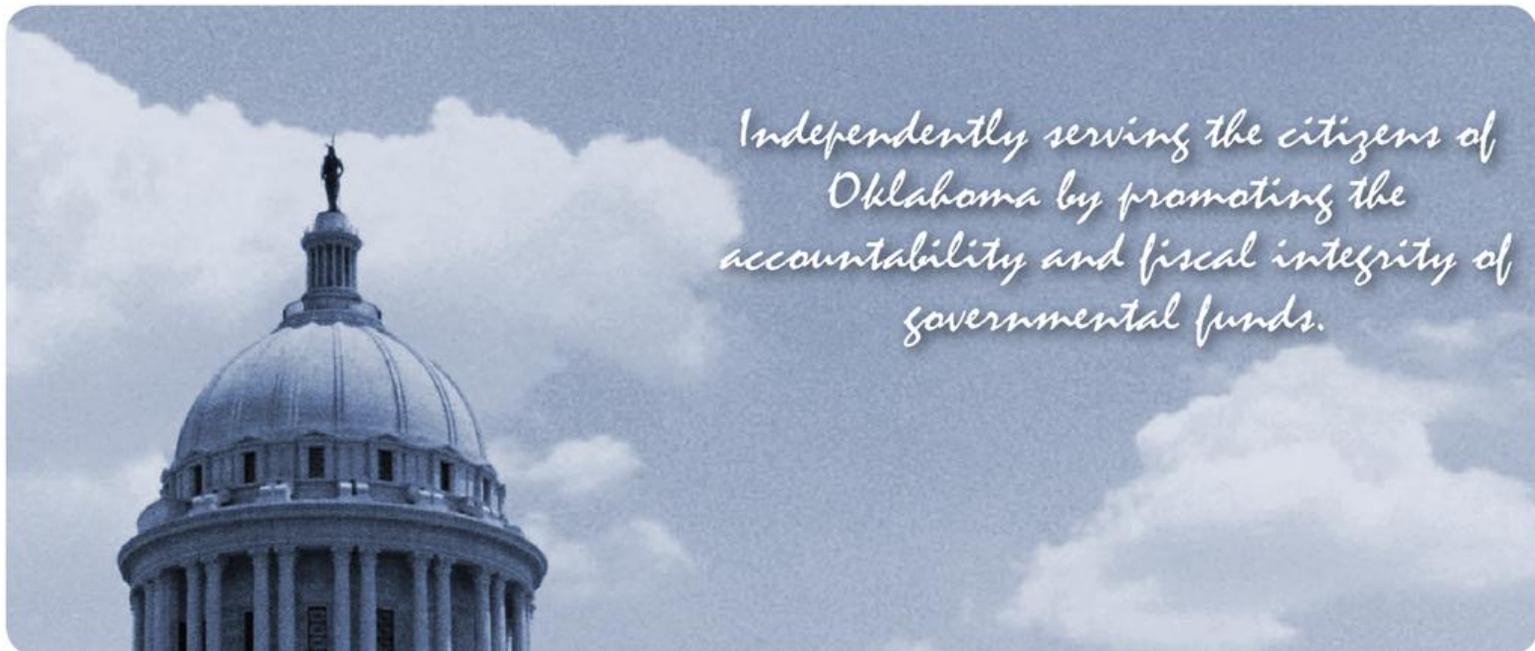


STATUTORY REPORT

MARSHALL EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2015



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

**MARSHALL EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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Oklahoma State Auditor & Inspector

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

October 31, 2016

**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, 2015.

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, with the first name "Gary" being the most prominent.

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



Oklahoma State Auditor & Inspector

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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 2015 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".

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

October 31, 2016

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

**Finding 2015-1 – Inadequate Internal Controls Over the Collection and Reconciliation Processes
(Repeat Finding)**

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. Further, these conditions could result in inaccurate records, 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, Chairman of the Board: Due to limited number of personnel, we cannot segregate duties accordingly. However, we will work to segregate the duties. Currently, in monthly meetings, the financial statements are reviewed and compared to bank statements. The financial statement shows all income and expenses of the 522 District. After examination and comparison, the item is voted and approved.

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

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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noted with initials and dates. Also, Board members could be utilized in reviewing and monitoring transactions.

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 2015-2 – Inadequate Internal Controls and Noncompliance Over the Disbursements Process (Repeat Finding)

Condition: While gaining an understanding of the expenditures process of the District, we noted the following:

- The Office Manager performs the following duties:
 - Prepares purchase orders/payroll.
 - Receives goods and/or services.
 - Prepares checks.
 - Posts expenditures to ledgers.
 - Mails checks to vendors.
- The District uses credit cards to make purchases without statutory authority to do so.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process and also, to address the incurrence of debt through credit cards, which is not permitted per state statute.

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. These conditions resulted in noncompliance with state statute. Further, this condition could result in misuse of government funds.

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.

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OSAI further recommends management discontinue the use of all credit cards. Regarding fuel purchases, OSAI recommends the District consider using the state contract through ComData. Using the state contract approved ComData card could serve as a legal alternative to the use of credit cards.

Management Response:

Office Manager, Chairman of the Board: Due to limited number of personnel, we cannot segregate duties accordingly. However, we will work to segregate the duties. Currently, in monthly meetings, the financial statements are reviewed and compared to bank statements. The financial statement shows all income and expenses of the 522 District. After examination and comparison, the item is voted and approved. Also, our service carries two credit cards that are paid in full every month, due to our type of service and being on duty 24/7 there is no way that we can keep enough cash in our office for fuel and miscellaneous items needed at all times of day and night.

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.

There are no statutory provisions that allow for the use of credit cards for an EMS District. The District should consider using the state contract through ComData. Using the state contract approved ComData card could serve as a legal alternative to the use of credit cards.

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.

Furthermore, there is no constitutional or statutory authorization for the District to utilize credit cards.

Article 10 section 9C of the Oklahoma State Constitution allows only the sale of bonds as a manner for incurring debt, as follows; "Any district board of trustees may issue bonds, if approved by a majority vote at a special election for such purpose."

Title 19 O.S. § 1717 (B,C) states in part: "B. It shall be unlawful for any employee or member of the board in any budget year: 1. To create or authorize creation of a deficit in any fund...
C. Any obligation that is contracted or authorized by any member or employee of the board in violation of this act shall become the obligation of the member or employee himself and shall not be valid or enforceable against the district. Any member or employee who violates this act shall forfeit his position and shall be subject to such civil and criminal punishments as are provided by law. Any obligation, authorization for expenditure or expenditure made in violation of this act shall be illegal and void.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Finding 2015-3 – Inadequate Internal Controls and Noncompliance Over the Estimate of Needs (Repeat Finding)

Condition: While reviewing the District accounting records and comparing them to the Estimate of Needs (EON) for the fiscal year ended June 30, 2015, the following was noted:

- The total revenue apportioned contained an overstated variance of \$448,544 between the EON and the District bank records.
- The total warrants issued contained an understated variance of \$431 between the EON and the District bank records.
- Also, while re-performing the calculations of the Estimate of Needs, it was determined the ending balance calculated did not agree to the ending balance reported on the EON. There was a variance of \$448,975.

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, Chairman of the Board: The District will strive to correct these issues and to ensure the accuracy of the Estimate of Needs. We 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...”

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Finding 2015-4 – Inadequate Internal Controls and Noncompliance with Competitive Bidding Requirements

Condition: Based on the review of the five (5) purchases over the bid threshold, it was noted that the three (3) following items were not bid:

- Life Pac \$38,180.52
- Monitor \$36,806.03
- Monitor \$38,180.52

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that expenditures in excess of the competitive bidding threshold are in compliance with 19 O.S. § 1723.

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

Recommendation: OSAI recommends that all purchases in excess of \$15,000 for periods after May 6, 2014 be competitively bid in accordance with state statute.

Management Response:

Office Manager, Chairman of the Board: Our service did not put these items up for bid as this type of monitor is the only one that is compatible with our county fire districts' equipment and with our local hospital.

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, as of May 6, 2014, requires EMS Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1505, which requires all purchases in excess of \$15,000 be competitively bid.

Finding 2015-5 – Inadequate Internal Controls Over Fixed Assets (Repeat Finding)

Condition: Based upon inquiry and observation of the fixed assets and inventories process, the following was noted:

- The District did not maintain or update the fixed asset and inventory records.
- The District does not perform a visual inspection of all equipment on an annual basis.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure inventory is properly accounted for, maintained, and updated regularly 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 that policies and procedures be designed and implemented to ensure inventory is being updated on an ongoing basis. Furthermore, OSAI recommends physical inventory verification, by someone other than the individual in charge of inventory, be completed, documented and retained annually to verify inventory on hand.

Management Response:

Office Manager, Chairman of the Board: Our service is trying to assign a person to keep up with our inventory.

Criteria: 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 2015-6 – Inadequate Internal Controls Over Customer Accounts

Condition: Through inquiry it was determined that the following weaknesses and management override of controls exist:

- Customer account write-offs are not approved by the Board by either individual account or in total.
- At times, blank checks are signed by members of the Board.
- Signed agreements for payment plans are not obtained by the District.

Based on a sample of fourteen (14) ambulance runs, testwork reflected:

- Thirteen (13) private-pay customers were never issued a second bill for outstanding balances.

Cause of Condition: Policies and procedures have not been designed and implemented to address these internal control issues.

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

Recommendation: OSAI recommends that management be aware of these conditions and strive to design and implement a system of internal controls to address these issues.

Management Response:

Office Manager, Chairman of the Board: We allow our patients to make payments on their accounts at any time. We have hired a full-time office staff that will be in charge of private patient billing accounts. New office staff is being trained to help with the duties of one person.

**MARSHALL COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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.

Finding 2015-7 – Inadequate Internal Controls and Noncompliance Over the Audit Expense Account (Repeat Finding)

Condition: For the fiscal year ended June 30, 2015, the District did not appropriate the mandatory one-tenth mill to the audit expense account. Further, balances from previous years were not properly carried forward. For the period under review, the District audit expense account was under-budgeted a total of \$15,750.19.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 19 O.S. § 1706.1.

Effect of Condition: This condition resulted in noncompliance with state 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, Chairman of the Board: We will try to figure this closer in the coming years.

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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