



# MARSHAL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

## Statutory Report

For the fiscal year ended June 30, 2019

**Cindy Byrd, CPA**  
State Auditor & Inspector

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cindy Byrd, CPA | State Auditor & Inspector

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June 23, 2020

**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, 2019.

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". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2019**

	<u>FY 2019</u>
Beginning Cash Balance, July 1	\$ 234,670
Collections	
Ad Valorem Tax	416,489
Charges for Services	733,428
Miscellaneous	100
Total Collections	<u>1,150,017</u>
Disbursements	
Personal Services	834,308
Maintenance and Operations	193,927
Capital Outlay	14,996
Audit Expense	14,137
Total Disbursements	<u>1,057,368</u>
Ending Cash Balance, June 30	<u>\$ 327,319</u>

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

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(s) ended June 30, 2019 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(s) ended June 30, 2019 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

May 15, 2020

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2019-002 –Internal Controls 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 weaknesses were noted:

- The Office Manager performs the duties of the disbursement process and prepares the bank statement reconciliations.
- There was no evidence of someone other than the preparer reviewing the bank statement reconciliations.
- There was no evidence that the bank 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 disbursing funds, preparing the bank statement reconciliation, and documenting verification that the bank statement reconciliation is reviewed by someone other than the preparer and approved by the Board.

**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.

**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 approving disbursements and agreeing them to accounting ledgers and reviewing bank statement reconciliations.

**Management Response:**

**Board of Directors:** Part of our current restructuring process included reviewing and realigning administrative staff’s responsibilities to ensure that we adequately segregate duties.

The Board of Directors has issued a directive that copies of the bank statement & reconciliation report be included in the monthly Board information packet.

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**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.

The GAO Standards – Principle 10 – Design Control Activities – 10.12 through 10.14 states:

*Segregation of duties*

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.

**Finding 2019-003 –Internal Controls and Lack of Management Oversight Over Delinquent Patient Accounts and the Billing Process (Repeat Finding)**

**Condition:** While gaining an understanding of billing process of the District, reviewing documentation from the outsourced billing company, and performing a test of forty (40) patient accounts, the following exceptions were noted:



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- No evidence was provided that the Board or District staff monitored or reviewed patient account documentation from the outsourced billing company to determine the status of outstanding balances.
- No evidence was provided that the Board reviewed delinquent patient accounts to consider uncollectable accounts to be written-off.
- No evidence was provided of second billing for seven (7) past due patient accounts.

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

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

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

- File claims timely and appropriately with Medicare,
- Obtain reports and monitor the claims filed with the billing company,
- Review delinquent accounts for subsequent billing, and
- Take necessary action by Board approval on uncollectable accounts.

**Management Response:**

**Board of Directors:** The Board of Directors outsourced the collection process during fiscal year 2020. We are working through some unexpected challenges in that process. We are also working to develop a write-off policy which will address handling of indigent patient claims to reduce accounts receivable aging.

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

*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.

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**Finding 2019-004 – 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:

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

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

- Purchase orders were no longer utilized in fiscal year 2019 which resulted in inadequate documentation of Board approval.
- Fifteen (15) purchases did not have proper documentation attached to the disbursement.
- Thirty-one (31) purchases did not have evidence of receiving signature/verification of accuracy of the invoice.
- Eight (8) disbursements did not have documentation to determine the purchases were for the lawful operation of the District.

Furthermore, a test of twelve (12) credit card payments revealed the following:

- Six (6) statements did not have fuel pump receipts attached to statement.
- Twelve (12) fuel statements did not have evidence of reconciliation/verification of accuracy of the fuel statement.
- Five (5) fuel 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 by the Board to sufficiently monitor the billing process to ensure delinquent patient accounts are reviewed and approved to be written-off as uncollectable or sent to the collection agency for payment. Further, policies and procedures have not been designed and implemented to ensure delinquent patient accounts are sent to the patient or private insurance company for payment, and/or filed within the time guidelines to be paid by Medicare.

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

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

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- File claims timely and appropriately with Medicare,
- Obtain reports and monitor the claims filed with the billing company,
- Review delinquent accounts for subsequent billing, and
- Take necessary action by Board approval on uncollectable accounts.

**Management Response:**

**Board of Directors:** The Board of Directors outsourced the collection process during FYE 2020. We are working through some unexpected challenges in that process. We are also working to develop a write-off policy which will address handling of indigent patient claims to reduce accounts receivable aging.

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

*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.

**Finding 2019-006 – Internal Controls Over the Payroll Process (Repeat Finding)**

**Condition:** Based on inquiry of District staff and observation of payroll records, the following weakness was noted:

- The Director, at the date of our audit, prepared a timesheet for hours worked as a medic; however, administrative hours worked were not recorded on a timesheet.

A test of the payroll period August 20, 2018 to September 2, 2018, for fifteen (15) employees reflected the following exceptions:

- In one (1) instance a timesheet was not signed by the employee.
- In fifteen (15) instances timesheets lacked evidence of a supervisor review.

A test of the payroll period November 26, 2018 to December 9, 2018, for twenty-two (22) employees reflected the following exception:

- In one (1) instance the timesheet could not be located.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure all employees complete a timesheet and evidence that employees and supervisors verify the accuracy of timesheets.

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**Effect of Condition:** These conditions could result in inaccurate recordkeeping and incorrect payroll disbursements.

**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.

**Management Response:**

**Board of Directors:** During fiscal year 2020, the Board of Directors outsourced all payroll functions to a third party. Policies and procedures have been put in place to appropriately segregate the payroll and leave approval functions.

**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 2019-007 –Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)**

**Condition:** Based on inquiry of District employees and observation of accounting records, the following exceptions regarding maintaining and verification of fixed assets records was noted:

- Although the District has been repeatedly advised to maintain and verify fixed assets at least annually, a fixed assets listing was not maintained, nor was a physical verification performed.
- The District has not designed and implemented formal policies and procedures to safeguard fixed assets from misappropriation or loss.
- The District has not established a dollar amount for the inclusion of fixed asset items on a fixed assets inventory listing.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure fixed assets inventory is properly maintained, a dollar amount established for the inclusion of fixed assets and updated through an annual verification by the District.

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**Effect of Condition:** These conditions 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. OSAI further recommends the Board establish a dollar limit for the inclusion of fixed assets and design and implement policies and procedures over fixed assets for the safeguarding those assets from unauthorized acquisition, use or disposition.

**Management Response:**

**Board of Directors:** As part of our restructuring process, we are working to develop and implement adequate fixed asset inventory controls as well as complete a full inventory verification of all District property.

**Criteria:** The GAO Standards – Section 2 – Objectives of an Entity - OV2.24 states in part:

*Safeguarding Assets*

A subset of the three categories of objectives is the safeguarding of assets. Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use or disposition of an entity's assets.

O·K·L·A·H·O·M·A  
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