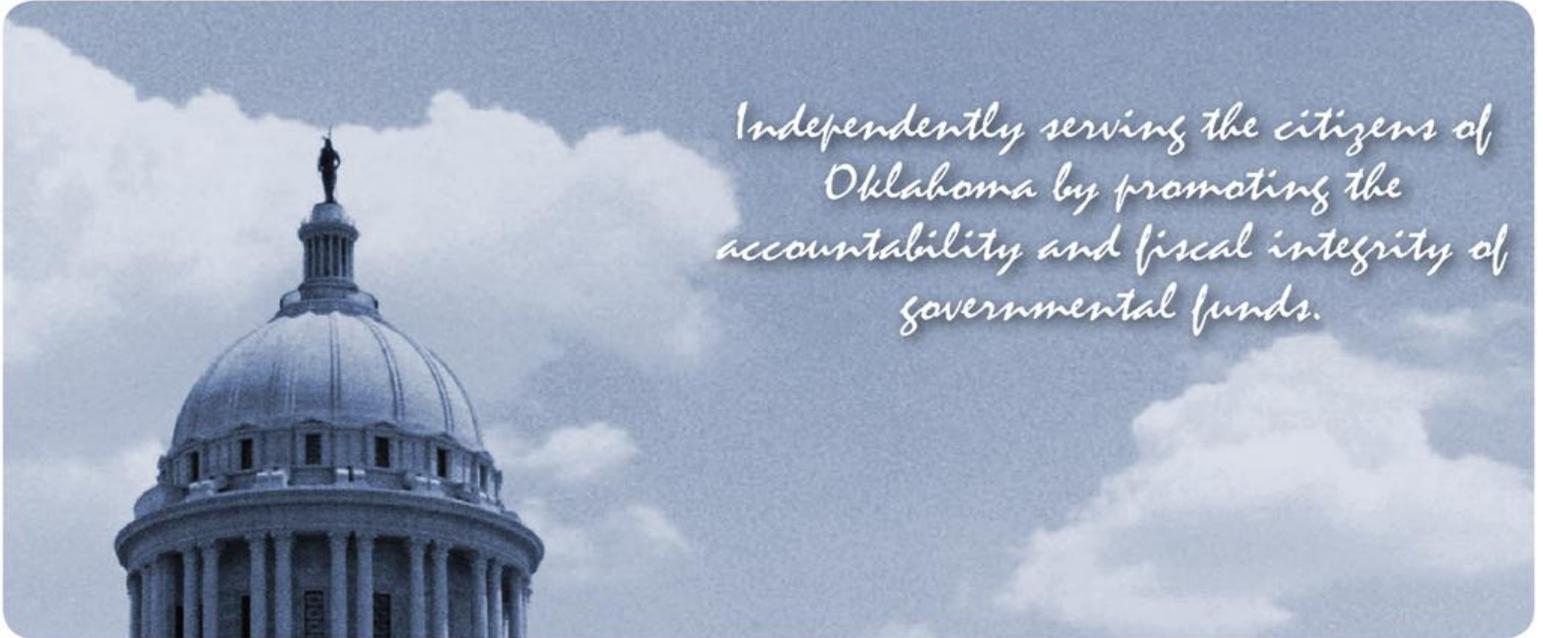


STATUTORY AUDIT

MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2008 through June 30, 2013



*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 PERIOD JULY 1, 2008 THROUGH JUNE 30, 2013**

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 Collection, pursuant to 74 O.S. § 3105.B.



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 1, 2015

**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 period July 1, 2008 through June 30, 2013.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive.

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



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 2012 and FY 2013 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Marshall County Emergency Medical District Service.

Our emergency medical service district statutory engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of the 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.

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

May 21, 2015

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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JULY 1, 2008 THROUGH JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Lack of Segregation of Duties Over Revenue

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of Marshall County Emergency Medical Service District (the District), it was noted the Office Manager performs the following duties:

- Receives and opens mail.
- Receives funds and issues receipts.
- Posts transactions.
- Prepares and takes deposits to the bank.
- Verifies deposits to bank statements.
- Reconciles bank statements.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the receipting and reconciling processes.

Effect of Condition: A single employee having responsibility for more than one area of the collection, recordkeeping, and reconciling processes could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds. These conditions could result in inaccurate record, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends management 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 management review and approve accounting functions.

Management Response:

Office Manager: Due to limited number of personnel, we cannot segregate duties accordingly. The District cannot afford another employee for the office.

Auditor Response: Although the office is limited in staff, mitigating controls such as reviewing work of others could be implemented to reduce the risks of error and fraud. Evidence of the review should be noted with initials and dates. Also, Board members could be utilized in reviewing and monitoring transactions.

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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 funds should be segregated.

Finding 2 – Cash Composition

Condition: While performing cash composition testwork, the following was noted:

- 1 deposit indicated \$10.00 cash was deposited. The corresponding receipt showed \$35.00 was received, but the receipt did not indicate the method of payment. As a result, OSAI was not able to verify the \$10.00 cash to the receipt.

Cause of Condition: Procedures have not been designed and implemented to ensure the method of payment is depicted on receipts issued.

Effect of Condition: This condition could result in the District having inaccurate records and incomplete information, misappropriation of assets, or the loss of revenue.

Recommendation: OSAI recommends the District ensure the method of payment is depicted on the receipt for all monies received.

Management Response:

Office Manager: We will indicate the method of payment on all receipts.

Criteria: Effective internal controls include issuing receipts indicating the date monies were received, the name of the person making payment, the account or run number for posting of the payment, the amount received, the method of payment, receipt number, and the signature or name of the person issuing the receipt.

Finding 3 – Bank Reconciliations

Condition: Based on the understanding obtained and the testwork performed of the reconciliation process of the District, the following was noted:

June 30, 2009

- 3 outstanding checks totaling \$317.00 could not be verified.

June 30, 2010

- An outstanding item of \$18.00 could not be verified.

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June 30, 2011

- An automatic payroll withdrawal for \$394.15 could not be verified.

June 30, 2012

- 9 outstanding checks totaling \$2,775.42 could not be verified.
- A reconciling item of \$120.82 could not be verified. The District could not provide information or documentation of this item.
- OSAI noted a variance of \$241.64 between the reconciliation and the ledger balance.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that bank reconciliations are performed accurately and with documentation to justify any reconciling items. Further, policies and procedures have not been designed to ensure voids are handled properly to help safeguard District funds.

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

Recommendation: OSAI recommends all accounts be reconciled on a monthly basis with an indication of review and approval by someone other than the preparer to help ensure accuracy of any reconciling items. All reconciling items should be verified as accurate and appropriate.

Management Response:

Office Manager: Some reconciling items I could not find due to not being able to read my writing and not keeping check numbers on the reconciliation sheet. Account ledgers have been redone and are now done on the computer so pencil does not fade and handwriting being unable to read.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds all banks reconciliations should be performed monthly in such a manner that all reconciling items are determinable and relevant with proper supporting documentation. Further, OSAI recommends the District explore options to ensure items can be voided at least periodically without creating a financial constraint.

Finding 4 – Run Test

Condition: The following was noted concerning the 25 ambulance runs per fiscal year tested:

Fiscal Year 2009

- A second billing or a depiction of the account sent to a collection agency could not be located for one run.
- Two runs were written off as bad debt without Board minute authorization.

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Fiscal Year 2010

- A second billing or a depiction of the account sent to a collection agency could not be located for one run.
- Two runs were written off as bad debt without Board minute authorization.

Fiscal Year 2011

- A second billing or a depiction of the account sent to a collection agency could not be located for two runs.
- Three runs were written off as bad debt without Board minute authorization.

Fiscal Year 2012

- A second billing or a depiction of the account sent to a collection agency could not be located for two runs.

Fiscal Year 2013

- A second billing or a depiction of the account sent to a collection agency could not be located for one run.

Cause of Condition: Policies and procedures have not been designed to ensure a second billing is sent out for all runs, and to ensure billings are turned over to a collection agency if they are deemed uncollectable. Additionally, procedures have not been designed to ensure Board authorization exists for any bad debt write-offs incurred.

Effect of Condition: These conditions could result in the District losing additional sources of revenue and patient accounts being written off or considered uncollectible without proper authorization.

Recommendation: OSAI recommends the District ensure all efforts are made to receive billing revenue by issuing second billings and turning billings over to a collection agency if so needed. Additionally, OSAI recommends the District ensure bad debt write-offs are incurred only with proper Board approval and minute documentation.

Management Response:

Office Manager: Our District does not post bad debt write-offs in the Board minutes. The Board is aware of the amount of write-offs and our service account was also aware of these. When the second billing is done, a copy of the bill is not always printed the second or third time from the billing system.

We are now printing all bills from the system so it will show how many time patients have been billed. Our service is no longer using a collection agency.

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. Key factors in this system are ensuring all avenues to receive run billing revenue are exercised, and ensuring Board approval exists before bad debt write-off occurs.

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Finding 6 – Lack of Segregation of Duties Over Disbursements

Condition: While gaining an understanding of the expenditures process of the District we noted that the Office Manager performs the following duties:

- Prepares purchase orders.
- Receives goods and services.
- Prepares checks.
- Posts expenditures to ledgers.
- Mails checks to vendors.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process.

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 management 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 management review and approve accounting functions.

Management Response:

Office Manager: Due to limited number of personnel, we cannot segregate duties accordingly. The District cannot afford another employee for the office.

Auditor Response: Although the office is limited in staff, mitigating controls such as reviewing work of others could be implemented to reduce the risks of error and fraud. Evidence of the review should be noted with initials and dates. Also, Board members could be utilized in reviewing and monitoring transactions.

Criteria: Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. 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.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Finding 7 – Disbursements

Condition: Based upon inquiry and observation of the expenditures process, the following was noted concerning the testwork conducted of 25 expenditures per fiscal year:

- Concerning fiscal year 2009, 21 expenditures did not have evidence of a receiving signature/verification of accuracy of the invoice, and 2 of the expenditures did not have an invoice available as documentation for review.
- Concerning fiscal year 2010, 23 expenditures did not have evidence of a receiving signature/verification of accuracy of the invoice, and 1 of the expenditures did not have an invoice available as documentation for review.
- Concerning fiscal year 2011, 22 expenditures did not have evidence of a receiving signature/verification of accuracy of the invoice, and 1 of the expenditures did not have an invoice available as documentation for review.
- Concerning fiscal year 2012, 20 expenditures did not have evidence of a receiving signature/verification of accuracy of the invoice, and 1 of the expenditures did not have an invoice available as documentation for review.
- Concerning fiscal year 2013, 20 expenditures did not have evidence of a receiving signature/verification of accuracy of the invoice, and 4 of the expenditures did not have an invoice available as documentation for review.

Cause of Condition: Policies and procedures have not been designed to ensure all claims are filed with sufficient supporting documentation for recordkeeping and audit related needs, and to ensure invoices are verified for accuracy with a receiving signature.

Effect of Condition: These conditions could result in inaccurate records, incomplete information or misappropriation of assets.

Recommendation: OSAI recommends the District implement a system of internal controls to ensure all items received are reviewed for accuracy and that all expenditures have proper supporting documentation maintained for recordkeeping and audit purposes.

Management Response:

Office Manager: We have discussed this with employees and will check all invoices in the future and sign them. Some of the expenditures that did not have documentation were for contract services. We will attach contract to purchase orders. We will make sure that all purchase orders have supporting documentation attached.

We now are having medic personnel that order supplies, check them in and give shipping receipts to the office. They are still not signing these invoices. We are trying to correct this.

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. Key factors in this system are

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designating a receiving officer to sign a receiving report or the invoice to confirm that goods and/or services were received, and having supporting documentation maintained for record keeping and audit needs.

Finding 8 – Bids

Condition: Based upon inquiry, observation, and testwork conducted on the bidding process of the District the following was noted on the four items reviewed for the period under review:

- The District did not bid the following item:

<i>Purpose</i>	<i>Date</i>	<i>Amount</i>
Engine repair	4/2/11	\$11,138.43

- The bid packet could not be located for the following item:

<i>Purpose</i>	<i>Date</i>	<i>Amount</i>
Ambulance	3/28/11	\$127,015.00

Additionally, it was noted the ambulance bid notice specified a specific brand and year of vehicle. Such a preference could exclude certain vendors from having the opportunity to bid.

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

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

Recommendation: OSAI recommends that all purchases in excess of \$15,000 be competitively bid in accordance with state statutes. (During the period under audit, the threshold for bidding was \$7,500 for fiscal year 2012 and \$10,000 for fiscal year 2013.)

Further, OSAI recommends the District prepare bid requirements in such a manner that they are not written for a specific product, brand, or vendor. Rather, the bid requirements should allow for multiple entities to have the opportunity to bid.

Management Response:

Office Manager: One bid file was lost and the other was not bid due to an emergency. The engine repair was in an emergency situation. The unit was at the shop when we were told the engine had to be replaced. The unit was needed back on line as soon as possible, and due to the emergency situation the bid was not done. Bids will be maintained and kept in a different area with limited access.

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Our service did not want to go with a Ford as they did not have the engine that we wanted in our new unit, so we ask for bids from companies on a Chevy product. Our service uses diesel products, and Ford was not making a diesel product with that engine that year.

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 and 19 O.S. § 1502, which as of May 6, 2014 requires all purchases in excess of \$15,000 be competitively bid. Prior to July 1, 2012, the competitive bid threshold for EMS Districts was \$7,500. Between July 1, 2012 and May 5, 2014 the competitive bid threshold was \$10,000.

Finding 9 – Payroll Expenditures

Condition: Based upon inquiry, observation, and a review of District payroll documents the following was noted:

- Of the 10 employee's timesheets reviewed by OSAI, none were signed as approved by a supervisor.
- Leave balance reports were not maintained for 3 employees from January 1, 2013 through June 30, 2013.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that both employees and supervisors verify the accuracy of timesheets, and to ensure leave balances are maintained and updated on an ongoing basis.

Effect of Condition: These conditions could result in the inaccurate recordkeeping and incorrect payment of wage and leave benefits.

Recommendation: OSAI recommends the District ensure both employees and supervisors verify timesheets for accuracy. Further, OSAI recommends leave balance reports be maintained and updated on a monthly basis to ensure accuracy.

Management Response:

Office Manager: We will make sure that all timesheets are signed by a supervisor and make sure that all leave amounts are brought up to date.

We try to get all payroll signed, and if the Director is here before pay day, then she approves the time sheets. The Office Manager is trying to stay up with leave reports.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

Criteria: Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. 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.

Finding 10 – Audit Expense Account

Condition: For the period of July 1, 2008 through June 30, 2013, the District did not budget and carry forward the proper amount for the audit expense account from the previous year's remaining balance. The following was noted:

- Per the Estimate of Needs balance on June 30, 2013, the audit expense account was budgeted, cancelled, and not carried forward in the amount of \$6,200. For the period under review the District should have had a total budgeted amount of \$42,183.72 as of June 30, 2013.

Cause of Condition: Procedures have not been designed to ensure compliance with 19 O.S § 1706.1.

Effect of Condition: This condition resulted in noncompliance with the statute and under-funding of the audit expense account.

Recommendation: OSAI recommends that the District implement policies and procedures designed to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit expense account, and that any unused portion be carried forward into the next year audit expense account in accordance with 19 O.S. § 1706.1.

Management Response:

Office Manager: Our service has never carried over any budget item to the next budget year, we start over each year and our service has never failed to pay audit charges. We have a very limited budget, and the need to carry over audit expense for as much as 5 years or call and have the money released was not done here. If this is what has to be done, then we will try and comply.

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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Finding 11 - Estimate of Needs

Condition: While reviewing the District accounting records and comparing them to the Estimate of Needs (EON) for the period of July 1, 2011 through June 30, 2013, the following was noted:

- The July 1, 2011 EON beginning cash balance contained an overstated variance of \$7,694.68 between the EON and the District bank records.
- The June 30, 2012 EON depicted ending cash balance was \$83,717.02, but calculating the amounts depicted on the EON would lead to an ending cash balance of \$415,917.98 (a variance of \$332,200.96).
- The June 30, 2013 EON depicted ending cash balance was \$162,422.54 but calculating the amounts depicted on the EON would lead to an ending cash balance of \$760,740.95 (a variance of \$598,318.41).
- The June 30, 2013 EON ending cash balance contained an overstated variance of \$13,409.52 between the EON and the District bank records.

Due to the large variances, the financial information for the Estimate of Needs was not presented in this audit report.

Cause of Condition: Policies and Procedures have not been designed and implemented to ensure the balances on the Estimate of Needs reconciles to the balances of the District's financial records.

Further, the Estimate of Needs was not prepared in accordance with 19 O.S. § 1702.

Effect of Condition: The District Estimate of Needs for the period under review did not reflect the complete and accurate financial condition of the District.

Recommendation: OSAI recommends the District ensure the Estimate of Needs is prepared in such a manner that the complete and accurate financial situation of the District is presented.

Management Response:

Office Manager: I do not have anything to do with the budget. I will get with the CPA and try and figure out what we have filed wrong.

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. § 1702 states in part that Districts should "...3. Make available to the public and investors sufficient information as to the financial conditions, requirement and expectations of the district..."



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

WWW.SAI.OK.GOV