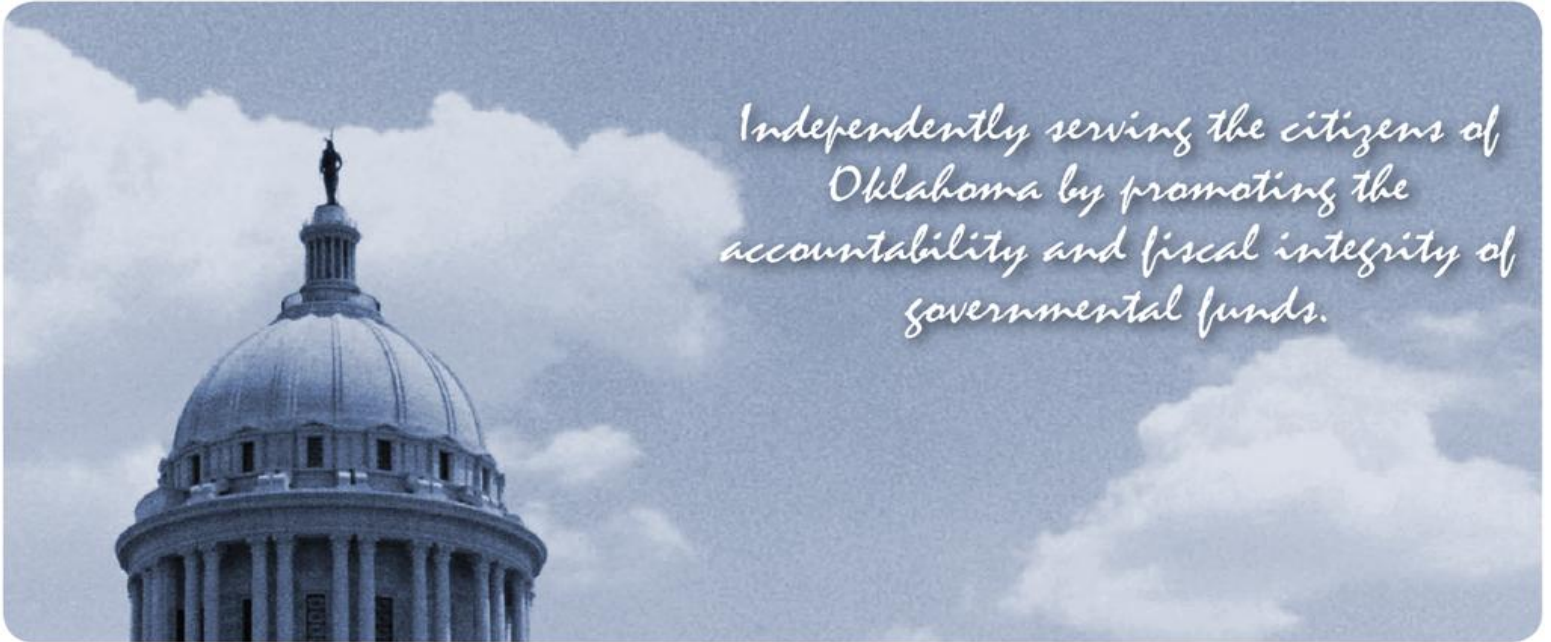


STATUTORY AUDIT

JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2011 through June 30, 2014



*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 PERIOD JULY 1, 2011 THROUGH JUNE 30, 2014**

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Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

May 18, 2015

**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 period July 1, 2011 through June 30, 2014.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2011 THROUGH JUNE 30, 2014**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2012, FY 2013 and FY 2014

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Beginning Cash Balance, July 1	\$ 1,135,822	\$ 1,146,592	\$ 890,291
Collections			
Ad Valorem Tax	188,331	211,967	218,338
Sales Tax	84,303	82,824	91,810
Charges for Services	425,891	360,352	403,549
Subscriptions	5,690	4,180	5,515
Miscellaneous	109,792	110,520	\$ 281,717
Total Collections	<u>814,007</u>	<u>769,843</u>	<u>1,000,929</u>
Disbursements			
Personal Services	399,079	445,353	472,806
Maintenance and Operations	404,158	328,290	251,659
Capital Outlay	-	252,501	89,612
Total Disbursements	<u>803,237</u>	<u>1,026,144</u>	<u>814,077</u>
Ending Cash Balance, June 30	<u>\$ 1,146,592</u>	<u>\$ 890,291</u>	<u>\$ 1,077,143</u>

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 2012, FY 2013 and FY 2014 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 District Service.

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 a long horizontal stroke at the end.

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

May 13, 2015

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2011 THROUGH JUNE 30, 2014**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Inadequate Segregation of Duties Over the Receipting Process

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.
- The bank reconciliation is not reviewed or approved by anyone other than the original preparer.
- Generic receipts are being used by the District and no one monitors the sequence of the unused receipt books. The unused receipt books are maintained in an unlocked cabinet and there is no listing of the unused receipt books kept.
- The District Office does not deposit daily.
- The District could not locate the Deposit Ticket Book for the period of March 14, 2014 through June 30, 2014.

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

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: 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.

OSAI further recommends that the District deposit all monies daily in accordance with Title 62 O.S. § 517.3B. OSAI also recommends that the District use pre-printed receipt books that are in numerical sequence and that they be maintained in a safe and secure location such as a locked filing cabinet. OSAI also recommends that all documents such as deposit ticket books be kept in a safe and secure location.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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. Bank reconciliations will be reviewed and signed by the Director, JCEMS will document dates and numbers on each receipt book, and JCEMS will make daily deposits.

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.

In addition, Title 62 O.S. § 517.3B states, “The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office, in one or more financial institutions that have been designated as either state or county depositories, or both, and the acceptance of any such deposit from any such treasurer shall be tantamount to adoption, in relation thereto, of the same privileges and conditions, other than collateral security, as are now provided by law in acceptance of designation as state or county depositories.”

Finding 2 – Donations/Expenditures for Easter Egg Hunt

Condition: During our review of the District’s Receipts and Expenditures, it was noted that the District is collecting donations for an Easter Egg Hunt and co-mingling the funds with the District’s funds. All expenditures are made out of the District’s bank account and separate ledgers are not maintained.

Cause of Condition: The District has not designed and implemented policies and procedures to ensure that donations are maintained and accounted for in a designated fund.

Effect of Condition: This condition resulted in designated donated funds being co-mingled with District operating funds. This also resulted in the District being in violation of laws, regulations or legislative intent.

Recommendation: We recommend 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: JCEMS has already corrected this issue. We have created a “Donation” account in the ledger. This account will monitor all donations within the program, i.e., Easter Egg hunt, to ensure that only funds donated for a particular purpose are used for that particular purpose. This account will track all incoming and outgoing donation funds.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Criteria: 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...”

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;

Finding 3 – Inadequate Segregation of Duties Over the Expenditures Process

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 Director prepares the Statement of Activity Sheet from the Accounts Payable Profit and Loss Sheet – however, he does not verify the expenditure numbers – he just transfers the numbers over from the Profit and Loss Sheet.
- The District does not have designated requisitioning and receiving officers. The District does file the names of requisitioning and receiving officers that are used for purchase orders that go through the County with the County Clerk’s office.
- 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.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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 prepare the purchase orders, prepare the checks, sign the checks, mail the checks to the vendors, and post to the accounting records. Also, the amounts shown on the Accounts Payable Profit and Loss Sheet should be reconciled prior to transferring over to the Statement of Activity Sheet. All blank checks should be maintained in a safe and secure location, such as a locked filing cabinet. The District should designate requisitioning and receiving officers and these should be approved by the Board on a yearly basis. OSAI recommends that the District comply with state statutes regarding purchasing.

If the District Board chooses to continue utilizing the credit card for purchases, we recommend that procedures be designed to ensure all purchases are properly authorized, to ensure all expenditures are accurately reported in the accounting records, and to ensure the credit card is safeguarded from unauthorized use.

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 approval of accounting functions.

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 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. All checks are secured in office. JCEMS will appoint requisition and receiving officers internally and credit cards are secured in Director's office. The Director will implement a log sheet to document the use and authorization 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. Further, all expenditures should be made in accordance with state statutes.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Finding 4 – Noncompliance with the Public Competitive Bidding Act and IRS Regulations

Condition: Based upon the review of the District’s Purchase Order Listing it was noted that the following purchase orders were issued for payments to the same individual where no contract, bid, or quotes were solicited, or IRS form 1099-MISC was issued.

Purchase Order Number	Date	Purpose	Amount
2392	10/12/2011	Concrete Work	\$10,000
2410	12/14/2011	Brick Work	\$350
2842	11/13/2013	Maintenance Work	\$675
2896	4/09/2014	Painting	\$3,725
2900	5/14/2014	Floor Remodeling	\$4,950

Cause of Condition: Procedures have not been designed and implemented to provide assurance that controls are in place and to document compliance with state statutes and IRS regulations.

Effect of Condition: These conditions resulted in noncompliance with state statutes and IRS regulations.

Recommendation: We recommend that District follow the bidding requirements for all construction projects in accordance with the Public Competitive Bidding Act of 1974. OSAI further recommends that the District adhere to IRS procedures for issuing 1099-MISC forms for all services in excess of \$600 performed by someone who is not a District employee.

Management Response:

Johnston County Emergency Medical Service District Administrator: JCEMS has corrected this issue. We have obtained the needed 1099 forms for the contractors and will maintain those forms for any contract labor above \$600. All price quotes (phone quotes and written quotes) for contractor work will be maintained in accordance with the Public Competitive Bidding Act in the JCEMS files.

Criteria: Effective internal controls require that management properly implement procedures to ensure that construction projects are in compliance with the Public Competitive Bidding Act of 1974.

Title 61 O.S. § 103(B, C) states: ..., other construction contracts for the purpose of making any public improvements or constructing any public building or making repairs to the same for Fifty Thousand Dollars (\$50,000.00) or less shall be let and awarded to the lowest responsible bidder by receipt of written bids or awarded on the basis of competitive quotes to the lowest responsible qualified contractor. Work may be commenced in accordance with the purchasing policies of the public agency.

C. Except as provided in subsection D of this section, other construction contracts for less than Five Thousand Dollars (\$5,000.00) may be negotiated with a qualified contractor. Work may be commenced in accordance with the purchasing policies of the public agency.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Additionally, Internal Revenue Service regulations require that file form 1099-MISC, should be issued for all services in excess of \$600 performed by someone who is not your employee.

Finding 5 – 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 the payroll checks, signs the payroll checks, and enters payroll changes.
- There is no documentation of a review of payroll by someone independent of the preparer.
- 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: 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.

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 check the payroll, prepare the payroll (an no one review or approve it), enter information onto the computer on new employees, prepare the payroll checks, sign the payroll checks, prepare the year end reports and quarterly reports (and no one reviews or approves them regularly), makes changes or additions to the accounting records concerning payroll and payroll change sheets are imputed by this person but the change is not reviewed or approved by anyone to assure the change was made accordingly. 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 someone with 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 reviewed and approved by the Supervisor indicating the time shown has been reviewed and approved.

**JOHNSTON COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
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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.



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