future appropriations will consider any amount unspent, until written approval is granted by the State Auditor and Inspector's office to lapse unspent appropriations.

Chairman of the Board: The Chairman agrees with Management's response.

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.

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Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.

Finding 2016-2 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of the District, it was noted that one person performs the following duties:

- Receives verification of deposits,
- Verifies the receipt of collections at the bank,
- Records the journal entries into the computer system, and
- Prepares the bank statement reconciliation.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the collection process from the recording and reconciling processes to ensure the accurate accounting of all funds. Additionally, policies and procedures have not been designed and implemented to ensure the accuracy of the District's bank statement reconciliations as evidenced by someone performing a secondary review of the bank reconciliation and approving the review with evidence of initials and date of review.

Effect of Condition: A single employee 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.

Recommendation: OSAI recommends management 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 management's oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. 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 approve accounting functions including bank statement reconciliations.

Management Response: Beginning in fiscal year 2017, the District Administrator began independently confirming the electronic deposits of ad valorem taxes which are virtually the entirety of the District's collections. The Treasurer enters journal entries to record the deposits and journal entries are approved by the Administrator. Also, beginning in fiscal year 2017, the bank statements are reconciled by another party, then reviewed and approved by the Treasurer.

Chairman of the Board: The Chairman agrees with Management's response.

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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 proper accounting of funds, the duties of revenue verification, recording, and reconciling should be segregated.

Finding 2016-3- Inadequate Internal Controls Over the Disbursement Process including Payroll (Repeat Finding)

Condition: Upon inquiry of the District staff and observation of documents, the test of forty-three (43) disbursements reflected the following exceptions:

- Twenty-four (24) disbursements do not appear to be an appropriate disbursement for the District per contract stipulations. These disbursements were for supplies, oxygen, epi pens, CPR Manikins, an airway trainer, childbirth simulator, and carbon monoxide monitors in which the contracts stipulate that equipment and medical supplies will be provided by the contractor.
- Evidence of disbursements being presented to the Board for approval was not present.

Additionally, based on inquiry of the District's disbursement process including payroll warrants, the following was noted:

- Only pre-printed electronic signatures were used as authorizing signatures, allowing checks to be issued without any verification of accuracy.
- Authorizing signatures were those of employees that receive compensation in the form of a payroll warrant, allowing for employees to receive payments without any independent authorization.
- The District did not maintain payroll records for the three administrative employees. The employees, who are also City of Glenpool employees, did not complete a separate W-4 for the District.

Further, based on a review of the Contract between the District and the City of Glenpool to provide administrative services, we noted the following:

- The District directly paid the District Administrator a sum of \$5,000.00 and the Treasurer and Legal Representative a sum of \$2,500.00 each for a grand total of \$10,000.00, although the contract stipulates the District will reimburse the City of Glenpool for this expense.

Cause of Condition: Policies and procedures have not been designed to ensure all claims are filed with sufficient supporting documentation for recordkeeping and timekeeping and evidence that disbursements

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are approved by the Board. Additionally, policies and procedures have not been developed to ensure disbursements are made in accordance with contractual provisions.

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

Recommendation: OSAI recommends the District implement a system of internal controls to ensure that all disbursements have proper supporting documentation, are made in accordance with contracts, and have evidence of the Board's approval.

Management Response:

Chairman of the Board: While the ambulance service contract states that the ambulance service provider will replace all disposable medical supplies utilized by the Emergency Medical Response Agency, there are often mutual aid responders that are not party to the agreement. In those instances, any supplies used by the other providers are not replaced by the contracted provider. In addition, some supplies are purchased by the District that are not compatible with the provider's equipment or procedures.

The intent of the contract is that the ambulance service provider will replace like items from their own inventory, but is not expected to replace specialty items not stocked on their trucks. Any supplies not disposable in nature are also purchased by the District, including training equipment and medical equipment, as drugs and medical oxygen. However, language inconsistent with actual intent and practice was inadvertently retained in the contract between the City of Glenpool and the District. While the contract stated that the City was to provide supplies, training and equipment, the intent of the Board, as evidenced by budget appropriations, was that the District would provide supplies, equipment, EMR training, medical oxygen, and any other materials required by the first Responders, except for emergency vehicle fuel and maintenance. The contract has since been revised to clarify the Board's intent.

Following is the response of the FY 2015-2016 audit finding which was conducted during fiscal year 2017:

- A procedure was established to provide the Board a list of payment claims for approval prior to payment.
- At least one signature is handwritten on all checks, which are matched by the Treasurer with the list of approved payment claims.
- Another signatory was added to the District's bank account, allowing for two parties other than the employee to sign payroll checks.
- A system for maintaining more complete District employee records was established, including a separate W-4 form for each employee.
- The district formalized employment contracts with the Administrator/Clerk, Treasurer, and Attorney. In addition, the agreement between the city of Glenpool and the District was revised in fiscal year 2017 to remove language in conflict with actual practices being followed.

Chairman of the Board: The Chairman agrees with Management's response.

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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. Key factors in this system are having supporting documentation maintained for record keeping and audit needs, ensuring disbursements are made in accordance with contractual provisions, and ensuring the proper approval of the Board for the operation of the District.



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