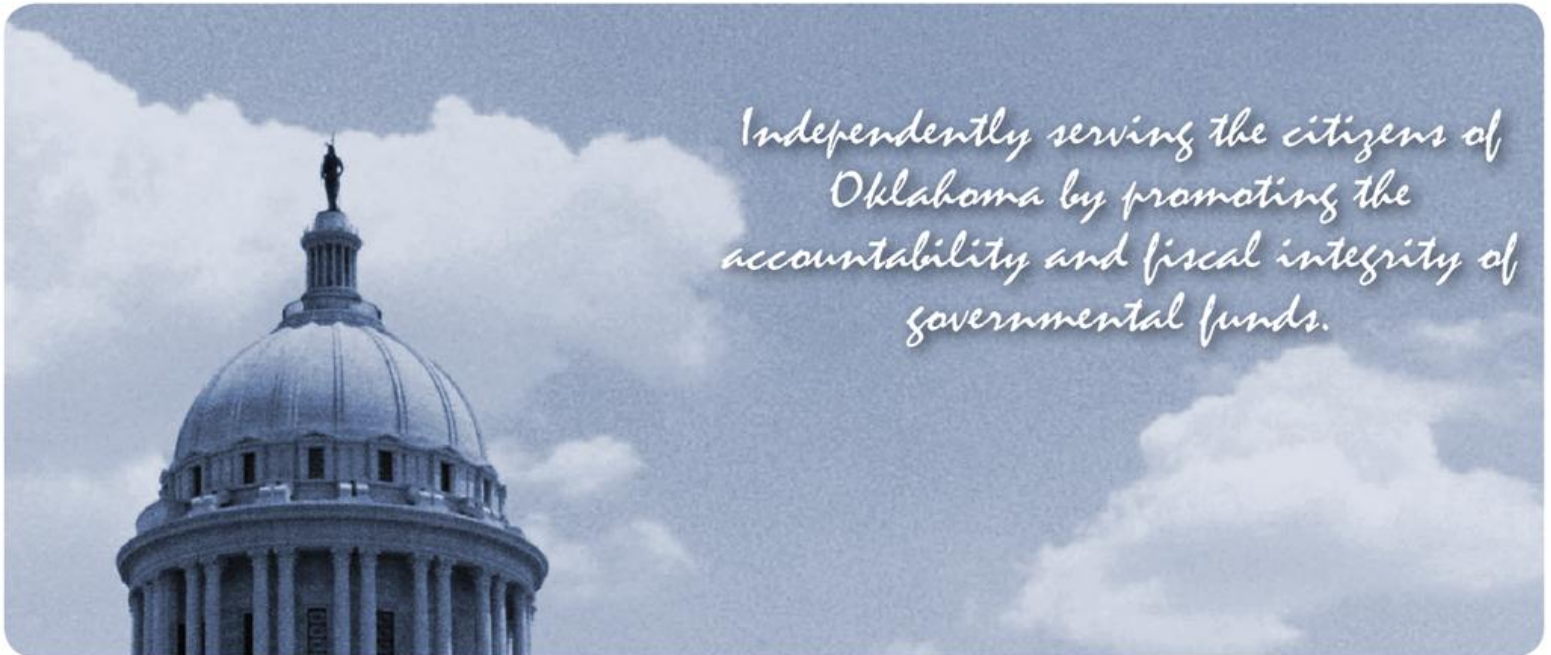


STATUTORY REPORT

LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2012 through June 30, 2015



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

**LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

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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

September 28, 2016

**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 period July 1, 2012 through 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 fluid and cursive, with the first name "Gary" being the most prominent.

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

**LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD OF JULY 1, 2012 THROUGH JUNE 30, 2015**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2013, FY 2014 and FY 2015

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Beginning Cash Balance, July 1	\$ 289,751	\$ 300,564	\$ 345,523
Collections			
Ad Valorem Tax	91,393	112,942	117,827
Charges for Services	-	-	-
Miscellaneous	15,441	18,175	9,500
Total Collections	<u>106,834</u>	<u>131,117</u>	<u>127,327</u>
Disbursements			
Personal Services	4,800	4,800	800
Maintenance and Operations	28,752	35,116	-
Capital Outlay	56,849	45,731	50,274
Audit Expense	5,620	511	-
Total Disbursements	<u>96,021</u>	<u>86,158</u>	<u>51,074</u>
Ending Cash Balance, June 30	<u>\$ 300,564</u>	<u>\$ 345,523</u>	<u>\$ 421,776</u>

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



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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 2013, FY 2014 and FY 2015 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.

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

August 10, 2016

**LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-1 - Inadequate Internal Controls Over the Collection Process (Repeat Finding)

Condition: Upon inquiry of the District Treasurer and Secretary, observation of the District's collection process, the following weaknesses were noted with regard to internal controls:

- There is no policy or procedure regarding an independent review for accuracy of the deposits before they are taken to the bank.
- Receipts were not issued for funds received.
- Bad debt write-off amounts were posted to accounts receivable records; however, write-off amounts were not reflected as being discussed or approved in the Board Minutes.
- Bank statement reconciliations were not approved in the Board Meetings, nor was there evidence that bank statement reconciliations were performed from September of 2014, through June 30, 2015.
- During the review of Board Meeting Minutes, it was noted the District approves the Treasurer's Report presented; however, evidence of a review and approval was not present.

Cause of Condition: The District has not designed and implemented policies and procedures with regard to segregating the duties of preparing and depositing funds, and issuing receipts for funds received. Procedures have not been implemented to ensure there is documentation of the Board's review and approval of bad debt write-off amounts, bank statement reconciliations and monthly Treasurer's Report.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the District implement a system of internal controls to provide reasonable assurance that the collection duties be adequately segregated with regard to issuing receipts, preparing deposits, providing bank statements, monthly Treasurer Reports, and documented approval of bad debt write-off amounts by the District Board.

Management Response:

Board Response: The District concurs with OSAI recommendations. Policies and procedures will be developed to ensure the review of deposits, issuance of receipts, documentation of review and approval of Board records and their accuracy, and documentation of the review of bank reconciliations and reports.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. Further, an important aspect of internal controls is the safeguarding of assets. A safeguarding of assets constitutes a process affected by an entity's governing body and management to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions or the misappropriation of funds.

**LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

Finding 2015-2 - Inadequate Internal Controls Over the Disbursements Process including Payroll (Repeat Finding)

Condition: Upon inquiry of the District Secretary, observation of the District's disbursements process including payroll, and the test of disbursements, we determined the following:

There are inadequate internal controls over the disbursement of District funds.

- Duties were not adequately segregated due to District Treasurer ordering items, receiving items, and signing checks, and reconciling bank statements.
- In order to process a District check, only the signature of the District Treasurer is required.
- Purchase orders were not utilized by the District and purchases were not requisitioned prior to goods or services being acquired.
- Invoices were not signed and dated acknowledging the verification of goods and/or services at the time of receipt.

The test of forty-five (45) checks issued for the District disbursements, reflected the following exceptions:

- The District Treasurer, Secretary and Chairman were reimbursed for supplies, fuel, and phone calls during the period audited.
- All EMT's may charge fuel at the local convenience store and gas and oil company. Fuel receipts were not always signed by the employee who purchased the fuel.
- For the fiscal year 2013, one (1) disbursement did not have all receipts for fuel purchased attached to the claim.
- For the fiscal year 2014, one (1) instance was noted where there was not adequate documentation present to support the reimbursement and the employee receiving reimbursement for travel was also the employee who approved the claim for payment.
- For the fiscal year 2015, one (1) instance was noted where the claim did not have adequate documentation present to support the reimbursement and the employee receiving reimbursement for travel was also the employee who approved the claim for payment.
- Additionally, for the fiscal year 2015, one (1) instance was noted where the District Chairman was issued a reimbursement check for personal cell phone bills for January 2014, through May of 2014; although a cell phone was provided by the District.

The following exceptions were noted in our test of the payroll process:

- EMS employees are paid for total runs, which are handwritten on a paper signed by the District Chairman; however, employees do not sign this paper or complete a timesheet.
- The District did not withhold payroll taxes from employee wages.
- The District did not remit payroll taxes, file quarterly reports, or file form W-2 with the Internal Revenue Service.
- The District also did not file 1099's for employees receiving over \$600 during the year, in lieu of form W-2 for each employee.

**LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

Cause of Condition: Policies and procedures have not been designed and implemented with regard to segregating the duties over the disbursement process and ensuring checks are properly signed and authorized. Further, procedures have not been implemented to ensure prior approval for goods and services is obtained and invoices are signed to indicate verification of receipt of goods or services. Policies have not been put in to place requiring adequate documentation be attached to all claims. Procedures are not in place to ensure compliance with Internal Revenue Service (IRS) regulations of withholding taxes from payroll checks, remitting those payroll taxes, or filing 1099 forms.

Effect of Condition: These conditions could result in unrecorded transactions, undetected errors, or misappropriation of funds and noncompliance with IRS payroll guidelines.

Recommendation: OSAI recommends management be aware of these conditions and realize that a concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. Policies should be implemented to require two signatures for each check issued; therefore, ensuring signature verification. Additionally, the District should refrain from reimbursing officers and employees for supplies, fuel, and cell phone expenses.

Review processes implemented by the District should be evidenced by initial and date by the reviewer. OSAI also recommends the District ensure adequate documentation accompany claims and the documentation of verification of goods and/or services and all reports received by the District. Also, policies and procedures should be implemented to ensure compliance with IRS regulations regarding payroll reporting and payroll tax withholdings.

Management Response:

Board Response: The District plans to implement policies and procedures to ensure a segregation of duties with regard to disbursements. Proper documentation will be required for all purchases and reimbursements. Also, the District now files 1099's for all employees receiving over \$600 during the year.

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, requisition of funds be documented, supporting documentation of the disbursement such as an invoice, statement, and indication of goods and services being received should be evidenced, proper segregation of duties over disbursements, and adherence to IRS guidelines regarding payroll reporting.

The official opinion of the Attorney General, 1983 OK AG 280, is that an Emergency Medical Service District formed pursuant to Article 10, § 9C of the Oklahoma Constitution, may not lawfully pay compensation to board members. This opinion further states that by constitutional provision, "the Legislature is authorized to create additional powers for the board of trustees of the EMS district, which conceivably could include compensation and/or reimbursement for phone expense for the board members. However, no such legislative authorization has occurred."

IRS guidelines provide for employee wages to have payroll taxes withheld and W-2's filed annually. Additionally, 1099's should be filed with the IRS for those employees earning \$600 or less annually.

**LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

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

Finding 2015-3 - Inadequate Internal Controls Over District Board Meetings and Minutes

Condition: Upon inquiry of the District officials and observation of the District's Board minutes, we determined the following:

- Through interview and discussion with the current District Treasurer, it was noted that he assumed the responsibilities of District Treasurer in October of 2014; however, his appointment to the office of Treasurer is not noted in the Board Minutes.
- Several times throughout the period audited, the Chairman and other Officers of the Board did not sign the minutes of the meeting.
- The renewal of the contract for third party billing is not reflected as being discussed in the Board Meetings, nor is an annual contract signed by the District and the provider.
- Evidence of accounts receivable records, including bad debt write-off amounts, monthly Treasurer Reports, and bank statement reconciliations being approved in the Board Minutes was not documented.
- Agendas were not always publically posted.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to District Board meetings and minutes adequately documenting the approval of monthly activities, including approving officers' duties, contracts, and signing minutes.

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

Recommendation: OSAI recommends the District design procedures to document the actions of the District Board, including approving fiscal year contracts, monthly financial reports, officer duties, and signing the monthly minutes and posting agendas of meetings.

Management Response:

Board Response: Policies and procedures will be developed to ensure accurate and complete minutes of Board meetings are recorded. The Board now signs the contract with the billing company annually.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. Further, an important aspect of internal controls is the safeguarding of assets. A safeguarding of assets constitutes a process affected by an entity's governing body and management to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions or the misappropriation of funds.

**LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2015**

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 2015-4 - Inadequate Internal Controls Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry of the District Secretary, observation of the District’s accounting for fixed assets, and the test of fixed assets, we determined the following:

- The District has not established a policy regarding the minimum dollar threshold for fixed assets items.
- Documentation of a physical inventory of the District’s fixed assets being performed annually was not maintained.
- The inventory list provided to the auditor was incomplete with regard to serial numbers or VIN numbers.

Cause of Condition: Policies and procedures have not been designed to maintain an updated fixed asset list and to perform annual physical fixed assets inventory verification.

Effect of Condition: Failure to provide adequate internal controls over fixed assets could result in inaccurate inventory records, unauthorized use of inventory, or misappropriation of inventory items.

Recommendation: OSAI recommends the District implement internal controls for the safeguarding of fixed assets by establishing policies to determine the threshold for fixed assets and by maintaining a current and complete inventory that includes the serial numbers or VIN numbers of inventory items. OSAI also recommends an annual physical inventory verification of fixed assets by performed and documentation be retained of the physical count.

Management Response:

Board Response: The District concurs with OSAI recommendations, and plans to develop a written policy and procedures manual to establish a minimum dollar threshold for fixed assets items and ensure an accurate and complete inventory of the District’s fixed assets is performed annually.

Criteria: An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process affected by an entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of fixed assets and safeguard assets from loss, damage, or misappropriation.



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