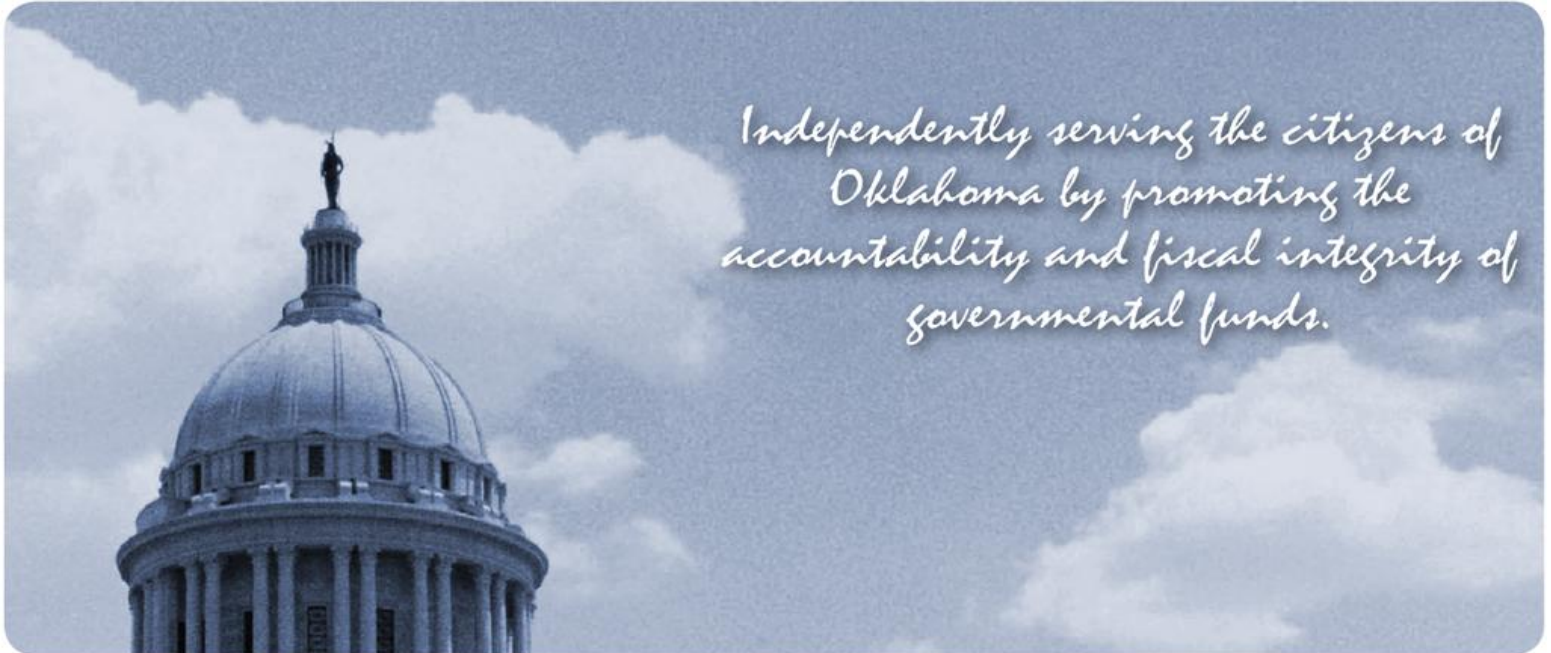


STATUTORY REPORT

JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2015



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

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.



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 2, 2016

**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, 2015.

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

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2015

	<u>FY 2015</u>
Beginning Cash Balance, July 1	\$ 1,077,143
Collections	
Ad Valorem Tax	240,280
Charges for Services	405,134
Sales Tax	64,000
Donations	2,265
Miscellaneous	<u>54,544</u>
Total Collections	<u>766,223</u>
Disbursements	
Personal Services	461,515
Maintenance and Operations	238,432
Capital Outlay	8,899
Donations	1,262
Audit Expense	<u>3,744</u>
Total Disbursements	<u>713,853</u>
Ending Cash Balance, June 30	<u>\$ 1,129,513</u>

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



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Johnston County Emergency Medical Service District
604 E. 24th
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 2015 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, appearing to read "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent part.

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

June 28, 2016

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-1 – Inadequate Segregation of Duties Over the Receipting and Reconciling Processes

Condition: Based upon inquiry and observation of the receipting process, the following was noted:

- The District Office has one employee who opens the mail, issues receipts, pulls explanation of benefits for Medicare payments from the computer system and posts payments to the patient accounts.
- The District Office has another employee who prepares the deposit, reconciles all bank accounts, posts to the District’s accounting records, shares in the responsibility of delivering the deposit to the bank and can make additions and changes to the accounting records.

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

Effect of Condition: A single employee having responsibility for more than one area of the collection and reconciling processes could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that the District not have the same person open the mail, issue receipts, pull explanation of benefits for Medicare payments from the computer system and post payments to the patient accounts, and also not have the same person prepare the deposit, reconcile all bank accounts, post to the accounting records, prepare bank reconciliations that are not reviewed or approved by anyone else, make additions or changes to the accounting records, and shares in the responsibility of delivering the deposits to the bank.

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 controls to mitigate the risks involved with a concentration of duties. Controls would include separating key processes such as these and/or critical functions of the office, and having someone with management review and approve these accounting functions.

Management Response:

Johnston County Emergency Medical Service District Administrator: Johnston County Emergency Medical Service (JCEMS) does not have the personnel to meet all requirements, but will work towards more internal controls.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

Finding 2015-2 – Inadequate Segregation of Duties and Noncompliance Over the Expenditures Process (Repeat Finding)

Condition: Based upon inquiry and observation of the disbursement process, the following items were noted:

- The District Office has one employee who prepares the purchase order, prepares the checks, signs the checks, mails the checks to the vendors and posts to the accounting records.
- The District utilizes credit cards from a local vendor for purchases. However, there is no statutory authority for an EMS to have a credit card. These cards are maintained in the Director's possession.

Cause of Condition: Procedures have not been designed to adequately segregate the duties for the disbursement of District funds, including the receiving of goods or services, the approval of disbursements by the Board, and the documentation of such in the Board minutes.

Effect of Condition: This condition resulted in noncompliance with state statutes. In addition, a single individual having responsibility for more than one area of recording, authorization, custody of assets, and reconciliation could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that the District not authorize the same person to prepare the purchase orders, prepare the checks, sign the checks, mail the checks to the vendors, and post to the accounting records. OSAI further recommends that management 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 risk 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 these accounting functions.

OSAI further recommends that management discontinue the use of all credit cards. Regarding fuel purchases, OSAI recommends the District consider using the state contract through ComData. Using the state contract approved ComData card could serve as a legal alternative to the use of credit cards.

Management Response:

Johnston County Emergency Medical Service District Administrator: JCEMS does have signatures from the Director and a Board member on checks. The Director signs the checks, places in envelopes, signs invoices, and the AP clerk verifies the packing slip to invoice for accuracy. If not verified, the Director investigates and provides documentation for accuracy. JCEMS will obtain signatures on packing slips from receiving officers, and the Director will approve invoice and the AP clerk will verify all before payment will be issued.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

JCEMS has controls in place over the use of credit cards. The Board has approved the use of these cards and budgeted for their use. In order to charge at these businesses, JCEMS has these cards to get better pricing from local vendors, thus saving the District money. JCEMS also uses the cards to make internet purchases, which again saves the District money.

Auditor Response: There are no statutory provisions that allow for the use of credit cards for an EMS District. The District should consider using the state contract through ComData. Using the state contract approved ComData card could serve as a legal alternative to the use of credit cards.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Furthermore, there is no constitutional or statutory authorization for the District to utilize credit cards.

Article 10 section 9C of the Oklahoma State Constitution allows only the sale of bonds as a manner for incurring debt, as follows; “Any district board of trustees may issue bonds, if approved by a majority vote at a special election for such purpose.”

Title 19 O.S. § 1717 (B,C) states in part: “B. It shall be unlawful for any employee or member of the board in any budget year: 1. To create or authorize creation of a deficit in any fund... C. Any obligation that is contracted or authorized by any member or employee of the board in violation of this act shall become the obligation of the member or employee himself and shall not be valid or enforceable against the district. Any member or employee who violates this act shall forfeit his position and shall be subject to such civil and criminal punishments as are provided by law. Any obligation, authorization for expenditure or expenditure made in violation of this act shall be illegal and void.

Finding 2015-3 – Inadequate Internal Controls Over the Payroll Process

Condition: Based upon inquiry and observation of the payroll process, the following was noted:

- The District office has one employee who prepares the payroll, enters information into the computer on new employees, prepares and signs the payroll checks, and enters payroll changes.
- Payroll changes are not reviewed and approved by someone independent of the preparer.
- Timesheets are completed by all employees except the Director.

Cause of Condition: Policies and procedures have not been designed and implemented for segregating the duties over the payroll process due to the District being unaware of the need for such procedures.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

Effect of Condition: A single individual having responsibility for more than one area of recording, authorization, custody of assets, and reconciliation could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that the District not have the same person verify the payroll, prepare the payroll, enter information into the computer on new employees, prepare and sign the payroll checks, prepare the year end reports and quarterly reports, or make changes or additions to the accounting records concerning payroll. OSAI recommends management provide segregation of duties so that no one employee is able to perform all these functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing controls to mitigate the risks involved with a concentration of duties. Controls would include separating key processes such as these and/or critical functions of the office, and having management review and approve these functions.

Timesheets should be completed by all employees, including the Director, in order to document annual, sick leave, and hours worked. Also, the timesheets should be signed by the employee and be reviewed and approved by the Supervisor indicating the time shown has been reviewed and approved.

Management Response:

Johnston County Emergency Medical Service District Administrator: The Administrator currently signs off on payroll changes and timesheets. The Director will review and sign off payroll report before checks are written. The Director is salary position and only documents the days not worked.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and payroll distribution should be segregated.

Finding 2015-4 –Inadequate Internal Controls and Noncompliance Over the Estimate of Needs

Condition: Based upon our review of the Estimate of Needs, the following was noted:

- The financial records of the District could not be reconciled with the Estimate of Needs.
- Restricted donated “Easter Egg Hunt” funds are co-mingled with the General Fund.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the Estimate of Needs is accurately presented in compliance with state statutes and to ensure that donations are maintained and accounted for in a designated fund.

Effect of Condition: This condition resulted in noncompliance with state statutes. In addition, this condition resulted in designated donated funds being co-mingled with District operating funds.

Recommendation: OSAI recommends the District ensure the Estimate of Needs is prepared in such a manner that the complete and accurate financial situation of the District is presented.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

OSAI further recommends that the District account for donations that are designated for a specific purpose in a separate account and maintain ledgers to document receipts and expenditures of all donations. We further recommend that the District expenditures be for the support, organization, operation, and maintenance of the District.

Management Response:

Johnston County Emergency Medical Service District Administrator: We will discuss these issues with our budget maker. The District's financial records are reconciled to the bank balances each month. Restricted donations are accounted for separately on the District's records and we will ensure the budget maker separates these funds on the Estimate of Needs.

Criteria: Title 19 O.S. § 1702 states, "The purpose of this act is to provide a budget procedure for emergency medical service districts which shall:

1. Establish uniform and sound fiscal procedures for the preparation, adoption, execution and control of budgets;
2. Enable districts to make financial plans for both current and capital expenditures and to ensure that their directors administer their respective functions in accordance with adopted budgets;
3. Make available to the public and investors sufficient information as to the financial conditions, requirements and expectations of the district; and
4. Assist districts to improve and implement generally accepted accounting principles as applied to governmental accounting, auditing and financial reporting and standards of governmental finance management."

Title 19 O.S. § 1718 (1,2) states, A district shall maintain, according to its own accounting needs some or all of the funds and account groups in its system of accounts that are consistent with legal and operating requirements and as prescribed by the State Auditor and Inspector. The required funds may include, but not be limited to:

1. A general fund, to account for all monies received and disbursed for general district government purposes, including all assets, liabilities, reserves, fund balances, revenues and expenditures which are not accounted for in any other fund or special ledger account;
2. Special revenue funds, as required, to account for the proceeds of specific revenue sources that are restricted by law to expenditures for specified purposes;

Title 19 O.S. § 1719 states in part, "Revenues shall be classified separately by source and Expenditures shall be departmentalized by appropriate functions and activities within each fund..."



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV