

STATUTORY REPORT

MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2017



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



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

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

September 11, 2018

**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, 2017.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive, flowing 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, 2017**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017

	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ 303,426
Collections	
Ad Valorem Tax	390,720
Charges for Services	617,246
Total Collections	<u>1,007,966</u>
Disbursements	
Personal Services	794,231
Maintenance and Operations	183,614
Capital Outlay	28,552
Audit Expense	10,495
Total Disbursements	<u>1,016,892</u>
Ending Cash Balance, June 30	<u>\$ 294,500</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 2017 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

July 5, 2018

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-2 – Inadequate Internal Controls and Over the Collection Process (Repeat Finding)

Condition: While gaining an understanding of the reconciling process of the Marshall County Emergency Medical Service District (the District), the following weakness was noted:

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

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently document the bank statement reconciliation and ensure it 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 or reviewing the bank statement reconciliations could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds and noncompliance with state statute.

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 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 management review and approve accounting functions including reconciliations of receipts to accounting ledgers, and reviewing bank statement reconciliations.

Management Response:

Chairman of the Board: Policies were enacted on December 2017 to ensure sharing of duties of office personnel including accounts receivable and the billing process. The 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 along. In addition, one Board member will be assigned to review the reconciliation purchases.

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,

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

Finding 2017-3 – Inadequate Internal Controls Over Patient Billing and the Billing Process (Repeat Finding)

Condition: While gaining an understanding of the billing process of the District, observation of the billing process, and the test of fifty- one (51) patient accounts, we noted the following exceptions:

- No evidence of second billing was documented on twelve (12) patient accounts with outstanding balances, nor was there evidence the Board or Director reviewed patient accounts to determine the status of outstanding balances.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the billing process and ensure delinquent patient accounts are billed for a second time.

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

Recommendation: OSAI recommends the Board be aware of these conditions and strive to design and implement a system of internal controls to address the billing of delinquent patient accounts. Additionally, OSAI recommends that billing be performed accurately and timely.

Management Response:

Chairman of the Board: One policy was enacted as of December 2017 regarding billing collections. Additional policies will be implemented to address the write-off procedure for outstanding debt. Overpayments are being reviewed by the EMS Director and refunds will be made. The Director now has access to reports provided by our billing software company and the Board will use these reports to monitor our billing process.

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.

Finding 2017-4 – 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 performs the following duties:

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- Orders office supplies,
- 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 thirty (30) purchase orders reflected that twenty-three (23) did not have evidence of receiving signature/verification of accuracy of the invoice.

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

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 purchase orders issued for payment of disbursements, and to sufficiently segregate the duties of disbursements.

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

Recommendation: OSAI recommends the Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in 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 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.
- 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 comply with 19 O.S. § 1723 which provides guidance regarding the bidding and purchase of fuel.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Management Response:

Chairman of the Board: The Board of Directors will create policies regarding the use of purchase orders and the use of blanket purchase orders as well as the separation of duties by office personnel. Currently, the Director is investigating the fuel purchase on state contract to determine why our organization does not utilize this statutory requirement.

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

Finding 2017-5 – 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:

In review of the District's disbursements, one purchase exceeded the threshold for bidding requirements:

- Two ventilators were purchased in the amount of \$22,003.95; however, no bids were solicited.
- The Director stated it was a sole-source purchase.
- The Board minutes did not address this purchase as sole-source.

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

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

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Management Response:

Chairman of the Board: The Board of Directors will implement policies regarding the bidding process that correspond with the state statute regarding 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 regarding 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.

Finding 2017-6 – Inadequate Internal Controls Over the Payroll and Leave Processes (Repeat Finding)

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

- 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 on a test of the August 2016 payroll period, which including fourteen (14) employees of which ten (10) were full-time employees, the following exceptions were noted:

- Evidence of leave balances being verified by employees was not documented.
- Vacation leave balance for one employee exceeded the accumulation limit set by policy.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties regarding the payroll and leave processes. Policies and procedures have not been designed and implemented to require acknowledgment of leave balances by employees, and to ensure leave accumulation limits are not exceeded.

Effect of Condition: These conditions resulted in inaccurate recordkeeping of leave balances. Additionally, these conditions could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds, and incorrect payment of wage and leave benefits.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Recommendation: OSAI recommends the Board be aware of these conditions and determine if duties can be properly segregated. 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 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 leave balances are verified by the employee and supervisor for accuracy. OSAI also recommends the District ensure that leave balances do not accrue in excess of the accumulation limit set by policy.

Management Response:

Chairman of the Board: This finding has been resolved since the payroll process has been outsourced. All paychecks are now direct deposit.

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 regarding 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.

Finding 2017-7 – 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 assets 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.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Recommendation: OSAI recommends annual physical inventory verifications be performed and properly reviewed 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 Director will develop a fixed asset policy regarding the inventory and physical verification of all fixed assets. This policy shall include review by the Board of Directors.

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 2017-8 – Inadequate Internal Controls Over the Petty Cash Fund (Repeat Finding)

Condition: Upon review of all petty cash disbursements which included two (2) replenishment checks, it was noted, no evidence of receiving and verification of accuracy of invoices could be located.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure disbursements are reviewed and verified as to the accuracy of the invoice.

Effect of Condition: This condition could result in abuse of the petty cash and could result in inaccurate records, incomplete information, and misappropriation of funds.

Recommendation: OSAI recommends the District design and implement policies and procedures to ensure the accuracy of purchases are reviewed and verified.

Management Response:

Chairman of the Board: The Board of Directors has instructed the Director that no petty cash be kept in the office. A policy prohibiting the use of petty cash as well as accepting any cash payment will be implemented.

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 regarding 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 recordkeeping 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