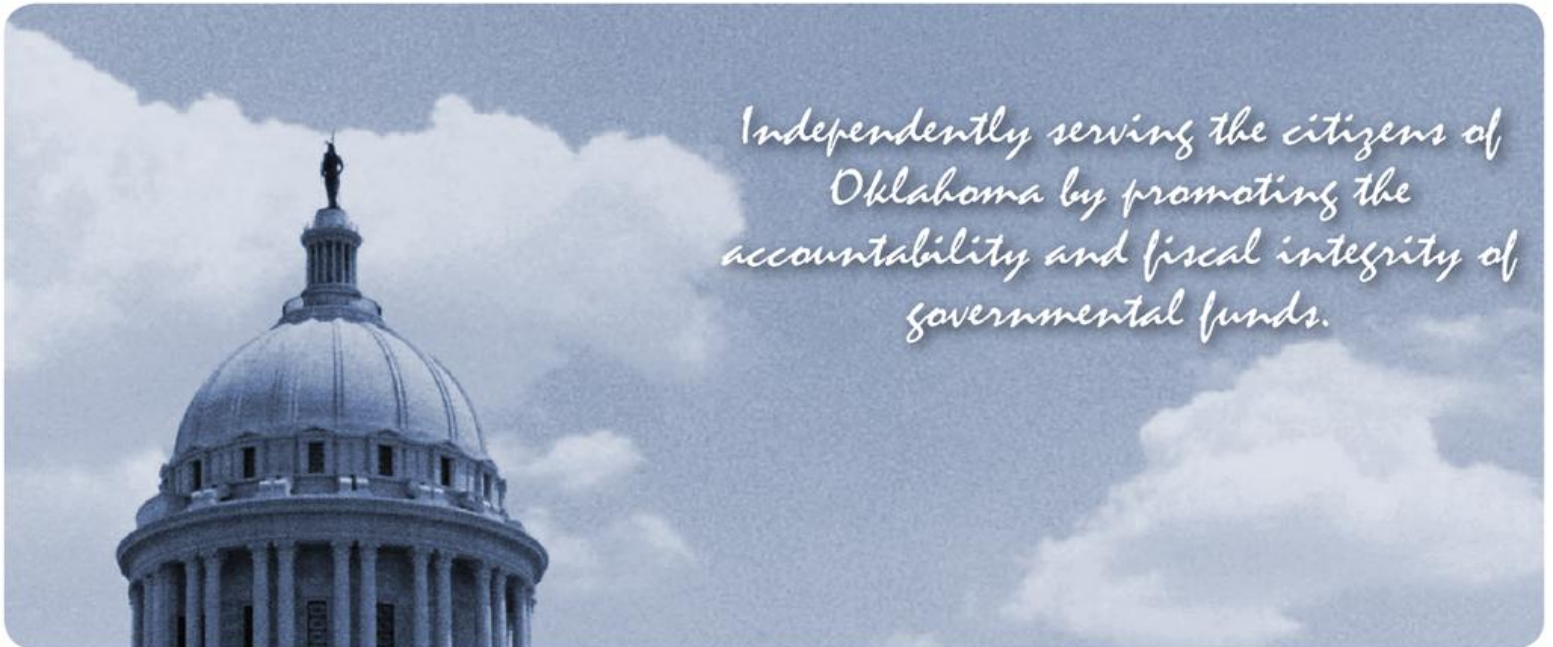


STATUTORY REPORT

LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2011 through June 30, 2013



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

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2011 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

October 23, 2014

**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 period July 1, 2011 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, appearing to read "Gary A. Jones".

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

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
 STATUTORY REPORT
 JULY 1, 2011 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	\$ 38,427	\$ 24,627
Collections		
Ad Valorem Tax	185,104	190,908
Miscellaneous	31	10
Total Collections	<u>185,135</u>	<u>190,918</u>
Disbursements		
Maintenance and Operations	<u>198,935</u>	<u>191,628</u>
Total Disbursements	<u>198,935</u>	<u>191,628</u>
Ending Cash Balance, June 30	<u>\$ 24,627</u>	<u>\$ 23,917</u>

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



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Love County Emergency Medical Service District
Route 1 Box 311
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 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 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, 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

October 23, 2014

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2011 THROUGH JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014–1 – Inadequate Internal Controls Over the Estimate of Needs

Condition: Upon inquiry and observation of the recordkeeping process, the following was noted:

- On the Estimate of Needs, for the fiscal year 2013, the total warrants paid do not match the actual expenditures paid out of the Love County Emergency Medical Service District’s (the District) bank account, making both the warrants and ending balance incorrect.
- There is no evidence that Love County Emergency Medical Service District Board (the Board) reviewed and ensured the accuracy of the Estimate of Needs before approving the Estimate of Needs.

Cause of Condition: Procedures have not been designed and implemented to review the Estimate of Needs for accuracy prior to its approval.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, 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 collections, disbursements, and cash balances are accurately presented on the District’s Estimate of Needs.

Further, OSAI recommends the District Administrator or a member of the Governing Board compare the Estimate of Needs to records of the County Clerk and the District/County Treasurer to ensure collections, disbursements, and cash balances are accurately presented on the Estimate of Needs.

Management Response:

Love County Emergency Medical Service District Board: Documentation will be maintained that reflects the reconciliation of the June 30th ledger to the Estimate of Needs.

Criteria: Internal controls should be designed to ensure the accuracy and completeness of disbursements, collections, and cash balances are accurately presented on the Estimate of Needs.

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.

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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JULY 1, 2011 THROUGH JUNE 30, 2013**

Finding 2014–2 – Inadequate Segregation of Duties Over the Receipting Process

Condition: Upon inquiry and observation of the receipting process, the following was noted:

- The District Treasurer opens the mail, reconciles the bank accounts and the Chairman reviews the reconciliations, posts to the general ledger/check ledger, makes changes to the general ledger/check ledger, maintains the bank statements, prepares the deposit, and takes the deposit to the financial institution.
- The District does not issue receipts for monies received.
- The District does not maintain a mail log.

Cause of Condition: Procedures have not been designed to properly account for all collections and to adequately segregate the duties regarding the receipting process.

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.

Recommendation: OSAI recommends that the District separate the duties of receipting, depositing, and maintaining ledgers. OSAI recommends that receipts be issued for all collections. Further, a mail log should be maintained for all collections received in the mail. The mail log should be reviewed with the deposit ticket to ensure all collections were deposited. 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, and having management review and approval of these accounting functions.

Management Response:

Love County Emergency Medical Service District Board: Independent oversight will be performed by a separate board member.

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 2014–3 – Inadequate Segregation of Duties Over the Expenditures Process

Condition: While testing expenditures for the Love County Emergency Medical Service District, the following exceptions were noted:

- For the period July 1, 2011 through June 30, 2012, of the fourteen (14) expenditures tested, four (4) had no evidence of a receiving signature or verification of accuracy on the invoice.

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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- For the period July 1, 2012 through June 30, 2013, of the eight (8) expenditures tested, one (1) had no evidence of a receiving signature or verification of accuracy on the invoice and 1 was not approved in the District board minutes.

Cause of Condition: Procedures have not been designed to prepare purchase orders for expenditures and to adequately segregate the duties regarding the expenditures 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 the duties of maintaining accounting records, issuing checks, and distributing checks for payment be adequately segregated. The duties of requisitioning and receiving should be segregated. Purchase orders should be prepared for all expenditures of the District. The most effective controls lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. 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, and having management review and approval of accounting functions.

Management Response:

Love County Emergency Medical Service District Board: Steps will be taken to correct this issue. A Board member will also sign or initial all invoices, to provide evidence that the items were received and that the invoice is accurate.

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 2014-4 – Funding of Audit Expense Account

Condition: For the period of July 1, 2011 through June 30, 2013, it was noted that the District appropriated the mandatory one-tenth of one mill; however, they did not properly carry the balance 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 state statute and under funding of the audit expense account.

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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 lapsed into the next year audit expense account in accordance with 19 O.S. § 1706.1.

Management Response:

Love County Emergency Medical Service District Board: Steps will be taken to correct this issue.

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.

Finding 2014–5 – Inadequate Internal Controls Over Fixed Asset Inventory

Condition: Upon inquiry and observation of the recordkeeping process regarding fixed asset inventory, the following was noted:

- The District does not maintain a fixed asset listing on an annual basis.
- The District does not perform an annual physical count of all inventory items.

Cause of Condition: Procedures have not been designed to perform an annual physical inventory to ensure all items are accounted for and included on the inventory records.

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

Recommendation: OSAI recommends that the District implement controls for the safeguarding of fixed assets. Further, OSAI recommends management maintain a complete, up-to-date fixed asset inventory listing to include description, serial number, model number, date of purchase, and cost. OSAI also recommends that an annual physical count of fixed assets be performed and documentation be retained to verify that the physical count was performed.

Management Response:

Love County Emergency Medical Service District Board: Steps will be taken to correct this issue.

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.

**LOVE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
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Finding 2014–6 – Inadequate Internal Controls Over the District’s Service Provider Contract

Condition: Upon inquiry and observation of the District’s contracting process, it was noted that there is no independent oversight or review to ensure compliance with contractual obligations by the District Board. Further, the contract requires the District to pay all mill levy funds collected by the Love County Treasurer to the provider. It was noted that the District did not pay all mill levy funds collected to the provider. It was also noted that the contract provision is in conflict with 19 O.S. § 1706.1 which requires the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation be appropriated and dedicated to the emergency medical service district audit. It was further noted that the contract is on a calendar year basis rather than a fiscal year basis.

Cause of Condition: Procedures have not been designed to ensure compliance with contractual obligations.

Effect of Condition: These conditions could result in noncompliance with contractual obligations and undetected errors.

Recommendation: OSAI recommends that the District implement a system of internal controls to ensure the District is in compliance with their contractual obligations.

Management Response:

Love County Emergency Medical Service District Board: Steps will be taken to correct this issue.

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.

Finding 2014–7 – Inadequate Internal Controls Over the Bidding Process

Condition: Upon inquiry, observation of documents, and test of bids, we determined controls over the bidding process have not been properly implemented as follows:

- The Board meeting minutes did not document the reason for awarding the bid to a bidder other than lowest bidder.

Cause of Condition: The Board members were unaware that this documentation should be maintained.

Effect of Condition: This condition could result in violation of state statute.

Recommendation: OSAI recommends the District implement procedures to ensure bidding is properly performed and adequate documentation of the process is maintained, including:

- Documentation of notification to the successful bidder.

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- Evidence of public notice.
- Handling of unopened bids.
- Awarding bid to best bidder.
- Recording appropriate information in Board minutes.

Management Response:

Love County Emergency Medical Service District Board: In the future, the Board minutes will reflect the justification and approval of awarding the bid to a bidder if they are not the lowest bidder.

Criteria: Effective internal controls require that management implement procedures to ensure that purchases over \$10,000 comply with 19 O.S. § 1723.



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