

OPERATIONAL AUDIT

LAVERNE EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2008 through June 30, 2012



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

**LAVERNE EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2012**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by Article 10, § 9C (i) of the Oklahoma Constitution and as defined by 19 O.S. § 1704.3, 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 Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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June 19, 2013

TO LAVERNE EMERGENCY MEDICAL SERVICE DISTRICT

Transmitted herewith is the audit report of Laverne Emergency Medical Service District for the period July 1, 2008 through June 30, 2012.

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 fluid and cursive, with the first name "Gary" being the most prominent.

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

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BACKGROUND

Article 10, § 9C of the Oklahoma Constitution authorized the formation of emergency medical service districts and initially authorized a tax levy not to exceed three (3) mills for the purpose of providing funds for the purpose of support, organization, operation, and maintenance of district ambulance services.

Emergency medical service districts are governed by a district board of trustees. The board of trustees has the power to hire a manager and appropriate personnel, contract, organize, maintain, or otherwise operate the emergency medical services within said district and such additional powers as may be authorized by the Legislature.

The trustees must act as a board when entering into contracts or other agreements affecting the district's welfare. Thus, actions taken by the board are voted on and approved by a majority of the trustees. The board's business meetings are open to the public.

The board of any district shall have capacity to sue and be sued. Provided, however, the board shall enjoy immunity from civil suit for actions or omissions arising from the operation of the district. Such districts shall be empowered to charge fees for services, and accept gifts, funds or grants from sources other than the mill levy, which shall be used and accounted for in a like manner.

BOARD OF TRUSTEES

Wes Peterman	President
J.C. Dunigan.....	Vice-President
David Terry	Treasurer
Marsha Cady	Secretary
Denise Null	Board Member

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

Beginning Cash Balance, July 1, 2011	\$ 9,279
Beginning Savings Account Balance	133,254
Beginning CD Balance	<u>200,000</u>
	<u>342,533</u>
Collections	
Ad Valorem Tax	59,528
Charges for Services	35,138
Sales Tax	50,878
Miscellaneous	<u>7,197</u>
Total Collections	<u>152,741</u>
Disbursements	
Personal Services	76,985
Maintenance and Operations	23,988
Capital Outlay	13,222
Intergovernmental	<u>919</u>
Total Disbursements	<u>115,114</u>
Ending Cash Balance, June 30, 2012	<u>\$ 380,160</u>

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

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PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

This audit was conducted in response to Article 10, § 9C (i) of the Oklahoma Constitution and as defined by 19 O.S. § 1704.3, which requires the State Auditor and Inspector's Office to audit the books and accounts of the District.

The audit period covered was July 1, 2008 through June 30, 2012.

Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

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Objective 1: To determine the District's collections, disbursements, and cash balances for FY 2012 were accurately presented on the Estimate of Needs.

Conclusion: With respect to the items reconciled and reviewed, the District's collections, disbursements, and cash balances for FY 2012 appear to be accurately presented with the exception of the ending cash balance on the Estimate of Needs. However, internal controls with regard to reviewing the Estimate of Needs and segregating the duties within the collection process should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the process of accurately presenting the collections, disbursements, and cash balances through discussions with District personnel, observation, and review of documents.
- Reconciled collections presented on the Estimate of Needs to the deposits reflected on the bank statements of the District's operating account and the accounting records of the District.
- Reconciled warrants issued and reserves presented on the Estimate of Needs to the disbursements reflected on the bank statements of the District's operating account and the accounting records of the District.
- Reconciled the ending cash balance presented on the Estimate of Needs to the ending balance reflected on the bank statements of the District's operating account and the accounting records of the District.

Finding: Inadequate Controls Over the Collection Process and the Estimate of Needs

Condition: Upon inquiry of District personnel with regard to the revenue collection process, the following was noted:

- One Board member prepares the receipts, prepares the deposit, and takes the deposit to the bank.
- The District did not have a policy regarding writing off uncollectable debt.
- There is no evidence that the Board reviewed and ensured the accuracy of the Estimate of Needs or reconciled the Estimate of Needs to the bank statements and accounting records before approving the Estimate of Needs.

Cause of Condition: Procedures have not been designed and implemented due to the District being unaware of a need for a review of bank reconciliations, and the accuracy of the Estimate of Needs. Further, the District has not implemented a policy to properly maintain uncollectable accounts or segregate the duties of receipting, depositing and reconciling collections.

Effect of Condition: The lack of review of the Estimate of Needs and verification to the bank statements and accounting records could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriated funds.

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

- The bank deposits are reviewed for accuracy by someone other than the preparer.
- The Board of Trustees review and update the Policy and Procedure Manual to ensure that it fulfills the current requirements of the Laverne Emergency Medical Service District (the District), and ensure that there are policies that address current business practices.
- The Board of Trustees performs a review of the Estimate of Needs prior to approving the Estimate of Needs to ensure that the numbers reflect the financial status of the District.

Management Response: The Board will initiate a review procedure for bank deposits as recommended. Also, the Policy and Procedure manual will be reviewed and updated to conform to current and revised operating practices. Following the preparation of the Estimate of Needs, the Board will review the information and balances as presented and document such review.

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 of assets from misappropriation. To help ensure proper accounting of funds, all accounting transactions should be properly segregated and all accounting transactions should be reviewed for accuracy.

Objective 2: To determine the District's financial operations complied with 62 O.S. § 517.4, which requires deposits with financial institutions be secured with collateral securities or instruments.

Conclusion: With respect to the days tested, the District complied with 62 O.S. § 517.4, which requires deposits with financial institutions be secured with collateral securities or instruments. However, internal controls over pledged collateral should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to pledged collateral through discussions with District personnel, observation, and review of ledgers and documents.
- Selected the highest balance day for each month (forty-eight days) at all banks, for the audit period, to determine if the District's funds were adequately secured as required by 62 O.S. § 517.4.

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Finding: Inadequate Controls Over Pledged Collateral

Condition: Upon discussions with the District personnel and Board members, observation, and review of documents, it was noted that the District did not monitor bank balances to ensure the balances did not exceed the total of the FDIC limit of \$250,000 and the amount pledged as collateral securities.

Cause of Condition: The District relies on the bank to ensure that deposits are adequately secured. Policies and procedures have not been implemented to adequately monitor pledged collateral with regard to the bank balance.

Effect of Condition: This condition could result in bank balances exceeding the total of the FDIC limit and the amount of pledged collateral that may lead to possible loss of District funds.

Recommendation: OSAI recommends the District implement procedures to monitor the bank balances and retain the documentation of monitoring.

Management Response: The pledged collateral procedures will be reviewed by the Board and additional procedures will be implemented to monitor balances and to document this activity.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. 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 safeguarding assets from misappropriation.

Objective 3: To determine the District's financial operations complied with 19 O.S. § 1710.1A, which outlines purposes for expending District funds.

Conclusion: With respect to the items tested, the District did not comply with 19 O.S. § 1710.1A, which outlines purposes for expending District funds.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the process of preparing claims, authorizing claims for payment, and documenting goods and services received, which included discussions with District personnel, observation, and review of documents.
- Tested compliance of the significant law, which included the following:
 - Selected a sample of 137 expenditures (25 per year and 37 third party billing service expenditures) to determine the expenditures were for the purpose of providing funds for the support, organization, operation and maintenance of the District.

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Finding: Inadequate Controls and Noncompliance Over the Expenditure of Funds

Condition: Upon discussion with District personnel and Board members, observation, and review of documents, it was determined that the Board has not implemented policies and procedures to adequately review and authorize preparing claims, authorizing claims for payment, and documenting goods and services received. We noted the following weaknesses:

- There was no evidence of Board approval for the expenditures tested either on the individual expenditures or documented in the Board meeting minutes.
- There is no formal requisitioning process or policy.
- The individual that orders the goods/services is the same individual that receives the goods/services.
- Purchase orders are not used to expend District funds.
- There is no indication that goods or services received were reviewed for accuracy.
- There is no indication of review of invoices or support documentation prior to issuing checks for payment.

Additionally, the test of compliance revealed the following:

- In one instance, expenditure for EMT training was not documented with an invoice or receipt, but was paid from a class schedule.
- In six instances, expenditures had sales tax included in the total amount paid by the District.
- In three instances, expenditures did not have adequate supporting documentation to determine the expenditure was an allowable expense of the District.
- In one instance, expenditure for medical supplies was paid twice, with no evidence of reimbursement from the vendor.

As part of the compliance test, we reviewed thirty-seven payments to the third party billing services and noted the following:

- In three instances, expenditures for the third party billing service were paid twice, with no evidence of reimbursement from the vendor.
- In eight instances, the third party billing service did not provide an activity report of billings from which the District is to make payments.
- In two instances, the third party billing service provided an activity report; however, it was not detailed with regard to services performed for the month.
- When comparing the third party billing service cost per run, to the amount paid by the District for the four year period audited, it appears that the District overpaid the third party billing service in the amount of \$2,313.50.

Cause of Condition: The Board was unaware that approval of expenditures should be detailed for accuracy, as well as, and that expenditures should be reviewed before being approved to avoid paying sales tax on expenditures, and making duplicate payments. Further, procedures have not been designed and implemented to provide internal controls to ensure accuracy over the expenditure process.

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Effect of Condition: These conditions resulted in expenditures being paid without documented approval and expenditures being paid twice or without proper documentation.

Recommendation: OSAI recommends the District adhere to 19 O.S. § 1710.1A, which outlines purposes for expending District funds and the procedures to follow when expending district funds. Additionally, OSAI recommends the following key accounting functions of the expenditure process be adequately segregated:

- The employee that orders the goods/services be separate from the employee that receives the goods/services and ensures accuracy of the goods/services.
- The Board approves expenditures and indicates their approval with signatures of on the claim.
- The employee that receives the goods or services, reviews the invoice for accuracy and receipt of the goods or services.
- The Board thoroughly reviews expenditures prior to approving and paying the expenditure.
- The Board implements a policy and procedure to ensure expenditures are paid from detailed invoices/receipts.

Management Response: The purchasing procedures will be reviewed by the Board and revisions will be made to both to assign more division of responsibilities in the purchasing and payment process, and to document the review and approval processes as necessary.

Criteria: Title 19 O.S. § 1710.1A outlines purposes for expending District funds, which includes the support, organization, operation and maintenance of the emergency medical service. Accountability and stewardship are overall goals of management in the accounting of funds. 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 safeguarding assets from misappropriation.

Objective 4: To determine the District’s financial operations complied with 19 O.S. § 1723, which requires District purchases in excess of \$7,500 be competitively bid.

Conclusion: With respect to the items bid, the District complied with 19 O.S. § 1723, which requires the purchases in excess of \$7,500 be competitively bid. However, internal controls over the bidding process should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the process of competitively bidding purchases in excess of \$7,500, which included discussions with District personnel, observation, and review of documents.

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- Tested compliance of the significant law, which included the following:
 - Reviewed 100% of bank statements for the period for checks issued in the amount of \$7,500 or more to determine purchases greater than \$7,500 were competitively bid. There was one item that required a competitive bid for compliance with statutory requirements.

Finding: Inadequate Controls Over the Bidding Process

Condition: Upon inquiry and observation of documents, we determined controls over the bidding process have not been properly implemented, including the following:

- Proof of publication.
- Date and time stamp on the bid packet to document the receipt of bid.
- Notation in the Board meeting minutes if an item is a sole source item and how that determination was made.
- Notation in the Board meeting minutes, documenting the reason for awarding the bid to a vendor, when the low bidder is not selected.
- Prepare and issue a notice of successful bidder.
- Retain copies of documentation in the bid file.

Cause of Condition: The Board was unaware of the need for procedures and documentation to be maintained for the bidding process.

Effect of Condition: This condition could result noncompliance with bidding laws, and loss or misappropriation of the District's funds.

Recommendation: OSAI recommends the District be aware of bidding requirements and implement procedures to ensure all requirements are followed. These procedures should include proof of publication, date and time stamp the bid packet when received, state in the Board meeting minutes if an item is a sole source item and how that determination was made, state in the minutes the reason for awarding the bid to a vendor, and prepare and issue a notice of successful bidder and retain a copy in the bid file.

Management Response: The Board will be more diligent in the future to adhere to the statutes relating to competitive bidding requirements.

Criteria: Effective internal controls require that management implement procedures to ensure that purchases over \$7,500 comply with 19 O.S. § 1723.

<p>Objective 5: To determine if the District's internal controls provide reasonable assurance that payroll expenditures were accurately reported in the accounting records.</p>

Conclusion: The District's internal controls do not provide reasonable assurance that payroll expenditures were accurately reported in the accounting records.

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Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the payroll expenditures process, which included discussions with District personnel, observation, and review of documents.

Finding: Inadequate Controls Over Payroll Expenditures

Condition: It was determined through discussion with District personnel, observation, and review of documents, that controls were not implemented over the payroll process.

- The employees/volunteers do not complete monthly timesheets.
- The Coordinator prepares the monthly work schedule.
- The Coordinator also prepares the worksheet that documents hours worked by employees/volunteers for the month.
- The Coordinator then calculates the amount to pay each employee/volunteer.
- The payroll checks are prepared from this worksheet calculation by the local accountant.
- The Coordinator delivers the paychecks to each employee/volunteer.
- The employees and volunteers must sign the worksheet prior to receiving their paycheck.

Cause of Condition: Procedures have not been designed and implemented to segregate the duties over the payroll process.

Effect of Condition: This condition could result in inaccurate reporting of payroll expenditures.

Recommendation: OSAI recommends the following procedures be implemented:

- Employees/volunteers should complete, sign, and date a monthly timesheet.
- The Coordinator should continue to prepare the monthly work schedule.
- The Coordinator should perform a verification of timesheets to the work schedule, and document approval by signing and dating monthly timesheets.
- Payroll checks should be delivered by someone other than the Coordinator.

Management Response: The Board will review the payroll activity for the District and consider the recommendations regarding changes in our payroll procedures.

Criteria: Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse.

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Objective 6: To determine if the District's internal controls provide reasonable assurance that the consumable inventories were accurately reported in the accounting records.

Conclusion: The District's internal controls do not provide reasonable assurance that the consumable inventory was accurately reported in the accounting records.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the consumable inventory process through discussions with District personnel, observation, and review of documents.

Finding: Inadequate Controls Over Consumable Inventory

Condition: Upon inquiry with District personnel over the consumable inventory process, it was determined that:

- The Coordinator orders consumable items approximately three times per year.
- The Coordinator also receives the consumable items and stocks the ambulance.
- There is no documentation maintained to document the receipt of consumable items.
- The District does not maintain a current inventory listing of consumable items.
- An inventory verification of consumable items is not performed.

Cause of Condition: Procedures have not been designed and implemented to provide adequate segregation of duties and documentation over consumable inventory items.

Effect of Condition: This condition could result in loss and misappropriation of consumable inventory items.

Recommendation: OSAI recommends the District implement policies and procedures to document receipt of consumable inventories. Additionally, the District should perform a monthly inventory count of consumable inventory items and maintain the documentation of the inventory count, with the signature of the individual that performed the inventory count, and the date the inventory count was performed.

Management Response: The operating procedures relating to consumable inventory controls will be reviewed by the Board. Additional or revised procedures will be implemented to increase the control over the purchase and use of these items.

Criteria: 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 acquisition, use, or disposition of consumable inventories and safeguard assets from loss, damage, or misappropriation.

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Objective 7: To determine if the District's internal controls provide reasonable assurance that fixed assets were accurately reported in the accounting records.

Conclusion: The District's internal controls do not provide reasonable assurance that fixed assets were accurately reported in the accounting records.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the fixed assets inventory process through discussions with District personnel, observation, and review of documents.

Finding: Inadequate Controls Over Fixed Assets

Condition: Upon inquiry of District personnel, observation, and review of documentation, it was determined that:

- The Board has not established a policy regarding accounting for fixed assets.
- The District does not perform inventory verifications of fixed assets.

Cause of Condition: Procedures have not been designed and implemented to provide adequate controls over the fixed assets inventory.

Effect of Condition: This condition could result in loss and misappropriation of the District's fixed assets.

Recommendation: OSAI recommends the District implement policies and procedures to account for fixed asset items. Additionally, the District should perform a yearly fixed assets inventory count to ensure the District's items are in the possession of the District. The documentation of the fixed assets inventory count should be retained with the signature of the individual that performed the inventory count and the date the count was performed.

Management Response: The fixed assets of the District are critical to the efficient operation of the service. The Board will review our procedures in this area and consider the recommendations received.

Criteria: 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 acquisition, use, or disposition of fixed assets inventory and safeguard assets from loss, damage, or misappropriation.

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All Objectives:

The following findings are not specific to any objective, but are considered significant to all of the audit objectives.

Finding: Inadequate District-Wide Controls

Condition: Upon inquiry with District personnel, observation, and review of documentation, it was determined that District-wide controls regarding Risk Management and Monitoring have not been designed.

Cause of Condition: Procedures have not been designed to address risks of the District.

Effect of Condition: This condition could result in unrecorded transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

Recommendation: OSAI recommends that the District design procedures to identify and address risks. OSAI also recommends that the District design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and should be included in the District’s policies and procedures handbook.

Examples of risks and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Natural disasters	Written disaster recovery plans
Board Member Turnover	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between Board Members	Periodic meetings to address items that should be included in the handbook and to determine if the District is meeting its goals and objectives.
Annual Financial Statement	Review the financial statement of the District for accuracy and completeness.

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Monitoring	Procedures
Board Members	Determine audit findings are corrected.
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the District.
Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response: The Board will undertake an in-depth review of each of the conditions, causes, effects, and recommendations presented in the report. This review will result in the preparation of documents and procedures to address each of the items. It is the express goal of the Board to be accountable and efficient in the operation of the District and to operate in compliance with all applicable statutes.

Criteria: Internal control is an integral component of an organization’s management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. District management is responsible for designing a district-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the District faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding: Disaster Recovery Plan

Condition: Upon inquiry with District personnel with regard to safeguarding accounting records, it was determined that the District does not have a Disaster Recovery Plan in place.

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Cause of Condition: Procedures have not been designed or implemented for a Disaster Recovery Plan.

Effect of Condition: This condition could result in the District being unable to function in the event of a disaster.

Recommendation: OSAI recommends that the District develop a formal, written Disaster Recovery Plan to ensure the District can resume business in the event of disaster and loss to the District.

Further, management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the recovery plan.
- Emergency procedures to ensure the safety of all affected staff members.
- Roles and responsibilities of information services function, vendors providing recovery services, users of services, and support administrative personnel.
- Listing of systems requiring alternatives (hardware, peripherals, and software).
- Listing of highest to lowest priority applications, required recovery times, and expected performance norms.
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution.
- Training and/or awareness of individual and group roles in continuing plan.
- Listing of contracted service providers.
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation.
- Current names, addresses, telephone/pager numbers of key personnel.
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

Management Response: The Board will undertake an in-depth review of this recommendation and prepare a Disaster Recovery Plan.

Criteria: An important aspect of internal controls is the safeguarding of assets, which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitutes a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance that the District will continue to function in the event of a disaster.

Other Item Noted:

Although not considered significant to the audit objectives, we believe the following issue should be communicated to management.

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Finding: Inadequate Controls Over Board Meeting Minutes

Condition: The review of the minutes and agendas for the District revealed the following weaknesses:

- The expenditures that are approved for payment that are not specifically identified in the minutes.
- The Board meeting minutes are not approved by the Board members with a signature.
- Agenda items that are discussed in the Board minutes are not sufficiently detailed so that the public would be adequately informed of decisions by the Board.

Cause of Condition: Procedures have not been implemented to ensure meeting minutes contain enough detail to accurately report the meeting proceedings.

Effect of Condition: These conditions resulted in insufficient information being documented in the Board meeting minutes.

Recommendation: OSAI recommends the following:

- The Board sign and approve minutes of Board meetings and that the agendas be signed and dated.
- All pertinent details are included when decisions are made.

Management Response: The Board will implement the recommendations concerning the preparation and control of the minutes of our Board Meetings.

Criteria: The control environment is the foundation for all other components of internal control. A key element of control environment is management's attitude toward the importance of internal controls to meet goals, objectives, and compliance with laws and regulations.



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