



JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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October 4, 2023

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

Transmitted herewith is the audit report of Johnston County Emergency Medical Service District for the fiscal year ended June 30, 2021.

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".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2021

	<u>General Fund</u>
Beginning Cash Balance, July 1	\$ 1,222,532
Collections	
Ad Valorem Tax	359,558
Charges for Services	689,242
Sales Tax Reimbursement	98,245
Miscellaneous	420,872
Interest Revenue	42,949
Total Collections	<u>1,610,866</u>
Disbursements	
Personal Services	896,005
Maintenance and Operations	418,230
Capital Outlay	253,600
Total Disbursements	<u>1,567,835</u>
Ending Cash Balance, June 30	<u>\$ 1,265,563</u>

Presented for informational purposes.

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Sales Tax

The Johnston County Emergency Medical Service District (the District) receives 8% of a 1% sales tax that was approved by the citizens of Johnston County on April 2, 2019. The sales tax expires on December 31, 2026.

The Johnston County Emergency Medical Service District (the District) extended the county sales tax as follows:

- The District receives 8% of a 1% sales tax that was approved by the citizens of Johnston County on April 2, 2019. The sales tax expires on December 31, 2026.

The sales tax is budgeted within the “0001-3-3800-2005 (1-CENT-2): Ambulance and the 0001-3-8500-2005 (1-CENT-2): Ambulance” accounts in the Johnston County General Fund. The District submits payroll reports and a requisition to the Johnston County Clerk for reimbursement. The Johnston County Clerk issues a purchase order that is approved by the Johnston County Board of County Commissioners for reimbursement to the District.

For the fiscal year ended June 30, 2021, the Johnston County Emergency Medical Service District was allocated \$98,245 as sales tax reimbursement that was reported in the personal services disbursement category for reimbursement of payroll expenses in the District’s General Fund.

Coronavirus Aid, Relief, and Economic Security (CARES) Act – OKAMA

Coronavirus Relief Fund (CRF) – CARES Act – Money distributed to the State of Oklahoma to provide direct federal assistance to state governments, with consideration for local governments. The State of Oklahoma allocated \$5 million of CRF to the Oklahoma Ambulance Association (OKAMA) to distribute to licensed ambulance services across the state. The funds were to be used to reimburse ambulance services for unanticipated expenses in staffing, personal protective equipment (PPE), medical supplies, and lost insurance coverage due to COVID-19. The District received \$32,377 for the fiscal year reported as Miscellaneous revenue.

Provider Relief Funds Phase 2 or 3 – CARES Act – money distributed to healthcare providers who bill Medicare fee-for-service for healthcare related expenses and lost revenues due to the coronavirus (COVID19) pandemic. Funds were distributed by the Department of Health and Human Services (HHS) through the Health Resources and Service Administration (HRSA). The District received \$73,652 for the fiscal year reported as Miscellaneous revenue.

Presented for informational purposes.



Johnston County Emergency Medical Service District
604 E. 24th Street
Tishomingo, Oklahoma 73460

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

For the purpose of complying with 19 O.S. § 1706.1, we have performed the following procedures:

- Determined charges for services were billed and collected in accordance with District Policies.
- Determined 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 for the fiscal year ended June 30, 2021 were secured by pledged collateral.
- Determined disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1 and were accurately reported in the accounting records.
- Determined all purchases requiring bids complied with 19 O.S. § 1723 and 61 O.S. §101-139.
- Determined payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined fixed assets records were properly maintained.
- Determined compliance with contract service providers.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2021 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Johnston 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 Johnston 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 Johnston 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 that reads "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

May 11, 2023

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2021-004 – Lack of Internal Controls Over the Accounting Process

Condition: Upon inquiry of the Johnston County Emergency Medical Service District (the District) employees and observation of the accounting process, the following weaknesses were noted:

- The District does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
- A part-time District employee performed the following duties:
 - issued receipts occasionally,
 - prepared the deposit,
 - reconciled all bank accounts to the accounting records,
 - deposited collections in the bank,
 - posted the deposits to the District’s accounting records, and
 - made changes in the accounting records in the software without review and approval.

There was no evidence of independent review or approval of these documents by management or the Board. The District did design a process to reconcile the total amount deposited monthly to the collections for the month; however, variances were noted in the comparison of profit and loss statements to the statement of District activity.

Additionally, a test of the June 30 bank statement reconciliations reflected the following weaknesses:

- The bank reconciliations were not signed and dated by the preparer.
- The District did not document the review and approval of the bank reconciliations.
- Bank reconciliations were not reviewed and approved by the Board.
- Financial activity did not include all the investment activity to reconcile to financial reports.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the receipting, depositing, and reconciling process.

Effect of Condition: A single person that has 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: 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 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 Board

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provide segregation of duties so that no one employee 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 and having evidence of the Board's review and approval of accounting functions.

Additionally, OSAI recommends the District design and implement policies and procedures to document the review of bank reconciliations, by the Director and Board, to ensure accuracy of financial information. Furthermore, OSAI recommends the District ensure earnings on their certificate of deposits and investments are reported on the District's financial statements.

Management Response:

Board Response: Management is now aware of the findings and will work towards a plan to reduce the possibility of this happening again.

Auditor Response: Although the Board responded to the finding, none of the aspects of the finding were addressed. OSAI recommends the Board design and implement policies and procedures to segregate duties of the accounting process and provide oversight of the accounting process including evidence of review and approval of bank reconciliations and financial reports.

Criteria: The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Controls over information processing

A variety of control activities are used in information processing. Examples include edit checks of data entered; accounting for transactions in numerical sequences; comparing file totals with control accounts; and controlling access to data, files, and programs.

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Finding 2021-005 – Lack of Internal Controls Over Fixed Assets Inventory

Condition: Upon inquiry of the Director, observation, and review of the District’s fixed assets inventory records, the following weaknesses were noted:

- An annual physical verification of fixed assets was not documented for the fiscal year.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory is properly maintained and updated through a periodic review by the District.

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

Recommendation: OSAI recommends annual physical inventory verifications be performed by someone other than the individual maintaining fixed assets inventory records to ensure accurate records are properly maintained, updated and documented.

Management Response:

Board Response: Management is now aware of the findings and will work towards a plan to reduce the possibility of this happening again.

Criteria: The GAO Standards – Principle 10 – Design Control Activities - 10.03 states:

Segregation of Duties

Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

Additionally, The GAO Standards Section 2 – Establishing an Effective Internal Control System - OV2.24 states:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity’s assets.

Finding 2021-007 – Lack of Internal Controls Over the Disbursement Process

Condition: Based on inquiry of the District staff and observation of the disbursement process, the following exceptions were noted regarding segregation of duties:

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- The District does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.

A part-time employee creates the purchase order listing for the Board to approve, creates the purchase order in the software system, prints the check, and posts the signed checks to the accounting records within the software system. Additionally, the part-time employee is listed by the bank as one of the signors on the checks.

Further, the test of forty-five (45) disbursements reflected the following weaknesses:

- Four (4) disbursements had no evidence of a receiving signature, verification of accuracy of invoice, or signed receiving report.
- One (1) disbursement had no purchase order or other documentation to support the payment.
- Two (2) disbursements had no invoice attached to the purchase order.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process. Additionally, policies and procedures have not been designed and implemented to ensure supporting documentation such as invoices and detailed statements are attached to the purchase order to determine the appropriateness of the disbursement and evidence of receiving signatures to ensure accuracy.

Effect of Condition: A single person that has responsibility for more than one area of disbursement functions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Further, lack of evidence to support the verification of receipt of goods and/or services and documentation of the disbursement could result in higher risk of misappropriation of funds.

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 the Board's oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee 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 and having the Board and management review and approve accounting functions. OSAI recommends the District implement a system of internal controls to ensure that all disbursements have proper supporting documentation and evidence of receiving goods and/or services.

Management Response:

Board Response: Management is now aware of the findings and will work towards a plan to reduce the possibility of this happening again.

Auditor Response: Although the Board responded to the finding, none of the aspects of the finding were addressed. OSAI recommends the Board design and implement policies and procedures to segregate duties

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of the disbursement process and provide oversight of the disbursement process including proper supporting documentation and evidence of receiving goods and/or services.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

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