

STATUTORY AUDIT

LEFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2009 through June 30, 2013



*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

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2013**

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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

February 21, 2014

**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 period July 1, 2009 through June 30, 2013.

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".

GARY A. JONES, CPA, CFE
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 2013

	<u>FY 2012</u>	<u>FY 2013</u>
Beginning Cash Balance, July 1	\$ 1,357,444	\$ 1,676,925
Collections		
Ad Valorem Tax	683,269	679,768
Charges for Services	2,388,969	2,789,461
Intergovernmental	141,625	215,704
Miscellaneous	201,166	43,454
Total Collections	<u>3,415,029</u>	<u>3,728,387</u>
Disbursements		
Personal Services	1,824,114	1,704,809
Travel	23,409	28,703
Maintenance and Operations	1,073,423	1,150,347
Capital Outlay	174,602	555,984
Audit Expense		
Total Disbursements	<u>3,095,548</u>	<u>3,439,843</u>
Ending Cash Balance, June 30	<u>\$ 1,676,925</u>	<u>\$ 1,965,469</u>

**This reporting variance is referenced in Finding 10 – Estimate of Needs*

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



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LeFlore County Emergency Medical Service District
P.O. 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 2012 and FY 2013 were accurately presented on the estimate of needs.

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.

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

January 9, 2014

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 - Inadequate Internal Controls Over the Revenue Process

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of the LeFlore County Emergency Medical Service District (the District), the following was noted:

- One individual opens the mail, sorts the mail, receipts payments, and prepares the deposit.
- Another individual prepares bank reconciliations that are not reviewed by an individual other than the preparer.

In addition, after performing testwork on 100 runs (25 runs per fiscal year under review) the following exceptions were noted:

- Medicare and the Veteran Administration were billed for the same ambulance service of a patient, and the bill was paid by both. As of the end of the audit period, a refund of \$1,266.62 was due Medicare concerning this billing.
- The District reduced charges for ambulance services for a patient in the amount of \$1,065.00 without authorization from the District Board.

Further, due to the double billing noted during testwork, the District determined additional overpayments that should not have been received. As of November 5, 2013, the District has refunded a total of \$40,613.19. This amount appears as billing revenue for the period under audit. Thus revenue was over reported by \$40,613.19.

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

Further, procedures have not been designed to ensure billings are made to the responsible party only, and policies have not been established to determine if or how a patient amount can be written off on a non-contractual basis.

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.

Further, not ensuring the proper individual is billed for services resulted in the District receiving monies they were not properly due. In addition, not having a policy concerning account write offs could result in the District losing additional sources of revenue and patient accounts being written off or considered uncollectible without authorization.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the District segregate the accounting duties of receiving payments and preparing the deposit. Further, OSAI

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recommends all bank reconciliations reflect an indication of review and approval by someone other than the preparer.

OSAI additionally recommends the District ensure all billings are made to the correct individual, and that a policy be established to ensure the only billings written off are done so with proper approval.

Management Response:

EMS Board: EMS of LeFlore County will institute a segregation of duties system based on a 3 person office format utilizing the *The Small Office Guide to Segregation of Duties: Receipting* documentation. The “Official” will be HR/Accounting Manager, “Employee #1” will be the Billing Manager, and “Employee #2” will be the Billing Assistant.

The HR/Accounting Manager and the Billing Manager will document all bank reconciliations as an indication of review and approval.

A billing policy regarding financial and contractual adjustments as well as write-offs will be drafted and approved by the EMS Board of Directors at the February 2014 board meeting and implemented so as to be compliant with OSAI recommendations.

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, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated. To further safeguard assets, all account billings should be conducted in a consistent manner by billing the correct party only and ensuring any accounts written off are done so with proper EMS Board authorization.

Finding 2 - Noncompliance Over Pledged Collateral

Condition: Based upon inquiry, observation, and testwork conducted on the District records, the following six (6) instances were noted where District funds were undercollateralized during the audit period:

- February 17, 2010, in the amount of \$57,578.92.
- March 1, 2010, in the amount of \$6,729.45.
- April 14, 2010, in the amount of \$123,710.87.
- August 30, 2011, in the amount of \$10,249.82.
- September 23, 2011, in the amount of \$96,263.64.
- January 9, 2012, in the amount of \$182,729.69.

Cause of Condition: Procedures have not been designed to ensure accounts are in compliance with statutes concerning pledged securities.

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Effect of Condition: These conditions resulted in noncompliance with state statute. Failure to monitor pledged collateral amounts to daily bank balances resulted in unsecured District funds, and could result in the possible loss of District funds.

Recommendation: OSAI recommends the District maintain evidence of monitoring the fair market value of pledged collateral to bank balances on a daily basis to ensure that District funds are adequately secured and that the District is in compliance with 62 O.S. § 511.

Management Response:

EMS Board: EMS of LeFlore County had established a plan to reduce the amount of funds in any one individual bank so as to limit liability and pledging concerns. EMS Board of Directors had moved \$100,000 from one local bank to another with plans to move additional to other local banks. The EMS Board of Directors will discuss moving additional funds to local banks in the area to reduce the risk of inadequate pledged collateral. We will also discuss with the bank leadership prior to the February 2014 board meeting and secure documentation from Central National Bank that we are pledged beyond the amount of money being held in the bank.

Criteria: Title 62 O.S. § 511 states, “Any custodian of public funds of any kind or character, required by law to secure proper collateral before depositing public funds in a bank or trust company, shall hereafter, in depositing public funds in a bank or trust company whose deposits are insured by the Federal Deposit Insurance Corporation, be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such Federal Deposit Insurance Corporation.”

Finding 3 - Inadequate Internal Controls Over the Expenditure Process

Condition: While gaining an understanding of the expenditure process of the District, we noted that the Accounting/HR Manager performs the following duties:

- Maintains the purchasing system, prepares the purchase orders, prepares and issues payments, signs checks as one of the two required signatures, and reconciles ledgers.

In addition, after performing testwork on 100 expenditures (25 per fiscal year under review) the following was noted:

- None (0) of the expenditures tested had evidence of a receiving signature/verification of the accuracy of the invoice and items received.

Cause of Condition: The District has not designed and implemented policies and procedures 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,

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misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

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

OSAI further recommends management develop procedures where a verification of accuracy for all items received occurs by having an individual sign off on the invoice after all items therein depicted are reviewed and accounted for.

Management Response:

EMS Board: EMS of LeFlore County reviewed the shipping forms for the dates in question. All shipping forms had a signature on the form to verify that the shipped item was correct in nature and quantity. In order to prevent future findings, EMS of LeFlore County will ensure that the requisitioning and receiving officer sign all invoice/shipping forms and both individuals verify that the item was received. Further, we will sign all shipping forms with the individual's signature, date, phrase "Received," and a check mark by received items and an "x" or "0" next to items not received. Finally, a 3rd person will be added that can serve the role of receiving officer and will be designated the Supply/Logistics Officer for EMS. This person will ensure that the segregation of duties is in compliance with the OSAI recommendations and follows the *The Small Office Guide to Segregation of Duties* format for a 3 person office.

Auditor Response: During the field work conducted the signature on shipping forms was discussed between OSAI and the District. The District did sign every shipping form, but this was done as a process and not as a control. Shipping forms were signed even if no actual physical review of the items received occurred.

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.

Effective internal controls require that management implement procedures and policies that safeguard the assets of the District with respect to 19 O.S. § 1710.1A, which outlines purposes for expending District funds, which includes the support, organization, operation, and maintenance of the emergency medical service.

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Finding 4 – Noncompliance with Competitive Bidding Process

Condition: Based upon inquiry and observation of the competitive bidding process for the District, the following was noted concerning the fourteen (14) items reviewed:

- One (1) purchase did not have proof of publication.
- Two (2) items purchased in excess of the competitive bid threshold were not bid.
 - The first purchase was for a 2007 E-450 Type III Ford Ambulance for \$88,427.
 - The second purchase was for two (2) SMART Board Systems and related accessories for \$8,105. (Note: When this item was purchased, paid date of August 27, 2010, all items in excess of \$7,500 required a bid.)
- On ten (10) instances the bids were not time and date stamped when received, and the bid envelopes were not retained.
- Four (4) bid notices stated a preference as to brand or model. Such a preference could exclude certain vendors from having the opportunity to bid.

Cause of Condition: Policies and procedures have not been designed to ensure that expenditures in excess of the \$10,000 be competitively bid in compliance with 19 O.S. § 1723.

Effect of Condition: These conditions resulted in the District being in noncompliance with state statute, and it could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends that all purchases in excess of \$10,000 be competitively bid in accordance with state statutes.

Further, OSAI recommends the District prepare bid requirements in such a manner that they are not written for a specific product, brand, or vendor. Rather, the bid requirements should allow for multiple entities to have the opportunity to bid.

Management Response:

EMS Board: The EMS of LeFlore County will follow county purchasing guidelines for bidding all purchases in excess of \$10,000 to ensure competitive bids are bid in accordance with state statutes and will not write bids for specific products, brands or vendors.

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.

As of July 1, 2012, Title 19 O.S. § 1723 requires EMS 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 \$10,000 be competitively bid. Prior to July 1, 2012, the competitive bid threshold for EMS Districts was \$7,500.

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Finding 5 - Inadequate Internal 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 following was noted concerning this:

- The Accounting/HR Manager prepares the monthly expenditure report, prepares the checks, and distributes the checks.
- The Director does not maintain a timesheet or accumulated leave records but receives EMS benefits. The Director's payroll and benefits process are not addressed in the EMS Human Resource Manual, and there is no contract on file between the District and the Director.

In addition, after performing testwork on payroll the following was noted:

- Three (3) employees annual leave was in excess of accumulation limit of 240 hours allowed by EMS Human Resource Manual. These balances for these employees were 295.03 hours (55.03 hours over the limit), 279.60 hours (39.60 hours over the limit) and 276.06 hours (36.06 hours over the limit).
- Three (3) employees accumulated leave reflected negative balances. The respected balances for these employees were -3.25 hours, -18 hours, and -12 hours.
- Two (2) employees paid through a grant program prepare timesheets that do not reflect accumulated leave balances. (Of these employees, one (1) employee approves their own timesheet.)

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: These conditions resulted in errors with regard to the accurate reporting of payroll expenditures.

Recommendation: OSAI 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 compensatory 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.

In addition, we recommend that the EMS adhere to their EMS Human Resource Manual for accumulated leave and ensure that all employees stay within limits. Further, OSAI recommends the EMS Human Resource Manual be updated to include a policy concerning the timekeeping and accrual benefits of the Director. A policy should also be made to ensure a written contract exists between the District and the Director. Lastly, OSAI recommends the District ensure all applicable grant guidelines are consistently followed to ensure compliance in such a manner that all funds received and expended are done so appropriately and with proper supporting documentation.

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To help ensure such compliance, OSAI recommends the District ensure all employees maintain timesheets and accrue benefits in the same manner as other District employees, and that no employee approves their own timesheet.

Management Response:

EMS Board: Prior to the release of the auditor's report for the EMS, EMS had found a software setting in our payroll and scheduling software that allowed for negative balances on accumulated leave and excess accumulation of annual and sick leave. The software setting had been corrected prior to this report and is resolved.

Employees of the RMRS grant program have to have their timesheets approved through the same process as regular employees. RMRS employees must send their timesheets to the EMS office at normal payroll intervals and the timesheets must be approved by the HR/Accounting Manager.

It was determined at the January 2014 board meeting, after discussion with the EMS attorney that EMS would not go into a specific contract with the EMS Director and the Director will remain an "at-will" employee. The EMS Director will complete a timecard each pay period beginning the next pay period after February 1, 2014. Based on previous vacation and sick periods and length of service with the EMS, the Director will begin with an account balance of 175 hours of vacation and 240 hours of sick time which is considered a strong conservative number of the amount that would have been accrued.

The EMS of LeFlore County believes that we have segregated the duties of internal controls over payroll expenditures and accounts payable to the best of our abilities with the amount of staff we have. The EMS Director is the requisitioning officer and the Accounting/HR Manager is the Receiving Officer. The EMS Board approves all checks prior to registering them as a formal agenda item at each board meeting. Once checks are approved by the EMS Board, the checks are printed and require 2 signatures by the EMS Director and HR/Accounting Manager prior to issuing. The EMS Director signs all purchase orders and reviews all payroll and benefits expenditures prior to issuing. The EMS Board will vote to approve a policy addition to the segregation of duties policy at the March 2014 board meeting that reflects the segregation of duties for payroll.

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

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Finding 6 - Inventory Records

Condition: Based on inquiry and observation of the District, the following was noted concerning inventory:

- Five (5) power-cots for the total purchase amount of \$100,000.00 were not recorded in the inventory records.
- One employee maintains all inventory records, and a physical inspection of inventory is not performed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure inventory is being properly accounted for, maintained, and updated regularly by the District.

Effect of Condition: These conditions could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

Recommendation: OSAI recommends that policies and procedures be implemented to ensure inventory is being updated on an ongoing basis. Furthermore, OSAI recommends physical inventory verification, by someone other than the individual in charge of inventory, be completed and documented annually to verify inventory on hand.

Management Response:

EMS Board: The EMS of LeFlore County has developed a policy regarding inventory control procedures, physical inventory verification, and inventory life cycles. This policy will be adopted at the February 2014 EMS board meeting.

Criteria: An 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 untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Finding 7 - Inadequate District-Wide Controls

Condition: District-wide controls regarding Risk Assessment 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, undetected errors, or misappropriation of funds.

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

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performance over time. These procedures should be written policies and procedures and could be included in the District’s policies and procedures handbook.

Examples of risk and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of Duties
Information loss 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 of financial statement of the District for accuracy and completeness
Audit findings	Determine if audit findings are corrected
Financial status	Periodic review of budgeted amounts to actual amounts and resolve unexplained variances
Policies and procedures	Ensure board members understand expectations in meeting the goals of the District
Follow 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:

EMS Board: The EMS of LeFlore County is in the process of completing the Association of Certified Fraud Examiners (ACFE) Risk Assessment. Based on the results, the EMS will address the risks identified and develop monitoring procedures to assess the quality of performance over time. The EMS will draft and approve policies by the February 2014 EMS Board of Directors meeting to address these risks.

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.

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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 controls 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 controls objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the finding 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 knows their responsibilities for internal control and the need to make control monitoring a part of their regular operating process.

Finding 8 - Disaster Recovery Plan

Condition: Upon inquiry, the District did not have a written Disaster Recovery Plan.

Cause of Condition: Procedures have not been designed and implemented to prepare a formal Disaster Recovery Plan.

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the District being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring District business could continue uninterrupted.

Recommendation: OSAI recommends the District develop a Disaster Recovery Plan that addresses how critical information and systems within their office would be restored in the event of a disaster. The Disaster Recovery Plan should include the following:

- Current names, addresses, contact numbers of key district personnel and their roles and responsibilities of the information services function;
- Listing of service providers and vendors;
- Information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals, and program/system/user documentation; and
- Alternative work locations once IT resources are available.

Management Response:

EMS Board: The EMS of LeFlore County has a Disaster Recovery Plan that has been tested in real-time, but does not have this plan in written form. The EMS will develop a written Disaster Recovery Plan that addresses how critical infrastructure will be restored in the event of a disaster. This plan will be presented to the EMS Board of Director's at the March 2014 boarding meeting for review.

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Criteria: An important aspect of internal controls is the safeguarding of assets, which includes adequate Disaster Recovery Plans. 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 in a district being unable to function in the event of a disaster.

Finding 9 - Audit Expense Account

Condition: For the period of July 1, 2010 through June 30, 2013, the District did not lapse the proper amount for the audit expense account from the previous year's remaining balance. The following was noted:

- The audit expense account budgeted amount per the Estimate of Needs on June 30, 2013 was \$62,154, but the balance should have been \$93,373.94. As a result the budget was underfunded by \$31,219.94.

Cause of Condition: Procedures have not been designed to ensure compliance with 19 O.S § 1706.1.

Effect of Condition: This condition resulted in noncompliance with the statute and under funding of the audit expense account.

Recommendation: OSAI recommends that the District implement policies and procedures designed to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit expense account, and that any unused portion be lapsed into the next year audit expense account in accordance with 19 O.S. § 1706.1.

Management Response:

EMS Board: The EMS will lapse any unused portion of the audit expense account into the next year's budget in accordance with OSAI recommendation. At the completion of the audit, the EMS will send correspondence to the state auditor's office to release any and all lapsed funds in the audit account.

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.

Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.

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Finding 10 - Estimate of Needs

Condition: While reviewing the District accounting records and comparing them to the Estimate of Needs for the period of July 1, 2011 through June 30, 2013, the following was noted:

- The June 30, 2012 ending balance contained a variance of \$22,637.38 between the Estimate of Needs and the District records.

Cause of Condition: Policies and Procedures have not been designed and implemented to ensure the ending balance on the Estimate of Needs matches the ending balance of the District records.

Effect of Condition: The lack of review of the Estimate of Needs for accuracy could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriated funds.

Recommendation: OSAI recommends the District implement a review process to ensure the Estimate of Needs reflect what is actually depicted on the accounting records. The ending balance on the Estimate of Needs should coincide with the ending balance of the District records.

Management Response:

EMS Board: Based on the corrected Estimate of Needs, the EMS District's accounting and the OSAI accounting are balanced and equal. The error resides in the county budget board's accounting. We believe with more time to review, the budget board's accountant would be able to resolve the \$22,637.38 discrepancy in her budgeting. In the future, we will request that she balance with the District's figures and detail out where her numbers are generated to ensure accuracy in the Estimate of Needs.

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 ensure that all relevant accounting records are reviewed for accuracy.

Finding 11 - Credit Card Purchases

Condition: Based on the understanding obtained and a review of the expenditures incurred, it was determined the District uses credit cards to make purchases without statutory authority to do so. The following credit cards used by the District were noted:

- MasterCard through Central National Bank – Director has one (1) card and the Accounting/HR Manager has one (1).
- Wal-Mart - Director has one (1) card and the Accounting/HR Manager has one (1).
- Sam's Wholesale Club – Director has one card (1) and the Accounting/HR Manager has one (1).
- For fuel purchases the District uses Fuelman, Phillips 66, and Shell cards. Each ambulance has one of each card, and the Director has a Fuelman card.

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The statements of the above referenced credit cards were reviewed, and the following was noted concerning the expenditures incurred for the period of July 1, 2009 through June 30, 2013:

- \$1,773.98 of meals were purchased at local restaurants with the Director's MasterCard.
- \$1,155.18 of meals were purchased for District employees with the Director's MasterCard.
- \$722.96 of meals were purchased out of town with the Director's MasterCard.
- \$325 of gift cards were purchased as prizes for various events.
- \$60.20 was spent on supplies for a chili contest the District entered.

Cause of Condition: Policies and procedures have not been developed to ensure expenditures are incurred only for the lawful operation of the District. This includes the incurrence of debt through credit cards, which is not permitted per state statute.

Effect of Condition: This condition resulted in noncompliance with state statutes, and the misuse of government funds.

Recommendation: OSAI recommends that the District implement policies and procedures concerning the expenditure process where purchases can only be made for necessary business purposes. Furthermore, OSAI recommends management suspend the use of all credit cards. Regarding fuel purchases, OSAI recommends the District consider using the state contract through ComData. Using the state contract approved ComData card could serve as a legal alternative to the use of fuel cards.

Lastly, OSAI recommends the District implement policies and procedures to monitor the use their fuel cards on an ongoing basis.

Management Response:

EMS Board: The EMS of LeFlore County has discontinued use of the MasterCard from Central National Bank, Wal-Mart, Sam's Club, Fuelman, Phillips 66 and Shell. We have opened an account with ComData for fuel in compliance with the recommendation from OSAI. The EMS will draft a policy that outlines travel purchases, as well as meal purchases during and after major incident events for EMS crews.

The credit card purchases outlined in the finding represent meals purchased during authorized business travel and amount to \$60 per month. Meals purchased for District employees represent meals purchased during and after major incidents including food and water for responders at large wildland and structure fires, during large and small scale training drills, and after mass casualty events in the County. The EMS will draft a policy in our major incident policy that acknowledges and provides procedures for documentation of these types of purchases.

Auditor Response: Due to the lack of supporting documentation available to review for credit card purchases, it was not determinable what purchases may or may not have been purchased for authorized business travel or during major incidents. Rather, meals were purchased without clear documentation as to the purpose of the transactions.

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2013**

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 ensure expenditures are incurred only for the lawful operation of the government entity.

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

Finding – 12 Contract Service

Condition: It was noted during a review of the service agreement between the District and the Choctaw Nation Health Services Authority (CNHSA) that the actual agreement on file was not signed by either party.

Cause of Condition: Policies and procedures have not been designed to ensure a signed and approved contract is maintained between the District and the CNHSA.

Effect of Condition: This condition could result in liability and accountability issues for the District.

Recommendation: OSAI recommends that a contract be executed and signed by the District and CNHSA in order that services can be provided to the citizens of the Choctaw Nation as outlined in the service agreement. This contract should be executed and signed bi-annually in accordance with the contractual terms by all parties involved.

Management Response:

EMS Board: The contract found during the review was a copy of the original contract. During the audit period, the completed contract was located. The completed contract was filed correctly. No further action is believed to be needed.

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 ensure the District only enters into agreements that are legally binding and signed accordingly.

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2013**

Finding 13 - Families of EMS of LeFlore County

Condition: Families of EMS of LeFlore County has held itself out as a not-for profit 501(c)(3) organization without legally having such status. Rather, events were held, donations were received, and a bank account existed without not-for-profit status.

The following specifics were noted concerning Families of EMS of LeFlore County:

- There has never been a filing for 501(c)(3) status.
- The bank account in existence was opened with the personal information of the Director. The bank application depicted the account was for an Unincorporated Association/Non-Profit.
- Between the period of May 17, 2010 and July 31, 2013 a total of \$7,900.71 was deposited into the Families of EMS of LeFlore County bank account. A total of \$7,369.84 was expended from this account during this same time period.
- The monthly bank statement is mailed to the District, and not a separate location. A 501(c)(3) should be separate in existence from the entity it is set up to support.
- A golf tournament was sponsored on April 15, 2011. This tournament per the event flyer was named the “LeFlore County EMS 2nd Annual Emergency Services Golf Tournament”. Further, the contact number depicted was that of the District, and not that of a separate number for the 501(c)(3).
- On October 20, 2011 the District purchased a total of \$294.23 worth of supplies that were later reimbursed for by Families of EMS of LeFlore County.

Cause of Condition: Families of EMS of LeFlore County did not follow state and IRS guidelines for the formation of a 501(c)(3) organization, and as a result is not one. Further, the Families of EMS of LeFlore County is not organized in a way that makes it separate in appearance to the District.

Effect of Condition: Families of EMS of LeFlore County has been depicted as a not-for-profit illegally. As a result, the District maintained an off the books bank account, and they accepted donations and held fundraisers without actually having tax exempt status.

Recommendation: OSAI recommends the Families of EMS of LeFlore County cease operating as a not-for-profit until such time where it has achieved proper 501(c)(3) status. Additionally, OSAI recommends the District contact the LeFlore County District Attorney concerning the best legal course of action concerning the funds currently held in the Families of EMS of LeFlore County bank account.

Management Response:

EMS Board: Prior to the audit report being released, the Families of EMS of LeFlore County group disbanded. The prior President of the group with the assistance of the EMS Director is in communication with the LeFlore County District Attorney’s Office to determine how to donate the remaining funds in the account so the bank account can be deactivated.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds.

**LeFLORE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2013**

A component objective of an effective internal control system is to ensure all operations conducted on behalf of the District are done so legally.

Finding 14 - District Funds Used for Non-District Training Class

Condition: Between the dates of January 29, 2013 through March 7, 2013, the Director taught an Emergency Medical Responder (EMR) Class to LeFlore County firefighters at the District office after normal business hours. The following was noted concerning this EMR class:

- Attendees paid \$100 each directly to the Director. There were eleven (11) total attendees, for a total of \$1,100 collected. This money was not deposited into the District's bank account.
- The District purchased materials for this course at a total price of \$851.91.

Cause of Condition: Policies and procedures have not been designed to classify what is considered proper use of District facilities, and whether an individual can profit from the use of District resources.

Effect of Condition: This led to an abuse of funds as District facilities were used to teach a class where the Director profited \$1,100 while the District expended \$851.91.

Recommendation: OSAI recommends the District implement policies and procedures to ensure District facilities are used only for the benefit of the District. Additionally, OSAI recommends the District refrain from purchasing materials for non-District training, and for the District to consider requesting reimbursement for the \$851.91 expended for the EMR class.

Management Response:

EMS Board: The EMS discussed with our attorney the finding presented by OSAI. The EMS Board will discuss at the February 2014, EMS Board meeting and determine an acceptable rental fee for the use of the books for the first responder class. The EMS Director will reimburse the EMS a determined amount at that time. All books were returned to the EMS at the completion of the class and are still used for training and education purposes inside the EMS. The EMS Director did not and will not teach any more responder classes for county fire departments without ensuring funds go to EMS. The EMS pays \$1,742.33 per month rent to LeFlore County 911 for use of the emergency services building. The building does not belong to the EMS and the mortgage for the building is in the name of LeFlore County Building Authority. Several groups use the building and are not charged a space rental fee. The decision to donate space for community and civic groups is the discretion of LeFlore County 911 as they maintain and schedule usage of the building.

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 ensure District facilities and funds are utilized only for the betterment of the District.



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