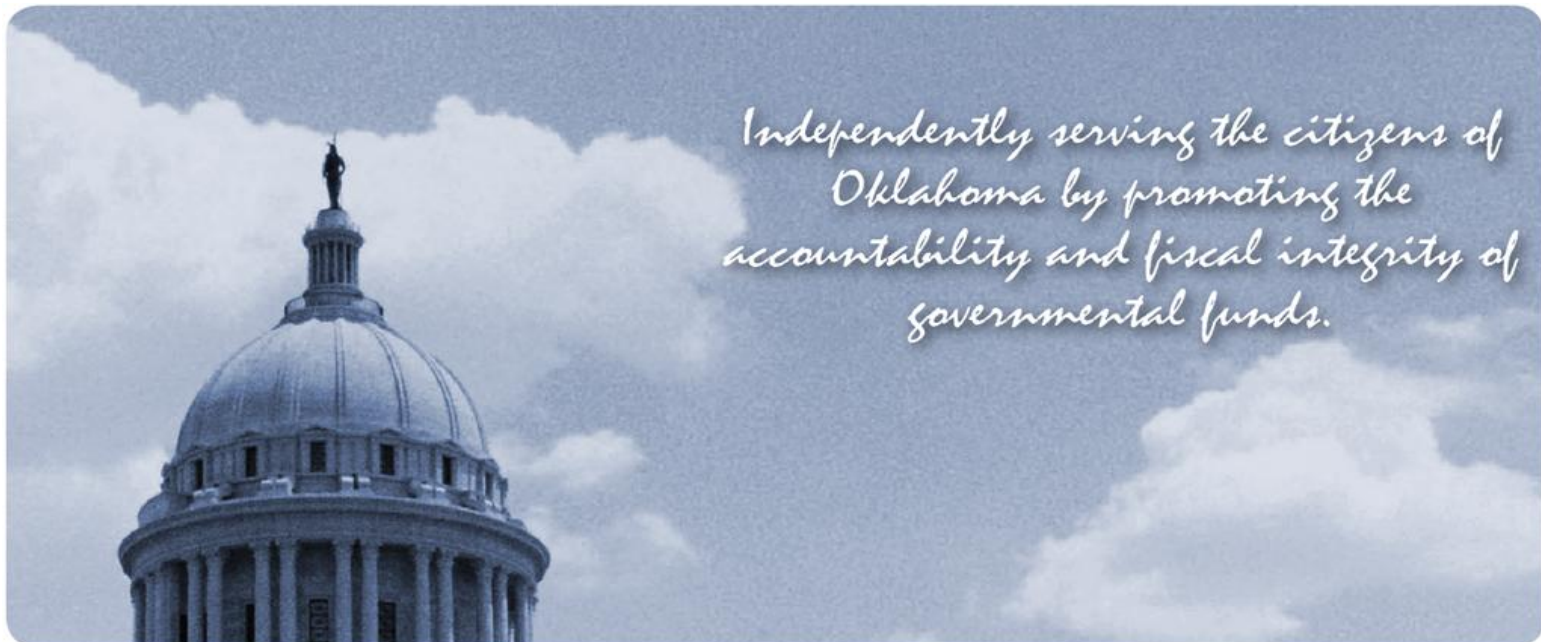


STATUTORY REPORT

OKEENE EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended 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

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED 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

August 10, 2015

**TO THE BOARD OF DIRECTORS OF THE
OKEENE EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Okeene Emergency Medical Service District for the fiscal year ended 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

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDING JUNE 30, 2014**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2014.

	<u>FY 2014</u>
Beginning Cash Balance, July 1	\$ 21,138
Collections	
Ad Valorem Tax	50,699
Charges for Services	260,989
Miscellaneous	162
Blaine County 522 Contract	165,661
City Contract (Watonga)	174,000
Total Collections	<u>651,511</u>
Disbursements	
Personal Services	351,965
Maintenance and Operations	170,684
Capital Outlay	60,149
Audit Expense	-
Total Disbursements	<u>582,798</u>
Ending Cash Balance, June 30	<u>\$ 89,851</u>

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



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Okeene Emergency Medical Service District
P.O. Box 508
Okeene, Oklahoma 73763

TO THE BOARD OF DIRECTORS OF THE OKEENE 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 2014 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Okeene 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 Okeene 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 Okeene 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 10, 2015

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-1 – Inadequate Internal Controls Over the Revenue Process (Repeat Finding)

Condition: Based on discussion with District staff, and observation of billing records, we determined:

- One individual at the CPA Firm, retrieved the mail, opened the mail, prepared the deposit and took the deposit to the bank.
- Receipts were not issued for funds received.
- There was no evidence that the District verified charges for services to ensure that they were accurately billed by the third party billing service.
- There was no evidence that the District verified payments to ensure that they were applied correctly to patient accounts by the third party billing service.
- There was no evidence that the District monitored the collection process with regard to overseeing the status of delinquent accounts.

Additionally, we reviewed and recalculated 25 run sheets and related deposits, and noted the following deficiencies:

The amount recalculated did not agree to the amount billed for charges for services in 16 instances.

PCR # / Run #	Billed	Calculated	Variance
8133771	1,537.50	1,562.50	(25.00)
8133531	1,587.50	1,481.25	106.25
8134511	1,500.00	1,488.75	11.25
8135321	737.50	738.75	(1.25)
8135621	775.00	765.00	10.00
8140021	562.50	552.50	10.00
8137171	590.00	770.00	(180.00)
8141311	575.00	570.00	5.00
8141271	1,662.52	1,556.25	106.27
8141381	1,423.75	1,323.75	100.00
8141621	562.50	558.75	3.75
8142151	587.50	576.25	11.25
8142601	675.00	665.00	10.00
8142541	775.00	677.50	97.50
8142651	737.50	730.00	7.50
8143361	562.50	558.75	3.75

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We observed 3 instances in which accounts were returned by the third party billing service to be either written off or sent to the delinquent collections agency; however, there was no evidence in the Board minutes of action taken by the Board.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties of receiving and depositing monies, and mitigating controls over monitoring the billing process have not been implemented. Furthermore, policies and procedures have not been designed and implemented to adequately ensure the amounts billed for services are accurate, and electronic payments are applied properly to accounts by the third party billing service.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner and the District under or over-billing for ambulance services.

Recommendation: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. 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 accounting functions. We recommend the Board of Trustees (the Board) actively review the billing statements to ensure that correct amounts are billed and provide evidence of this review so as to mitigate some of the risk associated with having one individual perform all duties of billing accounts. We also recommend policies and procedures regarding the collection process be implemented by the Board.

Management Response:

Board: We will advise the CPA firm of the importance of further segregation of duties. It is our understanding these duties have now been segregated internally by the CPA firm. We now receive deposit slips from the CPA firm. Third party billing service reports will be signed off as approved at the Blaine County 522 Board monthly meetings. We will review the claims with the CPA firm. Any further segregation of duties would be cost prohibitive.

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.

Effective internal controls require oversight by management to provide assurance that amounts billed are based upon the billing policies adopted by the Board, and the billing and collection process is monitored for correctness and completeness.

Finding 2014-2 – Inadequate Internal Controls Over Disbursements (Repeat Finding)

Condition: Based on discussion with District staff, and observation of 25 randomly selected disbursements, we noted the following weaknesses with regard to the disbursement process:

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- The Co-Director is responsible for ordering supplies, receiving supplies, and preparing checks.
- In 2 instances, supporting documentation such as an invoice was not located for the disbursement.
- In 18 instances, the invoice lacked independent verification of goods and/or services received.

Additionally, while reconciling the bank statement at June 30, 2014, it was determined that an outstanding check for \$113.22 from fiscal year 2012 has not been cancelled.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the duties over the disbursement process, to provide adequate documentation to support disbursements, and independent verification of goods and/or services received. Additionally, a procedure to cancel outstanding checks has not been implemented.

Effect of Condition: A single individual 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: OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. 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 District and having management review and approval of accounting functions.

Management Response:

Board: All business operations, deposits, purchases, claims, and payments are now reviewed by the Board monthly. All checks issued require the signature of two Board members, and all bank statements are now reviewed and initialed by all present Board members. Procedures have been put in place to cancel checks that are one year old based on the date of issuance. The District will work toward the design of review processes to enhance internal controls over the disbursements of the District. Evidence of the review process will be signed or initialed and dated. The Board will designate two receiving officers and receiving reports will be attached to the purchase orders.

Criteria: Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

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.

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
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Finding 2014-3 – Inadequate Internal Controls Over the Estimate of Needs (Repeat Finding)

Condition: Based on observation of the Estimate of Needs and verification of the revenue and disbursements for fiscal year 2014, we noted variances between the amounts recorded on the Estimate of Needs and the amounts recorded in the accounting records of the District. Those variances included \$21,505.49 less in total receipts and \$19,013.76 less in total disbursements being reported in the Estimate of Needs as compared to the actual receipts and disbursements.

Cause of Condition: Procedures have not been designed or implemented for the District Board or the Director to provide independent oversight with regard to the preparation of the Estimate of Needs.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds.

Recommendation: OSAI recommends that the District implement a system of internal controls to provide reasonable assurance that revenue, disbursements, and cash balances are accurately presented on the District's Estimate of Needs.

Management Response:

Board: The Estimate of Needs will be reviewed on an as needed basis as recommended by our new accounting firm that will be preparing the Estimate of Needs. This firm prepares the Estimate for several other EMS Districts.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. 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 transactions and safeguarding assets from misappropriation.

Finding: 2014-4 – Inadequate Internal Controls and Noncompliance Over the Bidding Process

Condition: Upon inquiry of District staff and observation of the bidding process, it was noted the District purchased an ambulance for \$174,575.00. The District complied with most aspects of the bid requirements; however, there was no proof that the bids were sealed, or time and date stamped at the time of receipt.

Cause of Condition: Policies and procedures have not been designed to ensure that expenditures in excess of statutory requirements be competitively bid, including being time and date stamped in compliance with 19 O.S. § 1723 and 19 O.S. § 1501.

Effect of Condition: This condition resulted in noncompliance with state statutes.

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
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Recommendation: OSAI recommends that all purchases in excess of \$15,000 be competitively bid in accordance with state statutes.

Management Response:

Board: The District will work toward the design of review processes to enhance internal controls over the disbursements of the District. Evidence of the review process will be signed or initialed and dated. The Board will designate two receiving officers and receiving reports will be attached to the purchase orders. Further, with regard to bidding requirements, the District will bid purchases in excess of \$15,000 to ensure compliance with Title 19 O.S. § 1723.

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

As of July 1, 2012, Title 19 O.S. § 1723 requires EMS Districts to make purchases in accordance with the County purchase procedures as outlined in 19 O.S. § 1501, which as of May 6, 2014 requires all purchases in excess of \$15,000 be competitively bid. Prior to May 5, 2014 the competitive bid threshold was \$10,000.

Finding 2014-5 – Inadequate Internal Controls and Noncompliance Over the Audit Expense Budget Account (Repeat Finding)

Condition: Upon inquiry and observation of the budgeting process, it was determined that internal controls have not been designed or 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 balance into the audit expense account each fiscal year. As a result, the District's balance in the audit expense budget account as of June 30, 2014 was \$0.00. However, the correct balance should have been \$1,851.54.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the audit expense budget account is accurately budgeted in accordance with statutory requirements.

Effect of Condition: This condition resulted in noncompliance with state statute.

Recommendation: OSAI recommends the District implement a system of internal control to provide reasonable assurance 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 account in accordance with 19 O.S. § 1706.1.

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT
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Management Response:

Board: The Board has implemented a system of internal controls to provide reasonable assurance that the audit budget account be correctly in place for all future audits. The financial officer as well as the budget maker will help ensure compliance with state statute.

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 levy upon the net total assessed valuation of the District for audit expenses.



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