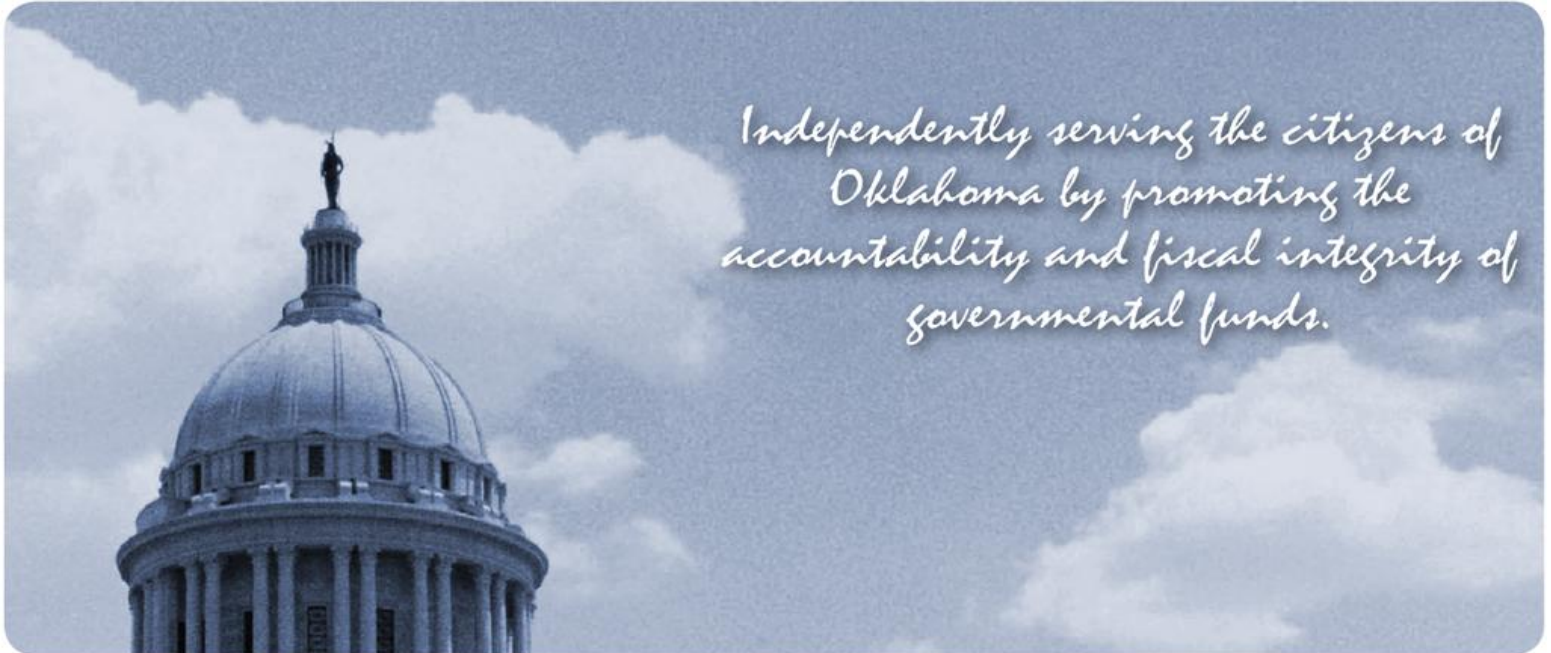


STATUTORY REPORT

# LEFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2015



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

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

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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](http://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

October 31, 2016

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

Transmitted herewith is the audit report of LeFlore 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 that reads "Gary A. Jones". The signature is written in a cursive style with a long, sweeping underline.

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

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

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

	<b>FY 2015</b>
Beginning Cash Balance, July 1	\$ 1,788,228
<b>Collections</b>	
Ad Valorem Tax	679,828
Charges for Services	2,587,726
Miscellaneous	37,821
Interest	3,217
Subscriptions	4,040
Miscellaneous	49,040
Total Collections	3,361,672
<b>Disbursements</b>	
Personal Services	1,767,289
Travel	12,775
Maintenance and Operations	891,188
Capital Outlay	457,033
Insurance	344,666
Legal	6,304
RMRS Personal Services	7,971
RMRS Travel	1,582
RMRS Maintenance and Operations	806
Total Disbursements	3,489,614
Ending Cash Balance, June 30	\$ 1,660,286

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



# Oklahoma State Auditor & Inspector

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LeFlore County Emergency Medical Service District  
PO Box 1025  
Poteau, Oklahoma 74953

## **TO THE BOARD OF DIRECTORS OF THE LEFLORE 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 LeFlore 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 LeFlore 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 LeFlore 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 written in a cursive style with a long horizontal stroke at the end.

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

June 28, 2016

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2015-1 – Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account (Repeat Finding)**

**Condition:** Upon inquiry and observation of the budgeting process, it was determined that internal controls have not been designed or implemented to ensure the amount required by statute is correctly budgeted for the audit budget account.

It was further noted that LeFlore County Emergency Medical Service District (the District) has not carried forward the balance into the audit account each fiscal year. As a result, the District's balance in the audit budget account as of June 30, 2016 was \$35,148.71. However, the correct balance should have been \$110,871.54, leaving an underfunded account balance of \$75,722.83.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the audit budget account is accurately budgeted in accordance with statutory requirements.

**Effect of Condition:** This condition resulted in noncompliance with state statute and the audit expense account being underfunded.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the District implement a system of internal controls to provide reasonable assurance that one-tenth mill upon the net total assessed valuation be set aside in the audit account and that any unused portion be carried forward into the next year audit account in accordance with 19 O.S. § 1706.1.

**Management Response:**

**Chairman of the Board:** The EMS of LeFlore County will carry forward the proper amount for the audit expense account from previous years remaining balance in accordance with 19 O.S § 1706.1.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

Title 19 O.S. § 1706.1 states in part "The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit ...."

**Finding 2015-2 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)**

**Condition:** While gaining an understanding of the receipting, depositing, and reconciling functions of the District, it was noted that the following duties are not properly segregated:

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- One employee processes mailed-in payments, issues all receipts, and takes the deposit to the bank.
- Bank reconciliations for the general operating account lack evidence to document they are reviewed and approved by someone other than the preparer.
- Bank reconciliations for the tax account are not performed.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the receipting process. Additionally, policies and procedures have not been designed and implemented to ensure all bank accounts are reconciled and approved 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. These conditions could result in incomplete records, unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in 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. Review processes implemented by the District should be evidenced by initial and date by the reviewer.

Additionally, OSAI recommends the District ensure bank reconciliations are being performed and reviewed by someone other than the preparer.

**Management Response:**

**Chairman of the Board:** The EMS of LeFlore County will change our segregation of duties policy to sufficiently segregate the receipting process.

**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. To help ensure a proper accounting of funds, the duties of receiving, recording, depositing cash and checks, and reconciliations should be segregated.



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**Finding 2015-3 – 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 the accounting clerk performs the following duties:

- Prepares purchase orders,
- Reviews packing list against invoice,
- Prepares checks,
- Signs checks,
- Disburses checks,
- Maintains financial registers, and
- Performs monthly bank reconciliations, and
- Blank checks are maintained in an unlocked file cabinet located in the District office of the accounting clerk.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the disbursement process and safeguard the assets of the District.

**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. This condition could result in noncompliance with IRS guidelines regarding taxable compensation.

**Recommendation:** OSAI recommends management be aware of this condition 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. Review processes implemented by the District should be evidenced by initial and date by the reviewer.

**Management Response:**

**Chairman of the Board:** The EMS of LeFlore County will change our segregation of duties policy to sufficiently segregate the disbursement process and safeguard assets.

**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

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timely detection of unauthorized transactions and/or misappropriation of funds. Effective internal controls include key functions within a process be adequately segregated to allow prevention and detection of errors and abuse. Key factors in this system are having proper approval of all purchases.

**Finding 2015-4 – Inadequate Internal Controls Over the Payroll Process (Including Timesheets and Leave Reports) (Repeat Finding)**

**Condition:** Based upon inquiry, observation, review of District payroll documents and test of forty (40) employees' payroll and leave documentation, the following weaknesses were noted in the payroll process:

- Leave requests for the Payroll Clerk, Operations Manager, and Director are not approved by someone other than the preparer of the leave request.
- Leave balances for employees are not reviewed or approved by management.
- Timesheets for employees are not reviewed and approved by management.
- The Director does not submit timesheets for his payroll documenting daily hours worked, nor does he maintain leave balances with beginning, accrued, used, and ending balances.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the leave ledger depicts the beginning balance, ending balance, and any accrued or used amounts for all employees. Additionally, policies and procedures have not been designed and implemented to ensure that the leave ledger is reviewed for accuracy. Policies and procedures have not been designed and implemented to ensure timesheets are submitted, accurate, and independently verified. Policies and procedures have not been designed and implemented to verify that leave is accrued according to EMS policy.

**Effect of Condition:** These conditions could result in inaccurate recordkeeping and incorrect accrual of wage and leave benefits.

**Recommendation:** OSAI recommends the District ensure the leave ledger depicts the beginning balance, ending balance, and any accrued or used amounts for all employees. We also recommend that the leave ledger be agreed to timesheets and reviewed for accuracy. OSAI recommends the District follow the policies and procedures implemented by the District for payroll and leave balances.

**Management Response:**

**Chairman of the Board:** The EMS of LeFlore County will segregate the timesheet approval for the Operations Manager and Payroll Clerk. Based on legal advice from our Board attorney, EMS of LeFlore County will not require the Director to submit timesheets. The EMS Board of Directors will discuss this issue further at our next regularly scheduled Board meeting and decide if a policy change needs to occur.

**Auditor Response:** Failure to submit a timesheet for approval and maintaining proper leave balances before payroll is processed could result in inaccurate records and incorrect accrual of wage and leave benefits. We recommend the District Board require all employees to submit timesheets as documentation of hours worked and leave accrued and taken to support payroll disbursements.

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

**Finding 2015-5 – Inadequate Internal Controls Over Fixed Assets Inventory (Repeat Finding)**

**Condition:** Based on inquiry, observation, and review of the District's fixed assets inventory records, the following was noted:

- An annual physical verification of inventory was not adequately documented. There was evidence of some items being verified with tick marks; however, there were no signatures or dates as evidence of this review to document the physical verification of fixed assets.

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

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

**Recommendation:** OSAI recommends that policies and procedures be designed and implemented to ensure fixed assets inventory is updated on an ongoing basis. Furthermore, OSAI recommends an annual physical inventory verification be performed by someone other than the individual maintaining inventory.

**Management Response:**

**Chairman of the Board:** The EMS of LeFlore County will adequately document the inventory records and review them yearly in accordance with OSAI recommendations.

**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 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.

**Finding 2015-6 – Inadequate internal Controls and Noncompliance with the Competitive Bid Process (Repeat Finding)**

**Condition:** Based on inquiry and observation of the competitive bidding process for the District, the following noncompliance was noted:

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- The District did not maintain bid documentation for awarding and construction of the District station in Talihina. The project was bid multiple times; however, the final bid could not be located by the District to provide documentation that the final bids were received and approved by the District Board.
- For fiscal year 2014-2015 the District expended \$297,839.70 for the construction of a public building, as noted in the schedule below.

<b>Purchase Order</b>	<b>Check Number</b>	<b>Check Amounts</b>	<b>Date Paid</b>
68	85	93,899.28	07/22/14
153	273	69,203.55	08/18/14
280	482	86,525.43	09/17/14
389	738	48,211.44	10/24/14

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that the District is compliant with state statutes, including the Public Competitive Bidding Act of 1974.

**Effect of Condition:** This condition resulted in noncompliance with the state statutes and could result in inaccurate records, incomplete information, or misappropriation of assets.

**Recommendation:** OSAI recommends that bids for public construction and repairs be reviewed, documented and awarded by the District to comply with the Public Competitive Bidding Act of 1974.

**Management Response:**

**Chairman of the Board:** This was a repeat finding from the previous year for the same project and has been corrected moving forward.

**Auditor Response:** OSAI recommends the District Board follow the state statutes requiring public competitive bids, in the event the District determines there is a need for public construction or repairs necessary.

**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 and compliance with applicable laws and regulations.

Additionally, the Public Competitive Bidding Act, Title 61 O.S. § 101-138, sets forth the procedures for construction of and repair to any public building.

Title 61 O.S. § 103, specifically states,

A. Unless otherwise provided by law, all public construction contracts exceeding Fifty Thousand Dollars (\$50,000.00) shall be let and awarded to the lowest responsible bidder, by open competitive bidding after solicitation for sealed bids, in accordance with the provisions of the Public Competitive Bidding Act of 1974. No work shall be commenced

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until a written contract is executed and all required bonds and insurance have been provided by the contractor to the awarding public agency.

B. Except as provided in subsection D of this section, 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.



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