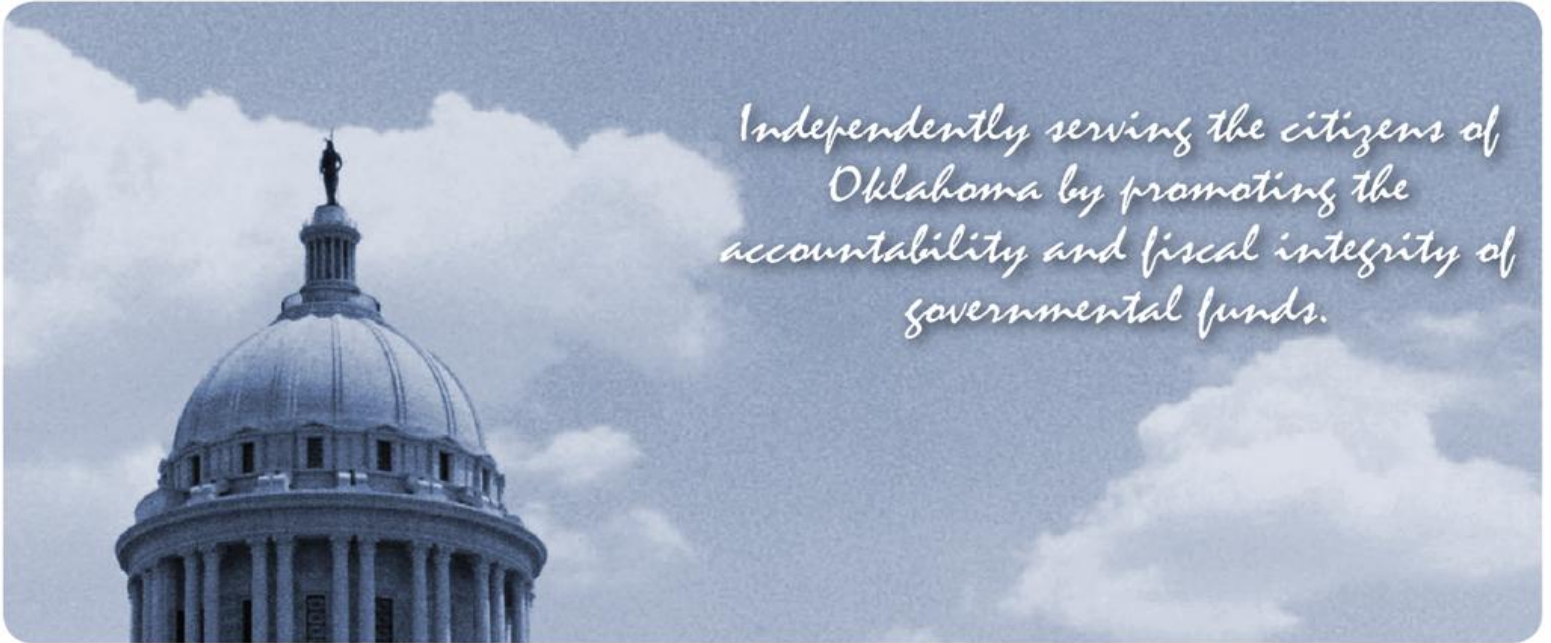


STATUTORY AUDIT

# MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2011 through 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

**MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2011 THROUGH 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

June 15, 2015

**TO THE BOARD OF DIRECTORS OF THE  
MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Murray County Emergency Medical Service District for the period July 1, 2011 through 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 that reads "Gary A. Jones".

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

**MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
 STATUTORY REPORT  
 FOR THE AUDIT PERIOD JULY 1, 2011 THROUGH JUNE 30, 2014**

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2012,  
 FY 2013 and FY 2014**

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Beginning Cash Balance, July 1	\$ 586,430	\$ 361,690	\$ 469,970
<b>Collections</b>			
Ad Valorem Tax	195,046	203,446	222,811
Charges for Services	471,476	741,675	905,335
Sales Tax	-	14,084	-
Miscellaneous	8,690	4,823	2,669
<b>Total Collections</b>	<u>\$ 675,212</u>	<u>\$ 964,028</u>	<u>\$ 1,130,815</u>
<b>Disbursements</b>			
Personal Services	582,614	571,439	575,837
Maintenance and Operations	243,459	282,439	306,661
Capital Outlay	57,152	1,870	106,240
Audit Expense	16,727	-	-
<b>Total Disbursements</b>	<u>\$ 899,952</u>	<u>\$ 855,748</u>	<u>\$ 988,738</u>
Ending Cash Balance, June 30	<u>\$ 361,690</u>	<u>\$ 469,970</u>	<u>\$ 612,047</u>

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



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Murray County Emergency Medical Service District  
P.O Box 545  
Sulphur, Oklahoma 73086

## **TO THE BOARD OF DIRECTORS OF THE MURRAY 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 2012, FY 2013 and FY 2014 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Murray County Emergency Medical District Service.

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 Murray 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 Murray 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, 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

June 15, 2015

**MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 1 – 2014 – Inadequate Internal Controls Over Receipts and Balances**

**Condition:** Based upon inquiry and observation of the receipting process, the following was noted:

- The District Office has one employee who writes the receipts, prepares the deposit, picks up the mail, prepares the mail log, opens the mail, posts to patient accounts, takes the deposit to the bank, and transmits the daily collections to the billing company.
- Generic receipts are being used by the District and no one monitors the sequence of the unused receipt books. Also, the receipt books are not used in numeric sequence.
- The District could not locate the Receipt Book for the period of October 3, 2011 through December 5, 2011.
- The District backs up the computer system weekly, however, the backups are not kept off-site in a safe and secure location such as a safe deposit box.

**Cause of Condition:** Procedures have not been designed to adequately segregate the duties regarding the revenue process.

**Effect of Condition:** A single employee having responsibility for more than one area of recording, authorization, custody of assets, and reconciliation could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the District separate the duties of receipting, depositing, and maintaining ledgers. Further, a mail log should be maintained for all collections received in the mail. The mail log should be reviewed with the deposit ticket to ensure all collections were deposited. OSAI recommends that the District use pre-printed receipt books that are in numerical sequence and that they be maintained in a safe and secure location. OSAI also recommends that bank reconciliations be maintained by the District and that documentation of an independent review maintained. 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 approval of these accounting functions.

**Management Response:**

**Director:** I am aware of this condition and I will implement compensating controls to mitigate the risks involved with a concentration of duties. I do review the receipts and deposits and in the future, I will initial and date the deposit slip to document the independent verification. We also have an outside CPA that comes in monthly and verifies/reconciles receipts and expenditures, prepares the bank reconciliation, and provides a report to the Board.

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**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

**Finding 2 – 2014 - Inadequate Internal Controls Over Billing Statements**

**Condition:** The District contracts with an outside firm to prepare and send out all the billing statements for all the District’s ambulance runs. All funds are collected by the District. Based upon inquiry and observation of the billing process, the following was noted:

The District does not obtain monthly statements from the billing company which includes amount charged, paid and balance due on an individual basis. The District only obtains monthly statements which show total amount billed, paid and total receivables. The District receives an e-mail called Patient Day Sheet monthly from the billing company that shows patient charges, receipts and patient balance – however, this statement is not accurate and outdated before they ever receive it. The software the billing company uses does not allow the District to access a patient account by name or account number.

**Cause of Condition:** The District has not designed and implemented policies and procedures to ensure that proper accounting records are maintained.

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

**Recommendation:** OSAI recommends that the District maintain monthly statements which reflect amounts billed, paid, and ending balances of individual accounts.

**Management Response:**

**Director:** This has been corrected.

**Criteria:** An 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 untimely detection of unauthorized acquisition, use, or disposition of the entity’s assets and safeguarding assets from loss, damage, or misappropriation.

**Finding 3 – 2014 – Inadequate Internal Controls Over Disbursements of District Funds and Noncompliance with State Statutes**

**Condition:** Upon inquiry of employees and observation of the District’s disbursement process, the following was noted:



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- The District has one employee who prepares the purchase order, checks the invoice for accuracy, signs the purchase order as the receiving officer, prepares the checks, mails the checks to the vendors, maintains the paid purchase orders and posts to the Check Register.
- The District uses credit cards to make purchases without statutory authority to do so. The District has a Wal-Mart Business Account with two (2) cards (for the Director and the Assistant Director) of which are in the employee's possession. The District also has three (3) MasterCards which are in the possession of the following individuals:
  - One in the possession of the Director,
  - One in the possession of the Administrative Assistant, and
  - One in the possession of the Chairman of the EMS Board.

Further, in the test of thirty disbursements, the following exceptions were noted:

- One disbursement was not supported by an original invoice.
- One disbursement included sales tax.
- Four disbursements were made where the purchase order amount did not agree to the invoice amount.
- Thirty disbursements had no evidence of a receiving officer signature or that the invoice was checked for accuracy.
- One disbursement was for food for a board meeting.

**Cause of Condition:** Procedures have not been designed with regard to the disbursement process to ensure adequate internal controls over the expenditure of funds. This includes the incurrence of debt through credit cards, which is not permitted per state statute.

**Effect of Condition:** These conditions could result in noncompliance with state statutes, and the misuse of government funds. These conditions could also result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends management suspend 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. OSAI also 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 procedures lie in management's overseeing of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that one employee is unable to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating procedures to mitigate the risks involved with a concentration of duties. Compensating procedures would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Further, accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions.

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**Management Response:**

**Director:** I am aware of this condition and I will implement compensating controls to mitigate the risks involved with a concentration of duties. I do review expenditures which includes credit card expenditures, and the general ledger. I will initial and date the reports, to document the independent verification. We also have an outside CPA that comes in monthly and verifies/reconciles receipts and expenditures, prepares the bank reconciliation, and provides a report to the Board. As far as the disbursement exceptions, all disbursements will be supported by original invoices and not copies, and the District will refrain from paying sales tax.

**Criteria:** To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

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 untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

**Finding 4 – 2014 – Disaster Recovery Plan**

**Condition:** The Murray County Emergency Medical Service District does not have a written Disaster Recovery Plan.

**Cause of Condition:** A formal, written Disaster Recovery Plan with regard to the accounting and records was not designed due to the District being unaware for the need of such a procedure.

**Effect of Condition:** The failure to have a current formal Disaster Recovery Plan could result in the District being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring the District business could continue uninterrupted.

**Recommendation:** OSAI recommends that the District develop a Disaster Recovery Plan that addresses how critical information and systems within the District would be restored in the event of a disaster. The Plan should include the following:

- Current names, addresses, contact numbers of key District personnel and their roles and responsibilities of information services functions.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user documentation.
- Alternative work locations once IT resources are available.

**Management Response:**

**Director:** The District does maintain weekly back-ups in a fireproof safe. In the future, a copy will be

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maintained off-site as well. We will also work toward developing a well established Disaster Recovery Plan to ensure the District business can continue uninterrupted in the event of a disaster.

**Criteria:** An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide a reasonable assurance regarding prevention in a District being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of the District operations to ensure that business can be continued as usual in the event of a disaster. Each District as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (CobiT, Delivery and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the District to follow in the event of a disaster.

**Finding 5 – 2014 – Lease Purchase Agreements**

**Condition:** The District entered into a lease agreement at two banks in violation of the Oklahoma Constitution, for the purchase of a 2013 Ford E-350 Type 2 AEV Ambulance in the amount of \$59,085.00 and a 2014 Ford E350 Ambulance in the amount of \$71,963.77.

**Cause of Condition:** Procedures have not been designed and implemented to ensure compliance with the state constitution.

**Effect of Condition:** This condition resulted in noncompliance with the Oklahoma Constitution and the District incurred long-term obligations without a vote of the citizens.

**Recommendation:** OSAI recommends that the District adhere to Article 10, § 9C (b) of the Oklahoma Constitution.

**Management Response:**

**Director:** The District did obtain sealed bids for the purchase of the ambulances, as well as obtained bids for the lease purchase through banks. In the future, the District will follow the prescribed procedures when acquiring emergency vehicles and other equipment.

**Criteria:** The Constitution of Oklahoma, Article 10, § 9C (b) states, - “Any district board of trustees may issue bonds, if approved by a majority vote at a special election for such purpose. All registered voters within the designated district shall have the right to vote in said election. Such bonds shall be issued for the purpose of acquiring emergency vehicles and other equipment and maintaining and housing the same.”

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**Finding 6 – 2014 – Fixed Assets**

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

- The District does not perform a visual inspection of all equipment on an annual basis.
- One (1) item listed on the inventory listing (12 Radios and 3 Telephone Handsets did not have the radios and telephone handsets listed out individually by serial number.
- Fixed Asset and Inventory items do not have Identification Tags affixed to them denoting “Property of Murray County EMS District.”

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure inventory is being properly accounted for, maintained, and updated regularly by the District.

**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 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 and documented annually to verify inventory on hand.

**Management Response:**

**Director:** We will update the inventory records and perform an annual inventory of all equipment and maintain documentation of the physical inventory. We will work to affix identification tags to all fixed asset items.

**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 acquisition, use, or disposition of the entity’s assets and safeguard assets from loss, damage, or misappropriation.



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