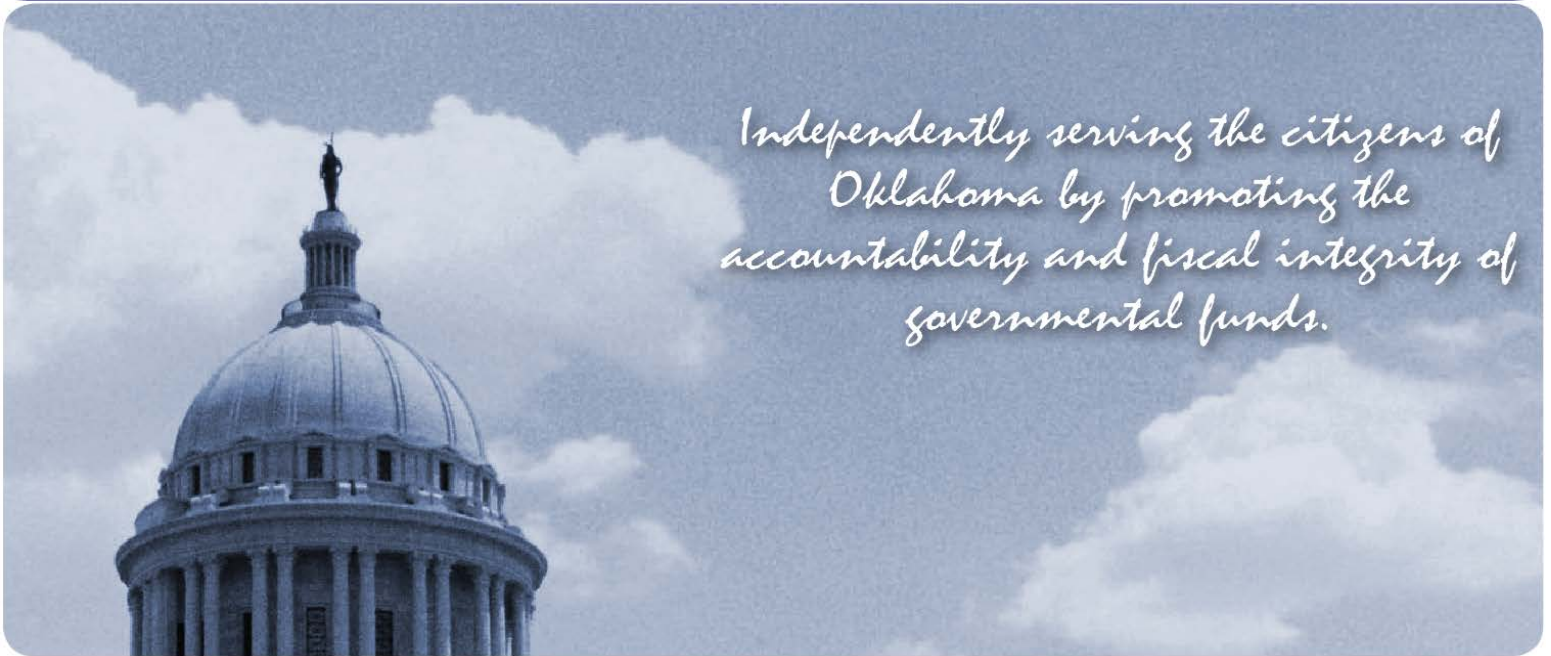


STATUTORY REPORT

# LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2016



*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

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

June 30, 2017

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

Transmitted herewith is the audit report of Love County Emergency Medical Service District for the fiscal year ended June 30, 2016.

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 written in a cursive style.

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

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2016**

	<u>FY 2016</u>
Beginning Cash Balance, July 1, as Restated	<u>\$ 240,975</u> *
Collections	
Ad Valorem Tax	305,987
Sales Tax Revenues	75,451
Miscellaneous	8
Total Collections	<u>381,446</u>
Disbursements	
Maintenance and Operations	3,841
Contract Payments	305,987
Audit Expense	7,894
Total Disbursements	<u>317,722</u>
Ending Cash Balance, June 30	<u>\$ 304,699</u>

\*The prior year's Ending Cash Balance did not include the sales tax balance of \$129,332.

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



# Oklahoma State Auditor & Inspector

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Love County Emergency Medical Service District  
4102 Mayes Lane  
Marietta, Oklahoma 73448-5609

## **TO THE BOARD OF DIRECTORS OF THE LOVE 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 2015 and FY 2016 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Love County 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 Love 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 Love 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 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

June 14, 2017

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2015 THROUGH JUNE 30, 2016**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-1 – Inadequate Internal Controls Over the Receipting and Disbursement Processes (Repeat Finding)**

**Condition:** Upon inquiry of District staff and observation of the receipting and disbursement processes, the following weaknesses were noted:

- The District Treasurer opened the mail, prepared the deposit and took the deposit to the financial institution, maintained the bank accounts, prepared the bank reconciliation, posted transactions to the general ledger/check ledger and issued payments to vendors.

Additionally, the following internal control weaknesses were noted:

- The District did not issue receipts for monies received.
- The District did not maintain a mail log.
- The District did not approve the disbursement items prior to the funds being disbursed, but approved the Financial Report at each quarterly Board meeting for disbursements of the prior quarter.
- No claims or invoices to document the disbursements were included with the checks issued for payment.

**Cause of Condition:** Policies and procedures have not been designed and implemented to adequately segregate the duties regarding the receipting and disbursement processes and account for the documentation of collections and disbursement of funds for payment. .

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

Additionally, the lack of documentation for funds received including maintaining a mail log and issuing receipts, and providing documentation such as invoices and claims for the Board to approve disbursements could also 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 and Inspector's Office (OSAI) recommends that the District separate the duties of receipting, depositing and maintaining ledgers. OSAI recommends that receipts be issued for all collections. OSAI also recommends that all disbursements be approved individually by purchase order number or by check number in the District's Board Meetings and that all disbursements have the proper supporting documentation prior to approval by the Board. In the event that segregation of duties is not possible due to limited personnel, OSAI 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, namely, the receipting,

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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depositing, and bank reconciliation duties and the issuance of payments to vendors by the Board providing evidence of the review and approval of these accounting functions.

**Management Response:**

**Chairman of the Board:** During our quarterly meetings, the financial statements are reviewed by the Board, all financial documents and reports are reviewed and compared with the bank statements, and any other statement documentation for both income and expenses. The financial statements reflect the check number, payee and any documentation so the Board can determine if the income or expenses are acceptable. It is then reflected in our minutes as so. All expenses are approved by our Board.

**Auditor Response:** While we commend the Board for approving the quarterly Financial Report, we continue to recommend the Board provide evidence of reviewing and monitoring financial activities and ensure the disbursements have adequate supporting documentation and are approved prior to the checks being issued for payment. Additionally, we recommend the Board establish policies and procedures to issue receipts for collections, and actively participate in the reconciliation of the bank statement so as to provide better segregation of duties in the receipting process.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets and record transactions.

**Finding 2016-2 – Inadequate Internal Controls Over the Contract Provisions and the Audit Expense Budget Account (Repeat Finding)**

**Condition:** During our review of contract provisions and the audit expense budget account, we noted the following weaknesses:

- The terms of the District’s Provider Contract states: “Trustees shall pay over to provider all mill levy funds to be received from ad valorem taxation collected by the Love County Treasurer.”
- The District did pay all mill levy funds collected from ad valorem taxes to the contract provider; however, the District did not allow for the mandatory one-tenth mill to be calculated for the audit budget expense account.
- The District paid the audit expense from the Sales Tax Appropriation Account – 1C-4-3 – EMS Capital Outlay Account which is maintained by the Love County Clerk.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with contractual obligations and funding of the audit expense budget account.

**Effect of Condition:** The District paid the audit expense from the county sales tax account resulting in noncompliance with the state statute.



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**Recommendation:** OSAI recommends that the District update the provider contract to include the mandatory one-tenth mill for the audit expense budget account and that these expenses be paid from the budgeted account as provided by Title 19 O.S. § 1706.1.

**Management Response:**

**Chairman of the Board:** In the future, from this year (2107) forward, we will have a written plan to pay the 1/10<sup>th</sup> mill of ad valorem taxes for audit expenses. No audit expense will be paid from the sales tax account 1C-4-3.

**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.

Title 19 O.S. § 1706.1 states in part, “The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit shall henceforth be restricted to and used only for audit...”

**Finding 2016-3 – Inadequate Internal Controls Over Fixed Assets Inventory (Repeat Finding)**

**Condition:** Based on inquiry of District staff and observation of the fixed assets inventories, the following weaknesses were noted:

- The District does not maintain a current inventory listing of all fixed assets.
- The District did not perform an annual inventory verification of all fixed assets.
- The District had one (1) ambulance (VIN 1FDWF36P06EB25860), that according to the District’s Board Minutes was declared surplus on July 7, 2015, however, the District could not locate the ambulance, but it was listed on the insurance policy.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure fixed assets 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 fixed assets.

**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.

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**Management Response:**

**Chairman of the Board:** A current inventory will be maintained of all fixed assets. The District appointed a committee consisting of our Chairman and Vice Chairman. They did a visual inspection of all inventory and documented it on April 17, 2017. We will continue to perform a verification of inventory each April.

The ambulance in question, included as surplus in the Minutes, was found to be an error in those Minutes. After careful review of all documents and notes from that meeting in which a vehicle was placed in surplus, it was determined it was an error. All vehicles are now accounted for and any error was corrected.

**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 the entity’s assets and safeguard assets from loss, damage, or misappropriation.

**Finding 2016-4 – Inadequate Internal Controls and Noncompliance Over County Sales Tax and Estimate of Needs**

**Condition:** The District receives 5% of a one cent county sales tax. The County sales tax is accounted for in a separate fund by the Love County Clerk and the Love County Treasurer. The Board of County Commissioners approves the purchase orders submitted for payment for the County Sales Tax fund. During the period audited, the District’s Estimate of Needs did not reflect the revenues received and the disbursements made from the County Sales Tax fund as follows:

<b>Fiscal Year</b>	<b>Beginning Balance</b>	<b>Sales Tax Receipts</b>	<b>Disbursements</b>	<b>Ending Balance</b>
2015-2016	\$230,930.52	\$75,451.12	\$11,734.98	\$294,646.66

**Cause of Condition:** Policies and procedures have not been designed and implemented to account for county sales tax in the District’s Estimate of Needs in accordance with state statute.

**Effect of Condition:** The District’s Estimate of Needs for the period under review did not reflect the complete financial condition of the District and resulted in noncompliance with state statute.

**Recommendation:** OSAI recommends the District ensure the Estimate of Needs is prepared in such a manner that the complete financial situation of the District is presented. Specifically, county sales tax received and disbursed by the District should also be accounted for by the District in the Estimate of Needs in accordance with 19 O.S. § 1702.

**Management Response:**

**Chairman of the Board:** The District filed an amended FY 17 Estimate of Needs on June 5, 2017. To include the county sales tax mentioned above, prepared by our accounting firm.

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**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.

Title 19 O.S. § 1702 states in part that District should "...3. Make available to the public and investors sufficient information as to the financial conditions, requirement and expectations of the district..."

Effective internal controls would include providing a complete disclosure of all financial activity, the District should include the county sales tax activity in the District's budget.

**Finding 2016-05 – Inadequate Internal Controls and Noncompliance Over Financial Statements and Estimate of Needs**

**Condition:** Upon review of the District's disbursements for the fiscal year, we noted the approved appropriations for the Estimate of Needs for the District were exceeded in the amount of \$34,364.14.

**Cause of Condition:** Policies and procedures have not been designed and implemented to review the Estimate of Needs for accuracy and ensure the appropriations for the Estimate of Needs are not exceeded.

**Effect of Condition:** This condition resulted in noncompliance with the state statute and could result in unrecorded transactions and undetected errors.

**Recommendation:** OSAI recommends that the District adhere to their adopted budget and that no expenditures be approved by the District Board in excess of the approved appropriations in accordance with 19 O.S. § 1717.

**Management Response:**

**Chairman of the Board:** The District filed an amended Estimate of Needs and it awaits the Excise Board approval to correct any financial records that were not prepared correctly.

**Criteria:** According to 19 O.S. § 1717, no expenditures may be authorized or made by any employee or member of the board which exceeds any fund balance for any fund of the budget as adopted or amended or which exceeds the appropriation for any fund of the budget as adopted or amended.



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