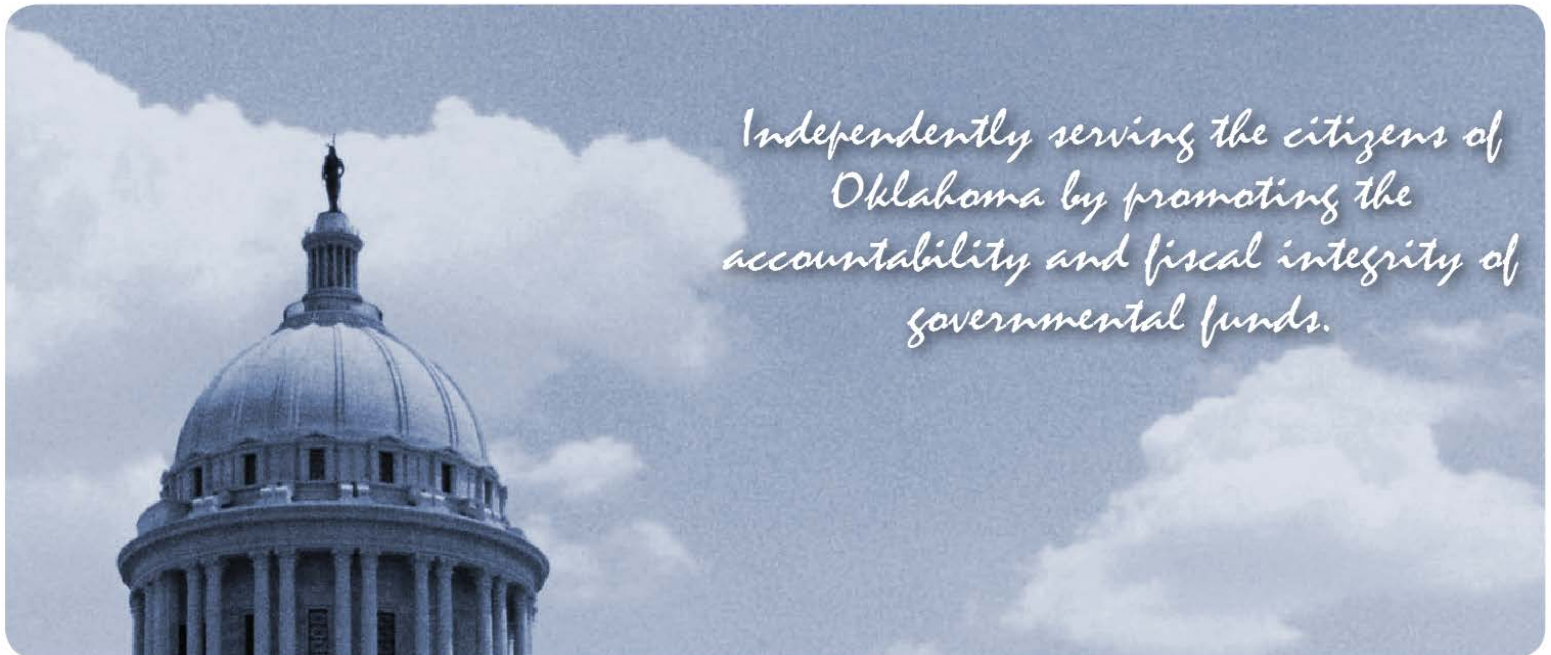


STATUTORY REPORT

JOHNSTON COUNTY 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

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDING 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

August 8, 2017

**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 ending 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

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

	FY 2016
Beginning Cash Balance, July 1	\$ 1,129,513
Collections	
Ad Valorem Tax	268,805
Charges for Services	410,675
Sales Tax	116,727
Donations	2,315
Grant Award	250,000
Miscellaneous	50,779
Total Collections	1,099,301
Disbursements	
Personal Services	482,467
Maintenance and Operations	237,075
Capital Outlay	33,271
Audit Expense	5,907
Total Disbursements	758,720
Ending Cash Balance, June 30	\$ 1,470,094

Note: Sales Tax

The District receives 8% of a 1% sales tax approved by the citizens of Johnston County on August 26, 2014. The sales tax is budgeted within the 1-cent-2: Ambulance account 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, the District received \$116,727 in sales tax reimbursements.

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



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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 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 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 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 "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 14, 2017

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-1 – Inadequate Internal Controls Over the Receipting, Billing, and Reconciling Processes (Repeat Finding)

Condition: Based upon inquiry of staff and observation of the receipting, billing and reconciling processes, the following internal control weaknesses were noted:

- One District employee manually enters the billing information from patient care reports into the billing software, bills patients, issues receipts, receives the explanation of benefits for payments from the computer system, and posts payments to the patient account. No one reviews and approves the employee's work.
- A part-time District employee issues receipts, prepares the deposit, reconciles all bank accounts to the accounting records, takes the deposit to the bank, posts the deposits to the District's accounting records, and has the authority to make changes in the accounting records. No one reviews and approves the employee's work.

The test of eleven (11) deposits and 104 receipts reflected the following exceptions:

- Receipts were not issued in sequential order.
- Receipts were generic and handwritten and do not bear the District's information.
- One (1) deposit did not have receipts written for all cash deposited.
- Two (2) deposits did not have receipts written for all checks deposited.
- Deposits were not made in a timely manner. (Receipts were held for up to 13 days before being deposited.)

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the receipting, billing and reconciling processes, to ensure funds received are deposited on a daily basis, and to ensure receipts and deposits are prepared accurately. Additionally, policies and procedures have not been designed and implemented to ensure the District's receipts are issued with sufficient detail, in sequential order, and deposited in a timely manner, and bank reconciliations are reviewed 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 could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Further, issuing generic receipts, issuing receipts out of sequence, and not depositing in a timely manner, and not performing a review of bank reconciliations could result in incomplete deposits and an increased risk of fraud.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the 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 management's

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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. Additionally, OSAI recommends the District ensure all receipts have sufficient detail, are issued in sequential order, deposits are made in a timely manner, and bank reconciliations are reviewed by someone other than the preparer.

Management Response:

Chairman of the Board: JCEMS (the District) has processed receipts using this method for many years. JCEMS will work to get personalized receipts that will keep us in sequential order. JCEMS will strive to ensure that all deposit monies have corresponding receipts to match them and will ensure that deposits are made weekly.

Auditor Response: With regard to the review of bank reconciliations, we continue to recommend the Board review and approve monthly bank reconciliations. With regard to the segregations of duties, we continue to recommend the Board provide develop policies and procedures to provide compensating controls over the receipting, billing and reconciling processes of the District.

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. A component of an effective internal control system is to provide accurate and reliable information through receipts with sufficient detail, in sequential order, and deposits made in a timely manner, proper segregations of duties, and review of bank reconciliations by someone other than the preparer.

Finding 2016-2 – Inadequate Internal Controls Over Ambulance Service Run Activities

Condition: Upon inquiry of staff, observation of ambulance run records, and a test of forty (40) ambulance service runs, we noted the following exceptions:

- Two (2) patient accounts were written off as uncollectable; however, the uncollectable accounts could not be verified as approved by the Board, due to insufficient detail in the Board Minutes.
- One (1) patient account was billed \$147.60 less than the amount calculated due to incorrect mileage being charged on the account.
- One (1) patient account was billed only once before being sent to collections in violation of the District policy.
- One (1) patient account was given a 25% discount for paying the balance in full; however, the District's policy only allows for a 20% discount on account balances paid in full.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure ambulance service runs are billed accurately and ensure uncollectible accounts are sufficiently documented in the Board Minutes as approved to be written off. Additionally, policies and procedures have not been implemented to ensure that patient accounts are billed and discounts provided in accordance with District policies.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. These conditions resulted in the District not adhering to its policies for billing patients, providing patient discounts, and evidence of Board approval of uncollectible accounts not documented in the Board Minutes to be written off.

Recommendation: OSAI recommends the District implement recordkeeping policies and procedures to ensure uncollectible accounts are properly documented in the Board Minutes as written off, and ensure patient accounts are billed accurately so the District can receive billing revenue crucial to operations of the District. Also, OSAI recommends the District follow their policies for billing patients and providing patient discounts.

Management Response:

Chairman of the Board: Management will provide a list of requested write-offs with patient account numbers in the Board packets. The District billing department will work to ensure that all billing is calculated properly. The patient account billed one time before being sent to collections was returned mail with no forwarding address. The 25% discount was an error in management approval. The District will work to ensure that policy is adhered to for discounts.

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 reliability of financial reporting. An integral aspect would be ensuring the District sufficiently documenting uncollectible accounts in Board Minutes and ensuring patient accounts are maintained and billed accurately.

Finding 2016-3 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: While gaining an understanding of the disbursement process of the District, we noted that one employee performed the following duties:

- Prepared purchase orders and checks,
- Signed checks, and
- Posted and maintained accounting records.

Additionally, the test of forty (40) purchase orders reflected the following weaknesses:

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- Five (5) purchase orders did not have evidence of a receiving signature and/or verification of accuracy of the invoice.
- Three (3) disbursements did not have a purchase order issued.
- Three (3) disbursements were not approved for payment in the Board Minutes.
- One (1) disbursement did not have detailed receipts to document the disbursement.
- Four (4) disbursements were issued for employees' compensation for teaching Cardiac Pulmonary Resuscitation courses; but the compensation was not included on the employees' W-2s, nor were the employees issued a form 1099.
- The District incurred late fees and interest charges on a credit card.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process, to provide adequate documentation for disbursements, and to indicate receipt of goods and/or services. Also, policies and procedures have not been designed and implemented to ensure that compensation is paid in accordance with federal and state tax regulations.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, execution of transactions, and inadequate documentation to support disbursements such as purchase orders, invoices, verification of receipt of goods and services, and Board approval could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Additionally, these conditions could also result in noncompliance with federal and state tax regulations.

Recommendation: OSAI recommends the 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 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. OSAI also recommends the District develop written policies and ensure all compensation comply with Internal Revenue Service and the Oklahoma Tax Commission regulations regarding withholdings.

Management Response:

Chairman of the Board: The District will work to ensure that all purchases have all necessary and appropriate signatures, receipts, and other documentation upon payment. The District will include classes and other payments through the normal payroll process.

Auditor Response: With regard to the segregations of duties, we continue to recommend the Board develop policies and procedures to provide compensating controls over the disbursement process of the District.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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 with regard to the reliability of financial reporting. 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. Key factors in this system are having supporting documentation maintained for recordkeeping and audit needs, ensuring expenditures are only incurred in accordance with state statute, and ensuring the proper approval of the Board for the operation of the District. Additionally, key functions within a process should be adequately segregated to allow for prevention and detection of errors and abuse. Effective internal controls require management properly implement procedures to comply with federal and state regulations and guidelines regarding tax responsibilities as an employer.

Finding 2016-4 – Inadequate Internal Controls Over Debit Card and “Change Fund”

Condition: While gaining an understanding of the petty cash process of the District, we noted that the petty cash fund is a checking account with the account name “Change Fund”, established at the local bank with a maximum balance of \$1,500. The District Director utilizes a debit card primarily to make internet purchases of supplies for the District. The Director maintains possession of the debit card. Other employees, who use the card, must sign for the debit card and receive approval from the Director to make purchases.

We reviewed all of the thirty-one (31) purchases made with the debit card and the following weaknesses were noted:

- The District's purchase order system was not utilized to replenish the Change Fund; rather, funds were transferred from the general bank account to the Change Fund bank account to cover the amount of the purchases made using the debit card.
- The purchases made from the Change Fund were not reviewed and approved by the Board.

Cause of Condition: The District has not designed and implemented policies and procedures to ensure the District Board approves the purchases made with the debit card from the Change Fund.

Effect of Condition: These conditions resulted in purchases with the debit card being paid without approval from the Board.

Recommendation: OSAI recommends the District Board implement a policy to document debit card purchases from the Change Fund using the District's purchase order system and requiring Board approval of disbursements of the Change Fund.

Management Response:

Chairman of the Board: The District will write a policy stating that the Board will review and approve Change Fund replenishments. This policy will require a purchase order to be issued for the amount needed

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to replenish the Change Fund. This purchase order will be presented to the Board during a regular 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 with regard to the reliability of financial reporting. 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. Key factors in this system are having supporting documentation maintained for recordkeeping and audit needs, and ensuring the proper approval of the Board for the operation of the District.

Finding 2016-5 – Inadequate Internal Controls Over the Payroll and Leave Process (Repeat Finding)

Condition: While gaining an understanding of the payroll and leave process of the District, we noted that one employee performed the following duties:

- Input payroll into the accounting software,
- Printed payroll checks and signed payroll checks,
- Enrolled employees for retirement,
- Made all payroll changes, and
- Maintained personnel files related to payroll.

Based upon review of sixteen (16) payroll documents for the payroll period of December 9, 2015 through December 19, 2015, the following exceptions were noted:

Payroll

- One (1) employee's timesheet was not approved by management.
- One (1) employee did not sign a timesheet for the payroll period reviewed.

Vacation Leave

- Vacation leave accrual for six (6) employees tested had a variance between the amount calculated and the amount reported as follows:
 - One (1) employee's vacation leave was accrued at 3.05 hours per pay period and should have accrued at 4.40 hours per pay period in accordance with the Leave Policy.
 - Two (2) employees' vacation leave was accrued at 4.40 hours per pay period and should have been accrued at 6.09 hours per pay period in accordance with the Leave Policy.
 - Two (2) employees' vacation leave as reported was overstated by 0.40 hours as calculated.
 - One (1) employee was classified as a part-time employee; however, the employee accrued leave in violation of the Leave Policy. Also, the pay stub for the payroll period selected reflected this employee used 20 hours of vacation leave that was not reflected on the timesheet.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties with regard to the payroll process, and to ensure the amounts recorded on the payroll and leave ledger for accrued vacation leave are within the guidelines of the District's policies. Additionally, policies and procedures have not been designed and implemented to ensure that the payroll and leave ledger is reviewed for accuracy and to ensure timesheets are signed by the employee, and approved by management.

Effect of Condition: These conditions resulted in inaccurate recordkeeping of leave balances. Additionally, these conditions could result in unrecorded transaction, misstated financial reports, undetected errors, misappropriation of funds, and incorrect payment of wage and leave benefits.

Recommendation: OSAI recommends the Board be aware of these conditions and determine if duties can be properly segregated. 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 approval of accounting functions.

OSAI recommends management take steps to adequately segregate the following key accounting functions:

- Enrolling new employees and maintaining personnel files,
- Reviewing time records and preparing payroll, and
- Distributing payroll checks to individuals.

Additionally, OSAI recommends the District ensure each timesheet is verified by the employee and supervisor for accuracy. OSAI also recommends the District ensure the leave ledger depicts the beginning balance, ending balance, and any accrued or used amounts for all employees in accordance with the policies of the District.

Management Response:

Chairman of the Board: Timesheets will be reviewed by management and initialed. Timesheets not signed by the employee, will be required to be signed prior to receipt of the check. All issues with leave have been reviewed and corrected. The District will work on a system that will flag the employees hire date so it can be reviewed quicker for changes needed in accrual.

Auditor Response: With regard to the segregations of duties, we continue to recommend the Board develop policies and procedures to provide compensating controls over the payroll process of the District.

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. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated. An important aspect of internal controls is to ensure timekeeping and

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leave records are accurately prepared to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds.

Finding 2016-6 – Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)

Condition: Based on inquiry, observation, and review of the of the District’s fixed assets inventory records, the following exceptions were noted:

- An annual review and physical verification of fixed assets inventory was not adequately documented.
- The fixed assets inventory records did not include five items and an ambulance that were visually verified as follows:
 - Ford Ambulance, obtained in September, 2016
 - Jet Stream Port-A-Cool Fan
 - Whirlpool Washer
 - Amana Dryer
 - Manitowoc Ice Machine
 - Emerson 50-inch Television
- Vehicle identification numbers for two ambulances were incorrectly recorded on the fixed assets inventory records.

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

Effect of Condition: These conditions 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 inventory records to ensure accurate records are properly maintained, updated and documented.

Management Response:

Chairman of the Board: The District will put a procedure in place that will require a review of the inventory within the first 60 days of the calendar year. Upon the purchase of items for the District, it will be reviewed to ensure that it is placed on the inventory list. The District will also write a policy that will establish a threshold for equipment items of \$500 or more to be on the fixed assets inventory list.

Criteria: An important 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

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.



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