

STATUTORY REPORT

MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2015



*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

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

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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 8, 2017

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

Transmitted herewith is the audit report of Muskogee 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 written in a cursive style.

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

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

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY2015

	FY 2015
Beginning Cash Balance, July 1,	\$ 4,491,074
Add: Group Insurance Fund	603,948
Unknown Variances	46,625
Beginning Cash Balance, July 1,* as adjusted	5,141,647
Collections	
Ad Valorem Tax	1,461,278
Charges for Services	7,508,312
Intergovernmental	55,301
Miscellaneous	327,056
Total Collections	9,351,947
Disbursements	
Personal Services	6,818,592
Group Benefit Insurance	938,707
Travel	29,550
Maintenance and Operations	1,542,044
Capital Outlay	444,628
Audit Expense	2,659
Outstanding Warrants, Unclassified	(205,048)
Total Disbursements	9,571,132
*De-obligation of Prior Year Funds	(190,093)
Ending Cash Balance, June 30	\$ 4,732,369

*See Finding 2015-3 for adjustments to beginning cash balance, disbursements and explanation of the De-obligation of prior year funds.

Source: District Financial Statements (presented for informational purposes)



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Muskogee County Emergency Medical Service District
200 Callahan Street
Muskogee, Oklahoma 74403

TO THE BOARD OF DIRECTORS OF THE MUSKOGEE 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 Muskogee 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 Muskogee 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 Muskogee 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

July 6, 2017

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL ENDED JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-1 – Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account

Condition: For the fiscal year ended June 30, 2015, Muskogee County Emergency Medical Service District (the District) did not appropriate the mandatory one-tenth mill to the audit expense budget account.

- The Estimate of Needs does not reflect the amount appropriated for the audit expense budget account.
 - The cumulative audit expense budget account including prior year funds not carried forward is underfunded in the amount of \$236,345.77.

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 § 1706.1.

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

Recommendation: The Oklahoma State Auditor and Inspector’s Office (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 budget expense account in accordance with 19 O.S § 1706.1.

Management Response:

Chairman of the Board: The correct amount of one-tenth mill was calculated and appropriated for the audit for the current year. In addition, the unexpended cumulative amounts for the prior unaudited years were carried forward as open purchase orders included in the EON (budget) in Exhibit E Schedule 5 in the line item “Reserves from Schedule 8.” However, this cumulative amount was not shown in the appropriate audit expense budget account section in the EON as required. This item will be brought to the attention of the consultant Certified Public Accounting (CPA) firm that prepares the Muskogee County EMS EON.

Muskogee County EMS is committed to full compliance with all applicable laws and regulations. In the future, we will diligently make efforts to correctly indicate this amount in the audit budget expense account in accordance with state statute.

Criteria: 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”

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Finding 2015-2 – Inadequate Internal Controls and Noncompliance Over Competitive Bid Process

Condition: Based on inquiry, review of the competitive bid process for Muskogee County Emergency Medical Service District (the District), the audit of twelve (12) bids reflected the following exceptions:

- In five (5) instances sealed bid envelopes were not time stamped and dated when received.
- One (1) vendor’s bid envelope could not be located to verify the date and time stamp documentation.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that bid documentation is maintained to be in compliance with state statutes.

Effect of Condition: These conditions resulted in the District being in noncompliance with state statutes, and it could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends that all bids be time stamped and dated upon receipt to ensure competitive bids are awarded in accordance with state statutes and all relevant bid documents be retained as required by state statute.

Management Response:

Chairman of the Board: The Muskogee County EMS is committed to full compliance with all applicable laws and regulations. In the future, we will diligently make efforts to consistently time stamp and retain all bid envelopes in accordance with state statutes.

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 about reliability of financial reporting and compliance with applicable laws and regulations.

Good internal controls over the documentation of bids submitted for selection include:

- Observation that bid was time and date stamped when received.
- Observation that sealed bids were presented to the Board during an open meeting for possible selection.

Further, 19 O.S. § 1723 requires Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1501 and 1505, which requires all equipment purchases more than \$15,000 be competitively bid.

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL ENDED JUNE 30, 2015**

Finding 2015-3 – Inadequate Internal Controls and Noncompliance Over the Estimate of Needs and District Financial Statements (Repeat Finding)

Condition: Based on inquiry of the staff and budget maker and review of the District’s cash balances, financial statements, and Estimate of Needs, (EON) for the fiscal year ended June 30, 2015, the following variances were noted:

- The beginning cash balance reported of \$5,141,647 has been adjusted for this fiscal year due to an unknown variance in the prior year financial statements of \$46,625 and not including the additional activities of the Group Insurance Benefit Fund of \$603,948 as noted in the chart below.

The EON did not include the Group Benefit Insurance Fund; however, the information was included on the District’s financial statement, as noted in the table:

Fund	Beginning Cash Balance	Receipts	Disbursements	Transfer From the Operating Account	Ending Cash Balance
Group Benefit Insurance	\$603,948	\$2,838	(\$934,209)	\$1,084,100	\$756,677

- The previous budget maker included an amount of (\$190,093) on the District financial statements that was entitled “De-obligation of prior year funds”. Upon discussing this amount with the current budget maker, it was determined this amount was used as a reconciling item to verify the ending cash balance equaled the cash and investments.
- Additional reconciling items include the unclassified outstanding warrants of (\$205,048) were subtracted from the disbursements presented on the District’s financial statements.
- The ending cash balance as reported on the EON was understated by \$10,000 as compared to the cash and investments balances reconciled to the District’s bank statements and financial statements for the operating account. The operating account as presented on the District financial statements and reconciled cash and investments was \$4,330,034.70, while the amount presented on the EON was \$4,320,034.70.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the EON is accurately completed and reconciles to the District’s financial records and in are made in compliance with Title 19 O.S. § 1702.

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

**MUSKOGEE COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Recommendation: OSAI recommends the District review the Estimate of Needs prior to approval to ensure that it is prepared in such a manner that accurately reflects the financial position of the District as presented.

Management Response:

Chairman of the Board: The District desires to have a budget fully prepared in accordance with state statutes. The District changed Certified Public Accounting (CPA) firms for the preparation of the EON, effective with the 2016-2017 EON/Financial Statement of 2015-2016. These items will be brought to the attention of the CPA firm that prepare the Muskogee County EMS EON.

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 about reliability of financial reporting and compliance with applicable laws and regulations.

Title 19 O.S. § 1702. States in part, "The purpose of this act is to provide a budget procedure for emergency medical service districts which shall:

3. Make available to the public and investor's sufficient information as to the financial conditions, requirement of expectations of the district..."



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