



HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

January 30, 2019

**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, 2017.

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 "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
 STATUTORY REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017

	<u>General Fund</u>	<u>G.O. Bond of 2017</u>
Beginning Cash Balance, July 1	<u>\$ 193,878</u>	<u>\$ -</u>
Collections		
Ad Valorem Tax	408,629	-
Charges for Services	664,853	-
Miscellaneous	137	-
Bond Proceeds and Interest	-	950,647
Total Collections	<u>1,073,619</u>	<u>\$ 950,647</u>
Disbursements		
Personal Services	659,436	-
Travel	5,363	-
Maintenance and Operations	352,895	-
Capital Outlay	35,482	-
Total Disbursements	<u>1,053,176</u>	<u>-</u>
Ending Cash Balance, June 30	<u>\$ 214,321</u>	<u>\$ 950,647</u>

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

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

General Obligation Limited Tax Bonds Series 2017

The voters in Hughes County approved a \$950,000.00 General Obligation Bond Issue on January 10, 2017 “to be used to acquire emergency medical vehicles and other equipment related thereto and perform maintenance and housing on the same.”

At June 30, 2017 the District had received the proceeds and interest earned on the G.O. Bond Issue in the amount of \$950,646.64. No expenditures of the proceeds were made and no collections of ad valorem tax to make the bond payments had been levied.

The 2017-2018 Estimate of Needs provides for a 1.74 ad valorem tax mill levy to be collected for payment of coupons and interest in fiscal year 2018.

Following is the bond schedule related to the payments for bonds and coupons in the future:

Fiscal Year	Bond Payments Due	Coupon Payments Due	Total Due
2017-2018	\$0	\$16,625.00	\$16,625.00
2018-2019	\$0	\$16,625.00	\$16,625.00
2019-2020	\$315,000.00	\$16,625.00	\$331,625.00
2020-2021	\$315,000.00	\$11,112.50	\$326,112.50
2021-2022	<u>\$320,000.00</u>	<u>\$5,600.00</u>	<u>\$325,600.00</u>
Total	<u>\$950,000.00</u>	<u>\$66,587.50</u>	<u>\$1,016,587.50</u>

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

Hughes County Emergency Medical Service District
114 North Oak Street
Holdenville, Oklahoma 74848-0671

**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 2017 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 7, 2018

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-001 - Inadequate Internal Controls Over the Collection Process (Repeat Finding)

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of the Hughes County Emergency Medical Service District (the District), we determined the following duties were not properly segregated:

- One employee performs the duties of opening mail, completing the mail log, receiving funds, issuing receipts, preparing the deposit, posting collections to the accounting system, and reviewing the monthly report for payments made.

Also, we noted the following internal control weaknesses:

- The District did maintain a mail log; however, the entries posted to the mail log did not agree to the receipts issued in the receipt book.
- There was no indication of review by someone other than the preparer of the deposit slips retained by the District.
- There was no evidence the deposit slip returned from the bank was compared to the receipts issued for that date by someone other than the preparer to determine the amount deposited at the bank was verified to the receipts issued for collections.
- There was no evidence the bank reconciliation performed by the CPA was reviewed or approved by the District Board.

A test of deposits dating from November 21, 2016 to January 4, 2017, resulted in the following exceptions:

- The District did not deposit collections daily. Six (6) deposits were made during the period tested of thirty (30) business days.
- There were three (3) instances in which a receipt noted the form of payment as a check, however, these payments were confirmed in the bank statement as direct deposits.
- Receipts were not issued for all monies received.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the receipting process, to ensure all funds received were properly receipted and deposited daily, deposits are encoded in detail on the deposit slip, and bank reconciliations are reviewed and approved by someone other than the preparer.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions, and lack of complete receipting, daily depositing, verifying bank encoding of deposits, and review and approval of bank reconciliations could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the District Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

number of individuals is not desired from a control point of view. The most effective controls lie in the Board's oversight of office operations and a periodic review of operations. OSAI recommends the District Board 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 the District Board review and approve accounting functions.

Additionally, OSAI recommends the District ensure that receipts are issued for all funds received, deposits are made in a timely manner, deposits are verified to bank encoded amounts on the deposit slips, and review and approval of bank reconciliations by someone independent of the process.

Management Response:

Chairman of the Board: With the hiring of other office personnel, the District is now able to provide more segregation of duties. Duties are now being divided among three personnel. All accounts receivable information is reviewed by management or another office staff employee and the Board reviews the information at monthly meetings.

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, and recording, should be segregated. A component of effective internal control system is to provide accurate and reliable information through receipts with funds being receipted, deposits being made in a timely manner and encoded accurately, and evidence of District Board review and approval of bank reconciliations.

Finding 2017-002 - Inadequate Internal Controls Over the Disbursements Process and Questionable Disbursement (Repeat Finding)

Condition: While gaining an understanding of the purchasing process of the District, it was noted that the administrative assistant performed the following duties which were not properly segregated:

- Ordered supplies,
- Received supplies,
- Prepared purchase orders,
- Prepared checks,
- Posted disbursements to accounting records, and
- Mailed checks to vendors.

In addition, we noted the following internal control weaknesses and questionable disbursement:

- The purchase order ledger was not reviewed for accuracy.
 - Sixteen (16) purchase order numbers (12012-12027) were not posted to the ledger.
 - Purchase order numbers 11681-11691 were not posted on the ledger.

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

While performing a test of forty (40) disbursements the following exceptions were noted:

- Two (2) checks were presented as disbursements; however, these checks totaling \$120,000.00 were used to transfer funds between bank accounts (check 2127 and 2157).
- Check 11381 for \$138.46 and documentation for the disbursement could not be located.
- Two (2) disbursements were for reimbursement of mileage to employees and did not contain adequate supporting documentation of the mileage claimed. (check 11415 and 11871).
- One (1) disbursement was for the purchase of cookies and included sales tax which should not be paid by a governmental entity (check 11444).
- Four (4) disbursements did not contain adequate supporting documentation to determine if expenditure was appropriate (checks 11500, 11620, 11929, 11680).
- One (1) disbursement was for a credit card payment that included interest and late fees charged because of late payment. (check 11634).
- Supporting invoices attached to check 12234 do not agree to the check amount. The invoices totaled \$754.00; however, the purchase order was issued for \$869.00 without explanation.

Questionable Payroll Disbursement:

- Check 11655 was issued to the local investment firm for the Director's monthly retirement contribution. The supporting documentation reflected the employee contributed \$111.00 and District contributed the matching amount of \$111.00 for a total contribution of \$222.00. However, after reviewing QuickBooks data, no contributions were withheld from the employee's paycheck.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process. Policies and procedures have not been designed to ensure all claims are filed with sufficient supporting documentation for recordkeeping and audit related needs.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions, and lack of sufficient supporting documentation for recordkeeping 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.

Also, OSAI recommends the District implement a system of internal controls to ensure that all disbursements have proper supporting documentation to provide evidence the expenditure is for the lawful operation of the District.

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Management Response:

Chairman of the Board: With the hiring of other office personnel, the District is now able to provide more segregation of duties. Duties are now being divided among three personnel. All information is reviewed by management or another office staff employee and the Board reviews the information at monthly meetings. All medical supplies are ordered by a support staff supervisor with management approval. All office supplies are ordered by office staff with management approval. Orders are checked in to ensure orders are complete and all invoices are compared to the order list and the packing list. Duties are divided among the three personnel and all accounts payable are reviewed by management or a second office staff person for accuracy and then the Board reviews the information in the monthly board meeting.

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. Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. In addition, key factors in this system are having supporting documentation maintained for recordkeeping, and ensuring expenditures are only incurred for the lawful operation of the District.

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 2017-003 - Inadequate Internal Controls Over the Payroll Process and Inaccurate Wage and Leave Reporting (Repeat Finding)

Condition: Upon inquiry of District staff, observation of payroll and leave records, and a test of all payroll periods which included twenty-seven (27) payroll checks for fourteen (14) employees, we noted the District uses a local accounting firm to prepare payroll using computer software provided by the District. We also noted the accounting firm maintains a leave ledger that is handwritten.

Following are internal control weaknesses that were noted regarding timesheets and payroll leave balances:

- A supervisor's signature of approval was not evidenced on two (2) employees' timesheets.
- Employees donated leave; however, the District does not have a written policy for employee leave donations.
- Seven (7) employees did not accrue vacation leave on their anniversary date as stipulated in the leave policy. One (1) employee was considered part-time and was not eligible for sick leave benefits per the District Handbook; however, the employee did accrue sick leave.
- One (1) employee's sick leave accrual of 5.01 hours for the month was deducted instead of accrued, resulting in 10.02 hours of sick leave owed to the employee. Three (3) employees received payment for accrued vacation hours before their anniversary date, in violation of the District Handbook, as follows:
 - Employee 1 – 100 hours

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- Employee 2 – 160 hours
- Employee 3 – 188 hours; however, 40 of the accrued hours of which payment was received, was not reflected on the leave ledger resulting in a negative vacation leave balance of 28 hours at June 26, 2017.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that employees and supervisors verify the accuracy of timesheets, and all employees complete a timesheet and maintain leave records. In addition, leave used as posted on timesheets should reconcile to the leave amounts used on leave records, and leave should be maintained in accordance with the policies established by the District Handbook. Additionally, the District does not have a policy and procedure for donated leave. Further, policies and procedures have not been designed and implemented to ensure leave balance reports depict the beginning, used, accrued, and ending leave amounts.

Effect of Condition: These conditions resulted in inaccurate recordkeeping and incorrect accrual of wage and leave benefits.

Recommendation: OSAI recommends the District ensure all employees prepare a timesheet, and each timesheet is verified by the employee and supervisor for accuracy. The leave used per the leave ledger should match the leave taken on the timesheet. OSAI also recommends the District develop written policies and ensure all compensation comply with the policies established by the District Handbook. Additionally, the District should develop policies and procedures for donating leave. Additionally, policies and procedures have not been designed and implemented to ensure leave balance reports depict the beginning, used, accrued, and ending leave amounts.

Management Response:

Chairman of the Board: With the hiring of other office personnel, the District was able to implement a procedure to ensure proper documentation is on file for all employees in the personnel records. Hire dates are now accurate with documentation of the date the employee was hired and status of the employee as full-time or part-time. Changes in employee status are also now documented in employee files. Employee withholdings and accrued leave time has been corrected for all employees.

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. An important aspect of internal controls is to ensure timekeeping records are accurately prepared to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds.

Finding 2017-006 - Inadequate Internal Controls Over the Third-Party Billing Process (Repeat Finding)

Condition: The District utilizes a third-party billing company to process accounts receivable for ambulance run charges.

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

While gaining an understanding of the billing process, the following weaknesses were noted:

- The District did not receive outstanding patient balance reports to review and determine the status of accounts receivable.
- There was no evidence of reconciliation of monthly collection reports from the third-party billing company to the bank statements to ensure all payments posted agree to the amounts deposited.
- There was no evidence of review of the monthly billing report to the run logs to ensure completeness and accuracy of amounts billed.
- The District Board approved new billing rates in June 2016; however, the District accounting staff and third-party billing company did not use the new rates until September 2017; thus, the incorrect billing rates were used potentially causing a substantial loss in revenue for the District.

Additionally, the test of sixty-eight (68) ambulance runs resulted in the following exceptions:

- In thirteen (13) instances, the billed amount did not agree to the fee schedule.
- In sixteen (16) instances, a receipt could not be located for the payment received.
- In seven (7) instances, ambulance run records were not located by the third party- billing company; thus, it appears the District has not charged the responsible parties for these services.
- In thirteen (13) instances, patient accounts with delinquent balances were not sent notices in accordance with the third-party billing policy.
- In nine (9) instances, the patient account balances were written off without evidence of Board approval.
- In three (3) instances, patient account balances did not appear to be transferred to the new third-party billing company upon the District changing accounting providers.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure ambulance services provided are billed and that the amounts billed for services are based on the Board approved rates as provided on the ambulance run information and sent to the third-party billing company for billing.

Effect of Condition: These conditions resulted in unrecorded and inaccurate transactions, regarding accounts receivable and collections, and could result in misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the District actively review the billing statements to ensure all services provided are charged and that the amounts charged for services are accurate. In addition, OSAI recommends patient accounts be reviewed by the District staff to ensure payments are received, properly receipted, written-off as approved by the District Board, and credited to patient accounts in a timely manner.

Management Response:

Chairman of the Board: As of September 1, 2017, the District terminated the relationship with the third-party billing company and now has contracted with another third-party billing company. The District now has full access to all patient accounts and is able to ensure proper billing of patient accounts and balances.

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

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

entity's objectives with the regard to reliability of financial reporting. Effective internal controls require oversight by management to provide assurance that amounts charged are based upon the District Board approved rates and policies adopted by the District Board, and the billing process is monitored by the District staff for accuracy and completeness.

Finding-2017-007 - Inadequate Internal Controls Over Board Meetings and Minutes (Repeat Finding)

Condition: Upon review of the District's Board meeting agendas and minutes, the following weaknesses existed:

- The District Board members did not sign the minutes as approval of the proceedings.
- Minutes could not be located for the following dates:
 - July 21, 2016
 - August 4, 2016
 - September 15, 2016
 - October 20, 2016
 - June 15, 2017
- The agendas could not be located for the following dates:
 - August 16, 2016
 - November 17, 2016
- The agenda had the wrong meeting dates posted for the January 19, 2017 and the March 1, 2017 meetings.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that all relevant discussions in the District Board minutes are properly documented and notices of those meetings (agendas) have been posted in accordance with 25 O.S. § 303 and 312.A of the Open Meeting Act.

Effect of Condition: Inadequate internal controls over the District Board meetings resulted in noncompliance with the Open Meeting Act concerning the existence and retention of District Board meeting minutes and posting notices of those meetings.

Recommendation: OSAI recommends the District Board maintain written minutes and document evidence of their approval for all Board meetings, and agendas be posted for each meeting in a public place with the proper date of the meeting to ensure compliance with 25 O.S. § 303 and 312.A. Additionally, OSAI recommends the District Board meeting minutes be reviewed for accuracy and signed as verification of this review and approval.

Management Response:

Chairman of the Board: The District has implemented procedures to ensure the Board Meeting Agendas and Meeting Minutes are retained properly and the minutes are reviewed for accuracy and signed by the Board as documentation of verification.

**HUGHES COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 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 documentation of the District Board meetings.

Title 25 O.S. § 303 states, “All meetings of public bodies, as defined hereinafter, shall be held at specified times and places which are convenient to the public and shall be open to the public, except as hereinafter specifically provided. All meetings of such public bodies, except for executive sessions of the State Banking Board and Oklahoma Savings and Loan Board, shall be preceded by advance public notice specifying the time and place of each such meeting to be convened as well as the subject matter or matters to be considered at such meeting, as hereinafter provided.”

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 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.”

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov