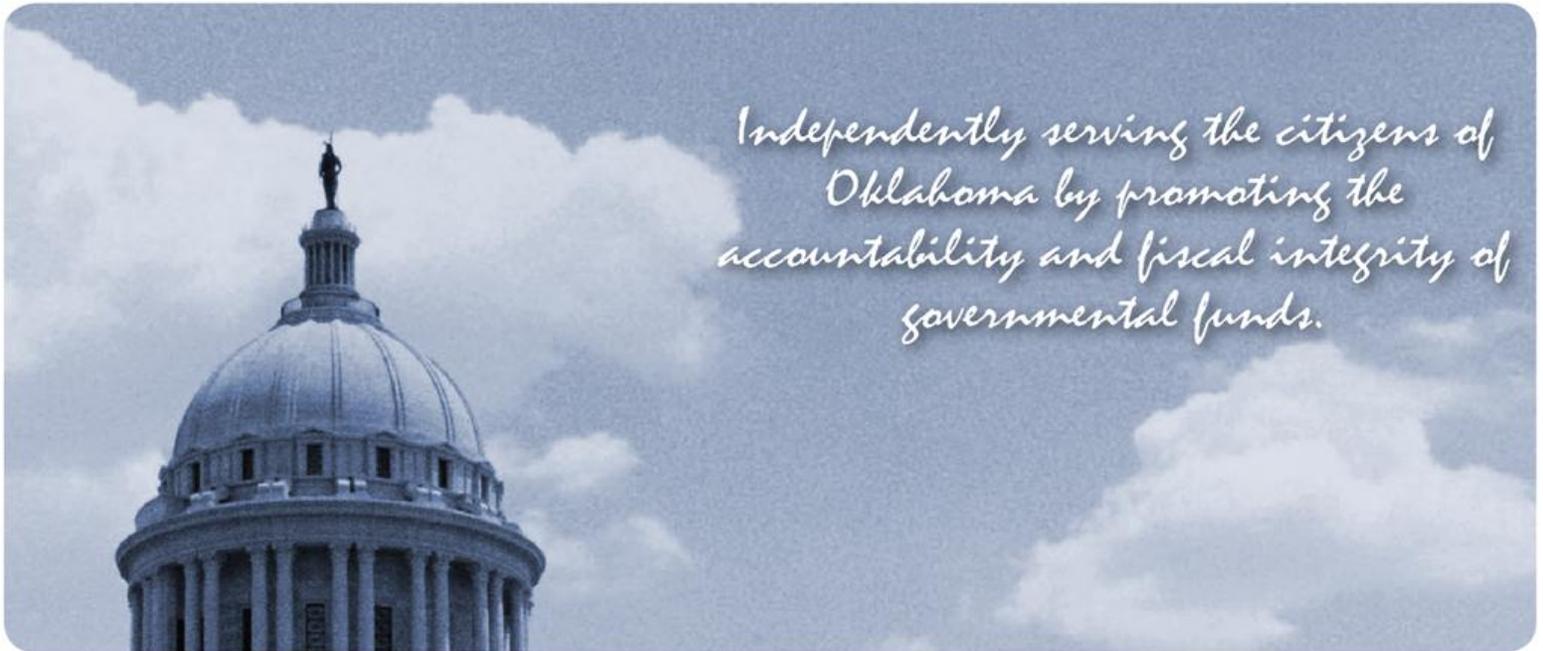


STATUTORY REPORT

MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2015



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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

January 10, 2017

**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 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". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

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

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

	<u>FY 2015</u>
Beginning Cash Balance, July 1	\$ 612,047
Collections	
Ad Valorem Tax	222,063
Charges for Services	1,052,991
Sales Tax	85,306
Miscellaneous	12,884
Total Collections	<u>1,373,244</u>
Disbursements	
Personal Services	553,040
Maintenance and Operations	320,838
Sales Tax	77,260
Capital Outlay	116,736
Audit Expense	1,225
Total Disbursements	<u>1,069,099</u>
Ending Cash Balance, June 30	<u>\$ 916,192</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 2015 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 Service District.

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 that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

November 10, 2016

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

SCHEDULE OF FINDINGS AND RESPONSES

**Finding 2015-1 – Inadequate Internal Controls Over the Collection and Receipting Processes
(Repeat Finding)**

Condition: Although the Director verifies the deposit to receipts and initials the deposit slip, the District office has one employee who opens the mail, issues receipts, posts payments to the patient accounts, and prepares and makes the deposit.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the collection and receipting processes.

Effect of Condition: A single employee having responsibility for more than one area of the collection, recordkeeping, and reconciling processes could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds. These conditions could result in inaccurate records, incomplete information, or misappropriation of assets.

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

Management Response:

Chairman of the Board: The Director is aware of this condition and will implement compensating controls to mitigate the risks involved with a concentration of duties. The Director does review and initial the receipts and deposits. We also have an outside CPA that performs monthly reconciliations of receipts and expenditures and provides a report to the Board.

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, and depositing funds should be segregated.

**MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Finding 2015-2 – 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 and implemented to ensure the amount required by statute is correctly budgeted for the audit expense budget account.

It was further noted that the District has not carried forward the correct balance into the audit expense budget account each fiscal year. As a result, the District over budgeted the amount for the audit expense on the Estimate of Needs and did not carry forward the proper amount from the previous year's remaining balance.

The correct balance should have been \$7,230.82 calculated for the current fiscal year, and the carryover of \$28,775.02 resulting in a balance in the audit expense budget account of \$36,005.84. The amount recorded on the District's Estimate of Needs was \$48,775.02, leaving a variance of \$12,769.18 overfunded.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the Estimate of Needs was prepared in accordance with the state statute.

Effect of Condition: This condition resulted in noncompliance with state statute and overfunding of the audit expense budget account. Further, balances from previous years were not properly carried forward.

Recommendation: OSAI recommends that the District implement policies and procedures designed to ensure 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 expense budget account in accordance with 19 O.S § 1706.1.

Management Response:

Chairman of the Board: The District will strive to correct these issues and to ensure the accuracy of the Estimate of Needs.

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"

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

Finding 2015-3 - Inadequate Internal Controls and Noncompliance Over the Estimate of Needs and Financial Statements

Condition: Upon reviewing the Estimate of Needs and Financial Statements, the following weaknesses were noted:

Total collections, disbursements, and ending balances of the Estimate of Needs and Financial Statements did not reflect that of the District’s financial statement records.

Source	District Financial Records	Estimate of Needs and Financial Statement	Variance Unidentified
Collections	\$1,373,244	\$1,355,406	\$17,837
Disbursements	\$1,069,099	\$1,061,460	\$7,639
Ending Balance	\$916,192	\$905,993	\$10,198

Additionally, county sales tax collections of \$85,305.75 were incorrectly reported on the Estimate of Needs as \$77,260.15.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the information on the District’s Estimate of Needs and financial statement reconcile to the balances of the District’s financial records.

Effect of Condition: The District’s Estimate of Needs and financial statement did not reflect the complete and accurate financial condition of the District.

Recommendation: OSAI recommends the District ensure the Estimate of Needs and financial statement is prepared in such a manner that the complete and accurate financial condition of the District is presented in compliance with the state statute.

Management Response:

Chairman of the Board: The District will strive to correct these issues and to ensure the accuracy of the Estimate of Needs and financial statement information.

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 in part that Districts should “...3. Make available to the public and investors sufficient information as to the financial conditions, requirement and expectations of the district...”

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

Finding 2015-4 – Inadequate Internal Controls Over Disbursements of District Funds and Noncompliance with State Statute (Repeat Finding)

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

- The District made purchases using three credit cards with revolving lines of credit for fuel and miscellaneous items.

Cause of Condition: Policies and procedures have not been designed and implemented 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 statutorily authorized.

Effect of Condition: This condition resulted in noncompliance with the state statute and Oklahoma Constitution, 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 discontinue the use of all credit cards. Regarding fuel purchases, OSAI recommends the District consider using the state contract for fuel purchases. Using the state contract approved fuel card could serve as a legal alternative to the use of credit cards. 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.

Management Response:

Chairman of the Board: Management is aware of this condition. The Director does review credit card expenditures and the general ledger. The Director will initial and date the reports to document independent verification. We also have an outside CPA that performs a monthly reconciliation of receipts and expenditures to the bank statements and provides a report to the Board.

Auditor Response: There are no statutory provisions that allow for the use of credit cards for EMS Districts.

Criteria: Effective internal controls require that management establish policies and procedures that detect and prevent abusive and unauthorized transactions. Furthermore, the Oklahoma statutes do not authorize Districts to utilize credit cards that are not statutorily approved.

Article 10 section 9C of the Oklahoma State Constitution allows only the sale of bonds as a manner for incurring debt, as follows;
“Any district board of trustees may issue bonds, if approved by a majority vote at a special election for such purpose.”

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...”

**MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
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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.



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