

STATUTORY REPORT

# LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2017



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

**LOVE COUNTY 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

September 25, 2018

**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, 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". The signature is written in a cursive, flowing style.

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

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
JUNE 30, 2017**

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017**

	Sales Tax		Total
	General	Revolving Fund	
Beginning Cash Balance, July 1	\$ 10,052	\$ 294,647	\$ 304,699
Collections			
Ad Valorem Tax	300,343	-	300,343
Sales Tax Revenue	-	59,147	59,147
Miscellaneous	5	-	5
Total Collections	<u>300,348</u>	<u>59,147</u>	<u>359,495</u>
Disbursements			
Contract Payments	300,343	-	300,343
Revaluation	3,699	-	3,699
Capital Outlay	-	249,673	249,673
Audit Expense	1,335	-	1,335
Total Disbursements	<u>305,377</u>	<u>249,673</u>	<u>555,050</u>
Ending Cash Balance, June 30	<u>\$ 5,023</u>	<u>\$ 104,121</u>	<u>\$ 109,144</u>

**Sales Tax of June 26, 2012**

The voters of Love County approved a continuation of a one percent (1%) sales tax on June 26, 2012 for the duration of five years commencing April 1, 2013 and ending April 1, 2018. The sales tax was established to provide revenue for the following: 50% for maintenance and operation of county-owned property and operating expenses; 10% for county fire protection; 5% for ambulance service; 5% for county senior citizens centers; 5% for County OSU Extension Office; 5% for the County Assessor; 5% for the County Clerk; 5% for the County Treasurer; 5% for the County Sheriff; and 5% for the County Court Clerk. These funds are accounted for in the Sales Tax Revolving Fund.

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



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Love County Emergency Medical Service District  
301 Wanda Street  
Marietta, Oklahoma 73448

## **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 2017 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

August 15, 2018

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2017-1 – Inadequate Segregation of Duties Over the Receipting and Disbursement Processes (Repeat Finding)**

**Condition:** Upon inquiry of District staff and observation of the collection 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 reconciliations, 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 deposit ad valorem tax monies in a timely manner.
- The District did not maintain a mail log.
- The District did not approve the disbursement items prior to the funds being disbursed.
- The District 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:** Although segregation of duties regarding the collection and disbursement processes have been recommended to the Board in previous audits, policies and procedures have not been designed and implemented by the Board to provide compensating controls over these processes.

**Effect of Condition:** The condition of not depositing funds daily resulted in noncompliance with state statute. Additionally, the lack of documentation for funds received including maintaining a mail log, issuing receipts, depositing funds timely, the Board approving disbursements after payment, and 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.

**Recommendation:** The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that the District segregate the duties of receipting, depositing, reconciliations, 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 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,

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depositing, and bank reconciliation duties and evidence of the Board's review and approval of claims prior to the payment of claims.

Furthermore, OSAI recommends deposit of funds in a timely manner in accordance with 62 O.S. § 517.3.

**Management Response:**

**Chairman of the Board:**

- The District Treasurer will maintain a mail log.
- At the September 18, 2018 Board meeting, the duty of picking up the County warrant and depositing at the bank will be assumed by another Board member.
- All financial transactions dealing with money will be performed during the quarterly Board meeting to include requisition of county sales tax expenditures.
- All expenditures will be documented in the Board minutes.
- All supporting documentation will be reviewed and approved in the Board minutes, as well.
- The ad valorem tax payments received from the County Treasurer will be supported by a report from the County Clerk detailing the amount of the remittance.
- A CPA will review all bank statements monthly, as well as financial reports.
- The District Board will review and approve financial reports and bank statements.

**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.

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 2017-002 – Inadequate Internal Controls and Noncompliance 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's Contract Addendum does not state the audit period in which the Addendum is covering.
- 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 expense budget account.
- The District budgeted \$4,000.00 in the audit expense budget account; however, the amount calculated was \$9,891.63 and the amount that should have been carried over from the prior years'



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accounts was \$24,968.85 for a total of \$34,860.48. Therefore, the audit expense budget account was underfunded in the amount of \$30,860.48.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with contractual obligations and to ensure the audit expense budget account is accurately budgeted in accordance with statutory requirements.

**Effect of Condition:** These conditions resulted in noncompliance with state statute. The audit expense budget account has not been calculated in accordance with the state statute and resulted in the audit budget expense account being underfunded for the fiscal year.

**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 any unused portion be carried forward into the next year's audit expense budget account as provided by 19 O.S. § 1706.1.

**Management Response:**

**Chairman of the Board:** The Love County Health Center has assumed all ad valorem tax payments including the payment for the audit expense, budget expense and accounting services. Every April, we renew our contract with Love County Health Center to provide all services for the next fiscal year. We will include the fiscal year at the top of the contract addendum, so it is clearly stated as well as documented on our agenda and in the Board minutes.

**Auditor Response:** The District is required to mandatorily budget 1/10 of one mill and retain this in the District accounts for payment of the audit expense.

**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 2017-3 – Inadequate Internal Controls Over Fixed Assets Inventory**

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

- Two (2) vehicles were listed on the District's Surplus Inventory Listing:
  - 1999 Ford F3D VIN#1FDWF36F7XEE43129 - Ambulance
  - 2006 Ford F3D VIN#1FDWF36P06EB14750 - Ambulance

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- The two ambulances, as listed above, were traded in on the purchase of two 2017 ambulances; however, there was no documentation in the District’s Board minutes indicating Board approval to trade these vehicles as part of the compensation for the two new ambulances.
- The vehicles were noted as “Declared Surplus” on the Surplus Inventory Listing as of July 7, 2015 and April 4, 2017; however, the Board minutes do not reference these actions.

**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 policies and procedures be designed and implemented to ensure inventory reflects updated actions involving the disposal of fixed assets be approved by the Board.

**Management Response:**

**Chairman of the Board:** All fixed assets will be visually inspected yearly. All fixed assets that are surplus, will be noted as such in Board minutes as approved by the Board and documented as such on the fixed assets inventory listing.

**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.



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