

STATUTORY REPORT

MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

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



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

**MAJOR 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

March 4, 2014

**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 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

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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	\$ 679,627 *	\$ 639,773
Collections		
Ad Valorem Tax	259,483	262,640
Charges for Services	246,138	243,033
Miscellaneous	7,504	18,976
Total Collections	<u>513,125</u>	<u>524,649</u>
Disbursements		
Personal Services	335,988	378,637
Travel	252	610
Maintenance and Operations	157,966	102,735
Capital Outlay	41,085	12,344
Audit Expense	17,688	-
Total Disbursements	<u>552,979</u>	<u>494,326</u>
Ending Cash Balance, June 30	<u>\$ 639,773</u>	<u>\$ 670,096</u>

*The beginning balance was overstated by \$820 due to an error on the EMS Estimate of Needs made in the prior year ending, June 30, 2011. Therefore, the beginning balance for July 1, 2011 was reduced to \$679,627.

District Records Ending Cash Balance Estimate of Needs, June 30, 2011	\$ 679,627
Ending Cash Balance Estimate of Needs, June 30, 2011	<u>\$ 680,447</u>
*Reporting Variance	<u>\$ 820</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 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 Major County Emergency Medical District Service.

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, 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

December 19, 2013

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2011 TO JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2013-1 – Inadequate Internal Controls Over Receipting and Depositing Revenue

Condition: Based upon inquiry of the office manager and observation of the receipting and depositing process, the following weaknesses were noted:

- The office manager receives the mail, opens the mail, writes receipts, prepares the deposit, and takes the deposit to the bank.
- There was no evidence that the District Director provides oversight of the receipting and depositing process, nor does the District Board reflect evidence that receipt of revenue is reviewed.

Cause of Condition: Procedures have not been designed to adequately segregate the duties of receiving and depositing monies, and mitigating controls over monitoring the process have not been implemented.

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: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the District Board be aware of these conditions and determine if duties can be properly segregated. 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 Major County Emergency Medical Service District (the District) and having the District Board review and approve accounting functions.

Management Response: The Board of Directors will observe and witness the documents prepared for the receivables and deposits made to the bank and sign off each document at the monthly EMS Board meeting.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of depositing funds. To help ensure a proper accounting of funds, the duties of opening the mail, receipting, and depositing should be segregated.

An 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 untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

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Finding 2013-2 – Inadequate Internal Controls Over Charges for Services

Condition: The District uses a third party billing service to process ambulance service runs for collections. Based upon documents provided by the District, we tested fifty runs, and determined the following weaknesses were present:

- The District approved a mileage charge of \$12.50 per mile on March 1, 2007; however, the third party billing service calculated mileage at a rate of \$12.00 per mile.
- There was no evidence that the District reviewed the charges billed by the third party billing service for accuracy.
- The District was unable to produce documents to determine that electronic payments were applied properly to patient accounts.
- There was no evidence that the District verified amounts deposited were accurately applied to patient accounts by the third party billing service.

Cause of Condition: Policies and procedures have not been designed to adequately ensure the amounts billed for services are accurate, payments are applied correctly to patient accounts, and electronic payments are applied to accounts by the third party billing service.

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, and the District under or over billing for ambulance services.

Recommendation: OSAI recommends the District review the third party billing to ensure that correct amounts are billed.

Management Response: The mileage has been changed to reflect \$12.50 per mile with the third party billing service. All claims are now received via email from the third party billing service and are verified to patient accounts.

Criteria: Effective internal controls require oversight by management to provide assurance that amounts billed are based upon the billing policies adopted by the District Board.

Finding 2013-3 – Inadequate Internal Controls Over the Estimate of Needs

Condition: Based on observation of the Estimate of Needs and verification of the revenue and disbursements for fiscal year 2011-2012 and 2012-2013, we noted variances between the amounts recorded on the Estimate of Needs and the amounts recorded in the accounting records of the District.

Cause of Condition: Procedures have not been designed or implemented for the District Board or the Director to provide independent oversight with regard to the preparation of the Estimate of Needs.

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Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation.

Recommendation: OSAI recommends that the District implement a system of internal controls to provide reasonable assurance that revenue, disbursements, and cash balances are accurately presented on the District's Estimate of Needs.

Management Response: The EMS Board will be in direct contact with the accounting firm that prepares the Estimate of Needs and meet with them for an explanation of the amounts used to compile the Estimate of Needs to ensure accuracy.

Criteria: 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.

Finding 2013-4 – Inadequate Internal Controls Over the Disbursement Process

Condition: Based on inquiry of the office manager and observation of documents provided by the District, we noted the following weaknesses in the disbursement process:

- The office manager is responsible for ordering goods and services and also receives the goods and services for the office.
- Another employee is responsible for ordering supplies to stock the ambulances and he also receives those supplies.
- There is no evidence of independent verification that the goods and services were received by the District.
- The contracted accounting firm maintains custody of the check stock, prints checks, receives the bank statements, and reconciles the bank statements.
- Board minutes did not reflect Board action taken on the approval of each disbursement, so as to reflect the Board's active review of these disbursements.

The test of fifty disbursements revealed the following weakness in documentation:

- The District was unable to locate invoices for two expenditures.

Cause of Condition: Policies and procedures have not been designed to adequately segregate the duties over the disbursement process and provide adequate documentation to support disbursements.

Effect of Condition: A single individual having responsibility for more than one area of recording, authorization, custody of assets, and reconciliation could result in unrecorded transactions, misstated

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financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds.

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. 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 district and having management review and approval of accounting functions.

Additionally, OSAI recommends all invoices, tickets and/or statements documenting the District's disbursements be signed by an employee or official, taking responsibility for verifying the goods or services were received. Furthermore, OSAI recommends that the Board minutes reflect that disbursements are approved for payment. The minutes should include the vendor, the purchase order/claim number, and the amount approved for payment.

Management Response: Due to the size and lack of staff at the EMS. All purchases will be verified for the receipt of each item. Any person that purchases inventory or supplies for the EMS will then have a witness sign the sales slip or invoice verifying that the purchases were received. All packing slips and documentation will then be attached to the purchase order for the final approval of the EMS Board. The office manager will receive the bank statement each month, make a copy and forward the statement to the accounting firm. All check numbers will be verified and any numbers not used will be documented and verified as "VOIDED". Invoices will be attached to all purchase orders prior to being presented for payment.

Criteria: Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

An 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 untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Finding 2013-6 – Inadequate Internal Controls Over Payroll Documentation

Condition: The test of forty-two timesheets revealed the following weaknesses:

- Eight instances were noted in which employees did not sign the timesheets.
- All timesheets reviewed lacked a documented supervisor review.

Cause of Condition: Procedures have not been designed over the payroll process to ensure adequate internal controls.

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Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the following:

- All employees should sign and approve their own timesheets before submitting to the Director.
- All timesheets should reflect a documented review by the Director.

Management Response: All timesheets will be signed by the employee prior to being paid. The Director will then sign in the appropriate place on the wage claim as to the accuracy of the claim. Wage claims will be completed no later than one week after the end of the pay period for each employee to verify and sign.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to help ensure a proper accounting of funds.

Finding 2013-7 – Inadequate Internal Controls Over Fixed Assets Inventory

Condition: The District does not maintain a fixed assets listing of inventory and has not established a threshold for maintaining an inventory of fixed assets.

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

Effect of Condition: This condition 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 accurately maintain fixed asset 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: A complete inventory of EMS fixed assets with a cost of \$500.00 or more will be compiled and maintained on a current basis. The list will include the purchase date, cost, and any identifying serial numbers.

Criteria: An important aspect of internal controls is the safeguarding of assets, which includes adequate segregation of duties. 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 inventory and safeguarding inventory from loss, damage, or misappropriation.

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Finding 2013-8 – Inadequate Internal Controls and Noncompliance Over the Audit Expense Account

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

Further, we noted that for the fiscal year 2012-2013, the calculation for the budgeted audit expense account should be \$8,692.73 and the lapsed appropriations should have been \$28, 811.09. The total amount available for the audit expense account should have been \$37,503.82; however, the amount approved in the audit expense account was \$8,340.00, leaving the audit expense account underfunded by \$29,163.82.

Cause of Condition: Procedures have not been designed to ensure that the audit expense account is accurately budgeted in accordance with state statutory requirements due to the District being unaware of the need for such procedure.

Effect of Condition: This condition resulted in noncompliance with the state statute.

Recommendation: OSAI recommends that 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 lapsed into the next year audit account in accordance with 19 O.S. § 1706.1.

Further, OSAI recommends the financial officer of the District perform the calculation of the required amount for the audit budget account, sign and date, and then an employee, separate from financial recordkeeping, recalculate the amount for the audit budget account, sign and date. In addition, the Board should compare the figures calculated by the financial officer and the budget maker to ensure compliance with Oklahoma Statutes.

Management Response: The budget maker will be instructed to comply with the statute regarding the amount of one-tenth mill of the ad valorem tax levy set aside for audit expense for each budget period.

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 expense.



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