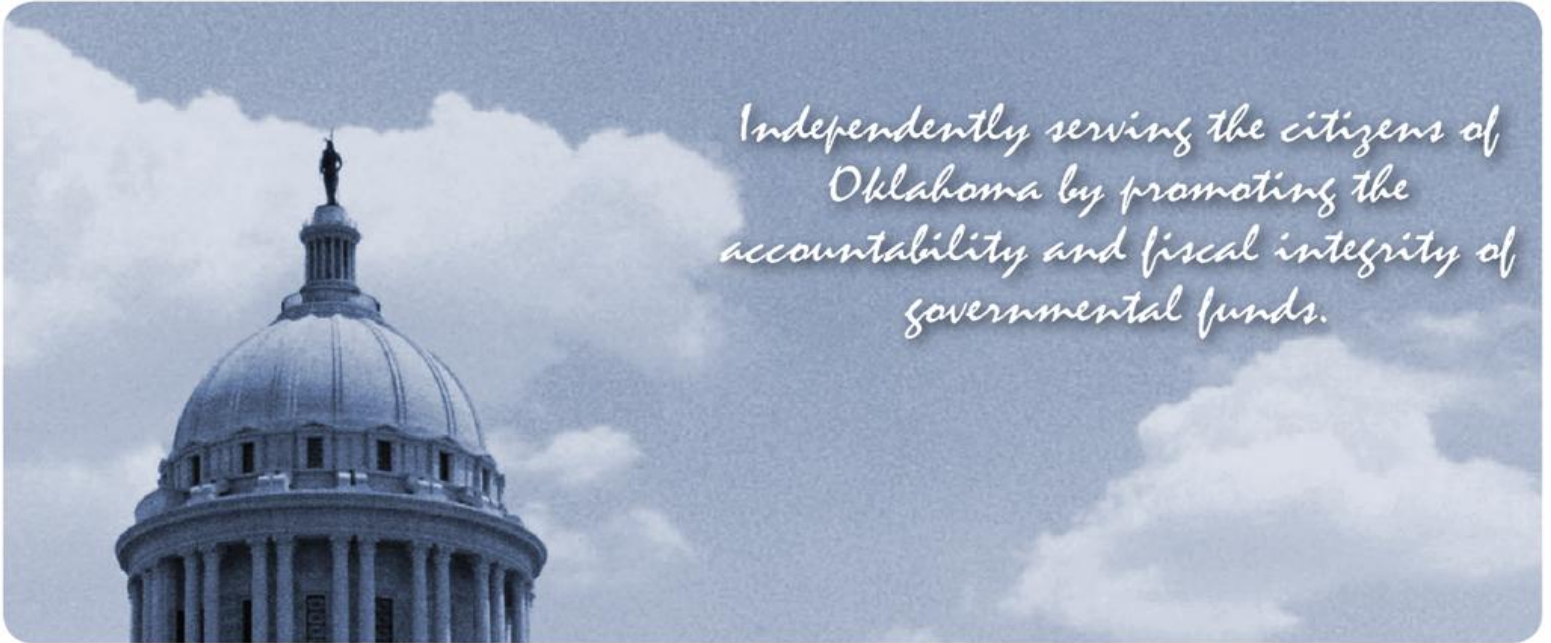


STATUTORY AUDIT

MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2014



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

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED, JUNE 30, 2014**

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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

June 2, 2015

**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 year ended June 30, 2014.

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
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2014

	<u>FY 2014</u>
Beginning Cash Balance, July 1	\$ 670,096
Collections	
Ad Valorem Tax	273,282
Charges for Services	280,403
Grants	94,172
Miscellaneous	4,651
Total Collections	<u>652,508</u>
Disbursements	
Personal Services	378,726
Maintenance and Operations	151,713
Capital Outlay	84,285
Audit Expense	9,631
Total Disbursements	<u>624,355</u>
Ending Cash Balance, June 30	<u><u>\$ 698,249</u></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 2014 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, 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

May 1, 2015

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-1—Inadequate Internal Controls Over the Revenue Process (Repeat Finding)

Condition: Based on observation of billing records and discussion with District staff, we determined:

- 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 reviewed the charges billed by the third party billing service for accuracy.
- There was no evidence that the District verified amounts deposited were accurately applied to patient accounts by the third party billing service.

Additionally, we reviewed and recalculated 25 run sheets, related receipts and deposits, and noted the following deficiencies:

- In 1 instance the District was unable to provide documents to determine how electronic payments were applied to patients' accounts.
- In 4 instances the billing company's records indicated patients' accounts were adjusted to \$0.00; however the Board minutes do not reflect these adjustments were approved by the Board.
- In 13 instances the amount recalculated did not agree to the amount billed for charges for services, as noted in the table below.

Incident Date	Log Run Number	Billed	Calculated	Variance
07/19/2013	0541321021	741.60	753.75	(12.15)
11/11/2013	0541302801	815.60	816.25	(0.65)
07/28/2013	0541301961	1,783.00	1,936.25	(153.25)
09/26/2013	0541321411	854.60	866.25	(11.65)
09/22/2013	0541321401	869.00	881.25	(12.25)
09/17/2013	0541302401	1,910.00	1,781.25	128.75
11/25/2013	0542131581	726.00	726.25	(0.25)
11/02/2013	0541302741	1,393.20	1,413.75	(20.55)
02/17/2014	0541400511	847.50	972.50	(125.00)
08/07/2013	0541321131	759.20	776.25	(17.05)
05/21/2014	0541401411	1,937.50	1,931.25	6.25
06/19/2014	0541420931	2,025.00	2,022.50	2.50
10/22/2013	0541302681	668.80	667.50	1.30

Cause of Condition: Policies and 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. Furthermore, policies and procedures have not been designed to adequately ensure the

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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: The Oklahoma State Auditor & Inspector's Office (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 office, and having management review and approval of accounting functions. OSAI recommends the Board of Trustees (the Board) actively review the billing statements to ensure that correct amounts are billed and provide evidence of this review so as to mitigate some of the risk associated with having one staff member to perform all duties of billing accounts.

Management Response:

Board Chairman, Director, and Secretary: The Director will check the bank deposit and take it to the bank. This will keep the secretary from doing all the duties in the receiving of monies. The secretary will check mileage, and charges on the third party billing accounts. The secretary will check email, electronic information, Medicare and Medicaid reimbursements against bank statements and account receivable information and put electronic information with the patient records.

Criteria: 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. Effective internal controls require oversight by management to provide assurance that amounts billed are based upon the billing policies adopted by the Board, and the billing process is monitored for correctness and completeness.

Finding: 2014-2 – Inadequate Internal Controls Over the Estimate of Needs (Repeat Finding)

Condition: Based on observation of the Estimate of Needs and verification of the revenue and disbursements for fiscal year 2013-2014, we noted significant variances between the amounts recorded on the Estimate of Needs and the amounts recorded in the accounting records of the District. At the end of the fiscal year, the District's reported ending balance was \$793,633.74 as reported on the Estimate of Needs. However, the actual ending balance as verified to the bank balance at the end of the fiscal year was \$698,248.21, with the net variance being (\$95,385.53).

Cause of Condition: Policies and 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.

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation. Further, this could result in the District exceeding current appropriations and inaccurate information for budgeting.

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:

Board Chairman, Director, and Secretary: Meetings will be held with the CPA to discuss this matter again, and reiterate the variances in the budget. In the event that there is not an adequate understanding of this matter, we will call the auditor for assistance.

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: 2014-3—Inadequate Internal Controls Over Disbursements (Repeat Finding)

Condition: Based on observation of 25 randomly selected disbursements and discussion with District staff, we noted the following weaknesses with regard to 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.

Of the 25 disbursements selected, the following exceptions were noted:

- In 2 instances the purchase order for fuel did not have the pump receipts attached.
- In 4 instances the invoices lacked indication of independent verification of the goods or services received.

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 financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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.

Management Response:

Board Chairman, Director, and Secretary: The Secretary will now check fuel logs from all vehicles against the fuel tickets on a monthly basis. The duties of purchasing and receiving medical and office supplies will be performed by separate employees. The employee receiving the invoice will sign and date it.

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: 2014-4—Inadequate Internal Controls and Noncompliance Over the Bidding Process

Condition: Upon inquiry and observation of the bidding process, it was noted the District purchased 5 Stryker cot lifts totaling \$78,601.20 without bidding or documenting the items were considered "sole source" items.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that expenditures in excess of statutory requirements be competitively bid in compliance with 19 O.S. § 1723.

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

Recommendation: OSAI recommends that all purchases in excess of \$15,000 be competitively bid in accordance with the state statute. Furthermore, if a purchase in excess of \$15,000 is considered sole source, the District should document the steps taken to determine an item qualifies as "sole source".

Management Response:

Board Chairman, Director, and Secretary: The former Director considered the Stryker cots to be the only option and no bids were solicited. We are now aware of bid requirements. The new Director is aware of bid limits and this situation should be resolved.

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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 with regard to reliability of financial reporting and compliance with applicable laws and regulations.

As of July 1, 2012, Title 19 O.S. § 1723 requires EMS Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1501, which as of May 6, 2014 requires all purchases in excess of \$15,000 be competitively bid. Prior to May 5, 2014 the competitive bid threshold was \$10,000.

Finding: 2014-5—Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: In a test of 1 payroll period, which included 28 timesheets, we noted the following deficiencies:

- In 2 instances employees did not sign their timesheets.
- In 1 instance the District was unable to locate an employee's timesheet.
- All timesheets lacked a documented supervisor review.

Cause of Condition: Policies and procedures have not been designed and implemented to provide reasonable assurance that payroll expenditures are properly recorded in the accounting records.

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 expenditures in the financial records of the District.

Management Response:

Board Chairman, Director, and Secretary: The payroll records for the Ringwood Post for one month could not be located. Further, the new director has been informed of these duties and this matter regarding payroll should be resolved.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include key functions within a process be adequately segregated and monitored to allow for prevention and detection of errors and abuse.

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Finding: 2014-6—Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)

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 and implemented 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:

Board Chairman, Director, and Secretary: The new Director has been advised of duties with regard to fixed assets inventory.

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.

Finding: 2014-7—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 controls have not been designed or implemented to ensure the amount required by statute is correctly budgeted for the audit expense budget account.

It was further noted that the District has not carried forward the balance into the audit expense budget account each fiscal year. As a result, the District's balance in the audit expense budget account as of June 30, 2014 was \$9,562.75. However, the correct balance should have been \$37,435.23.

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

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

**MAJOR COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Recommendation: 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:

Board Chairman, Director, and Secretary: Again, in our meeting with the CPA we will discuss this matter and determine the nature of the error. In the event that we are unable to communicate to the CPA, we will ask the auditor for assistance.

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.



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