

STATUTORY REPORT

MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Fiscal year ended June 30, 2015



*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

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

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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 3, 2017

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

Transmitted herewith is the audit report of Major County Emergency Medical Service District for the fiscal year end June 30, 2015.

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 with a long, sweeping tail on the letter "s".

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

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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JUNE 30, 2015**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2015

	<u>FY 2015</u>
Beginning Cash Balance, June 30	\$ 698,249
Less: deposit in transit	<u>(2,176)</u>
Beginning Cash Balance, July 1 as restated	<u>696,073</u>
Collections	
Ad Valorem Tax	312,473
Charges for Services	258,526
Intergovernmental	74,089
Miscellaneous	<u>2,759</u>
Total Collections	<u>647,847</u>
Disbursements	
Personal Services	384,964
Maintenance and Operations	144,573
Capital Outlay	100,776
Audit Expense	<u>13,200</u>
Total Disbursements	<u>643,513</u>
Ending Cash Balance, June 30	<u>\$ 700,407</u>

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



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Major County Emergency Medical Service District
P.O. Box 511
Fairview, Oklahoma 73737

TO THE BOARD OF DIRECTORS OF THE MAJOR 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 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Major 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 Major 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 Major 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

July 25, 2017

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-1 – Inadequate Internal Controls and Noncompliance Over the Audit Expense Budget Account (Repeat Finding)

Condition: Upon inquiry and observation of the budgeting process, it was determined that internal controls have not been designed or implemented to ensure the amount required by statute is correctly budgeted for the audit budget account.

It was further noted that the Major County Emergency Medical Service District (the District) has not carried forward the balance into the audit account each fiscal year. The District's balance in the audit expense budget account was \$0. However, the correct balance should have been \$34,823.58.

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

Effect of Condition: This condition resulted in noncompliance with state statute and underfunding of the audit expense budget account.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the District implement a system of internal controls to provide reasonable assurance that one-tenth mill upon the net total assessed valuation be set aside in the audit account and that any unused portion be carried forward into the next year audit account in accordance with 19 O.S. § 1706.1.

Management Response:

Chairman of the Board: The Board will meet and discuss with the accountant to resolve this issue and monitor the audit expense budget account.

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 levy upon the net total assessed valuation of the District for audit expenses.

Finding 2015-2 – Inadequate Internal Controls and Noncompliance Over the Estimate of Needs and District Financial Statements (Repeat Finding)

Condition: Based on inquiry of the District staff and budget maker, and review of the District's cash balances, financial statements and Estimate of Needs, (EON) for the fiscal year, the following variances were noted:

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- The District’s financial statement reflects \$50 cash on hand; however, the District has no cash on hand.
- The District’s financial statement reflects (\$232.83) as a cash balance with Major County; however, the Major County general ledger does not reflect a balance reported for the District.
- The prior year ad valorem collections were reported on the EON as (\$23,242.10). The financial statement reported prior year ad valorem collections correctly as \$2,534.08.
- Interest earned in the amount of \$2,759.29 on certificate of deposits held by the District was not reported on the financial statement.
- Financial activity from an insurance account was not recorded in financial records or the EON. The balance was reported as \$802 for the entire fiscal year.
- Capital outlay disbursements of \$100,776.18 were not recorded on the financial statement.
- After reporting these corrections for the District’s financial statement, an unresolved variance between the financial statement and the bank balance of \$805.29 remained.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the EON is accurately completed and reconciles to the District’s financial records in compliance with 19 O.S. § 1702.

Effect of Condition: These conditions resulted in the District being in noncompliance with state statute and presenting inaccurate financial records with incomplete information. These conditions could result in misappropriation of assets.

Recommendation: OSAI recommends the District review the Estimate of Needs prior to Board approval to ensure that it is prepared in accordance with state statute and in such a manner that accurately reflects the financial position of the District as presented.

Management Response:

Chairman of the Board: The Board plans to review the Estimate of Needs prior the approval and discuss any differences with the accountant on this matter. The Office Administrator will call the service which manages the insurance account to determine how to reconcile the account each month.

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 about reliability of financial reporting and compliance with applicable laws and regulations.

Title 19 O.S. § 1702. States in part, “The purpose of this act is to provide a budget procedure for emergency medical service districts which shall:

3. Make available to the public and investor’s sufficient information as to the financial conditions, requirement of expectations of the District...”

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Finding 2015-3 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of the District, it was noted that the following duties were not properly segregated:

- Opening, separating, and issuing receipts for mailed payments,
- Receiving funds and issuing receipts for payments made in the office, and
- Preparing the deposit.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the collection process, and to ensure that all funds received are properly receipted and deposited.

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 Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in the Board's oversight of office operations and a periodic review of operations. OSAI recommends the Board provide segregation of duties so that no one employee can 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 the Board review and approve accounting functions.

Additionally, OSAI recommends the District ensure that receipts are issued for all funds received and deposits are made in a timely manner.

Management Response:

Chairman of the Board: The Director will sign and date all deposits to help segregate the payment procedures and issue receipts.

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, and recording, should be segregated. A component of effective internal control system is to provide accurate and reliable information through receipts, deposits being made in a timely manner.

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Finding 2015-4 – Inadequate Internal Controls Over the Billing Process (Repeat Finding)

Condition: While gaining an understanding of the billing process the following exceptions have been noted:

- The District did not maintain accounts receivables nor billing records. The District received a monthly activity log from the vendor that performs third- party billing on behalf of the District; however, it was not reviewed and verified to determine correct or outstanding patient balances.
- The Board relied solely on the third-party billing company to accurately maintain billing records.

The test of forty (40) ambulance runs reflected the following internal control weaknesses:

- Thirty-two (32) had unapproved write-offs totaling \$9,080.80.
- One run had unapproved adjustments totaling \$848.75.
- One (1) run reflected medical procedures that were improperly billed to the patient.

Dispatch Identification Number	Date of Service	OSAI Calculated Amount	Billed Amount	Variance
054-14-0-333-1	12/22/2014	\$687.50	\$362.50	(\$325.00)

- The third-party billing company was unable to locate a run sheet or billing information for one run.

Dispatch Identification Number	Date of Service	SAI Calculated Amount	Billed Amount	Variance
054-15-2-032-1	02/10/15	Could not Determine		

- One (1) run reflected a procedure performed; however, the procedure was not billed to the patient. The patient was only billed mileage.

Dispatch Identification Number	Date of Service	SAI Calculated Amount	Billed Amount	Variance
054-14-2-115-1	07/30/14	Could Not Determine	\$266.25	Could Not Determine

Cause of Condition: The District has not designed and implemented policies and procedures to 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 in place to monitor or maintain accounts receivable or write-offs, including the review of the third-party billing company.

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

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Recommendation: OSAI recommends the District design and implement procedures 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 write-offs. Additionally, all amounts written off as uncollectible should be documented as such in the Board minutes and indicated on third -party billing company documentation as approved by the Board.

Management Response:

Chairman of the Board: The Office Administrator and the third-party billing company will work closely together to make sure our records match the records of the third-party billing company. As noted in the special Meeting of July 25, 2017, the Board will approve the amounts to be considered uncollectable.

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. Integral aspects of this would be ensuring the District's ambulance runs are maintained in a sequentially numbered run log, ambulance run charges are coded and calculated correctly, and evidence of amounts written off as uncollectable are sufficiently documented.

Finding 2015-5 – Inadequate Internal Controls and Noncompliance Over Pledged Collateral

Condition: Upon inquiry of bank personnel, observation and review of documents regarding the pledged collateral process, the following was noted:

- The District has not properly designed and implemented procedures to monitor the bank balance to ensure that District funds were adequately secured.

Furthermore, the District funds were not adequately secured at one financial institution:

- At June 30, 2015, District funds were unsecured in the amount of \$38,046.50.

Cause of Condition: Policies and procedures have not been designed and implemented regarding monitoring of pledged collateral.

Effect of Condition: These conditions resulted in noncompliance with the state statute and unsecured District funds and could result in possible loss of District funds.

Recommendation: OSAI recommends that the Board implement a system of internal controls to provide reasonable assurance that District funds are adequately secured and ensure compliance with 62 O.S. § 517.4.A.

Further, OSAI recommends the Board maintain evidence of monitoring pledged collateral amounts to all bank balances to ensure that District funds are adequately secured.

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Management Response:

Chairman of the Board: The Secretary of the Board will make sure all the pledges at the banks are for the correct amounts.

Criteria: Accountability and stewardship are overall goals of the District 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.

Title 62 O.S. § 517.4.A. states, "A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured."

Finding 2015-6 – Inadequate Internal Controls and Monitoring Over Bank Statement Reconciliations

Condition: Upon inquiry of District staff and observation of review of the bank statement reconciliations, the following exceptions were noted:

- The balance stated on the June 30th bank reconciliation was reconciled to July 7th rather than the month end.
- One of the bank balances has not been reconciled to financial statements for the entire fiscal year.
- An authorized signee as per the bank confirmation, was no longer a Board Member.
- The District's accountant was the only authorized person per the bank confirmation, that has access to the District's investments.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all accounts are reconciled, approved, and the amounts recorded on the bank accounts are complete and accurate, and reconciled at month end. Additionally, a review of authorized signees has not been performed by the Board.

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

Recommendation: OSAI recommends that the District design procedures to ensure that activity on all bank statements is complete and accurate. We recommend that bank accounts be reconciled at month end

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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and at June 30 of each year. Furthermore, the review and approval of the reconciliation should be documented in the monthly Board minutes. Additionally, we recommend that the Board review and approve authorized signees regularly.

Management Response:

Chairman of the Board: One Board member is going to the bank with the accountant to resolve the issues with the certificate of deposit not being authorized in the District Board members' names. Additionally, the Board acted regarding the issues with the bank statements during the Special Meeting on July 25, 2017.

Criteria: Accountability and stewardship are overall goals in evaluating management's accounting of funds. Internal controls should be designed and implemented to analyze and check accuracy and completeness. To help ensure a proper accounting of funds, all bank accounts should have a bank reconciliation performed monthly and approved by someone other than the preparer and include an indication of review and authorized signees should be periodically reviewed.

Finding 2015-7 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry of District staff, observation of records, and the test of thirty (30) disbursements, the following exceptions were noted:

- In two (2) instances, proper and sufficient documentation for payment of the claim was not attached.
- In fourteen (14) instances, the invoices lacked indication of independent verification of the goods or services received.

Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate documentation to support disbursements.

Effect of Condition: These conditions 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 District implement a system of internal controls to ensure that all disbursements have proper supporting documentation including invoices and statements, and evidence that the goods and/or services were received such as initialing and dating, as documentation on the invoice or the statement.

Management Response:

Chairman of the Board: The Office Administrator will do a better job about making sure all purchase orders have an attached invoice and the Director will work with staff to sign off on invoices.

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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 the reliability of financial reporting. Key factors in this system are having supporting documentation maintained for recordkeeping and ensuring disbursements are only incurred for goods and/or services that have evidence of receipt, such as initials and dates.

Finding 2015-8 – Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)

Condition: Upon the inquiry of District staff and observation of records, the following exceptions were noted regarding the inventory of fixed assets:

- The District did not maintain an inventory listing of fixed assets.
- The District did not perform a physical verification of fixed assets.
- The District has not established a dollar threshold for maintaining an inventory of fixed assets.

Cause of Condition: Policies and procedures have not been designed and implemented for the accurate accounting of fixed assets.

Effect of Condition: These conditions could result in inaccurate records, unauthorized use of fixed assets, and/or loss of fixed assets.

Recommendation: OSAI recommends that the District implement policies and procedures to establish a dollar threshold to record fixed assets, accurately maintain fixed assets inventory records, and segregate duties over inventory recordkeeping. Records should be maintained in such a manner that assets can be identified by serial number, date of acquisition, and purchase price. Further, an annual physical verification of assets should be performed and documented.

Management Response:

Chairman of the Board: The Board will determine the dollar amount threshold for fixed assets and the Office Administrator will begin to compile a list of fixed assets.

Criteria: An important 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, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding 2015-9 – Inadequate Internal Controls and Noncompliance Over Bidding Procedures (Repeat Finding)

Condition: Based upon inquiry, observation of District Board Minutes, and audit work conducted regarding the purchase of an ambulance, we noted the following noncompliance and weakness in internal controls:

- The Board minutes of July 7, 2014, reflected the following;
“Report on OERSSIRF Grant being awarded for purchase of a Type 2 ambulance, training aids, medical director training and final assessment of grant.”
- The Board minutes of August 21, 2014, reflected the following;
“Received two (2) bids for ambulances. One for \$89,900.00 and one for \$90,852.00. Ambulance bid was tabled until the next meeting.”
- The Board minutes of September 25, 2014, reflected the following;
“Accept and approve the purchase of the 2014 Ford ambulance bid in the amount of \$90,852.00 due to the other bid not meeting bid specs. (Unable to provide swivel attendant seat base to allow the install of the power load system).”

No documentation of the competitive bidding procedures was retained in District records, as follows:

- Proof of publication of bid.
- Evidence of sealed bid presented for consideration.
- Evidence that bid was time and date stamped when received.

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

Effect of Condition: This condition resulted in noncompliance with the 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 purchases of equipment in excess of \$15,000 be competitively bid in accordance with 19 O.S. § 1723.

Management Response:

Chairman of the Board: The Board Secretary will record all documentation of bids either in the Board Minutes or show where the documentation is maintained.

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

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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entity's objectives about reliability of financial reporting and compliance with applicable laws and regulations.

19 O.S. § 1723 requires EMS entities to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1505, which requires all purchases more than \$15,000 be competitively bid.



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