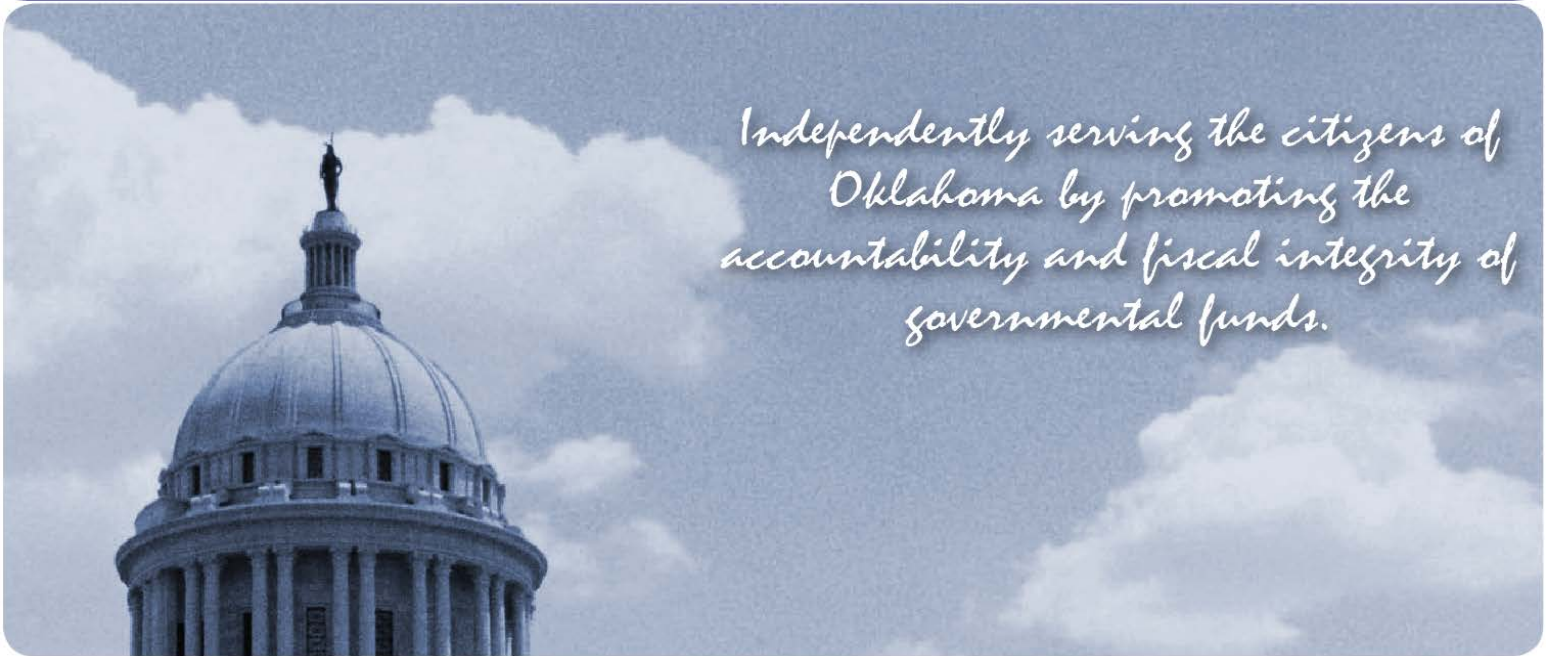


STATUTORY REPORT

# MCCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY

For the fiscal year ended June 30, 2016



*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, 2016**

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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](http://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

June 30, 2017

**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, 2016.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long, sweeping tail on the letter "s".

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

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Presentation of Collections, Disbursements, and Cash Balances of Authority Funds for FY 2016.**

	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ 3,125,400
Collections	
Ad Valorem Tax	573,055
Charges for Services	1,464,638
Miscellaneous	5,007
Total Collections	<u>2,042,700</u>
Disbursements	
Personal Services	1,222,535
Travel	2,045
Maintenance and Operations	306,568
Capital Outlay	196,874
Audit Expense	9,635
Total Disbursements	<u>1,737,657</u>
Ending Cash Balance, June 30	<u>\$ 3,430,443</u>

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



# Oklahoma State Auditor & Inspector

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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 COUNTY 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 2016 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 Authority 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 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 11, 2017

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-1 – Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account**

**Condition:** Upon inquiry and observation of the budgeting process, it was determined that internal controls have not been designed or implemented to ensure the amount required by statute is correctly budgeted for the audit expense budget account.

It was further noted that McCurtain County Emergency Medical Service Authority (the Authority) has not carried forward the balance into the audit expense budget account each fiscal year. As a result, the Authority's balance in the audit expense budget account as of June 30, 2016 was \$35,000.00. However, the correct balance should have been \$67,464.23, leaving the account underfunded by \$32,464.23.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the audit expense budget account is accurately budgeted in accordance with statutory requirements.

**Effect of Condition:** This condition resulted in noncompliance with state statute and the audit expense budget account being underfunded.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the Authority implement a system of internal controls to provide reasonable assurance that one-tenth mill upon the net total assessed valuation be set aside in the audit expense budget account and that any unused portion be carried forward into the next year's audit account in accordance with 19 O.S. § 1706.1.

**Management Response:**

**Chairman of the Board:** The Board approved \$55,000.00 Auditor's Expense Budget; however, an error occurred when the final budget amount was put in and was left unchanged. The 2018 Auditor's Expense Budget will be approved by the OSAI staff before submitting to the Board for final approval.

**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. § 1706.1 states in part, "The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit ....."

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**Finding 2016-2 – Inadequate Internal Controls Over Collections Process (Repeat Finding)**

**Condition:** Based upon inquiry of staff, observation of receipts and deposits, and the test of ten (10) deposits totaling eighty-six (86) receipts, we noted the following weakness:

- In sixteen (16) instances, funds received were not deposited daily.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure funds received are deposited on a daily basis.

**Effect of Condition:** This condition 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 ensure all deposits are made in a timely manner.

**Management Response:**

**Chairman of the Board:** The staff will continue monitoring and making deposits in a timely manner as per your recommendation above.

**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. In addition, a component of effective internal control system is to provide accurate and reliable information through receipts to ensure deposits are made in a timely manner.

**Finding 2016-3 – Inadequate Internal Controls Over Billing Process**

**Condition:** Based upon inquiry of staff and observation over the billing process, and test of forty (40) ambulance runs, we noted the following weaknesses:

- Twenty-two (22) of the forty (40) ambulance runs were not billed or collected in a timely manner.
- We noted that the billing rates had changed for the Authority; however, they were not properly changed in the billing system.

The following are results from the test of forty (40) ambulance runs:

- Sixteen (16) runs were undercharged or overcharged due to the incorrect mileage and billing rates used.
  - Nine (9) were undercharged due to the incorrect mileage rate of \$11.00 instead of \$11.20.
  - Seven (7) were undercharged due to the incorrect mileage rate of \$11.20 instead of \$11.85 and overcharged due to the incorrect base rates.



**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that all runs are billed accurately.

**Effect of Condition:** These conditions resulted in inaccurate billing, and could result in the Authority missing the opportunity to receive additional billing revenue.

**Recommendation:** OSAI recommends the Authority implement recordkeeping policies and procedures to ensure all runs are billed accurately.

**Management Response:**

**Chairman:** Rates are adjusted each April when the Centers for Medicare and Medicaid Services (CMS) releases its fee schedule for that year. The Director reviews the rates and sets rates at around 8% above the CMS rates. These rates are then updated in the billing program. Policy has been implemented to assure each of these rates are updated immediately and reviewed by the Deputy Director and signed off by the Executive Director.

**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 the regard to reliability of financial reporting. A component objective of an effective internal control system is to ensure the Authority bills all runs accurately.

**Finding 2016-4 – 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 District did not have policies and procedures in place to allow the following practices:

- 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 test of forty (40) disbursements reflected the following exceptions:

- One (1) disbursement was made to a company; however, the check was issued to an Authority employee, who owns the company. This payment should have been included as additional compensation on the employee's W-2.
- Three (3) disbursements did not have evidence of receiving signature/verification of accuracy of the invoice or signed receiving report.
- Two (2) disbursements for flowers for a funeral may not be appropriate/legal disbursements for the Authority without Board policy.

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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- One (1) disbursement did not have the claim or supporting documentation attached. Therefore, there was no evidence of receiving signature, no Board approval on the claim, and we could not determine if the disbursement was appropriate/legal expenditure for the Authority.
- Board members approved the payment register at monthly Board meetings; however, the payment register was not maintained with the minutes, nor did the minutes specify the purchase orders and check numbers that were approved by the Board.

Additionally, while reviewing credit card disbursements, it was noted that the Authority paid for a meal for the Director and guest at a local restaurant without having statutory authority or Board policy regarding such expenditures.

**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. Additionally, policies and procedures have not been designed and implemented to ensure that disbursements for fuel in excess of \$15,000 are competitively bid in compliance with state statute.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, execution of transactions, lack of evidence of verification of receiving goods and or services, lack of Board approval, and disbursements made for unauthorized purposes could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Additionally, these conditions resulted in noncompliance with state statute without having statutory authority for such expenditures.

**Recommendation:** OSAI recommends the Authority implement a system of internal controls to ensure that all disbursements are segregated and disbursements have evidence of receiving goods and or services and 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 to satisfy the requirement of bidding fuel.

**Management Response:**

**Chairman of the Board:** There will be no purchases directly to employees in the future. Receiving reports and invoices will be signed. No purchases for flowers for Authority employees or family members will be made. Supporting documentation is to be affixed to each check. Purchase order reports are to be approved along with beginning and ending purchase order number and check register with beginning and ending number are to be approved and will be reflected in the minutes. Although the Board approves public relations expenses for the Director, upon recommendation, this practice will cease. The Board will consider the use of a fuel card that is approved by state contract.

**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

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

---

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).

Title 19 O.S. § 1501 (A)(3)(g) states in part,

A. The county purchasing agent:

3. Shall make purchases and rental or lease purchase agreements only after following the bidding procedures as provided for by law, except:

g. purchases of fuel if the county purchasing agent obtains telephone quotes from at least three vendors prior to the purchase and the lowest and best quote is selected. Documentation of these quotes shall be recorded in the permanent records of the clerk.

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 2016-5 – Inadequate Internal Controls and Noncompliance Over the Competitive Bidding Process**

**Condition:** Based upon inquiry and observation of the competitive bidding process for the Authority, the following exceptions were noted. Such a preference could exclude certain vendors from having the opportunity to bid.

- An invitation to bid published in the local newspaper on April 10, 2016 and April 12, 2016 stated preference as to brand and model.

The description stated as follows:

“One (1) new (2015-2017) Type II One ton chassis (350) preferably *Ford Transit Ambulance package including Ferno Powerflex cot and mounting system.*”

“One (1) new remount/refurbish Type I ambulance. Ambulance chassis shall be a new 2015-2017 *General Motors (Chevrolet or GMC) C3500 HD Duramax/Allison package.*”

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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- The bid awarded for the remount/refurbish Type I ambulance was \$69,800; however, payment made to the vendor was for \$87,450.
  - Proper supporting documentation was not attached to the claim for payments made above the awarded bid amount.

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

**Effect of Condition:** These conditions resulted in noncompliance with the state statutes 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 the state statute and include proper documentation of the payments made to the vendor.

Further, OSAI recommends the Authority 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 competitively bid.

**Management Response:**

**Chairman of the Board:** Bid requests will be more generic in nature as to not exclude any vendors from being able to bid and proper documentation will be maintained.

**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 requires EMS Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1501 and 1505, which requires all purchases in excess of \$15,000 be competitively bid.

**Finding 2016-6 – Inadequate Internal Controls Over the Payroll Process including Leave Balances (Repeat Finding)**

**Condition:** Based upon Authority inquiry and observation, and review of twenty-five (25) payroll documents, the following weaknesses were noted:

**Payroll:**

- Personnel files were reviewed for documentation of withholdings. Documentation for the following withholdings could not be located in the personnel files:
  - Thirteen (13) Oklahoma Public Employee Retirements System (OPERS) withholdings forms,
  - Two (2) insurance withholdings forms,

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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- Three (3) special additional insurance withholdings forms,
- One (1) legal withholdings form,
- Two (2) additional insurance policy withholdings forms, and
- One (1) W-4.

**Sick Leave:**

- One employee accrued twenty-eight (28) hours of sick leave; however, according to the policy the employee should have accrued forty (40) hours of sick leave.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure personnel files are permanently maintained with documentation of withholdings. Additionally, policies and procedures have not been designed and implemented to ensure that leave is accrued according to the Authority's policies.

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

**Recommendation:** OSAI recommends the Authority ensure that the employee personnel files are permanently maintained with documentation of withholdings. Additionally, OSAI recommends the Authority follow the policies and procedures implemented by the Authority for leave balances.

**Management Response:**

**Chairman:** The staff has begun updating all pertinent records and documentation for all withholdings from personnel. The Deputy Director has corrected the one mistake made on sick leave balances.

**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 2016-7 – Inadequate Internal Controls and Noncompliance Over Consumable Inventory of Fuel**

**Condition:** Based on inquiry, observation, and review of the Authority's consumable inventory records for fuel usage, the following weaknesses were noted:

- The Authority utilizes a 500 gallon tank of diesel and gasoline owned by a local vendor. The Authority purchases all fuel from the local vendor. The fuel is not bid. The Authority stated all fuel purchases have to be made with the local vendor due to them owning the tanks. However, there is not a contract or lease agreement between the Authority and the vendor.

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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- There is a fuel log that is maintained for diesel and gasoline; however, it is not reconcilable to documented usage. The log tracks fuel usage, with diesel and gasoline tracked on the same log.
- The meters on the pumps are non-functioning.

**Condition:** Policies and procedures have not been designed and implemented to ensure the Authority purchase fuel in accordance with state statute. Additionally, policies and procedures have not been designed and implemented for the accurate reporting of consumable inventories.

**Cause of Condition:** These conditions resulted in noncompliance with state statute. Also, these conditions could result in inaccurate records, unauthorized use of consumable inventories, or loss of consumable inventories.

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

**Recommendation:** OSAI recommends the Authority obtain a contract or lease agreement for the usage of the fuel tank. Additionally, OSAI recommends that the Authority follow Title 19 O.S. § 1723 which requires that the District follow county purchasing procedures for competitively bidding fuel as outlined in Title 19 O.S. § 1501(A)(3)(g). Also, OSAI recommends that the authority reconcile and track fuel usage.

**Management Response:**

**Chairman:** The Authority will follow OSAI recommendation and obtain contract/agreement for tank and pump usage and will competitively bid the purchase of bulk fuel along with reconciliation and tracking of fuel usage.

**Criteria:** Effective internal controls include designing and implementing procedures to ensure that all supplies, materials, and equipment received, disbursed, stored and consumed by the District be tracked and documented to provide safeguards over these assets, and that the District enter into a formal agreement with the vendor that provides the tanks.

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).

Title 19 O.S. § 1501 (A)(3)(g) states,

A. The county purchasing agent:

3. Shall make purchases and rental or lease-purchase agreements only after following the bidding procedures as provided for by law, except:

“g. Purchases of fuel if the county purchasing agent obtains telephone quotes from at least three vendors prior to the purchase and the lowest and best quote is selected.

Documentation of these quotes shall be recorded in the permanent records of the clerk.”

In lieu of obtaining these quotes, the District may determine that the state contract for fuel cards could be utilized.



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