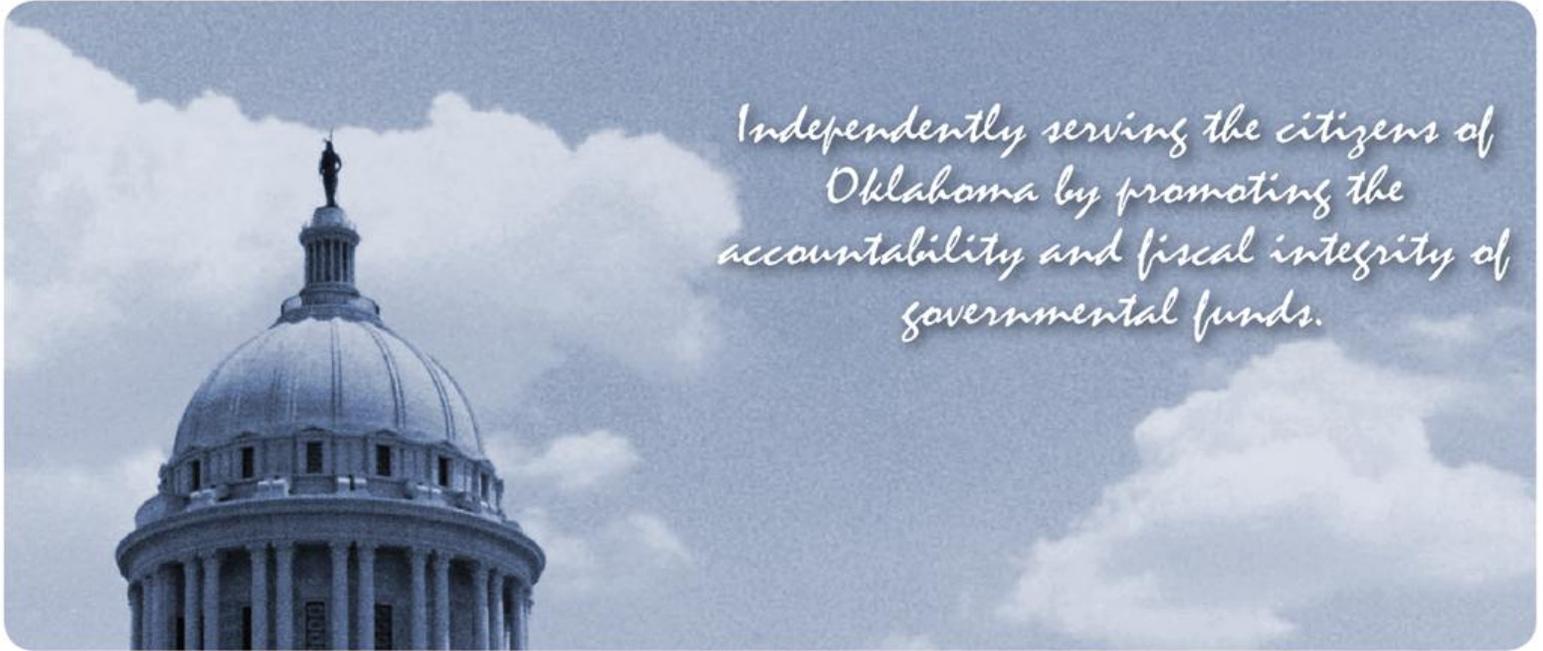


STATUTORY REPORT

MCCURTAIN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2015



*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

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

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

November 15, 2016

**TO THE BOARD OF DIRECTORS OF THE
McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**

Transmitted herewith is the audit report of McCurtain County Emergency Medical Service Authority 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".

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

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Presentation of Collections, Disbursements, and Cash Balances of Authority Funds for FY 2015

	FY 2015
Beginning Cash Balance, July 1	\$ 2,804,033
Collections	
Ad Valorem Tax	536,889
Charges for Services	1,472,835
Miscellaneous	10,034
Investment Interest	2,478
Total Collections	2,022,236
Disbursements	
Personal Services	1,312,205
Travel	2,203
Maintenance and Operations	345,445
Capital Outlay	38,800
Audit Expense	2,216
Total Disbursements	1,700,869
Ending Cash Balance, June 30	\$ 3,125,400

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



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McCurtain County Emergency Medical Service Authority
827 East Lincoln Road
Idabel, Oklahoma 74745

TO THE BOARD OF DIRECTORS OF THE McCURTAIN EMERGENCY MEDICAL SERVICE AUTHORITY

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 Authority'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 Authority is the representation of the McCurtain County Emergency Medical Service Authority.

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 McCurtain County Emergency Medical Service Authority.

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 McCurtain County Emergency Medical Service Authority. 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

May 5, 2016

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-1 – Inadequate Internal Controls Over the Collections Process (Repeat Finding)

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of McCurtain County Emergency Medical Service Authority (the Authority), it was noted that the following duties were not properly segregated:

- One employee processes mailed-in payments, issues all receipts, and prepares deposits.
- There was no evidence documented to verify bank reconciliations are reviewed and approved by someone other than the preparer.

While performing testwork regarding the receipting process, the following was noted:

- Monies received were not deposited daily.
- Receipts were not issued in sequential order.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the receipting process, to ensure funds received are deposited on a daily basis, and to ensure receipts are issued in sequential order. Additionally, policies and procedures have not been designed and implemented to ensure all bank accounts are reconciled and approved 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. Further, issuing receipts out of sequence and not depositing funds in a timely manner could result in incomplete deposits and an increased risk of fraud.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends management be aware of these conditions and realize that a 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.

Additionally, OSAI recommends the Authority ensure all receipts are issued in sequential order, deposits are made in a timely manner and the bank reconciliations be reviewed by someone other than the preparer and evidence of review documented with initials and date.

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Management Response:

McCurtain County Emergency Medical Service Authority Board: OSAI staff reviewed this finding with the Director and Assistant Director. A sample designation of duties schedule was provided and the office staff was made aware of their assigned duties to ensure proper control over receipts. Account reconciliations were being reviewed by the Director however; there was no documentation of such, which has been corrected beginning in April 2016.

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, depositing cash and checks, and reconciliations should be segregated. In addition, a component of effective internal control system is to provide accurate and reliable information through receipts to ensure they are issued in sequential order and deposits are made in a timely manner.

Finding 2015-3 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: While gaining an understanding of the disbursement process, the following exceptions were noted:

- The Director approves all purchase orders for payment.
- Checks for *recurring bills* were signed by the Director and the Deputy Director and issued prior to receiving Board approval.
- Fuel expenditures were not made in accordance with bidding requirements.
- The Authority was utilizing one credit card that allows the incurrence of debt.
- Meals and lodging were charged to a credit card, in conflict with the Authority's policies that state meals and lodging are to be reimbursed to the employee when the employee is traveling for work purposes.

While performing testwork regarding the disbursement process, we tested twenty-five (25) expenditures and noted the following:

- One (1) disbursement for a GMC pickup did not have evidence of a receiving signature for verification of accuracy of the invoice.
- Board members approved the payment register at monthly Board meetings; however, the payment register was not maintained with the minutes, nor did the minutes did not specify the purchase orders and check numbers that were approved by the Board.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the disbursement process, and to ensure all claims are properly approved by the Board in the monthly meetings. Also, policies and procedures have not been designed and implemented to ensure disbursements are incurred only for the lawful operation of the Authority, including the incurrence of debt

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through credit cards, which is not permitted per state statute. Additionally, policies and procedures have not been designed and implemented to ensure that disbursements in excess of \$15,000 are competitively bid in compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with state statute and could result in inaccurate records, incomplete information or misappropriation of assets. 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 Authority implement a system of internal controls to ensure that all disbursements are segregated and disbursements have proper Board approval, and are for the lawful operation of the Authority. Regarding fuel purchases, OSAI recommends the Authority consider using the state contract to obtain fuel cards and discontinue using their credit card that incurs debt.

Management Response:

McCurtain County Emergency Medical Service Authority Board: The EMS Board is aware of the Director and Deputy Director signing and paying recurring bills each month. This is done to prevent the accrual of late fees due to the fact the EMS Board meets once per month. They are also aware of the Director signing the purchase orders for the same reason. The purchases are all given to and reviewed by the Board prior to each monthly meeting at which they are approved or disapproved. The credit card which is in question has never been utilized to incur debt. It is paid off each month and no balance is carried over. An alternate card that is compliant is now being utilized to make purchases at this establishment. OSAI staff gave the Director information about the ComData card which is being looked into for fuel purchases. The policy handbook will be reviewed and updated concerning meals and lodging to ensure compliance. The Board will document the approval of all purchases on the registers to ensure compliance with OSAI recommendation.

Auditor Response: OSAI recommends the Board design and implement policy and procedures providing guidelines for the Director and Deputy to follow with regard to issuing payments for recurring monthly bills prior to the Board approving those disbursements.

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. Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. Key factors in this system are having proper approval of all purchases, ensuring expenditures are only incurred in accordance with state statute, and ensuring the proper approval of the Board for the operation of the Authority.

Title 19 O.S. § 1723 requires that the District follow county purchasing procedures for competitively bidding fuel as outlined in Title 19 O.S. § 1501(A)(3)(g).

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Further, 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.”

Finding 2015-4 – Inadequate Internal Controls Over the Payroll Process including Leave Balances (Repeat Finding)

Condition: Based upon Authority inquiry and observation, and a review of twenty-three (23) payroll documents, the following exceptions were noted:

Payroll:

- One (1) employee was paid before the payroll date in violation of the Authority policy, due to termination.

Vacation Leave:

- One (1) employee carried forward forty (40) hours of vacation leave which is in violation of policy.
- One (1) employee’s vacation leave was understated by sixty-eight (68) hours of vacation leave.

Sick Leave:

- Sick Leave accrual for five (5) employees tested had a variance between the amount calculated and the amount reported, as follows:
 - One (1) employee’s sick leave was understated by nine (9) hours of sick leave.
 - One (1) employee’s sick leave was understated by thirteen (13) hours of sick leave.
 - One (1) employee’s sick leave was understated by twenty-four (24) hours of sick leave.
 - One (1) employee accrued twenty-eight (28) hours of sick leave before the 90 day probationary period was completed.

Vacation and Sick Leave:

- Vacation and sick leave balances were not verified for accuracy or approved by employees and management.
- One (1) employee should have accrued forty-eight (48) hours of sick leave and thirty-two (32) hours of vacation leave; however, records did not indicate leave had been accrued.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the payroll and leave ledger depicts the beginning balance, ending balance, and any accrued or used amounts for all employees. Additionally, policies and procedures have not been designed and implemented to

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ensure that the payroll and leave ledger is reviewed for accuracy and to ensure timesheets are submitted, accurate, and independently verified.

Effect of Condition: These conditions resulted in inaccurate recordkeeping and incorrect accrual of leave benefits.

Recommendation: OSAI recommends the Authority ensure that the payroll and leave ledger depicts the beginning balance, ending balance, and any accrued or used leave amounts for all employees. We also recommend that the leave ledger be verified to timesheets and reviewed for accuracy. OSAI recommends the Authority follow the policies and procedures implemented by the Authority for payroll and leave balances.

Management Response:

McCurtain County Emergency Medical Service Authority Board: Leave balances are currently being reviewed by the employees each month and documented. The employee that was paid early was a terminated employee that was paid upon her departure and approved by the Executive Director. The employee that carried over forty (40) hours of leave was a part of administration. It was approved that administrative personnel could carry over forty (40) hours; however it was left out of the policy manual. This will be corrected. The sixty-eight hour variance, once again was a terminated employee that had been de-activated in the system. This has been corrected. The five (5) sick leave balances in question are for employees that no longer work for the EMS. Leave balances are kept on computer software. After leaving their positions, each of these employees were placed in inactive status. Upon OSAI request for these leave balances, they were re-activated which caused the leave balances to not show the appropriate amount (all current full-time employees leave balances were correct). Terminated employees will not be deactivated in the future to keep this from happening again. The employee that did not accrue the forty-eight (48) hours sick leave and thirty-two (32) hours vacation leave shows to be an input error. The regular audits of this account will ensure accuracy of input hours.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting. An important aspect of internal controls is 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 2015-5 – Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)

Condition: Based on inquiry, observation, and review of the of the Authority's fixed assets inventory records, the following weaknesses were noted:

- An annual physical verification of fixed assets inventory was not adequately documented by the employee that verified the inventory items.
- Some inventory items had not been included on the inventory listing.

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

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

Recommendation: OSAI recommends that policies and procedures be designed and implemented to ensure inventory is updated on an ongoing basis. Furthermore, OSAI recommends an annual physical inventory verification by someone other than the individual maintaining inventory.

Management Response:

McCurtain County Emergency Medical Service Authority Board: A one-time physical count was not documented or performed according to the standards set forth and recommended by OSAI. This has been rectified and an annual count will be taken and documented according to OSAI recommendations.

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.



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