

STATUTORY REPORT

LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2017



*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

**LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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

January 9, 2018

**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, 2017.

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

**LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017

	<u>FY 2017</u>
Beginning Cash Balance, July 1	<u>\$ 147,538</u>
Collections	
Ad Valorem Tax	100,399
Charges for Services	10,942
Miscellaneous	<u>7,966</u>
Total Collections	<u>119,307</u>
Disbursements	
Maintenance and Operations	45,465
Capital Outlay	3,914
Audit Expense	<u>3,446</u>
Total Disbursements	<u>52,825</u>
Ending Cash Balance, June 30	<u>\$ 214,020</u>

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

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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

Leedeey 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 Board approves the disbursement of county sales tax funds to the District. The District submits a claim detailing the item(s) the District would like to purchase using the county sales tax funds to the Dewey County Public Facilities Authority Board. The Dewey County Public Facilities Authority Board votes to approve or deny the request for funds from the District. If the request is approved, the Dewey County Public Facilities Authority Board Treasurer requests that the bank issue a check to the vendor for the approved amount.

The District requested and received sales tax funds in the amount of \$60,749.94 which was remitted to vendors during the fiscal year ended June 30, 2017.

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 2017 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

November 8, 2017

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

Finding 2017-1 – Inadequate Internal Controls Over the Billing Process (Repeat Finding)

Condition: While gaining an understanding of the billing process of the Leedeey Emergency Medical Service District (the District), the following exceptions were noted:

- Receipts were not issued for funds received.
- The District did not maintain any billing records including records of accounts receivable. The Board solely relied on the third-party medical billing company to accurately maintain billing records.
- At the date of our audit, the District had not sent ambulance run information to the third-party medical billing company after January 2, 2017; therefore, the third-party medical billing company did not bill any runs from January 2, 2017 to June 30, 2017.

A test of twenty (20) ambulance runs reflected the following exceptions:

- Four (3) ambulance runs did not have corresponding run numbers noted on the run log.
- Five (5) ambulance runs had write-offs totaling \$67.55. Documentation of Board approval for these uncollected amounts were not documented in the Board minutes.
- Four (4) ambulance run sheets were improperly billed as compared to the District’s fee schedule.

Dispatch Identification- Incident Number	OSAI Calculated Balance	Amount Billed to Patient	(Underbilled) Overbilled
161030-2246	\$614.80	\$1,039.80	\$425.00
161203-1804	\$872.80	\$397.80	(\$475.00)
161227-1457	\$639.10	\$314.10	(\$325.00)
170101-1924	\$590.90	\$315.90	(\$275.00)

- Nine (9) ambulance runs had outstanding balances at the date of our audit that has not been addressed by the Board regarding a second billing or other collection action taken in a timely manner.

Dispatch Identification- Incident Number	Date of Service	Amount Billed to Patient	Patient Balance
160715-1500	7/15/2016	\$184.00	\$184.00
160913-0831	9/13/2016	\$585.50	\$117.10
160923-0723	9/23/2016	\$284.00	\$56.80
161030-2246	10/30/2016	\$1,039.80	\$1,039.80
161130-1548	11/30/2016	\$661.60	\$132.12

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Dispatch Identification- Incident Number	Date of Service	Amount Billed to Patient	Patient Balance
161203-1804	12/3/2016	\$397.80	\$397.80
161225-1339	12/25/2016	\$699.40	\$138.26
161227-1457	12/27/2016	\$314.10	\$314.10
170101-1924	1/1/2017	\$315.90	\$315.90

Cause of Condition: The District has not designed and implemented policies and procedures to issue prenumbered receipts for collections, consistently maintain a run log for ambulance runs, and properly account for charges resulting from ambulance runs and amounts written-off as uncollectible. Additionally, the District did not have sufficient policies and procedures to monitor or maintain accounts receivable for ambulance runs.

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

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the District design and implement procedures to issue prenumbered receipts for collections, to ensure a run log is consistently maintained, and charges are properly recorded and billed. Furthermore, we recommend the District design and implement procedures to monitor and maintain outstanding balances, adjustments, amount sent to collections, and amounts written-off as uncollectible. Additionally, all amounts written-off as uncollectible should be documented as such in the Board minutes and indicated on third-party medical billing company documentation as approved by the Board.

Management Response:

Chairman of the Board: The Board has responded in the following manner:

- Receipts are not issued because the depository bank gives the District and donators a receipt when depositing funds.
- The Secretary will maintain billing accounts received and will maintain a list for the Board to review as requested.
- The Board will document approval of accounts written-off in the Board minutes.
- The Board will oversee adjustments and explain and document those adjustments in the Board minutes.
- The Board will request the third-party billing company to document corresponding ambulance run numbers with the District’s records.
- The Board will address improperly billed ambulance runs and unlocated run documentation with the current third-party billing company.
- The Board will address outstanding account balances and document decisions in Board meeting minutes in a timely manner.

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. Integral aspects of this would be

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ensuring prenumbered receipts are issued for collections, and the District's ambulance runs are maintained in a consecutively and sequentially numbered run log, ambulance run charges are coded and calculated correctly, and evidence of amounts written-off as uncollectable are sufficiently documented.

Finding 2017-2 – Inadequate Internal Controls and Noncompliance Over the Depositing of Ad Valorem Tax Remittance Checks (Repeat Finding)

Condition: The District receives ad valorem tax remittance checks from Dewey, Custer, and Roger Mills County. Based upon inquiry and observation of the depositing and reconciling process, and the verification of twenty-eight (28) remittance checks received by the District, the following weaknesses were noted:

- The February 2017 remittance check from Dewey County was not deposited until April 2017.
- The May 2017 remittance checks from Dewey and Custer Counties had not been deposited as of the fiscal year ended June 30, 2017.

Cause of Condition: Policies and procedures have not been designed and implemented for depositing ad valorem tax remittance checks in a timely manner.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends that the Board ensure remittance checks are deposited in a timely manner in accordance with 62 O.S. § 517.3B.

Management Response:

Chairman of the Board: A Board member was getting the mail only once a month. We will now open mail once a week and deposit checks at that time.

Criteria: Effective internal controls require oversight by management to provide assurance that checks are deposited in a timely manner.

Further, Title 62 O.S. § 517.3B states in part, "The treasurer of every public entity shall deposit daily, not later than the immediately next banking day..."

Finding 2017-3 – Inadequate Internal Control and Noncompliance Over District Board Meetings and Minutes (Repeat Finding)

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

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- Through an interview and discussion with the current District Treasurer, it was noted that she assumed office in January of 2017. This appointment was not noted in the Board Minutes.
- Evidence of accounts receivable records, including amounts considered uncollectable, monthly treasurer reports, and bank statement reconciliations being approved in the Board Minutes was not documented.
- During the review of Board minutes, it was noted that the renewal of the contract with the third-party medical billing company was not reflected as being discussed in the Board meetings, nor was an annual contract signed by the District and the provider.
- Board minutes were inconsistent and indeterminate regarding legibility and content.
- Board minutes did not clearly reflect members who are present or absent nor documentation of actions taken by the Board.

Cause of Condition: Policies and procedures have not been designed and implemented regarding District Board meetings and minutes adequately documenting the Board approval of monthly activities.

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 procedures and establish policies to clearly document the actions of the District Board, including approval of monthly financial reports in compliance with the Open Meeting Act.

Management Response:

Board Chairman: The Board responded in the following manner:

- Evidence of review of documents including accounts receivable, uncollectable accounts, monthly Treasurer Reports, and bank statement reconciliations will be documented in the monthly Board minutes as will the appointment of new Board members.
- The third-party billing service company contract will be discussed and signed each fiscal year and noted in the Board minutes.
- Board minutes will be legible and consistent.
- Board minutes will clearly reflect the members present and absent and action taken by the Board.

Criteria: Accountability and stewardship are overall goals of the Board in accounting of funds. Further, an important aspect of internal controls is the documentation of actions taken in the meetings of the Board members. Documenting these public meetings 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.

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."

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**Finding 2017-4 – Inadequate Internal Controls Over the Disbursement Process Including Payroll
(Repeat Finding)**

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

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

- A Board member completes one multi-line purchase order for all expenses to be paid for the month during the Board meeting, using the bills received in the mail.
- Although two signatures are required by the Board to issue each check, only one signature was noted to process a District check.

During the time of our audit, the building in which records were maintained was significantly damaged. Because purchase orders or claims were not maintained in an orderly manner and could not be located, we randomly selected twenty-five (25) checks issued from the District bank statements. The following exceptions were noted:

- There was no supporting documentation such as invoices, claims or purchase orders attached to the disbursements.
- There was no evidence of signatures documenting a review of goods and or services for accuracy.
- There was no evidence in the Board minutes that the disbursements were approved by the Board.
- We were unable to determine if the disbursements were for appropriate and legal purposes, due to no documentation being presented with the check.

The following exceptions were noted upon observation/inquiry of the payroll process:

- District employees were paid based on the ambulance runs recorded on a monthly calendar.
- There was no indication of approval of runs made by employees or supervisors.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure checks are properly signed and authorized. Further, procedures have not been implemented to ensure 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, including preparing a claim for each vendor invoice submitted for payment to the District.

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

Recommendation: OSAI recommends policies and procedures be implemented to require two signatures for each check issued and purchase orders be issued for each disbursement made. Additionally, we recommend invoices be maintained with the purchase order documenting the receipt of goods and services and evidence be documented in Board minutes to reflect that each purchase order is approved for payment by the Board. Further, a claim should be prepared for each vendor invoice submitted for payment to the District.

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Additionally, OSAI recommends the Board initiate a process to document runs made and ensure the employee acknowledges run document by signature. Additionally, a supervisor or Board member should approve the run documents by signature.

Management Response:

Board Chairman: The Board responded in the following manner:

- Purchase orders will be signed and documented in minutes.
- Two signatures will be used on all checks.
- A semi-truck ran into and demolished the town office where these records were located. We now protect paperwork.
- The Board will document the approval of disbursements in the Board minutes.
- The Board will instruct the employees to sign for payroll checks as evidence of receipt and will maintain a monthly calendar to document hours worked.
- The Board will document the approval of ambulance runs as evidence of employees' work schedule in the Board minutes.

Criteria: Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements including payroll disbursements and/or transactions. To help ensure a proper accounting of funds, supporting documentation of the disbursement such as an invoice, statement, and indication of goods and services being received should be evidenced, as well as approval for payment by the Board documented in the Board minutes, including preparing a claim for each vendor invoice submitted to the District for payment.

Finding 2017-6 – Inadequate Internal Controls and Noncompliance Over Competitive Bidding Procedures for Equipment (Repeat Findings)

Condition: Based upon inquiry, observation of District Board minutes, and audit work conducted regarding the purchase of a professional monitor defibrillator kit purchased with county sales tax, in the amount of \$37,054.04 dated November 14, 2016, we noted the following:

The following documentation was not located in District records:

- Proof of publication of the bid.
- Evidence of a sealed bid presented for consideration.
- Evidence that the bid was date and time stamped when received.
- Approval of awarding the bid in the District Board Minutes.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that disbursements are competitively bid in compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with state statute regarding bidding procedures on equipment purchases.

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Recommendation: OSAI recommends that the bid and purchase of equipment in excess of \$15,000 be competitively bid in accordance with Title 19 O.S. § 1723 and 19 O.S. § 1505.

Management Response:

Chairman of the Board: The Board has responded in the following manner:

- The Board will provide proof of publication for bids.
- The Board will record in the Board meeting minutes evidence of sealed bids.
- The Board will document the day and time when the bids were received.
- The Board will record in the Board minutes the approval and awarding of the selected bid.

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 regarding reliability of financial reporting and compliance with applicable 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 equipment purchases in excess of \$15,000 be competitively bid and the Board award bids in an open meeting.



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