



LEFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

January 21, 2020

**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, 2018.

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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2018

	FY 2018
Beginning Cash Balance, July 1	\$ 1,201,257
Collections	
Ad Valorem Tax	754,188
Charges for Services	2,784,740
Miscellaneous	44,399
Interest	3,113
Subscriptions	3,670
Total Collections	3,590,110
Disbursements	
Personal Services	2,130,597
Travel	9,417
Maintenance and Operations	936,316
Capital Outlay	421,847
Insurance	416,975
Legal	2,175
Audit Expense	21,895
Total Disbursements	3,939,222
Ending Cash Balance, June 30	\$ 852,145

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

LeFlore County Emergency Medical Service District
1215 S. Broadway
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 charges for services were billed and collected in accordance with District Policies.
- 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 for the fiscal year ended June 30, 2018 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 and 61 O.S. §101-139.
- 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 compliance with contract service providers.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2018 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

September 17, 2019

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-002 – Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Although the LeFlore County Emergency Medical Service District (the District) has developed policies and procedures over the disbursement process, upon inquiry of staff and observation of the disbursement process, a lack of segregation of duties exists in that the Accounting Manager performs the following duties:

- Prepares purchase orders,
- Prepares checks,
- Signs checks,
- Remits checks to vendors,
- Maintains the financial registers, and
- Performs the monthly bank reconciliations.

Cause of Condition: Policies and procedures have not been completely designed and implemented to sufficiently segregate the disbursement process.

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.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the District Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in District Board's oversight of office operations and a periodic review of operations. OSAI recommends the District Board provide segregation of duties so that no one employee can 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.

Management Response:

Chairman of the Board: The District will be making changes to internal controls in the disbursement process as follows:

- The District will have a board member sign the checks at the Board meetings after approval of the consent agenda.
- The District will continue to have checks and balances as follows:
 - The Accounting Manager will prepare all accounting and banking reports.
 - All reports will be given to the Executive Director and Deputy Director.
 - After a review, the Executive Director will sign the reports with the Accounting Manager.

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The District realizes due to limited office staff, a concentration of duties is required. However, the District strives to have checks and balances to maintain transparency of funds.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Principal 10 – Design and Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Finding 2018-003 – Internal Controls and Noncompliance with the Competitive Bid Process (Repeat Finding)

Condition: Upon inquiry of the District staff and observation of the competitive bidding process, the following weaknesses were noted:

Financing Related to Purchase of Ambulance not in Accordance with State Statute:

- The District approved the purchase of three (3) new ambulances totaling \$448,060.00 as provided by a national cooperative purchasing program on August 21, 2017.
- The District opened bids on September 18, 2017 for lease-purchase financing of these ambulances.
- The District Board signed a lease-purchase agreement, dated October 20, 2017 as provided by a local financial institution for financing for \$298,060.00 of the above noted ambulances including a down-payment of \$150,000.00, however; financing was not included in the original bid specification, as it was opened as a separate bid.

Software Purchase:

- The District approved the purchase of electronic patient care report software on November 20, 2017, without bidding the software as required by state statute.

Cause of Condition: The District did not follow statutory statutes guidance related to the financing of the ambulance purchase. Additionally, policies and procedures have been designed; however, not adequately implemented to ensure that equipment and information technology and telecommunication purchases which exceed \$15,000.00 be competitively bid in compliance with the state statutes.

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Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends the Board follow the state statute requiring purchases in excess of \$15,000.00 for competitive bids to include financing in bid specifications in accordance with 19 O.S. § 1723.

Additionally, the following procedures should be documented when soliciting, selecting and approving bids for equipment and information technology and telecommunication goods and services of \$15,000.00 or more.

- Evidence of proof of publication of the bid specifications in the newspaper.
- Evidence of the Board approval of awarding the bid documented in the Board minutes.
- Evidence of sealed bids presented to the Board for consideration.
- Evidence that the bids are time and date stamped when received.

Management Response:

Chairman of the Board: The District strives to follow state statutes during our bidding process. The District was unaware of the state statute mandating that financing be included in the bid process. The District was striving to find the best price for the purpose of being good stewards of funds. Once the District became aware of this issue, any bid that requires financing has been included in the bid process, including bidding future software purchases.

Criteria: The GAO Standards – Section 2 – Objective of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements. Some entities may set objectives to a higher level of performance than established by laws and regulations.

Title 19 O.S. § 1723 requires Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1505, which requires all purchases in excess of \$15,000 be competitively bid, including financing options. Additionally, equipment and information technology and telecommunication goods and services in excess of \$15,000 should be competitively bid.

Finding 2018-004 – Internal Controls Over the Payroll Process (Including Leave Reports) (Repeat Finding)

Condition: Upon inquiry of the District staff and observation of the payroll process, a lack of segregation of duties exists in that the payroll clerk performs the following duties:

- Verifies timesheets to the crew work schedule,

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- Inputs payroll information into the accounting system,
- Prepares the employee retirement reports and state and federal tax reports,
- Processes payroll, and
- Prepares the direct deposit.

Cause of Condition: Policies and procedures have not been completely designed and implemented to ensure adequate segregation of duties regarding the payroll process.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the District Board be aware of these conditions and determine if payroll duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approval of accounting functions.

Management Response:

Chairman of the Board: The District realizes due to the limited office staff a concentration of duties is required. However, the District strives to have checks and balances to maintain transparency of funds. The following steps have been put in place to enhance transparency in the payroll process:

- Purchase orders for payroll will be given to the Deputy Director for review and he will sign as the requisitioning officer.
- The Executive Director will sign checks that correlate to payroll expenses.
- The Accounting Manager will send all payroll payments for employees to the bank for direct deposit.
- Monthly payroll reports will be given to the Executive Director and the Deputy Director; this report will be compared and balanced to the monthly Treasurer's report that is reconciled to the bank account.

Criteria: The GAO Standards – Section 2 – Objective of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements. Some entities may set objectives to a higher level of performance than established by laws and regulations.

The GAO Standards – Principal 10 – Design and Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities

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for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Finding 2018-005 – Internal Controls and Noncompliance Over the Estimate of Needs

Condition: Upon reconciling the District’s collections, disbursements, and cash balances to the amounts presented on the Estimate of Needs/Financial Statement (EON) for the fiscal year ended June 30, 2018, the following variances were noted:

	Reported Financial Statements	Estimate of Needs Financial Statement	Over (Under)
Beginning Cash Balance	\$1,201,258.17	\$1,272,310.48	(\$71,052.31)
Collections	\$3,590,109.78	\$4,446,571.64	(\$856,461.86)
Disbursements	\$3,939,222.70	\$3,957,180.62	(\$17,957.92)
Ending Cash Balance	\$852,145.25	\$1,279,754.24	(\$427,608.99)

Further, these variances were the combined result of numerous errors in reporting on the EON including:

- The beginning cash balance included unrecorded prior year disbursements which resulted in overstating the beginning cash balance.
- Ad valorem tax was reported as County Sales tax and reported twice which resulted in overstating collections.
- The proceeds of a certificate of deposit were reported as collections which resulted in overstating collections.
- The variance in the reported financial statements for disbursements were a cumulative result of misstated disbursements recorded in the EON.
- The ending cash balance included certificates of deposit in the cash balance that were also reported as investments which resulted in overstating the ending cash balance.

Cause of Condition: Policies and procedures have not been completely designed and implemented to ensure the EON is accurately presented, reconciled to the District’s financial records and is prepared in accordance with 19 O.S. § 1702.

Effect of Condition: The District’s EON for the period under review did not reflect the complete and accurate financial condition of the District which resulted in unrecorded transactions, misstated financial reports, undetected errors, and could result in misappropriation of funds.

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Recommendation: OSAI recommends the District design and implement policies and procedures to review the Estimate of Needs prior to approval to ensure that collections, disbursements, and cash balances are accurately presented in the Estimate of Needs in compliance with 19 O.S. § 1702.

Management Response:

Chairman of the Board: The District will direct the Accounting Manager and the Executive Director to review the Estimate of Needs to verify the accuracy of the presentation before the Estimate of Needs is presented to the Board for approval.

Criteria: The GAO Standards – Section 2 – Objective of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements. Some entities may set objectives to a higher level of performance than established by laws and regulations.

The GAO Standards – Principal 10 – Design and Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

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.”

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