



MCCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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October 28, 2019

**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, 2018.

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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
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FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Presentation of Collections, Disbursements, and Cash Balances of Authority Funds for FY 2018

	<u>FY 2018</u>
Beginning Cash Balance, July 1	\$ 3,358,825
Collections	
Ad Valorem Tax	680,970
Charges for Services	1,344,463
Miscellaneous	33,664
Total Collections	<u>2,059,097</u>
Disbursements	
Personal Services	1,562,913
Travel	689
Maintenance and Operations	402,566
Capital Outlay	454,918
Audit Expense	22,361
Total Disbursements	<u>2,443,447</u>
Ending Cash Balance, June 30	<u>\$ 2,974,475</u>

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

McCurtain County Emergency Medical Service Authority
827 E. 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 charges for services were billed and collected in accordance with Authority 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 ended June 30, 2018 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 Authority's collections, disbursements, and cash balances for the fiscal year ended June 30, 2018 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.



CINDY BYRD CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

September 19, 2019

**McCURTAIN COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-001 – Internal Controls Over the Collections Process (Repeat Finding)

Condition: Upon inquiry of the McCurtain County Emergency Medical Service Authority (the Authority) staff concerning the collection process, the following duties are not properly segregated:

- The receptionist opened the mail and processed all payments, issued handwritten receipts, and prepared deposits.

Additionally, the following weaknesses were noted:

- Bank reconciliations were not signed and dated by the preparer.
- Bank reconciliations lacked evidence of review and approval by someone other than the preparer.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the collections process. Additionally, policies and procedures have not been designed and implemented to ensure evidence of the preparer's signature and date, and review and approval of bank reconciliations are documented.

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, this condition could result in the Authority having inaccurate records, incomplete information, and/or the loss of revenue.

Recommendation: The Oklahoma State Auditor & Inspector's Office (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.

Additionally, OSAI recommends bank reconciliations be signed and dated by the preparer, and reviewed and approved by someone other than the preparer.

Management Response:

Chairman of the Board: Policies and procedures will be put in place for segregation of duties and adhered to. Policies and procedures will be put in place for signatures of bank reconciliations by the preparer and reviewed by the Director and/or Board member.

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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.

10.03 states in part, 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.

Additionally, 10.03 states in part, management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Finding 2018-002 – Internal Controls Over Billing Process

Condition: Upon inquiry of Authority staff, observation of records, and the test of forty-one (41) ambulance runs, the following weaknesses were noted:

- In nine (9) instances the fee charged did not agree to the ambulance run type of service reported.
- In three (3) instances the total miles charged did not agree to the loaded miles in the ambulance run service reports.
- In one (1) instance a receipt in the amount of \$368.89 was not issued for payment; however, the payment on the patient account was traced to the bank statement.
- In one (1) instance a patient account with an outstanding balance of \$125.24 was written-off without Board approval.
- In one (1) instance an ambulance service run was not properly billed due to lack of documentation of the ambulance service run being submitted to the Billing Clerk.

Cause of Condition: Policies and procedures have not been designed and completely implemented to ensure that all ambulance run services provided are billed accurately in accordance with Authority policies, and to ensure the Board approves all uncollectable accounts to be written off as uncollectable.

Effect of Condition: These conditions resulted in inaccurate billing and could result in misappropriation of funds not being detected in a timely manner and the Authority missing the opportunity to receive additional billing revenue.

Recommendation: OSAI recommends the Authority implement billing policies and procedures to ensure all ambulance run services provided are billed accurately. Additionally, delinquent accounts should be reviewed by the Board to determine additional action to initiate account settlement, including second billing and/or write-off of uncollectable accounts.

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Management Response:

Chairman of the Board: Policies and procedures are being put into place to address billing procedures and accurate billing. The Board will also adopt polices for reviewing accounts for second billing and writing off old account balances.

Criteria: The GAO Standards states, 10.03 management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made, and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

Finding 2018-003 – Internal Controls and Noncompliance Over the Disbursement Process

Condition: Upon inquiry of Authority staff, observation of records, and a test of forty (40) disbursements the following weaknesses were noted:

- In two (2) instances evidence of a receiving signature for goods and/or services or verification of accuracy of the invoice was not documented.
- In two (2) instances the Authority paid sales tax on purchases totaling \$244.07.

Additionally, a test of fourteen (14) credit card payments reflected the following weakness:

- In three (3) instances the Authority paid finance charges totaling \$78.96, due to late payment of invoices.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure verification of receipt of goods and/or services, adherence to state statute regarding the exemption of sales tax and timely payment of invoices.

Effect of Condition: These conditions resulted in noncompliance regarding the exemption of sales tax on purchases and 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 design and implement policies and procedures to ensure verification of receipt of goods and/or services. Additionally, OSAI recommends the Authority adhere to state statute regarding the exemption of sales tax, and invoices are paid timely to avoid the payment of late fees in accordance with 68 O.S. § 1356 (1).

Management Response:

Chairman of the Board: The Board will design and implement policies and procedures to ensure verification of receipt of goods and/or services and current payment of credit card balances. Management will be more aware of any taxation of goods and ensure the exemption of such.

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Criteria: The GAO Standards states, OV2.23 management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements. Some entities may set objectives to a higher level of performance than established by laws and regulations.

Additionally, 10.03 states in part, management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Furthermore, 10.03 states in part, 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.

Title 68 O.S. § 1356 (1) states, “There are hereby specifically exempted from the tax levied by Section 1350 et seq. of this title:

1. Sale of tangible personal property or services to the United States government or to the State of Oklahoma, any political subdivision of this state or any agency of a political subdivision of this state; provided, all sales to contractors in connection with the performance of any contract with the United States government, State of Oklahoma or any of its political subdivisions shall not be exempted from the tax levied by Section 1350 et seq. of this title, except as hereinafter provided.”

Finding 2018-005 – Internal Controls Over Consumable Inventories of Fuel Usage and Fixed Assets (Repeat Finding)

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

- The Authority maintains a fuel log for diesel and gasoline; however, the fuel log is not reconciled to fuel on hand.

The physical verification of twelve (12) ambulances reflected the following exceptions regarding vehicle identification numbers :

- Three (3) vehicle identification numbers on the inventory list did not agree to the vehicle identification numbers on the ambulances.
- Three (3) vehicle identification numbers on the Authority’s insurance policy did not agree to the vehicle identification numbers on the ambulances.

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The physical verification of sixteen (16) randomly selected fixed assets inventory items reflected the following exceptions:

- Four (4) items could not be located on the inventory list.
 - Ferno gurney serial number 18N207364
 - Item number 3404 - Konica printer, serial number A3EPWY1127958
 - Item number 444 - Sharp television, serial number 43M171474H13364
 - Item number 357 - Kenmore refrigerator, serial number BA41702690

Cause of Condition: Policies and procedures have not been designed and implemented for the accurate reporting of consumable fuel usage and verification of fixed assets inventory.

Effect of Condition: These conditions resulted in errors and could result in improprieties, unrecorded transactions, misappropriation of assets, or loss of Authority equipment and fuel.

Recommendation: OSAI recommends that the Authority design and implement policies and procedures to reconcile diesel and gasoline fuel usage to the actual fuel on hand. Also, OSAI recommends that the Authority ensure fixed assets identification numbers are accurately recorded on the fixed assets inventory list and insurance policy. Further, OSAI recommends that the Authority Board establish a policy and procedure to ensure those fixed assets are included on the inventory list.

Management Response:

Chairman of the Board: Management has designed and implemented internal controls to reconcile fuel usage to actual fuel on hand. The Board will implement policies for accurate fixed assets identification and insurance records and physical verification of the fixed assets inventory list. Furthermore, the Board will institute a dollar amount for inclusion of fixed assets.

Criteria: The GAO Standards states , OV2.24 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.

Additionally, 10.03 states in part, Management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made, and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

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