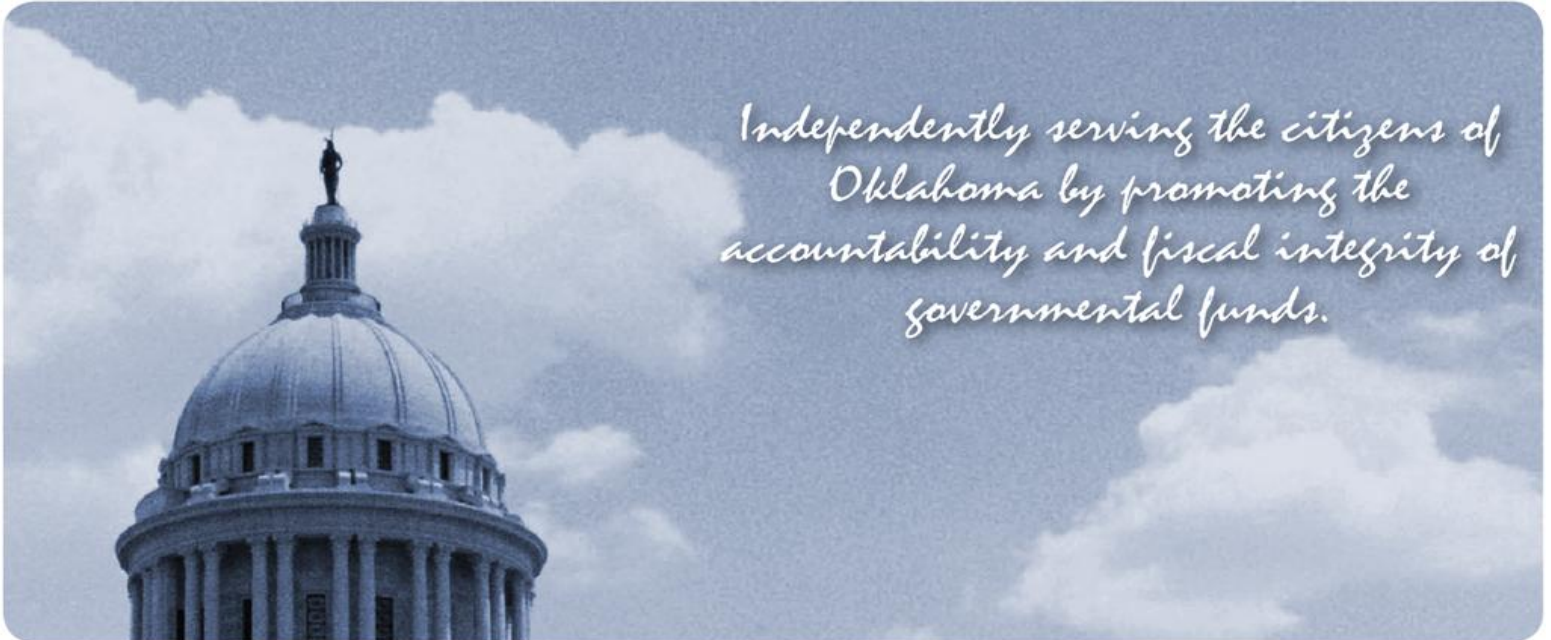


STATUTORY AUDIT

# MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2008 through June 30, 2011



*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, 2008 THROUGH JUNE 30, 2011**

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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

August 15, 2014

**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, 2008 through June 30, 2011.

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 "Gary A. Jones".

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

**MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2010 and FY 2011**

	<u>FY 2010</u>	<u>FY 2011</u>
Beginning Cash Balance, July 1	\$ 662,330	\$ 651,665
<b>Collections</b>		
Ad Valorem Tax	174,828	184,040
Charges for Services	684,425	593,523
Miscellaneous	18,030	12,257
<b>Total Collections</b>	<u>877,283</u>	<u>789,820</u>
<b>Disbursements</b>		
Personal Services	602,581	581,151
Maintenance and Operations	230,830	215,253
Capital Outlay	53,739	53,934
Audit Expense	798	4,717
<b>Total Disbursements</b>	<u>887,948</u>	<u>855,055</u>
Ending Cash Balance, June 30	<u>\$ 651,665</u>	<u>\$ 586,430</u>

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



# Oklahoma State Auditor & Inspector

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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 2010 and FY 2011 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 large initial "G" and a long, sweeping underline.

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

July 30, 2014

**MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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FOT THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2011**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 1 – 2011 – Inadequate Internal Controls Over Receipts and Balances**

**Condition:** Based upon inquiry and observation of the receipting and balancing process of Murray County Emergency Medical Service District (the District) office, the following was noted:

- The District office has one employee who issues receipts and prepares the deposits. In this employee's absence, the other office employee performs these duties in addition to picking up the mail, posting to patient accounts, posting to general ledger, posting to the accounting records, endorsing the checks, and taking the deposit to the financial institution.
- The Director opens the daily mail, but does not maintain a detailed mail log.
- The day's receipts are taken to the bank the following day and are not maintained in a secure location overnight.
- The District uses a local accounting firm for their bank reconciliation, W-2's, adjusting journal entries on the general ledger, and any other accounting assistance needed. The accountant has the District employee's passwords that allow access to the District's accounting records and customer billing. It was also determined that the District employee and Assistant Director have access to each other's passwords.

**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. 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. OSAI also recommends that all funds received after the daily deposit has been made should be maintained in a secure location. OSAI further recommends that each employee only log into the system using their own unique password, and that the District restrict what records the outside accounting firm has access to and that this access be restricted to view only.

**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

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that comes in monthly and verifies/reconciles receipts and expenditures, prepares bank reconciliation and provides a report to the Board.

**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.

**Finding 2 – 2011 – Inadequate Internal Controls Over Disbursements of District Funds and Noncompliance with State Statute**

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

- 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, posts to the Check Register, and makes changes to the General Ledger.
- The District uses credit cards to make purchases without statutory authority to do so. The District has a Wal-Mart Business Account with three (3) cards (for the Director and two employees) of which are in the employee’s possession; however, anyone that works for the District can use these cards as long as they have the Director’s approval. The District also has seven (7) MasterCards which are in possession of the following individuals:
  - One is in the possession of the Director,
  - One (1) is in possession of a District employee,
  - One (1) is in possession of a Board Member, and
  - Four (4) are assigned to the four other Board Members, but they are locked in the fire-proof safe at the main office.
- In addition, not all receipts are maintained for credit card purchases.

Further, in the test of one hundred and eighty disbursements, the following exceptions were noted:

- Fourteen disbursements were not supported by original invoices.
- Two disbursements were for improper expenditures; \$63.47 for candy and \$86.31 for food for Board meetings.
- One disbursement included sales tax.
- Four disbursements were made where the purchase order amount did not agree to the invoice amount.

**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.



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**Effect of Condition:** These conditions resulted 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 responsibility in a limited number of individuals is not desired from a control point of view. The most effective procedures lie in managements 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.

OSAI also recommends that the District refrain from paying sales tax, that all expenditures be supported by original invoices, that the purchase order be reviewed to ensure it agrees to invoice amount, and that all disbursements be for the lawful operation of the District.

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:**

**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 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 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.

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**Finding 3 – 2011 – Inadequate Internal Controls Over Payroll**

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

The payroll clerk performs most duties regarding the payroll process. She calculates payroll, inputs payroll into the computer, prepares payroll checks, takes checks to get board members to sign, prepares payroll taxes, prepares quarterly reports, enrolls new employees, keeps timesheets after they are paid, and places payroll stubs in the slots for employees to sign. There is no documentation of any independent review made on the calculation of payroll.

During the fiscal year ending June 30, 2011, the District went to direct deposit for payroll, the payroll clerk does the direct deposit transmitting to the banks. The checks are automatic deposit and do not require the board members signatures on them. There is no documentation of any independent review made on the calculation of payroll before it is transmitted to the bank

**Cause of Condition:** Procedures have not been designed and implemented to provide effective internal controls over the payroll process because the District was unaware of the need for such procedures.

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

**Recommendation:** OSAI recommends management be aware of these conditions and implement controls to mitigate the risks involved with a concentration of duties. Controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

OSAI further recommends that the payroll clerk print out the direct deposit for payroll for each pay period and that the board still review and approve the payroll.

**Management Response:**

**Director:** I am aware of this condition and I have implemented compensating controls to mitigate the risks involved with a concentration of duties. The District supervisor approves the timesheets, and after they are entered into the system, the supervisor reviews the payroll. In the future the supervisor will initial the payroll reports to document the Independent verification. As Director, I also review the monthly payroll, and in the future will initial the payroll report to document this review. Payroll reports are also provided to the Board monthly, that document budgeted payroll and actual payroll.

**Criteria:** 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 payroll calculations and/or transactions to help ensure a proper accounting of funds

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**Finding 4 – 2011 – Funding of Audit Expense Account**

**Condition:** For the period of July 1, 2009 through June 30, 2011, it was noted that the District appropriated more than the mandatory one-tenth mill to the audit budget account. However, balances from previous years were not properly carried forward.

**Cause of Condition:** Procedures have not been designed to ensure compliance with 19 O.S § 1706.1.

**Effect of Condition:** This condition resulted in noncompliance with the statute and under funding of the audit expense account.

**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 account, and that any unused portion be lapsed into the next year audit expense account in accordance with 19 O.S. § 1706.1.

**Management Response:**

**Director:** The District will discuss this issue with the budget maker to ensure that only the mandatory one-tenth mill is budgeted in the audit account. Also, the District will obtain written documentation before the balance is lapsed.

**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.

Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.

**Finding 5 – 2011 – Disaster Recovery Plan**

**Condition:** During our audit, it was noted that the District did not have a written Disaster Recovery Plan.

**Cause of Condition:** Procedures have not been designed and implemented to prepare a formal Disaster Recovery Plan.

**Effect of Condition:** The failure to have a 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 District business could continue uninterrupted.

**Recommendation:** OSAI recommends the district develop a Disaster Recovery Plan that addresses how critical information and systems would be restored in the event of a disaster.

**MURRAY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**Management Response:**

**Director:** The District does maintain weekly back-ups in a fireproof safe. In the future, a copy will be 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 controls 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 reasonable assurance regarding prevention in a county being unable to function in the event of a disaster.

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 the following:

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Training and/or awareness of individual and group roles in continuing plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation;
- Current names, addresses, telephone/pager numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once
- IT resources are available.



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