



LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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April 3, 2019

**TO THE BOARD OF DIRECTORS OF THE
LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Leedeey 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



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

	<u>General</u>	<u>Sales Tax</u>
Beginning Cash Balance, July 1	\$ 214,020	\$ 56,640
Collections		
Ad Valorem Tax	112,729	-
Charges for Services	16,447	-
County Sales Tax Allocated	-	74,450
Miscellaneous	4,068	200
Total Collections	<u>133,244</u>	<u>74,650</u>
Disbursements		
Maintenance and Operations	46,636	-
Capital Outlay	2,520	-
Audit Expense	6,936	-
Total Disbursements	<u>56,092</u>	<u>-</u>
Ending Cash Balance, June 30	<u>\$ 291,172</u>	<u>\$ 131,290</u>

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

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County Sales Tax

Dewey County voters passed a three-quarters (.75) of one (1) cent sales tax on April 1, 2014. The sales tax is restricted to the following areas:

- County Roads and Bridges
- County Fire Protection
- Emergency Medical Services
- Public Safety Projects

Leedey Emergency Medical Service District (the District) requests county sales tax that is disbursed by the Dewey County Public Facilities Authority from Dewey County as required per the sales tax ballot. The District has designated the Dewey County Treasurer to deposit these funds in a County bank account and funds are disbursed for the improvement and operation of the District.

The Dewey County Public Facilities Authority (DCPFA) Board approves the disbursement of county sales tax funds to the District. The District submits a request to DCPFA claim detailing the item(s) the District would like to purchase using the county sales tax fund. The DCPFA Board votes to approve or deny the request for county sales tax funds. Upon approval of the DCPFA Board, the Treasurer requests the bank issue a check to the vendor for the approved amount. During the fiscal year, the District did not request payment for improvement and the operation of the District.

Leedey Emergency Medical Service District
P.O. Box 232
Leedey, Oklahoma 73654

**TO THE BOARD OF DIRECTORS OF THE
LEEDEY 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 2018 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Leedey 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 Leedey 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 Leedey 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

January 30, 2019

**LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-001- Internal Controls Over the Collection Process and Noncompliance Over the Daily Depositing of Funds (Repeat Finding)

Condition: Upon inquiry of the Leedey Emergency Medical Service District (the District) Board members, observation of the collection process, and the test of deposits, the following weaknesses were noted:

- One Board member performed the duties of taking deposits to the bank and performing reconciliations of the bank accounts.
- Receipts were not issued for charges for services.
- Ad valorem tax payments issued by the Roger Mills County Treasurer were not deposited in a timely manner. Ten (10) of the twelve (12) deposits tested were made between five (5) and twenty-three (23) days after the date of issuance.
- Independent verification was not performed of the direct deposit notifications to the deposits on the bank statement to ensure the amounts were received.
- Evidence of the Board's review of the District's monthly bank statements was not documented.
- Bank statement reconciliations were not presented to the Board for review and approval. Monthly Treasurer Reports consisted of a verbal announcement at the Board Meeting stating the bank balances.
- Monthly financial statements were not submitted for review and approval by the Board.
- Although the District maintained \$210,092.54 in certificates of deposit at June 30, 2018, no investment ledger was maintained to document interest earned, or presented to the Board for review and approval.

Cause of Condition: Policies and procedures have not been designed and implemented to segregate duties over the collection process, ensure receipts are issued for collections, ensure deposits are made daily, provide verification of direct payments, and provide evidence of a review and Board approval of bank statement reconciliations, investment activity, and financial statements.

Effect of Condition: These conditions resulted in noncompliance with state statute. Additionally, 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 & Inspector's Office (OSAI) recommends the following key accounting functions of the District's office be adequately segregated:

- Issuing receipts.
- Preparing/reviewing deposits,
- Taking deposits to the bank, and
- Reconciliation of the bank account to District financial records.

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OSAI also recommends the District implement internal controls to ensure a documented review of direct deposits and document the Board's monthly review and approval of accurate and complete accounting of the bank statement reconciliations, investment activity, and financial statements.

Further, funds should be deposited daily in accordance with 62 O.S. § 517.3 B.

Management Response:

Chairman of the Board: The Board will implement issuance of receipts for charges for services and daily depositing of funds. One Board member will pick up the mail and deliver it to another Board member for deposit. The Board Treasurer will prepare a bank reconciliation and financial report using QuickBooks and present these reports for Board review and approval each month.

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 the regard to reliability of financial reporting, including segregation of duties, independent verification and documentation of review. Key factors in this system are depositing funds in a timely manner to safeguard collections from possible misappropriation and maintain complete and accurate records.

Title 62 O.S. § 517.3 B states in part "The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office ..."

Finding 2018-002 – Internal Controls Over the Patient Account Billing Process (Repeat Finding)

Condition: The District contracted with a third-party billing service for ambulance run financial accounting. Upon inquiry of the District Board members, observation of the billing process and a test of thirty-five (35) ambulance runs, the following exceptions were noted:

- Patient account billing records were not maintained by the District; therefore, the following was noted:
 - Payments received were not always reported to the third-party billing service.
 - Second billings and/or delinquent payment records were not maintained.
 - Outstanding balances of patient accounts could not be verified.
 - Amounts written-off as uncollectable were not documented as approved by the Board.

Cause of Condition: The District has not designed and implemented policies and procedures to properly account for patient account payments, amounts written-off as uncollectable, delinquent accounts, and patient account balances resulting from ambulance runs.

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

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Recommendation: OSAI recommends the District design and implement policies and procedures to ensure an updated patient account ledger is maintained as payments are received and amounts written-off as uncollectable and delinquent accounts are reviewed and approved by the Board. Furthermore, we recommend the District ensure the third-party billing service is informed of payments received to reflect those amounts on patient account balances.

Management Response:

Chairman of the Board: The Board will communicate with the third-party billing service the need to provide a monthly summary of patient account activity and will maintain records of payments received to be verified to patient accounts. The Board will document amounts written-off in Board minutes and review delinquent accounts for second billings.

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 the regard to reliability of financial reporting. An integral part of effective internal controls includes ensuring the District ambulance service run collections are recorded on patient accounts accurately, patient account outstanding balances are maintained, evidence of amounts written-off as uncollectable are sufficiently documented, and delinquent accounts are reviewed by the Board for action.

Finding 2018-003 – Internal Controls and Noncompliance Over District Board Meetings and Minutes (Repeat Finding)

Condition: Upon inquiry of the District Board and observation of the District Board minutes, it was noted that the Board minutes were inconsistent and indeterminate regarding legibility and content as reflected below:

- The Board Treasurer resigned in October of 2017; however, the Board minutes did not reflect an appointment of a Board Treasurer to assume those duties and responsibilities.
- Evidence of amounts considered uncollectable to be written-off were not documented in the Board minutes.
- Board minutes did not clearly reflect members who are present or absent at Board meetings and did not document actions taken by the Board.
- A certificate of deposit was purchased in January of 2018 for \$75,000; however, there was no mention of the Board's approval of purchase in the Board minutes.
- Minutes for the February 2018, Board meeting reflect a motion to "*move a \$50,000 Certificate of Deposit.*" However, there was no documentation to reflect the Board purchased a certificate of deposit.
- The Board minutes were not always signed by the Chairman as reviewed and approved.
- The Board minutes for the months of May and June 2018 could not be located.

Cause of Condition: Policies and procedures have not been designed and implemented regarding District Board meetings and minutes adequately documenting the review and approval of monthly activities or ensuring all records of Board minutes are maintained and available for public access.

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Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the District design and implement policies and procedures to document the actions of the District Board, including monthly financial reporting in compliance with the Open Meetings Act, and ensure records of Board meetings are legible and reflect proceedings clearly and accurately.

Management Response:

Chairman of the Board: The Board will formally document board actions, including approval of financial activities and maintain Board minutes in a safe and secure location that is accessible to the public in accordance with the Open Meetings Act.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. Further, an important aspect of internal controls is the formal documentation of Board minutes and the safeguarding of those minutes.

According to the Open Meeting Act, Title 25 O.S. § 312,

“The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.”

Finding 2018-004 – Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry of the District Board Secretary, observation of the District’s disbursements process, and the test of twenty-five (25) disbursements, the following exceptions were noted:

- Signatures documenting a review of the invoice for accuracy for the twenty-five (25) disbursements were not evident.
- Upon review of the handwritten check log, the following exceptions were noted:
 - Three (3) instances were noted in which checks were not issued in chronological order.
 - Two (2) instances were noted where the amount stated on the check log did not agree to the cancelled check.
 - One (1) instance was noted in which a check number was listed twice on the check log as issued to different entities for different amounts. However, only one of the checks logged was traced to a cancelled check.

Cause of Condition: Policies and procedures have not been implemented to ensure invoices are signed to indicate verification of receipt of goods and/or services and documentation of checks issued is accurate and complete.

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Effect of Condition: These conditions resulted in unrecorded transactions and undetected errors and could result in misappropriation of funds.

Recommendation: OSAI recommends the District Board be aware of these conditions and implement a review process by the Board, evidenced by initial and date by the reviewer, and ensure adequate documentation accompany claims and the documentation of verification of goods and/or services. Further, OSAI recommends the check log be prepared electronically, verified for accurateness and completeness and approved by the Board at monthly meetings.

Management Response:

Chairman of the Board: The Board will review each invoice and document verification of the goods and/or services being received. The Board Treasurer will implement QuickBooks to document monthly disbursement checks and provide a summary of disbursements for the Board to review and approve at each monthly meeting.

Criteria: Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, supporting documentation of the disbursement such as an invoice or statement, and indication of goods and services being received should be evidenced, and accurate records of checks issued for payments should be reviewed and approved by the Board.

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