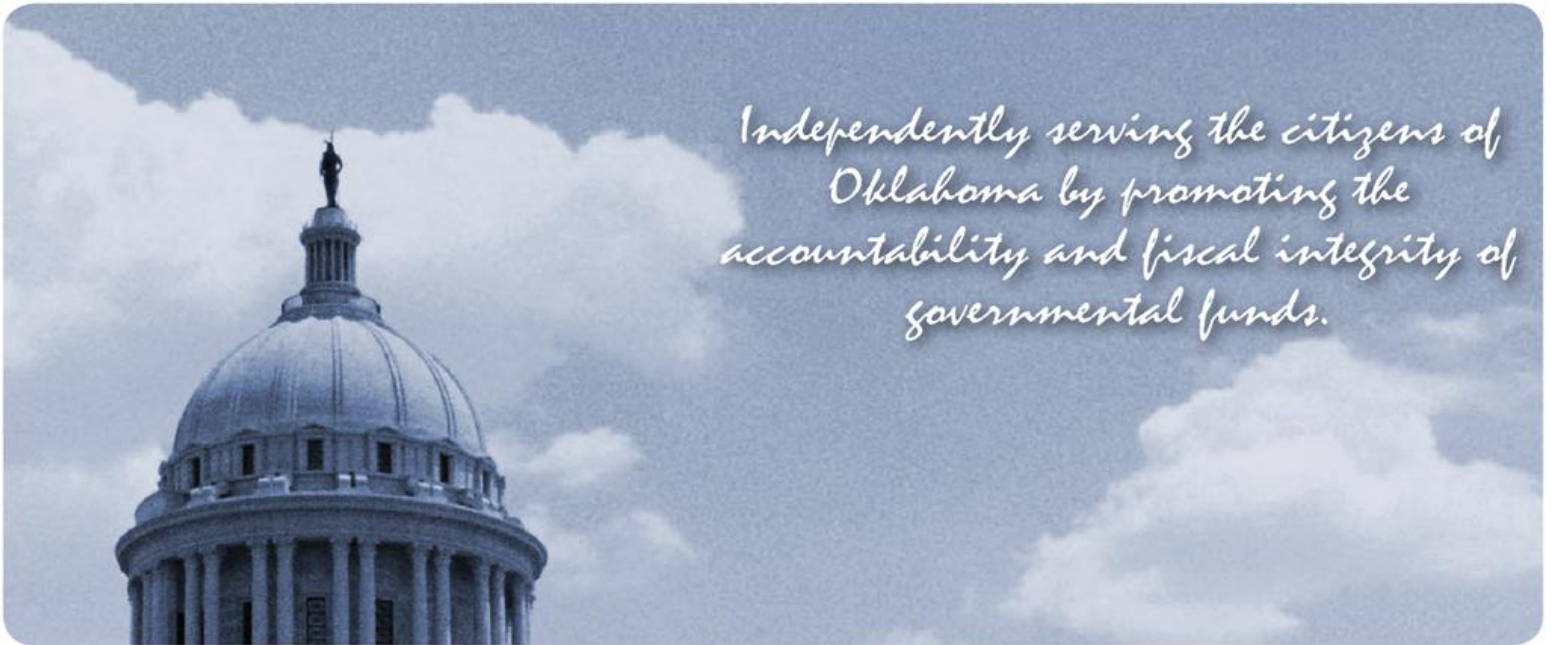


STATUTORY AUDIT

# OKEENE EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2011 through June 30, 2013



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

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2011 THROUGH JUNE 30, 2013**

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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

March 28, 2014

**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 period July 1, 2011 through June 30, 2013.

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

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
JULY 1, 2011 TO JUNE 30, 2013**

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2012 and FY 2013**

	<u>FY2012</u>	<u>FY2013</u>
Beginning Cash Balance, July 1	\$ 58,232	\$ 9,005
<b>Collections</b>		
Ad Valorem Tax	48,547	50,294
Charges for Services	131,397	226,119
Contract Revenue	111,000	176,554
Miscellaneous	3,385	2,216
<b>Total Collections</b>	<u>294,329</u>	<u>455,183</u>
<b>Disbursements</b>		
Personal Services	216,484	321,962
Travel	2,238	164
Maintenance and Operations	109,015	111,823
Capital Outlay	11,235	9,101
Audit Expense	4,584	
<b>Total Disbursements</b>	<u>343,556</u>	<u>443,050</u>
Ending Cash Balance, June 30	<u>\$ 9,005</u>	<u>\$ 21,138</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 2012 and FY 2013 were accurately presented on the estimate of needs.

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

February 14, 2014

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
JULY 1, 2011 TO JUNE 30, 2013**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2013- 1 –Inadequate Internal Controls Over Receipting and Depositing**

**Condition:** The Okeene EMS District receives monthly contract checks from the city of Watonga and from the Blaine County 522 EMS District to provide service to the those areas designated by the City of Watonga and Blaine County 522 EMS District. The District also bills patient runs and collects charges for services. Based upon inquiry and observation of the receipting process, the following was noted:

- Receipts are not issued for collections.
- The cash to check composition of deposits could not be determined, due to receipts not being issued for collections.
- One employee receives the mail for contract revenue, opens the mail, prepares the deposit, and takes the deposit to the bank.

**Cause of Condition:** Procedures have not been designed to adequately document the receipt of funds and segregate the duties of receiving and depositing contract funds received.

**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.

**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (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, having management review and approval of accounting functions, and issuing pre-numbered duplicate receipts for collections.

**Management Response:** To help insure a proper accounting of funds, key duties and responsibilities will be further segregated by using a local bookkeeping service to reconcile the bank account and compile the monthly financial statements. No employee will have the ability to authorize transactions, have physical custody of assets, and record transactions. The Board of Trustees will review and discuss these reports at their monthly meetings to ensure the bank balance and the financial statements are correct. The Board of Trustees will also reconcile these financial statements to the Estimate of Needs on a quarterly basis.

We have separated the posting and reconciliation duties by outsourcing those duties to a local accounting firm. This accounting firm will also be contacted to secure the collections directly from the Post Office box and make the deposits at the bank. The District will receive a copy of the receipt and the deposit slip. The Board of Trustees will monitor reports for unusual activity.

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
JULY 1, 2011 TO JUNE 30, 2013**

---

**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.

Additionally, pre-numbered duplicate receipts should be issued for all funds collected to provide effective internal controls over collections.

**Finding 2013- 2 –Inadequate Internal Controls Over Charges for Services**

**Condition:** The Okeene EMS District uses a third party billing service to process ambulance service runs for collections. Based upon documents provided by the District, it was difficult to determine the manner in which runs were charged for services as calculated.

We tested fifty runs for the audit period and noted forty discrepancies in the amount billed as compared to the amount calculated, as follows:

<b>Run Number</b>	<b>Incident Date</b>	<b>Incident #</b>	<b>Billed</b>	<b>Calculated</b>	<b>Overbilled (Underbilled)</b>
1	8/22/11	81101771	1,560.00	1,450.00	110.00
2	8/24/11	81101811	1,472.00	1,462.50	9.50
3	9/29/11	81102141	1,788.00	1,787.5	100.50
4	11/9/11	81102391	1,014.00	975.00	39.00
5	11/20/11	81102431	562.00	562.50	(0.50)
6	1/1/12	W008120021	850.00	737.50	112.50
7	1/17/12	W008120171	562.50	675.00	(112.50)
8	1/29/12	W008120361	1,287.50	1,187.50	100.00
9	2/6/12	W008120511	612.50	662.50	(50.00)
10	3/1/12	W008120851	612.50	562.50	50.00
11	3/29/12	8120421	1,337.50	1,437.50	(100.00)
12	4/7/12	8120471	1,650.00	1,750.00	(100.00)
13	4/16/12	8120561	0.00	562.50	(562.50)
14	4/20/12	8120591	0.00	975.00	(975.00)
15	4/28/12	W008121561	562.00	462.50	99.50
16	4/28/12	W008121591	662.50	562.50	100.00
17	5/5/12	W127	0.00	550.00	(550.00)
18	5/13/12	W008121691	662.50	562.50	100.00
19	5/22/12	W008121751	1,287.50	1,187.50	100.00
20	5/25/12	W008121811	625.00	575.00	50.00
21	5/28/12	8120901	1,125.00	975.00	150.00
22	6/10/12	8120991	612.50	562.50	50.00
23	6/13/12	W008121981	725.00	625.00	100.00
24	7/4/12	W008121271	612.50	600.00	12.50



**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
JULY 1, 2011 TO JUNE 30, 2013**

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<b>Run Number</b>	<b>Incident Date</b>	<b>Incident #</b>	<b>Billed</b>	<b>Calculated</b>	<b>Overbilled (Underbilled)</b>
25	8/19/12	W008122151	612.50	562.50	50.00
26	8/21/12	W008122171	662.50	562.50	100.00
27	9/2/12	W008122341	0.00	662.50	(662.50)
28	9/9/12	W008122451	1,600.00	1,350.00	250.00
29	9/12/12	W008122491	1,200.00	1,300.00	(100.00)
30	9/24/12	W008122621	662.50	562.50	100.00
31	11/13/12	W008123311	662.50	562.50	100.00
32	11/25/12	W008123541	662.50	650.00	12.50
33	12/21/12	W008123821	675.00	575.00	100.00
34	12/23/12	8121921	1,412.50	1,312.50	100.00
35	1/4/13	8130111	875.00	775.00	100.00
36	1/7/13	8130201	1,537.50	1,437.50	100.00
37	3/3/13	8131161	1,412.50	1,312.50	100.00
38	3/24/13	8131451	675.00	575.00	100.00
39	5/15/13	8132441	662.00	562.50	99.50
40	6/11/13	8132954	1,387.00	1,187.50	199.50

**Cause of Condition:** Procedures have not been designed and implemented to adequately ensure the amounts billed for services are calculated correctly.

**Effect of Condition:** This condition could result in the District under/over billing for ambulance services.

**Recommendation:** OSAI recommends the District review each run sheet and recalculate the amount billed to determine that the third party billing service is properly billing for charges for services.

**Management Response:** The Board of Trustees engaged in business with a new billing firm in order to ensure adequate billing charges that can be monitored on a monthly basis.

**Criteria:** Effective internal controls require oversight by management to provide assurance that amounts billed are based upon the billing policies adopted by the District Board.

**Finding 2013- 3–Inadequate Internal Controls Over the Estimate of Needs**

**Condition:** Based on observation of the Estimate of Needs and verification of the revenue and disbursements for fiscal year 2011-2012 and 2012-2013, we noted variances between the amounts recorded on the Estimate of Needs and the amounts recorded in the accounting records of the District. It appears that the Estimate of Needs does not reflect all of the financial activity for the District.

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
JULY 1, 2011 TO JUNE 30, 2013**

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**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 and review of the accounting records.

**Effect of Condition:** This condition 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 collections, disbursements, and cash balances are accurately presented on the District's Estimate of Needs.

**Management Response:** The Estimate of Needs will be reviewed on a quarterly basis by the Board of Trustees. Any revisions will be made on an as needed basis.

**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 2013-4–Inadequate Internal Controls Over Disbursement of Funds**

**Condition:** The District has two physical locations: Okeene and Watonga. Funds are disbursed from separate bank accounts from each location. Based upon inquiry and observation of the disbursement process, it was determined that duties are not adequately segregated.

- Okeene – One individual orders goods/services, receives goods/services, writes the checks and distributes the checks.
- Watonga – One individual orders goods/services, receives goods/services, writes the checks and distributes the checks.

The test of fifty expenditures revealed the following weaknesses:

- Four purchase orders did not have adequate documentation for mileage reimbursement.
- Eight purchase orders did not have supporting documentation such as a vendor invoice.
- Two purchase orders lacked Board approval for payment.
- The District did not have a process of independent verification to determine that goods/services were received.

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
JULY 1, 2011 TO JUNE 30, 2013**

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**Cause of Condition:** Procedures have not been designed to adequately segregate the duties for the disbursement of funds, to provide adequate documentation to support the disbursement of funds, to provide evidence of receiving the goods/services, and to document the Board's approval of payment.

**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.

**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:** The Board of Trustees has now recommended that odometer readings be used in the calculation of mileage reimbursement. A receipt for orders will be required along with any purchase orders before the check is to be signed and approved by the Board of Trustees.

**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.

#### **Finding 2013-5 – Inadequate Internal Controls Over Payroll**

**Condition:** The test of thirty-one timesheets revealed the following weaknesses:

- From July 1, 2011 to November 1, 2011 the Okeene location did not utilize timesheets.
- We noted two instances in which employees did not sign the timesheets.
- All timesheets reviewed lacked a documented supervisor review.

**Cause of Condition:** Procedures have not been designed over the payroll process to ensure adequate internal controls are in place to approve and review timesheets.

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

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
JULY 1, 2011 TO JUNE 30, 2013**

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**Recommendation:** OSAI recommends the following:

- All employees need to sign and approve their own timesheets before submitting to the Director.
- All timesheets should reflect a documented review by the Director.

**Management Response:** The local accounting firm is also preparing the payroll, issuing the payroll checks, and posting the expenditures to the general ledger accounts. The district is responsible for tracking the hours worked for each employee and submitting that information to the accounting firm. Again, the Board of Trustees will review the payroll reports generated by the accountant at their regular meeting to ensure accuracy of reporting. The timesheets will be completed by the employee and approved by the supervisor. These sheets will also be reconciled to the run reports.

**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.

**Finding 2013-6 –Inadequate Internal Controls Over Fixed Assets Inventory**

**Condition:** The District does not maintain a fixed assets listing of inventory and has not established a threshold for maintaining an inventory of fixed assets.

**Cause of Condition:** Policies and procedures have not been designed for the accurate accounting of fixed assets.

**Effect of Condition:** This condition could result in inaccurate records, unauthorized use of fixed assets, and/or loss of fixed assets.

**Recommendation:** OSAI recommends that the District implement policies and procedures to accurately maintain fixed asset inventory records and segregate duties over inventory recordkeeping. Records should be maintained in such a manner that assets can be identified by serial number, date of acquisition, and purchase price. Further, an annual physical verification of assets should be performed and documented.

**Management Response:** The District agrees with the recommendation and will prepare a spreadsheet showing the description of the asset, serial number, date of acquisition, and the cost. This worksheet will be reviewed annually and updated by the Board of Trustees.

**Criteria:** An important aspect of internal controls is the safeguarding of assets, which includes adequate segregation of duties. 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 acquisition, use, or disposition of inventory and safeguarding inventory from loss, damage, or misappropriation.

**OKEENE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
JULY 1, 2011 TO JUNE 30, 2013**

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**Finding 2013-7 – Inadequate Controls and Noncompliance Over the Audit Expense Account**

**Condition:** Upon inquiry and observation of records of the District over the budgeting process, it was determined that controls have not been designed and implemented to ensure the amount required by statute is correctly budgeted for the audit expense account.

Further, we noted that for the fiscal year 2011-2012, the calculation for the budgeted audit expense account was correct; however, the lapsed appropriations should have been \$1,687.66. The amount calculated for the fiscal year 2012-2013 to be set aside for audit expense should have been \$1,654.45. The total amount available for the audit expense should have been \$3,342.11.

**Cause of Condition:** Procedures have not been designed to ensure that the audit expense account is accurately calculated and budgeted in accordance with state statutory requirements.

**Effect of Condition:** This condition resulted in incorrect budgeting of the audit expense account and noncompliance with state statute.

**Recommendation:** OSAI recommends that the District implement a system of internal controls to provide reasonable assurance that one-tenth mill upon the net total assessed valuation be set aside in the audit account and that any unused portion be lapsed into the next year audit account in accordance with 19 O.S. § 1706.1.

Further, OSAI recommends the financial officer of the District perform the calculation of the required amount for the audit budget account, sign and date, and then an employee, separate from financial recordkeeping, recalculate the amount for the audit budget account, sign and date. In addition, the Board should compare the figures calculated by the financial officer and the budget maker to ensure compliance with Oklahoma Statutes.

**Management Response:** The Board of Trustees has now implemented a system of internal controls to provide reasonable assurance that the audit budget account be correctly in place for all future years. The financial officer as well as the budget maker will help ensure compliance with the 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 ad valorem levy upon the net total assessed valuation of the District for audit expenses.



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