

STATUTORY REPORT

# MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2017



*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  
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 11, 2018

**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 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".

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

**MAJOR EMERGENCY MEDICAL SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017**

	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ <u>625,814</u>
Collections	
Ad Valorem Tax	320,558
Charges for Services	268,491
Miscellaneous	<u>1,444</u>
Total Collections	<u>590,493</u>
Disbursements	
Personal Services	373,009
Maintenance and Operations	115,171
Capital Outlay	<u>6,250</u>
Total Disbursements	<u>494,430</u>
Ending Cash Balance, June 30	<u>\$ 721,877</u>

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



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Major County Emergency Medical Service District  
224 N. Main  
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 2017 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

May 24, 2018

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

**Finding 2017-2 – Inadequate Internal Controls and Noncompliance Over Financial Reporting (Repeat Finding)**

**Condition:** Based on inquiry of the staff and budget maker and review of the Major County Emergency Medical Service District (the District) cash balances, financial statements, and Estimate of Needs (EON) for the fiscal year ended June 30, 2017, the following variances were noted:

- Financial Statements:
  - The District’s financial statement reflected \$50 as cash on hand; however, the District has no cash on hand.
  - The District’s financial statement reflected a balance of (\$232.83) for Major County. Major County has not maintained District funds since June 2008.
  - The District’s financial statement reflected \$172.45 in outstanding checks that are more than one year old and should have been cancelled.
  - The District maintained an employee flexible spending account; however, when the account was closed, a check was issued to an employee for \$996.00 from the general account rather than the flexible spending account.
  - In April 2017, the District withheld \$276.04 from an employee paycheck for withholdings; however, this amount was not remitted to a taxing entity or given back to the employee.
  - The financial statement cash balance was reconciled to the July 3, 2017 bank statement balance, rather than the fiscal year-end June 30, 2017 balance.
  
- Estimate of Needs:
  - The District Board and the County Excise Board approved only \$11,357.92 in budgeted expenditures for fiscal year 2017-2018; however, the District’s EON required ad valorem tax of \$358,910.40.
  - The prior year ad valorem collections were reported in the EON as \$98,918.50. The financial statement reported prior year ad valorem collections correctly as \$4,878.20, which resulted in a variance of \$94,040.30.
  - Capital outlay disbursements of \$6,500.00 were not reported in the District’s EON.

**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 accordance with 19 O.S. § 1702.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and it could result in inaccurate records, incomplete information, or misappropriation of assets.

**Recommendation:** The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the Board design and implement policies and procedures to ensure the financial statements are accurate, and do not reflect activity past the end of the year and ensure checks that are outstanding for more than one year are

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cancelled. Further, we recommend revenue and disbursements are accurately presented in the EON, and ensure funds are adequately budgeted for the next year. Additionally, OSAI recommends the Board design procedures to review the EON prior to approval to ensure that it is prepared in such a manner that accurately reflects the financial position of the District as presented.

**Management Response:**

**Chairman of the Board:** The findings relating to the District’s financial statement have been addressed in the fiscal year 2018 financial statement. The finding regarding the Estimate of Needs have been addressed and are related to problems with the program and will be corrected for the next year’s Estimate of Needs for fiscal year 2019.

**Criteria:** Accountability and stewardship are overall goals of the Board in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity’s objectives regarding 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 investors sufficient information as to the financial conditions, requirement of expectations of the district...”

**Finding 2017-4 – Inadequate Internal Controls and Noncompliance Over the Collections Process (Repeat Finding)**

**Condition:** While gaining an understanding of the receipting, depositing, and reconciliation functions of the District, we noted the following duties were not segregated:

- Receiving mail,
- Receiving funds and issuing receipts,
- Preparing stand-by contract billings,
- Notifying the billing company of payments received, and
- Preparing the deposit.

Additionally, the District does not issue receipts for ad valorem funds received.

A test of eight (8) deposits resulted in the following exceptions:

- In three (3) instances receipts were not issued for ambulance run revenue received that was deposited.
- Funds received were not deposited on a daily basis.

**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 on a daily basis.



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**Effect of Condition:** These conditions resulted in noncompliance with state statute. 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.

Furthermore, OSAI recommends the District issue receipts for all funds received, and deposit those funds on a daily basis in accordance with 62 O.S. § 517.3 B.

**Management Response:**

**Chairman of the Board:** Given the size of our entity, we do not think it would be cost-effective to fully correct this deficiency at this time. Management will look at these recommendations to implement those that are able to be utilized within the means that this entity can support.

**Auditor Response:** We recommend the Board design and implement internal control policies and procedures to mitigate the lack of segregation of duties.

**Criteria:** Accountability and stewardship are overall goals of the Board 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 and deposits being made in a timely manner.

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 2017-5 – Inadequate Internal Controls Over the Billing Process (Repeat Finding)**

**Condition:** Upon inquiry of District staff and observation of ambulance run sheets, billing records, and a test of forty (40) ambulance runs, we noted the following weaknesses:

- The Board relied solely on the third-party billing company to:
  - Accurately bill patients,

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- Apply payments to patient accounts,
- And maintain outstanding patient account balances.
- In twenty-eight (28) instances, receipts were not issued for funds received electronically.
- In two (2) instances write-offs totaling \$228.31 could not be verified to the Board minutes.
- Four (4) payments applied to patient accounts could not be verified to the deposit.
- The authorization by the Board to send six (6) accounts to the collection agency could not be identified in the Board minutes.
- One (1) of the amounts billed by the third-party billing company did not agree to the amount calculated based on the Board approved fee schedule.

Run	Date of Service	Billing per SAI Calculation	Amount Billed	Variance
541602781	10/29/2016	\$922.50	\$1,147.50	\$225.00

**Cause of Condition:** The District has not designed and implemented policies and procedures to properly account for charges resulting from ambulance runs and amounts written off as uncollectible. Additionally, the District did not have sufficient policies and procedures to monitor or maintain accounts receivable or write-offs, including the review of the third-party billing company.

**Effect of Condition:** These conditions resulted in the District over-billing for ambulance services. Further, 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 design and implement procedures to ensure ambulance runs are properly recorded and billed, receipts are issued for all funds received, receipts identify the individual accounts, and outstanding balances are monitored. Additionally, all amounts written off as uncollectible or sent to a collection agency 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 is working closely with the third-party billing company to properly handle all collections. The Board is working together to properly record the activities of the Board in the Board minutes, including the possibilities of purchasing a recording device to record the Board minutes.

**Criteria:** Accountability and stewardship are overall goals of the Board 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, including verification that ambulance runs are properly billed, receipts are issued for all funds received, receipts identify the individual accounts, outstanding balances are monitored, and accounts written off as uncollectible or sent to collections are documented in the Board minutes.

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**Finding 2017-6 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry of the District staff, observation of records, and a test of twenty-five (25) disbursements, we noted the following weaknesses:

- Seventeen (17) invoices did not have evidence of independent verification that goods or services were received.
- Supporting documentation for (3) purchase orders was not attached or could not be located by the District.

**Cause of Condition:** The District has not designed and implemented policies and procedures for independent verification of goods or services received, and to ensure all supporting documentation is attached to the purchase orders.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends that the District implement a system of internal controls to ensure all disbursements are independently verified by someone other than the preparer as evidenced by initials and dates and all supporting documentation is attached to the purchase order.

**Management Response:**

**Chairman of the Board:** The Director and Office Administrator are working together to create policies and procedures as implemented by the Board at the last meeting.

**Criteria:** Accountability and stewardship are overall goals of the Board in the accounting of funds. Internal controls should be established to analyze and check accuracy, completeness, authorization and validity of transactions, including disbursements are independently verified and evidenced with initials and dates and all supporting documentation is attached to the purchase order.

**Finding 2017-8 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)**

**Condition:** Upon inquiry of District staff, observation, review of documents regarding the payroll process and the test of twenty-four (24) employees for the payroll period of April 2017, the following exceptions were noted:

- Evidence of supervisor review was not present on any of the twenty-four (24) timesheets.
- In two (2) instances the W-4 forms could not be located.
- In thirteen (13) instances documentation authorizing the deduction of accident insurance could not be located.
- In two (2) instances documentation authorizing retirement deductions could not be located.

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Additionally, one employee's wage claim noted a wage reduction of \$32.25 but was not deducted; however, \$32.25 was added to the employee's paycheck resulting in an overpayment of \$62.50.

**Cause of Condition:** Policies and procedures have not been designed and implemented to provide reasonable assurance that payroll disbursements are properly recorded in the accounting records and timesheets are presented for each employee and approved by the supervisor.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends the District establish internal controls to provide reasonable assurance for the accurate and complete presentation of payroll disbursements in the financial records of the District, including documentation of all payroll deductions, review and approval of timesheets, and verification of paychecks to the approved wage claim forms.

**Management Response:**

**Chairman of the Board:** The Board has reviewed this payroll finding and policies and procedures will be designed and implemented to ensure these weaknesses are addressed in the District's payroll disbursements.

**Criteria:** Accountability and stewardship are overall goals of the Board in the accounting of funds. Effective internal controls include documentation of payroll deductions, timesheets that are reviewed and approved by a supervisor and paychecks that are verified to the approved wage claim forms.

**Finding 2017-9 – Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)**

**Condition:** Upon inquiry of District staff, observation, and review of the of the District's fixed assets inventory records, the following weaknesses were noted:

- The District has not established a dollar threshold for maintaining an inventory of fixed assets.
- The District's inventory list did not contain complete and accurate descriptions or identification of fixed assets.
- Ambulances that were traded-in were not recorded in the Board's minutes as approved for disposition; however, the fixed assets inventory list did have notations that the items had been traded in on new ambulances.
- Periodic physical inspections of fixed assets inventory were not performed.

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

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**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 record keeping. Records should be maintained in such a manner that assets can be identified by serial number, date of acquisition, and purchase price. Additionally, an annual physical verification of assets should be performed and documented. Further, Board minutes should reflect the Board's approval of the disposition of fixed assets to provide effective internal controls over fixed assets.

**Management Response:**

**Chairman of the Board:** The Board has reviewed these findings and procedures have been implemented to ensure it's corrected.

**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.



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