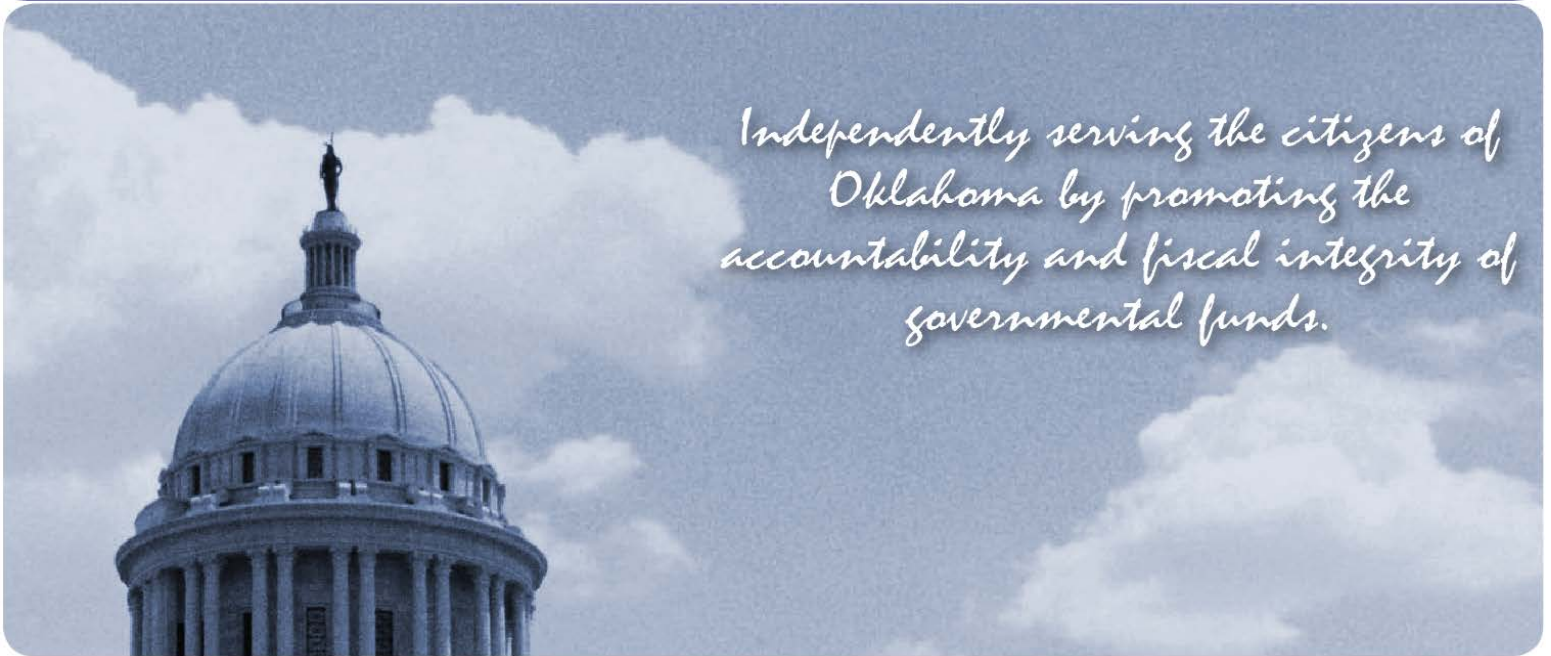


STATUTORY REPORT

MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

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

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

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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 30, 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, 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, flowing style.

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

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

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2016

	FY 2016
Beginning Cash Balance, July 1	\$ 906,435
Collections	
Ad Valorem Tax	312,193
Charges for Services	833,392
Sales Tax	96,896
Miscellaneous	2,913
Total Collections	1,245,394
Disbursements	
Personal Services	582,496
Maintenance and Operations	330,598
Capital Outlay	110,938
Audit Expense	5,146
Total Disbursements	1,029,178
Ending Cash Balance, June 30	\$ 1,122,651

Note: Restatement of Beginning Fund Balance – The beginning fund balance was restated due to an unidentified variance in the amount of \$9,757 from the prior year’s ending fund balance of \$916,192 (see finding 2016-03).

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 2016 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 written in a cursive style with a long horizontal stroke at the end.

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

May 10, 2017

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

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-1 – Inadequate Internal Controls Over the Collection and Receipting Processes (Repeat Finding)

Condition: Based upon inquiry of the District staff and observation of records, the Murray County Emergency Medical Service District (District) office has one employee who opens the mail, issues receipts, posts payments to the patient accounts, and prepares and makes the deposit. Another employee, the Director, does initial the deposits as evidence of verification.

Cause of Condition: The District has not fully 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. This condition could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the District 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 the District'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 the Board review and approve accounting functions.

Management Response:

Chairman: I have reviewed and support the Director's 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 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 2016-4 – Inadequate Internal Controls and Noncompliance Over the Disbursements Process

Condition: Inquiry of District staff, observation of records and the test of forty (40) disbursements and four (4) credit card payments for each of the credit cards for the District, reflected the following exceptions:

- The District paid late fees on eight (8) purchase orders tested totaling \$243.82.

Additionally, the District purchased fuel using a credit card, which is not the approved credit card for the purchase of fuel by government entities as provided for by state contract.

- The District did not pay the fuel credit card balance in full for July 2015. (\$2,475.43)

Cause of Condition: Policies and 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 when the balance is not paid in full and the use of a fuel credit card that is not the approved credit card as provided for by state contract.

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

Recommendation: OSAI recommends the District establish policies and procedures to avoid the payment of late fees and to pay the balance on credit card accounts on a monthly basis. Additionally, the District should avoid the use of credit cards for fuel that are not the approved fuel cards as authorized by state contract in compliance with state statutes.

Management Response:

Chairman: We will apply for the state contract fuel card. Additionally, I have reviewed and support the Director's response.

Director: The District will look for ways to eliminate the fees in the future. The fees occurred due to the Board meeting being late in the month. In regard to the fuel credit card balance; that check was lost in the mail and a stop payment made for the lost check. A check reissued to cover the balance of the unpaid fuel credit card.

Criteria: Accountability and stewardship are overall goals of the District in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions, including incurring debt on unpaid monthly balances, and avoiding the payment of late fees on purchases and utilizing 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.”

**MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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 2016-6 – Inadequate Internal Controls Over Fixed Assets Inventory

Condition: Upon inquiry of the District staff and observation of the fixed assets inventory records, the following weaknesses were noted:

- An annual physical inspection of fixed assets inventory was not performed.
- Three trailers were not listed on the fixed asset inventory records that were purchased with funding from the Oklahoma Office of Homeland Security through a U.S. Department of Homeland Security Grant Program and donated to the District.

Cause of Condition: Policies and procedure have not been designed and implemented to ensure fixed assets inventory is 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 fixed assets inventory records are updated on an ongoing basis. OSAI recommends physical fixed assets inventory verification, by someone other than the individual in charge of inventory, be completed and documented annually to verify inventory on hand.

Additionally, the trailers donated to the District should be accepted in a Board meeting. The trailers should be added to the fixed assets inventory and assigned an estimated cost and inventory number at that time.

Management Response:

Chairman: I have reviewed and support the Director’s response.

Director: The vast majority of all of Murray County EMS fixed assets are verified and documented on the daily truck check-off sheet. The trailers were assigned here through an MOU (memorandum of understanding) between Homeland Security and Murray County EMS. Murray County EMS did not purchase these trailers, but I will add them to our inventory list.

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

Auditor Response: Although the daily truck check-off sheet is used to determine that the ambulance is ready for daily ambulance service, we recommend the District design and implement a policy to perform and annual visual inspection of fixed assets and to provide documentation and approval of the verification of those fixed assets on an inventory listing that is maintained by the District.

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

Finding 2016-7 – Inadequate Internal Controls Over the District's Third Party Billing Contract

Condition: The third party billing contract between the District and the contractor has not been renewed since it was originally signed on July 1, 2012.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with contractual obligations.

Effect of Condition: This condition could result in the District being exposed to potential litigation, claims, or assessments.

Recommendation: OSAI recommends that the District obtain a signed contract with the third party billing service for each fiscal year, beginning July 1, and ending June 30.

Management Response:

Chairman: The contract with the billing service will be renewed annually and documented on the June Agenda for Board Meetings.

Criteria: Effective internal controls relating to the prevention or timely detection of unauthorized transactions and unauthorized access to assets include obtaining approved contracts that are approved and signed by the Board prior to the beginning of each fiscal year.

Finding 2016-8 – Inadequate Internal Controls Over Timesheets and Leave Balances

Condition: Inquiry of District staff, observation of payroll and leave records and tests of those records, resulted in the following exceptions:

- The Director does not complete a timesheet unless leave is taken.
- One (1) employee did not sign timesheet.
- Two (2) employee timesheets were not signed by the supervisor.
- Leave accrual and use records did not always reflect the same amount as the time sheets.

**MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Cause of Condition: Policies and procedures have not been designed and implemented to ensure employees and supervisors verify the accuracy of timesheets, and employees complete a timesheet and maintain a leave ledger in accordance with the District Handbook.

Effect of Condition: These conditions could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends the District ensure all employees prepare a timesheet, and that each timesheet is verified by the employee and supervisor for accuracy. Additionally, OSAI recommends the District ensure the leave ledger depicts the beginning balance, ending balance, and any accrued or used amounts for all employees. The leave used per the leave ledger should match the leave taken on the timesheet. OSAI also recommends the District develop written policies and ensure all compensation comply with the policies established by the EMS handbook.

Management Response:

Chairman: I have reviewed & support the Director's response.

Director: Management has current policies regarding timesheet completion and we will make sure those policies are followed in the future.

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, including leave balances are accurately prepared to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds.



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