



MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

January 28, 2022

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

Transmitted herewith is the audit report of Marshall County Emergency Medical Service District for the fiscal year ended June 30, 2020.

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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
 STATUTORY REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2020

	General Fund
Beginning Cash Balance, July 1	\$ 327,319
Collections	
Ad Valorem Tax	439,946
Charges for Services	659,886
Intergovernmental State Grant	129,897
Provider Relief Funds Phase 1 – CARES Act	31,138
Paycheck Protection Program (PPP Loan) – CARES Act	158,700
Miscellaneous	2,207
Total Collections	1,421,774
Disbursements	
Personal Services	742,579
Reimbursement for Salaries (PPP Loan)	158,700
Maintenance and Operations	242,000
Capital Outlay	152,380
Total Disbursements	1,295,659
Ending Cash Balance, June 30	\$ 453,434

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

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Coronavirus Aid, Relief, and Economic Security (CARES) Act

Provider Relief Funds Phase 1 – CARES Act - Money distributed to healthcare providers who bill Medicare fee-for-service to provide financial relief during the coronavirus (COVID-19) pandemic. Funds were distributed by the Department of Health and Human Services (HHS) through the Health Resources and Service Administration. The District received \$31,138 for the fiscal year.

Paycheck Protection Program (PPP Loan) – CARES Act - Money to provide up to eight (8) weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The loan will be fully forgiven if at least 60% of the funds are used for payroll costs and the remaining funds, up to 40%, are used for interest on mortgages, rent, and utilities incurred during the 24-week period after receiving the PPP Loan. Funds were distributed by the Small Business Administration through any federally insured depository institution. The District received \$158,700 and expended the total for payroll costs for the fiscal year.

Marshall County Emergency Medical Service District
4 Hospital Drive
Madill, Oklahoma 73446

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

For the purpose of complying with 19 O.S. § 1706.1, we have performed the following procedures:

- Determined charges for services were billed and collected in accordance with District Policies.
- 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 for the fiscal year ended June 30, 2020 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 and 61 O.S. §101-139.
- 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 the fiscal year ended June 30, 2020 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Marshall 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 Marshall 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 Marshall County Emergency Medical Service District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 12, 2021

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2020-002 – Lack of Internal Controls Over the Bank Statement Reconciliation Process (Repeat Finding)

Condition: Based on inquiry of the Marshall County Emergency Medical Service District (the District), the following weaknesses were noted:

The District did not have an adequate segregation of duties to ensure that duties assigned to individuals are performed in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

The Office Manager performed the following duties of the bank statement reconciliation process:

- Posted the issued checks to the disbursement ledger, and
- Prepared the monthly bank statement reconciliations.

Additionally, there was no evidence of someone other than the preparer reviewing the disbursement ledger for uncorrected errors or the deposit ledger which resulted in uncorrected errors in the accounting software documentation used to reconcile bank statements to the financial information.

Further, there was no evidence that the bank statement reconciliations were reviewed and approved by the Board in an open meeting.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the duties of the bank statement reconciliation process, including verification of software documentation, and documented evidence of review by someone other than the preparer. Further policies and procedures have not been designed and implemented to provide evidence of the Board’s review and approval of bank statement reconciliations in an open meeting.

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. Additionally, not verifying the reconciliation of deposits and disbursements to the accounting ledgers or having someone other than the preparer reviewing the bank statement reconciliations could also result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector’s office (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. If segregation of duties

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 approve accounting functions including reconciliations of receipts and disbursements to the accounting ledgers and reviewing bank statement reconciliations.

In addition, OSAI recommends management verify the accounting software documentations to provide complete and accurate information for the reconciliation of bank statements.

Management Response:

Chairman of the Board: The Board will sign and approve an acknowledgement document upon review and approval of monthly bank statements and the purchase order list. The Director will review the reconciliation of bank accounts as prepared by office staff. The office staff consists of two employees, with one employee preparing the bank statement reconciliations and the other employee reviewing the documentation. The Chairperson will appoint a member of the Board to perform a periodic review of office duties and reconciliation processes and report to the Board each quarter. Accounting functions have been separated amongst the office staff and the District accountant.

Criteria: The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Finding 2020-003 – Lack of Internal Controls and Lack of Management Oversight Over Delinquent Patient Accounts and the Billing Process (Repeat Finding)

Condition: Based on inquiry of the District office staff, reviewing documentation from the third-party billing company, and performing a test of forty-five (45) patient accounts, the following exceptions were noted:

- No evidence was provided that the Board or District office staff monitored or reviewed patient account documentation from the third-party billing company to determine the status of outstanding balances.
- One (1) patient account was not timely billed for Medicare reimbursement with no evidence that the patient account was reviewed for resubmission for reimbursement; therefore, the District was unable to collect payment.

Six (6) outstanding patient account balances indicated no payment had been received from the patient or insurance and resubmitted to private insurance company for payment.

- No evidence was provided that the Board reviewed and approved delinquent patient account balances that were written-off as uncollectable.
- Documentation of the total patient account collections and accounts receivable was not provided by the third-party billing company; therefore, OSAI was unable to provide an analysis of total patient account collections and accounts receivables for the fiscal year.

Cause of Condition: Policies and procedures have not been designed and implemented by the Board to sufficiently monitor the billing process to ensure outstanding patient accounts are reviewed and approved to be written-off as uncollectable, sent to the collection agency for payment, sent to the patient or private insurance company for payment, and/or filed within the time guidelines to be paid by Medicare. Further, policies and procedures have not been designed and implemented to provide evidence of the Board's review of the patient account collections and accounts receivable for the fiscal year.

Effect of Condition: These conditions resulted in loss of revenue and could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the Board address these conditions with the District office staff to design and implement a system of internal controls as follows:

- File claims timely and appropriately with Medicare, Medicaid, and private insurance providers.
- Obtain reports and monitor the claims filed with the third-party billing company.
- Review delinquent patient accounts for subsequent billing.
- Document action by the Board for approval of delinquent patient accounts to be written-off as uncollectable.
- Review and approve monthly patient account collections and accounts receivable summaries to determine the status of patient account collections.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Management Response:

Chairman of the Board: When the District is notified by the patient of inability to pay the amount of their bill, the Board now requests a statement by the patient or related party. The Board convenes in executive session and votes in open meeting to write-off uncollectable accounts. The District has changed third-party billing companies. This change in third-party billing companies resulted in incompatible coding for the database systems.

Auditor's Response: While the Board did address aspects of the internal control weaknesses in the billing process, the Board did not address all aspects of this finding . The Board did not address documenting and reviewing the third-party billing account activity such as the patient account collections, the balance on patient accounts and Board approval of the amount written-off or sent to the collection agency. OSAI continues to recommend the Board provide evidence of review and approval of the patient account billing and collection activities.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Finding 2020-004 – Lack of Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Based on inquiry of District office staff and observation of the disbursement process of the District, we noted the Office Manager performed the following duties:

The District did not have an adequate segregation of duties to ensure that duties assigned to individuals are performed in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

- Ordered office supplies,
- Received invoices,
- Prepared purchase orders and printed checks,
- Posted checks to the disbursement ledger, and

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- Distributed checks to vendors.

In addition, the test of forty (40) disbursements reflected the following exceptions:

Purchase orders were not utilized in fiscal year 2020 which resulted in inadequate documentation of Board review and approval.

- Thirteen (13) purchases did not have proper supporting documentation attached to the disbursement.
- One (1) purchase had a computer-generated invoice; however, the name of the company was handwritten.
- Thirty-four (34) purchases did not have evidence of a receiving signature or verification of accuracy of the invoice.
- Five (5) disbursements did not have documentation to determine the purchases were for the operation of the District.

Further, a test of nineteen (19) credit card statement disbursements reflected the following exceptions:

- Six (6) credit card statements did not have fuel pump receipts attached to the statement.
- Eight (8) credit card statements did not have receipts attached to the statement.
- Sixteen (16) credit card statements did not have evidence of receiving signature or verification of accuracy of the statement.
- Two (2) credit card statements did not have enough documentation to determine the purpose of the credit card charge; therefore, it could not be determined that the purchases were for the lawful operation of the District.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the verification of receipt of goods and/or services, to document the Board approval of purchases issued for payment of disbursements, to implement approval of authorized expenses for the lawful operation of the District, and to sufficiently segregate the duties of the disbursements process.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions, and lack of proper documentation and verification of disbursements 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 management's oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee can perform all accounting functions. If 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. Also, OSAI

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

recommends the District implement a system of internal controls to ensure that all disbursements have proper supporting documentation and are for the lawful operation of the District.

Additionally, OSAI recommends the following:

- Verification of the receipt of all goods and/or services.
- Board approval of each purchase and the approval should be listed in the Board minutes by purchase order number and amount.

Management Response:

Chairman of the Board: All receipts and packing slips are now verified and initialed by the receiver and attached to the purchase order. Each purchase order is approved by the Board. Further, the Board has designed and implemented policies and procedures to establish a public relations budget for expenses such as parades, employee appreciation and other community involvement to address the authorized expenses for the lawful operation of the District.

Criteria: The GAO Standards – Principal 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Accurate and timely recording of transactions.

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Principal 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Finding 2020-006 – Lack of Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Based on inquiry of District office staff and observation of payroll records, the following weaknesses were noted:

The District did not have an adequate segregation of duties to ensure that duties assigned to individuals are performed in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

- One (1) employee performed the duties of documenting leave in the leave records and employees did not review or approve leave balances.

The District outsourced payroll processing to an outside company from April 1, 2020 through January 31, 2021. During this time the leave accruals were not calculated correctly.

A test of the payroll period July 22, 2019 to August 4, 2019 for nineteen (19) employees reflected the following exceptions:

- In two (2) instances a timesheet was not completed or signed by the employee.
- In one (1) instance the timesheet was not signed by the Supervisor.

A test of twelve (12) employees' accrued leave balances reflected the following exception:

- One (1) employee took annual and sick leave in excess of the accrued hours documented.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all employees complete a timesheet, evidence that employees and supervisors verify the accuracy of timesheets, and leave balances are accurately maintained, reviewed and approved.

Effect of Condition: These conditions could result in inaccurate recordkeeping, incorrect payroll disbursements and resulted in inaccurate leave accruals and balances.

Recommendation: OSAI recommends the District ensure all employees prepare a timesheet, and that each timesheet has evidence of an employee signature and evidence of review and approval of the supervisor. Additionally, leave balances should be tracked by the District to ensure accuracy and completeness.

Management Response:

Chairman of the Board: Time records including leave balances and time-off requests are now reviewed and approved by supervisors in the payroll software to ensure employees have available leave balances for

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

time-off requests. Payroll records now reflect accurate leave balances. The Training Officer will approve the Director's timesheet and time-off requests.

Criteria: The GAO Standards – Principal 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary record. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Additionally, Principal 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov