

STATUTORY REPORT

MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2016



*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

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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.



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

November 20, 2017

**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, 2016.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style.

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

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2016

	<u>FY 2016</u>
Beginning Cash Balance, July 1	<u>\$ 377,416</u>
Collections	
Ad Valorem Tax	376,889
Charges for Services	611,141
Miscellaneous	<u>175</u>
Total Collections	<u>988,205</u>
Disbursements	
Personal Services	585,491
Travel	
Maintenance and Operations	162,542
Capital Outlay	306,367
Audit Expense	<u>7,795</u>
Total Disbursements	<u>1,062,195</u>
Ending Cash Balance, June 30	<u>\$ 303,426</u>

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



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

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 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 2016 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.

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

September 12, 2017

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-1 – Inadequate Internal Controls and Noncompliance Over the Audit Expense Budget Account (Repeat Finding)

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

It was further noted that Marshall County EMS District (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, 2016, was \$19,000.00. However, the correct balance should have been \$51,089.89, leaving the account underfunded by \$32,089.89.

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

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

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

Management Response:

Chairman: The Board has adjusted the budget for fiscal year 2017 to reflect correct numbers budgeted for the audit expense. The Board will institute policy and procedures for future budgets.

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.

Title 19 O.S. § 1706.1 states in part “The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Finding 2016-2 – Inadequate Internal Controls and Noncompliance Over the Collection Process
(Repeat Finding)**

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of the District, it was noted that the Office Manager performed the following duties:

- Receives, opens, and receipts mail,
- Posts receipts to ledgers,
- Prepares and takes the deposit to the bank,
- Reconciles bank statements, and
- Prepares reports for Board Meetings.

Additionally, there is no evidence of a reconciliation between the Receipt Ledger prepared and maintained by the Office Manager and the District's software program.

There was no evidence that someone other than the preparer reviews the bank statement reconciliations.

Further, our test of eleven (11) deposits reflected that receipts were not deposited daily on five (5) occasions.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the collection process. Additionally, policies and procedures have not been designed and implemented to ensure deposits are made in a timely manner, the receipt ledger is verified to the software program, and the bank statement reconciliation is reviewed by someone other than the preparer.

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 reconciling the accounting ledger, reviewing the bank statement reconciliations, and depositing in a timely manner could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds and noncompliance with state statute.

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 management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions including reconciliations of receipts to accounting ledgers, reviewing bank statement reconciliations, and depositing funds in a timely manner in accordance with Title 62 O.S. § 517.3B.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Management Response:

Chairman of the Board: The Board will implement compensating controls to separate critical functions of the office staff. The EMS Director will review and approve accounting functions including reconciliation of receipts, reviewing of bank statements, and ensuring the depositing of all funds in a timely manner.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks, reconciliations, and preparing reports should be segregated. Additionally, the reconciliation and verification of account activity and daily depositing of funds should be promoted by the Board as a compensating control over the accounting of funds.

Title 62 O.S. § 517.3B states in part, "The treasurer of every public entity shall deposit daily, not later than the immediately next banking day..."

Finding 2015-3 – Inadequate Internal Controls Over Patient Accounts and the Billing Process (Repeat Finding)

Condition: While gaining an understanding of billing process of the District, it was noted that the Office Manager performed the following duties:

- Manually inputs information from the patient care report into the billing software,
- Generates all patient statements,
- Sends all electronic bills,
- Receives all Electronic Explanation of Benefits,
- Posts payments to patient accounts, and
- Writes off patient account balances without Board approval.

The test of fifty-one (51) patient accounts reflected the following exceptions regarding the billing process:

- Twenty-three (23) patient accounts were not billed twice and have a balance remaining.
- Five (5) patient accounts were written-off without Board approval.
- The following patient accounts mileage was charged incorrectly:
 - One (1) patient account was overbilled \$32.40.
 - One (1) patient account was overbilled \$4.80.
 - One (1) patient account was underbilled by \$48.00.
- The following patient accounts were overpaid:
 - One (1) patient account was overpaid \$677.39 due to billing and receiving payment from the same insurance company twice.
 - One (1) patient account was overpaid \$8.93 due to the patient making an overpayment.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- One (1) patient account was overpaid \$352.51 due to billing the primary and secondary insurance companies.
- One (1) patient account was overpaid \$130.94 due to billing and receiving payment from the same insurance company twice.
- One (1) patient account was overpaid \$5.00 due to the patient making an overpayment.
- Additionally, the District did not notify patients or insurance companies regarding overpayments on accounts. Refunds were issued upon the request of the payer.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the billing process. Additionally, policies and procedures have not been designed and implemented to ensure patient accounts are accurately and timely billed and write-offs are approved by the Board.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds. Additionally, these conditions resulted in incorrect charges to patient accounts.

Recommendation: OSAI recommends that the Board be aware of these conditions and strive to design and implement a system of internal controls to address the inaccurate billing process. Additionally, OSAI recommends that the Board approve patient account write-offs and document those write-off amounts in the Board minutes. Further, OSAI recommends the Board approve the refund of overpayments by approving them in the Board minutes.

Management Response:

Chairman of the Board: The Board will implement policies and procedures to address the inaccurate billing process. The Board has directed the staff that patient account write-offs and write-off amounts will be documented in the Board minutes with amounts approved by the Board. The Board will approve the refund of overpayments beginning in the October 2017 board meeting.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. Effective internal controls include segregating the billing duties, and providing oversight of the billing process including the Board's approval of write-offs and refunds on patient accounts in a timely manner.

Finding 2016-4 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: While gaining an understanding of the disbursement process of the District, we noted the Office Manager performed the following duties:

- Orders office supplies,

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Receives invoices,
- Prepares purchase orders and prints checks,
- Posts warrants to the disbursement ledger, and
- Distributes checks to vendors.

Further, purchase orders are approved by the Board as a consent agenda item, rather than being reviewed and listed individually in the Board minutes as approved by the Board.

Additionally, the test of forty-four (44) purchase orders reflected the following weaknesses:

- Thirty-seven (37) did not have evidence of receiving signature/verification of accuracy of the invoice.
- Six (6) did not have adequate documentation such as: receipts, statements, or invoices. Therefore, we were unable to determine whether items purchased were for appropriate/legal use of the District.
- Two (2) instances were noted in which interest and or late fees were assessed on late payments.

Also, fuel was purchased utilizing a fuel card rather than being bid or purchased on state contract as required by state statute.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure disbursements are incurred only for the appropriate/legal operation of the District, to provide adequate documentation for disbursements, to indicate receipt of goods and/or services, to document the Board approval of purchase orders issued for payment of disbursements, to ensure timely payment to avoid interest or late fees, and to sufficiently segregate the duties of disbursements.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having the Board review and approve accounting functions. Also, OSAI 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:

- Invoices should accompany all claims for disbursements prior to payment.
- Late fees or interest should be avoided by making timely payments.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- The Board should approve each purchase order and the approval should be listed in the minutes by purchase order number and amount.
- The Board should address in a policy, disbursements for lawful purchases, as provided in Title 19 O.S. § 1710.1(A).
- The Board should comply with Title 19 O.S. § 1723 which provides guidance regarding the bidding and purchase of fuel.

Management Response:

Chairman of the Board: The Board will implement policies and procedures for separating office duties. The Board will comply with Title 19 O.S. § 1723 regarding the bidding and purchase of fuel. Policies will address late fees.

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 the reliability of financial reporting. 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/or misappropriation of funds. Key factors in this system are having supporting documentation maintained for record keeping and audit needs, ensuring expenditures are only incurred in accordance with state statute, and ensuring the proper approval of the Board for the operation of the District. Additionally, key functions within a process should be adequately segregated to allow for prevention and detection of errors and abuse.

Title 19 O.S. § 1710.1(A) states, "A. Any proceeds collected pursuant to the provisions of Section 9C of Article X of the Oklahoma Constitution shall only be expended for the purpose of providing funds for the support, organization, operation and maintenance of district ambulance services, known as emergency medical service districts."

Title 19 O.S. § 1723 requires EMS Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1505.

Finding 2016-5 – Inadequate Internal Controls and Noncompliance Over the Competitive Bidding Process (Repeat Finding)

Condition: Based upon inquiry of District staff and observation of the competitive bidding process for the District, the following exceptions were noted:

Remount/Refurbish Ambulance:

- The following exceptions were noted regarding the bids for remount/refurbish of an ambulance:
 - The District Board awarded the remount/refurbish bid to a vendor in the amount of \$79,454.00; however, bid documentation reflected the lowest bid was not accepted for \$76,668.00. The Board minutes did not state why the lowest bid was not accepted.
 - The bid envelope was not retained and the bid was not time date and stamped.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Building Addition Construction:

- The following exceptions were noted regarding the bids for the building addition construction:
 - The District Board awarded the bid to the vendor in the amount of \$179,821.00.
 - However, documentation payments made to the vendor, reflect the District paid the vendor \$ 200,484.00, resulting in \$20,663.00 more than the bid awarded.
 - The bid envelope was not retained and the bid was not time and date stamped.
 - The District did not obtain bid bonds, performance, payment, and maintenance bonds, or proof of liability insurance.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that purchases of \$15,000 or more for equipment and construction projects of \$50,000 or more be competitively bid in compliance with the state statutes.

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

Recommendation: OSAI recommends that equipment purchases of \$15,000 or more be competitively bid in accordance with Title 19 O.S. § 1723 and 19 O.S. § 1505. Additionally, OSAI recommends public building construction projects of \$50,000 or more be competitively bid in accordance with Title 61 § 103A.

Management Response:

Chairman of the Board: The Board will implement policies and procedures for competitively bidding.

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.

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

Further, Title 61 O.S. § 103A states, "Unless otherwise provided by law, all public construction contracts exceeding Fifty Thousand Dollars (\$50,000.00) shall be let and awarded to the lowest responsible bidder, by open competitive bidding after solicitation for sealed bids, in accordance with the provisions of the Public Competitive Bidding Act of 1974. No work shall be commenced until a written contract is executed and all required bonds and insurance have been provided by the contractor to the awarding public agency."

Finding 2016-6 – Inadequate Internal Controls Over the Payroll and Leave Process

Condition: While gaining an understanding of the payroll process of the District, we noted that the Office Manager performed the following duties:

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- Verifies timecards,
- Inputs payroll information into the software system,
- Processes payroll claims,
- Prints and signs payroll checks before Board approval,
- Distributes payroll checks,
- Makes payroll changes in the system,
- Maintains personnel files,
- Prepares and submits payroll taxes, and
- Maintains leave balances.

Based upon inquiry of the District Staff, observation, and a review of District timesheets, the following exceptions were noted:

- The two payroll periods included the test of fourteen (14) employee timesheets from October 24, 2015 through November 6, 2015 and November 7, 2015 through November 20, 2015.
 - Federal and state withholdings were not deducted from payroll disbursements for eight (8) employees' timesheets tested.
 - For the pay period ending November 6, 2015, four (4) timesheets were not approved by management.
 - For the pay period ending November 20, 2015, one (1) timesheet was not approved by management.
 - Office employees included the one hour unpaid lunch period in the time worked on timesheets, and thus were paid for the one hour lunch period.
- The recalculation of leave balances for the twelve-month period for nine (9) employees, reflected the following exceptions:
 - Leave balance reports were not consistently maintained with a beginning, accrued, used, and ending balance.
 - Leave balances were not acknowledged by employees.
 - Nine (9) employees' year end vacation balances were calculated incorrectly based on records provided to the auditor.
 - Four (4) employees' year end sick leave balances were calculated incorrectly based on records provided to the auditor.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties regarding the payroll and leave process. Policies and procedures have not been designed and implemented to maintain a leave ledger, ensuring leave balance reports depict the beginning, ending, and accrued amounts are accurate and timesheets are signed by the employee and approved by management.

Additionally, policies and procedures have not been designed and implemented to ensure that compensation is paid with Board approval and in accordance with federal and state regulations.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Effect of Condition: These conditions resulted in inaccurate recordkeeping of leave balances. Additionally, these conditions could result in unrecorded transaction, misstated financial reports, undetected errors, misappropriation of funds, and incorrect payment of wage and leave benefits. This condition could also result in noncompliance to federal and state regulations.

Recommendation: OSAI recommends the 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 office, and having management review and approval of accounting functions.

OSAI recommends management take steps to adequately segregate the following key accounting functions:

- Maintaining personnel files,
- Reviewing time records and preparing payroll, and
- Distributing payroll warrants to employees.

Additionally, OSAI recommends the District ensure each timesheet is verified by the employee and supervisor for accuracy. OSAI also recommends the District ensure the leave ledger depicts the beginning balance, ending balance, and any accrued or used amounts for all employees.

OSAI recommends the District develop written policies and ensure all compensation policies are adequately documented and comply with federal and state regulations regarding withholdings.

Management Response:

Chairman of the Board: The Board will establish policy for all compensation policies to ensure they comply with federal and state regulations regarding withholdings. The Board will review internal controls to include separating key processes and critical functions of the office. These policies will be reviewed by management.

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 the reliability of financial reporting. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated. An important aspect of internal controls is to ensure timekeeping records are accurately prepared to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds.

Internal controls should be designed and implemented regarding compensation practices. Effective internal controls require management properly implement procedures to comply with federal and state regulations and guidelines regarding tax responsibilities as an employer.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Finding 2016-7 – Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)

Condition: Based on inquiry, observation, and review of the of the District’s fixed assets inventory records, the following was noted:

- A fixed asset listing was not maintained, nor was a physical verification performed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory is properly maintained and updated through a periodic review by the District.

Effect of Condition: This condition could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

Recommendation: OSAI recommends annual physical inventory verifications be performed by someone other than the individual maintaining fixed assets inventory records to ensure accurate records are properly maintained, updated, and documented.

Management Response:

Chairman of the Board: The Board will implement policies for fixed assets inventory and records to be conducted annually. The Director will select an individual to conduct inventory and reconcile any differences. Also, the Director will verify fixed assets inventory records to ensure accurate records are properly maintained, updated, and documented. All assets with the value of \$250.00 or more will be listed on inventory.

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.

Finding 2016-8 – Inadequate Internal Controls Over the Petty Cash Fund

Condition: The District maintains a \$250.00 petty cash fund in a lock box of the storage room. The petty cash fund replenishment is performed by the Office Manager.

Upon inquiry of District staff, observation of petty cash fund records, and performance of a verification of petty cash on hand as of May 2, 2017, we verified there was \$59.80 in coins and bills, and \$159.20 in receipts for disbursements, which totaled \$219.00; therefore, a deficiency of \$31.00 was noted.

The petty cash count was conducted in the presence of Office Manager and while in the auditor’s presence, the Office Manager promptly replenished the petty cash with her personal money.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The Office Manager stated,

“I borrow money from the petty cash from time to time to buy lunch and other things, but I usually put a sticky note in the box to know what I owe and will put the money back later.”

Cause of Condition: Policies and procedures have not been designed and implemented to ensure cash disbursements are for the appropriate/legal use of the petty cash fund.

Effect of Condition: These conditions resulted in abuse of the petty cash fund and could result in inaccurate records, incomplete information, and misappropriation of funds.

Recommendation: OSAI recommends the District Board design and implement policies and procedures to ensure purchases are for the appropriate/legal use of the petty cash fund. Further replenishment of the petty cash fund should be by a purchase order and the shortage should be noted and presented to the Board for approval.

Management Response:

Chairman of the Board: The Board addressed this finding prior to auditor leaving the EMS facility. Marshall County EMS no longer has a petty cash fund.

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 the reliability of financial reporting. 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/or misappropriation of funds. Key factors in this system are having supporting documentation maintained for record keeping and audit needs, and ensuring the proper approval of the Board for the operation of the District. Additionally, key functions within a process should be adequately segregated to allow for prevention and detection of errors and abuse.



OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV