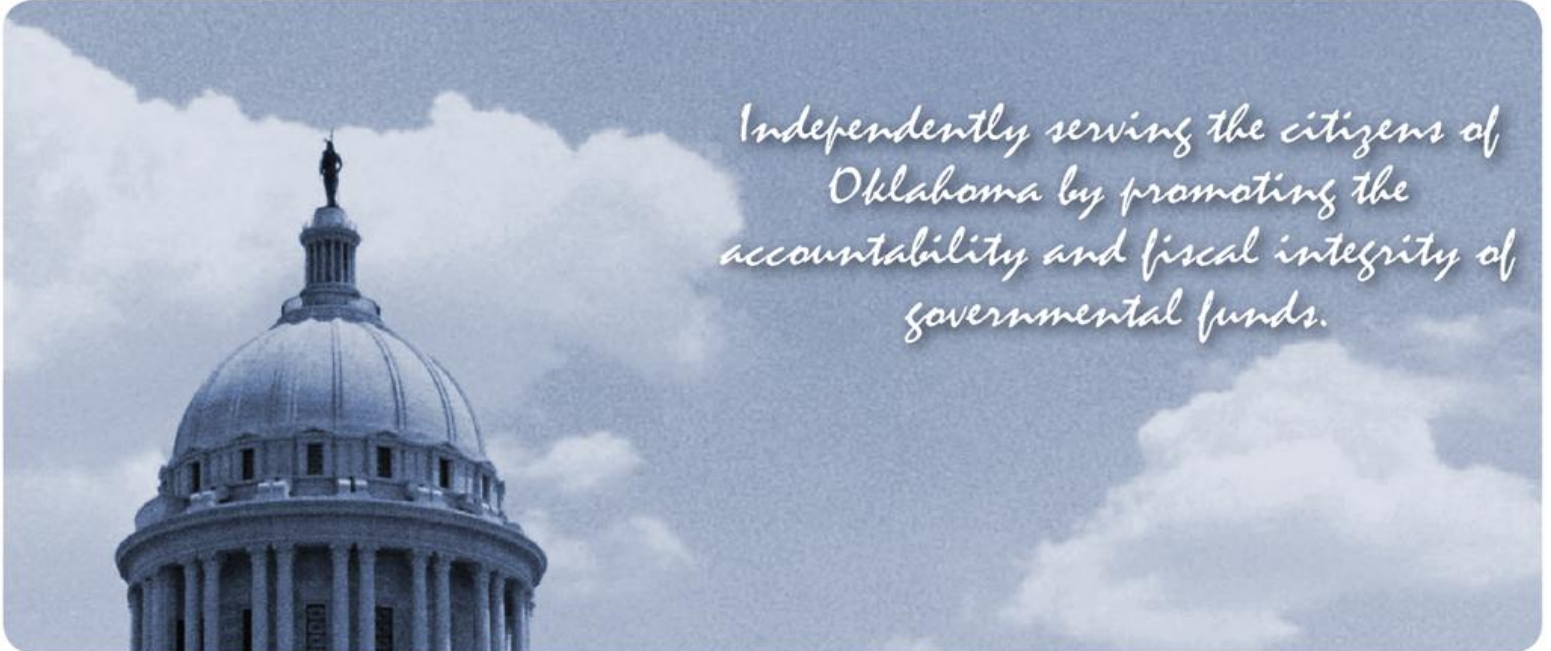


STATUTORY REPORT

HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2014



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

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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

February 24, 2016

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

Transmitted herewith is the audit report of Hughes County Emergency Medical Service District for the fiscal year ended June 30, 2014.

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

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

	<u>FY 2014</u>
Beginning Cash Balance, July 1	\$ 147,424
Collections	
Ad Valorem Tax	371,724
Charges for Services	705,295
Intergovernmental Revenues	26,420
Miscellaneous	33
Total Collections	<u>1,103,472</u>
Disbursements	
Personal Services	877,348
Travel	701
Maintenance and Operations	167,071
Capital Outlay	1,758
Other Deductions	58
Total Disbursements	<u>1,046,936</u>
Warrants Estopped or Cancelled	<u>430</u>
Ending Cash Balance, June 30	<u>\$ 204,390</u>

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



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Hughes County Emergency Medical Service District
114 North Oak Street
Holdenville, Oklahoma 74848

TO THE BOARD OF DIRECTORS OF THE HUGHES 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 2014 were accurately presented on the estimate of needs.

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

June 17, 2015

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-01 – Inadequate Internal Controls and Noncompliance Over Audit Expense Account (Repeat Finding)

Condition: Hughes County Emergency Medical Service District (the District) did not carry forward the proper amount for the audit expense account from the previous year's remaining balance. The following was noted:

- The audit expense account budgeted amount per the Estimate of Needs on June 30, 2014 was \$10,084.27, but the budgeted amount should have been \$61,814.84. As a result, the budget was underfunded by \$51,730.57.
- The District did not appropriate the correct amount for the audit expense account. The District appropriated \$10,084.27 for the period. The District should have appropriated \$12,132.79.
- The District did not indicate audit expenditures on the Estimate of Needs.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 19 O.S. § 1706.1

Effect of Condition: These conditions resulted in noncompliance with the statute and underfunding of the audit expense account.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the District implement policies and procedures designed to ensure 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 account in accordance with 19 O.S. § 1706.1. In addition, OSAI recommends that audit expenditures be included on the Estimate of Needs.

Management Response:

Chairman EMS Board and Director: We have notified our budget maker of this finding and directed them to appropriate the proper amount for all future years.

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 ad valorem levy upon the net total assessed valuation of the district for audit expenses. This balance is to be carried forward into the future years.

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Finding 2014-02 – Lack of Segregation of Duties Over Receipting (Repeat Finding)

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of the District, we noted that the same individual receives and receipts payments, records transactions, and deposits funds.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the receipting process.

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 management be aware of this condition 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.

Management Response:

Chairman EMS Board and Director: We have limited budget and limited office personnel, but we are working on ways to improve on this finding.

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 receiving, receipting, recording, depositing, and reconciliations should be segregated.

Finding 2014-03 – Run Test (Repeat Finding)

Condition: Our test of twenty-five (25) ambulance runs resulted in the following:

- The run number was incorrectly entered on the run sheet for one (1) run.
- The fee charged did not agree to the fee schedule for twelve (12) runs.
- The run number was entered incorrectly on the billing records for three (3) runs.

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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- Six (6) runs did not have information that a second billing had been sent or that the information had been sent to a collection agency.
- Eight (8) runs did not have Board authorization for the write-off of bad debt.

Cause of Condition: Policies and procedures have not been designed and implemented to verify that the proper run number is correctly used on the run sheets and billing information, accounts are billed at the correct amount, to review and approve bad debt write-offs and ensure second billings are always sent if payment for a run is not received.

Effect of Condition: These conditions resulted in the District having inaccurate records or incomplete information and could result in loss of revenue.

Recommendation: OSAI recommends the District bill all accounts accurately and explain differences in run charges and actual billing charges. OSAI also recommends that all bad debt write-offs be authorized by the EMS Board and documented in the Board minutes in a timely manner. Further, OSAI recommends second billings be sent on runs if no payment is received after the first billing.

Management Response:

Chairman EMS Board and Director: We have notified our billing company of the findings and we are working together to ensure that all accounts are billed accurately, a second billing is sent when no payment is made after the first billing, and that all bad debt write-offs will be authorized and documented in a timely manner.

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 regard to the reliability of financial reporting. Effective internal controls include a review process over EMS runs. Supervisors should review all runs and verify that the run was billed, that the amount billed is accurate, and explain variances between billing charges and run charges. Furthermore, all District write offs should be approved and authorized in a timely manner by the EMS Board and documented in the EMS Board's minutes.

Finding 2014-04 – Issuing Receipts

Condition: While performing testwork, we noted that the District does not issue receipts for all monies received. Receipts were not issued for two (2) of the five (5) deposit days tested.

Cause of Condition: Policies and procedures have not designed and implemented to ensure that all monies received and deposited are properly receipted.

Effect of Condition: This condition could result in the District having inaccurate records, incomplete information, misappropriation of assets, and/or the loss of revenue.

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Recommendation: OSAI recommends that the District issue receipts in sequential numerical order for all monies received.

Management Response:

Chairman EMS Board and Director: A plan has been put in place to ensure that in the future a receipt is issued for all monies received and deposited on a daily basis.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all monies received and deposited should be receipted.

Finding 2014-05 – Lack of Segregation of Duties Over Disbursements (Repeat Finding)

Condition: While gaining an understanding of the disbursement process of the District, we noted that the administrative assistant performs the following duties:

- Prepares purchase orders.
- Prepares checks.
- Compares goods/services received to invoice.
- Posts expenditures to accounting records.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process.

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 management be aware of this condition 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.

Management Response:

Chairman EMS Board and Director: Due to budget constraints we have very limited office personnel; we are working with and utilizing our independent accountant to improve on this finding.

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Criteria: Effective internal controls require that key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. 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 transaction and/or misappropriation of funds.

Finding 2014-06 – Creation of Debt

Condition: While reviewing disbursement documentation, we noted that the District acquired a loan from a financial institution to cover payroll disbursements.

Cause of Condition: The District did not follow the policies and procedures designed by the Oklahoma Constitution regarding the creation of debt, purchasing, and lease procedures.

Effect of Condition: This condition resulted in the District becoming indebted without the vote of the people.

Recommendation: OSAI recommends that no financing should be obtained that would indebt the District without approval of three-fifths (3/5) vote of the citizens of Hughes County.

Management Response:

Chairman EMS Board and Director: In the future no loans or financing will be obtained without approval from three fifths (3/5) vote of the citizens of Hughes County.

Criteria: Oklahoma Constitution Article X § 26a, states in part, "... no county city, town, township, school district, or other political corporation, or subdivision of the state, shall be allowed to become indebted, in any manner, or for any purpose, to an amount exceeding, in any year, the income and revenue provided for such year without the assent of three-fifths of the voters thereof, voting at an election, to be held for that purpose, not in cases requiring such assent..."

Finding 2014-07 – Inventory Records (Repeat Finding)

Condition: While reviewing the inventory records for the District, we noted that the District does not perform and maintain documentation of an annual review of inventory.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that inventory is being properly accounted for, maintained accurately, and updated regularly.

Effect of Condition: This condition could result in error and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

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Recommendation: OSAI recommends a physical verification be completed and documented annually to verify inventory on hand.

Management Response:

Chairman EMS Board and Director: A policy and procedure has been implemented to ensure that in the future inventory will be updated and completed on a regular basis and that all property is accounted for and maintained accurately.

Criteria: 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.



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