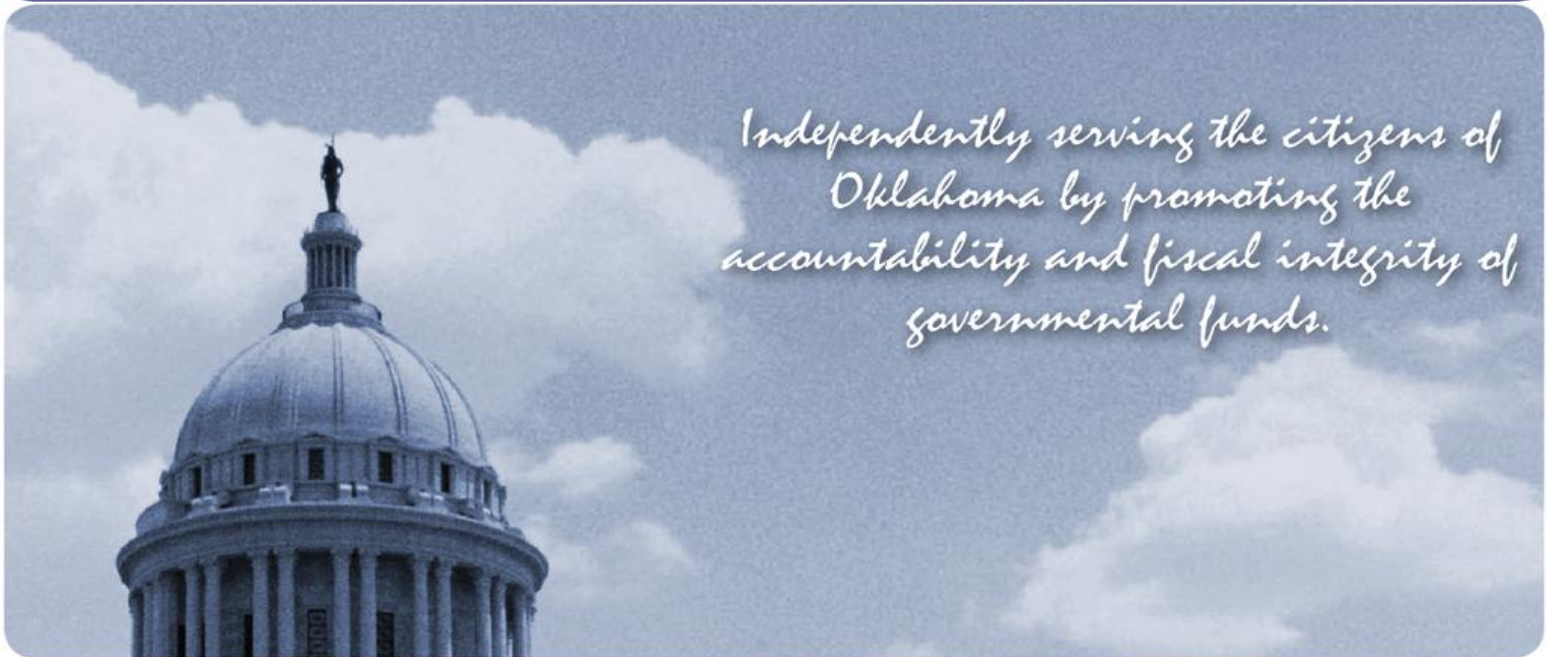


STATUTORY REPORT

# MCCURTAIN EMERGENCY MEDICAL SERVICE AUTHORITY

For the fiscal year ended June 30, 2014



*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 EMERGENCY MEDICAL SERVICE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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

March 23, 2016

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

Transmitted herewith is the audit report of McCurtain Emergency Medical Service Authority for the fiscal year ended June 30, 2014.

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, appearing to read "Say a Jones".

OKLAHOMA STATE AUDITOR & INSPECTOR

**McCURTAIN EMERGENCY MEDICAL SERVICE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR JUNE 30, 2014**

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**Presentation of Collections, Disbursements, and Cash Balances of Authority Funds for FY 2014**

	<b>FY 2014</b>
Beginning Cash Balance, July 1	\$ 949,227 *
Collections	
Ad Valorem Tax	518,511
Charges for Services	1,511,142
Miscellaneous	16,466
Total Collections	2,046,119
Disbursements	
Personal Services	1,326,626.00
Travel	2,086.00
Maintenance and Operations	358,128.00
Capital Outlay	85,795.00
Reimbursed Expenditures	3,063.00
Audit Expense	5,635.00
Certificate of Deposit - Investment	450,000.00
Total Disbursements	2,231,333
Ending Cash Balance, June 30	\$ 764,013 *

\* The beginning and ending balances above do not reflect the investment balances held due to the District's investment balances not being included in the Estimate of Needs. Investment balances at July 1, 2013 in the amount of \$1,588,046 were not included. Investment balances at June 30, 2014 in the amount of \$2,040,020 were not included. See Finding 8: Estimate of Needs on page 8 for details.

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



# Oklahoma State Auditor & Inspector

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McCurtain 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 District's collections, disbursements, and cash balances for FY 2014 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the McCurtain 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 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, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

March 21, 2016

**McCURTAIN EMERGENCY MEDICAL SERVICE AUTHORITY  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2014-1 – Inadequate Segregation of Duties and Internal Controls Over Collections**

**Condition:** While gaining an understanding of the receipting, depositing, and reconciling functions of the Authority, the following was noted:

- One employee processes mail in payments, issues all receipts, and prepares deposits.
- Deposits were not made in a timely manner.
- Bank reconciliations lack evidence to document they are reviewed and approved by someone other than the preparer.

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

- Monies receipted were held up to two weeks before being deposited.
- One receipt was issued out of sequential order.
- One receipt for cash was not properly included in the deposit. This was held and deposited at a later date.

**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 and deposits are prepared accurately. 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.

**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.

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.

**McCURTAIN EMERGENCY MEDICAL SERVICE AUTHORITY  
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**Management Response:**

**Chairman of the Board:** A policy will be put in place to try to better segregate duties as suggested with the personnel we have available. Deposits are being made in a more timely manner due to a branch bank opening in Idabel during December 2015. The Executive Director will begin approval of bank reconciliations.

**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.

**Finding 2014-2 – Inadequate Segregation of Duties and Internal Controls Over Disbursements**

**Condition:** While gaining an understanding of the disbursement process of the Authority, the following was noted:

- The Director approves all purchase orders for payment.
- The Director and the Deputy Director signs and issues checks for reoccurring bills prior to receiving Board approval.
- Fuel expenditures were not made in accordance with bidding requirements.

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

- One (1) did not have supporting documentation attached to claim.
- Nineteen (19) did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.

**Cause of Condition:** Policies and procedures have not been designed to ensure all claims are filed with sufficient supporting documentation for recordkeeping and audit related needs. Additionally, policies and procedures have not been designed and implemented to ensure that expenditures in excess of \$10,000, and \$15,000 after May 6, 2014 are competitively bid in compliance with Title 19 O.S. § 1723 and Title 19 O.S. § 1501(A)(3)(g).

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

**Recommendation:** OSAI recommends the Authority implement a system of internal controls to ensure that all expenditures have proper supporting documentation, 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.



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**Management Response:**

**Chairman of the Board:** The Board has approved the Director to sign purchase orders and the Assistant Director to sign recurring checks due to the Board meeting only once per month and it causes payments to be late and incur late fees. The Board is given a list of all checks prior to the meeting for them to review and approve each month. Wright Express fuel card is being utilized which tracks all fuel purchases by driver, logs mileage and deducts all taxes automatically which saves the Authority thousands of dollars each year. We will look into the card currently approved on the State Contract.

**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. Key factors in this system are having supporting documentation maintained for record keeping and audit needs, ensuring expenditures are only incurred in accordance with state statute, and ensuring the proper approval of the Board for the operation of the Authority.

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

**Finding 2014-3 – Inadequate Internal Controls Over Payroll Process**

**Condition:** While gaining an understanding of the payroll process functions of the Authority, the following was noted:

- Authority policies regarding the compensation of the Director and Deputy Director are not documented.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that compensation agreements are documented.

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

**Recommendation:** OSAI recommends the Authority develop written policies and ensure all compensation comply with Internal Revenue Service and the Oklahoma Tax Commission regulations regarding withholdings.

**Management Response:**

**Chairman of the Board:** Vacation leave for administration has already been added to the EMS Administrative/Personnel Handbook as of May 2015. All other benefits for administration will be added to the EMS Administrative/Personnel Handbook and will be approved at the next regular meeting in April 2016.

**McCURTAIN EMERGENCY MEDICAL SERVICE AUTHORITY  
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**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. Key factors in this system are having supporting documentation maintained for record keeping and audit needs, ensuring payroll expenditures are only incurred in accordance with state statute, with the proper approval of the Board.

**Finding 2014-4 – Inadequate Internal Controls Over Inventories**

**Condition:** Based on inquiry, observation, and review of the of the Authority inventory records, the following was noted:

- An annual physical count of inventory was not adequately documented.

**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 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:**

**Chairman of the Board:** Inventory (fixed assets) is maintained on an electronic assets program that is updated as the assets are acquired. Inventory of these assets is taken, however, a better documentation of such inventory has begun to be kept and available beginning July 2015.

**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.

**Finding 8 - Estimate of Needs (Repeat Finding)**

**Condition:** While reviewing the Authority's accounting records and comparing them to the Estimate of Needs (EON) for the fiscal year ended June 30, 2014, the following was noted:

- The Estimate of Needs does not accurately reflect the cash balances held by the Authority.
  - Investments held at July 1, 2013 totaling \$1,588,046 were not included in the Authority's Estimate of Needs/Financial Statement.

**McCURTAIN EMERGENCY MEDICAL SERVICE AUTHORITY  
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- Investments held at June 30, 2014 totaling \$2,040,020 were not included in the Authority's Estimate of Needs/Financial Statement.
- The Estimate of Needs does not accurately reflect the expenditures of each fund.
  - Expenditures were overstated by \$450,000; the funds were utilized to obtain certificate of deposit.
- The Estimate of Needs does not reflect the amount appropriated for the audit budget account.
  - The Audit Budget account is underfunded by \$ 66,081.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the Estimate of Needs was prepared in accordance with 19 O.S. § 1702 and 19 O.S § 1706.1.

**Effect of Condition:** The Authority's Estimate of Needs for the period under review did not reflect the complete financial condition of the Authority. This condition resulted in a noncompliance with state statutes.

**Recommendation:** OSAI recommends the Authority ensure the Estimate of Needs is prepared in such a manner that the complete financial situation of the Authority is presented. Additionally, OSAI recommends that the Authority implement policies and procedures designed to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit budget account, and that any unused portion be carried forward into the next year audit budget account.

**Management Response:**

**Chairman of the Board:** This has been corrected on the 2016 estimate of needs and has been filed with the State Auditor.

**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 "A. ... Each budget shall provide a complete financial plan for the budget year. The budget format shall be as prescribed by the State Auditor and Inspector. The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

1. Actual revenues and expenditures for the immediate prior fiscal year;
2. Estimated actual revenues and expenditures for the current fiscal year; and
3. Estimated revenues and expenditures for the budget year."

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 ....."



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