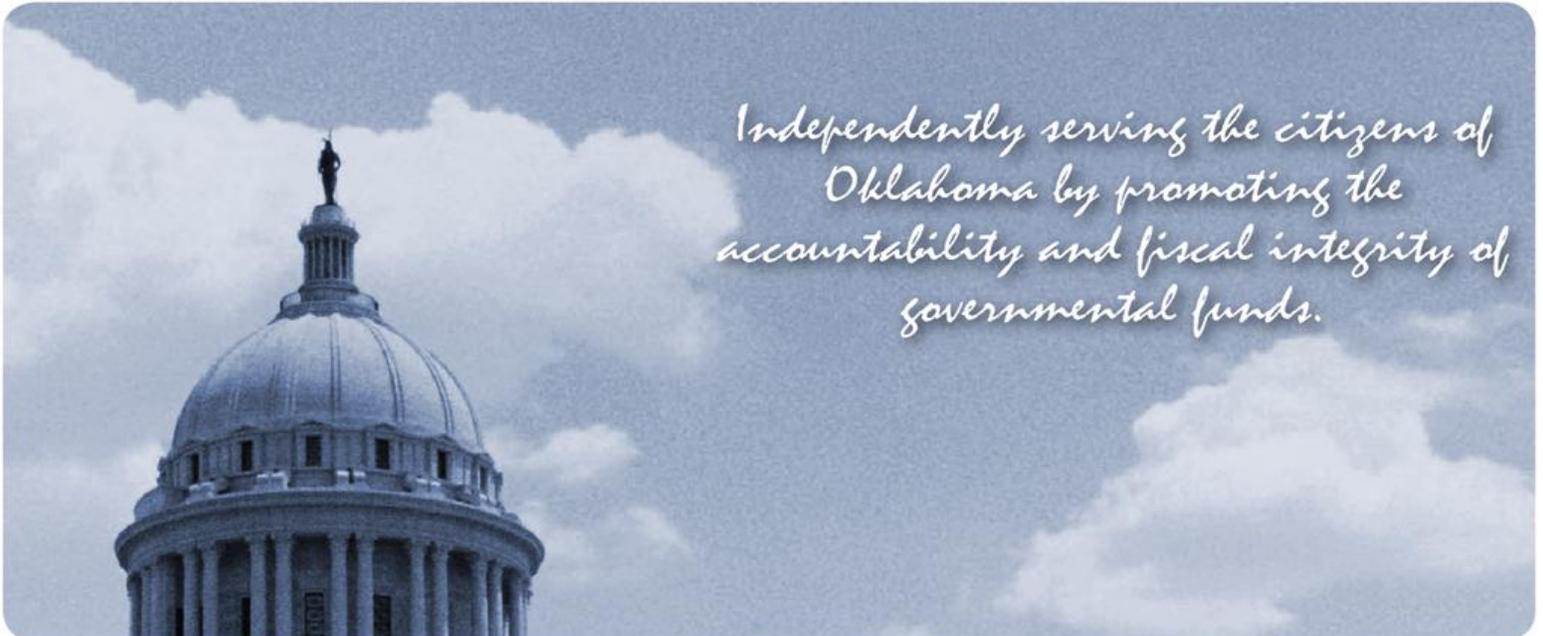


STATUTORY AUDIT

LOGAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

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



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

**LOGAN 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

November 6, 2014

**TO THE BOARD OF DIRECTORS OF THE
LOGAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Logan 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

**LOGAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2009 THROUGH JUNE 30, 2013**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2012 and FY 2013

	<u>FY 2012</u>	<u>FY 2013</u>
Beginning Cash Balance, July 1	<u>\$ 373,554</u>	<u>\$ 387,570</u>
Collections		
Ad Valorem Tax	370,278	376,638
Miscellaneous	1,136	918
Total Collections	<u>371,414</u>	<u>377,556</u>
Disbursements		
Personal Services	329,938	333,116
Maintenance and Operations	4,460	4,720
Capital Outlay	23,000	-
Audit Expense	-	-
Total Disbursements	<u>357,398</u>	<u>337,836</u>
Ending Cash Balance, June 30	<u>\$ 387,570</u>	<u>\$ 427,290</u>

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



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Logan County Emergency Medical Service District
P.O. Box 146
Guthrie, Oklahoma 73044

TO THE BOARD OF DIRECTORS OF THE LOGAN 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.

All information included in the records of the District is the representation of the Logan County Emergency Medical District Service.

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 Logan 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 Logan County 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, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

January 15, 2014

**LOGAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2009 THROUGH JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Inadequate Segregation of Duties Over Receipting

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of the Logan County Emergency Medical Service District (the District), we noted that the Treasurer performs the following duties:

- Posts to ledgers and accounts.
- Reconciles accounts.
- Verifies the deposit to the bank statement.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the collections process.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of this condition and determine how to properly segregate duties. OSAI further recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve the accounting functions.

Management Response: Bank reconciliations and general ledger are provided to the board of trustees for their review at each quarterly meeting. They are then approved and so stated in the minutes.

All tax receipts are made directly to our bank account by the County Treasurer. Other deposits are interest earned on investments and those are made by the banks. No one on the District Board handles any funds.

Auditor Response: The duties regarding the collections process are not adequately segregated.

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.

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Finding 2 – Inadequate Segregation of Duties Over Disbursements

Condition: While gaining an understanding of the disbursement process of the District, we noted that the Treasurer performs the following duties:

- Orders and then receives goods and services on behalf of the District.
- Prepares and signs checks as one (1) of the two (2) approval signatures for payments.

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, 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.

Management Response: All disbursements are signed with two (2) signatures. Both signers approve of the disbursements then all disbursements are reviewed with the District Board at the quarterly meeting.

All disbursements are now approved by at least two board members prior to payment.

Auditor Response: The duties regarding ordering and receiving goods are not adequately segregated.

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 3 – Bank Reconciliations

Condition: Based on the testwork performed, it was noted that bank reconciliations were not reviewed by someone other than the preparer.

Cause of Condition: Procedures have not been designed to ensure all accounts are reconciled and approved by someone other than the preparer.

Effect of Condition: This condition could result in undetected errors and/or the misappropriation of assets.

Recommendation: OSAI recommends that bank reconciliations be performed monthly for all accounts. In addition, all bank reconciliations should be approved by someone other than the preparer and include an indication of such review.

Management Response: Bank reconciliations are prepared monthly. The financial statement prepared is the bank reconciliation. Bank reconciliations and general ledger are provided to the District Board of trustees for their review at each quarterly meeting. They are then approved and so stated in the minutes.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all bank reconciliations should be performed monthly and approved by someone other than the preparer.

Finding 4 – Expenditure Documentation

Condition: Based upon inquiry and observation of the expenditures process, the following was noted:

- The District did not use claims or purchase orders to keep record of the expenditures incurred.
- Invoices and check stubs were kept for each payment; however, they were not attached to each other for record keeping purposes.
- No evidence of receiving or verification of the claims was noted.
- Approval by the District Board was not noted for any claims.

Cause of Condition: Policies and procedures have not been designed to ensure invoices and receiving reports are verified for accuracy or signed by the receiving agent, and that supporting documentation is attached to purchase claims.

Effect of Condition: This condition could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends that the District implement a system of internal control to ensure all items are purchased via a claim or purchase order, all items received are reviewed for accuracy, and that all expenditures have proper supporting documentation.

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Management Response: We will have each invoice approved by the signers and all paid invoices will be approved individually at the District Board meeting and agreed to the bank reconciliation.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to help achieve the entity's objectives with regard to the reliability of financial reporting. Such effective internal controls would include ensuring all purchases are made via claim or purchase order, ensuring all items are received and reviewed for accuracy, and ensuring all supporting documentation related to disbursements is maintained.

Finding 5 – Noncompliance Over Pledged Collateral

Condition: Based upon inquiry and observation of District records, the following was noted:

- On June 30, 2013, District funds were undercollateralized in the amount of \$15,857.49.

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

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

Recommendation: OSAI recommends the District Treasurer 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: Our local financial institution refuses to pledge collateral. We will monitor account and transfer money to another bank in the future.

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 6 – Noncompliance With Competitive Bidding Requirements

Condition: Based upon inquiry and observation of the expenditure process of the District, it was noted that the District reimbursed the city of Guthrie for the purchase of ambulances. These purchases were

**LOGAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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made with District funds, and as a result were incurred without utilizing the competitive bidding process in accordance with 19 O.S. § 1723.

Cause of Condition: Policies and procedures have not been designed to ensure that expenditures in excess of the competitive bidding threshold be in compliance with 19 O.S. § 1723. Further, no written agreement has been established between the city of Guthrie and the District concerning the purchase of vehicles and/or supplies.

Effect of Condition: This condition resulted in the District being in noncompliance with state statutes and could result in inaccurate records, incomplete information, or a 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 a written agreement be established between the city of Guthrie and the District concerning the purchase of vehicles and/or supplies.

Management Response: The District does not specifically purchase equipment for the City of Guthrie. The City of Guthrie purchases ambulances and other needed equipment for use in emergency medical services. They own the equipment and insure them. The District then reimburses the City.

It has been the District Boards understanding that there has been a clause in the annual contracts with the City that such reimbursements by the District were provided for in the contract. We will update the contract to include such a clause and verify each year that such clause remains as a part of it.

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.

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.

Finding 7 – Inventory Records

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

- The following three (3) ambulances were on the inventory record, but were no longer at the District:

Make	Model	Year	VIN
Ford	F-350	1999	FDWF36FYEA61168

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Make	Model	Year	VIN
Ford	F-450	2007	1FDXF47PX6ED71388
Ford	F-350	2008	1FDXE45F62HA54665

- The following three (3) ambulances were not on the inventory record, but were at the District:

Make	Model	Year	VIN
Ford	F-450	2005	051FDXF4605EA24832
Ford	F-350	No Year Listed	1FDWF36R28EA18347
Dodge	4500	No Year Listed	3C7WRLB6DG530731

- In the March 2010, Board meeting minutes, it was noted inventory was purchased by the City of Guthrie and reimbursed by the District. However, the following items were not found on the inventory record provided to OSAI:

Item	Estimated Price
Stryker Power-Pro XT Cots	\$35,576.15
Vidacare EZ-IO Intraosseous Devices	\$3,000.00
Welch Allen Blood Pressure Monitors	\$6,130.80
Physio-Control LifePak 1000 AED's	\$2,960.00

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: This condition could result in errors and improprieties, unrecorded transactions, the misappropriation of assets, or the loss of District equipment.

Recommendation: OSAI recommends that policies and procedures be developed 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: We will review the inventory policy of vehicles and equipment and correct information shortages for the future.

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,

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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 8 – Funding of Audit Expense Account

Condition: For the period of July 1, 2009 through June 30, 2013, the District did not appropriate the mandatory one-tenth mill to the audit expense account. Further, balances from previous years were not properly carried forward.

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 underfunding 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 carried forward into the next year audit expense account in accordance with 19 O.S. § 1706.1.

Management Response: We will set up a policy to include the one tenth mill to be appropriated for the audit fee each year.

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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