

STATUTORY REPORT

# PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY

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

**PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
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 9, 2017

**TO THE BOARD OF DIRECTORS OF THE  
PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**

Transmitted herewith is the audit report of Pushmataha County Emergency Medical Service Authority 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".

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

**PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
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**Presentation of Collections, Disbursements, and Cash Balances of Authority Funds for FY 2016**

	<b>FY 2016</b>
Beginning Cash Balance, July 1	\$ 75,123
Collections	
Ad Valorem Tax	143,231
Intergovernmental Revenues	3,038
Miscellaneous	75
Total Collections	146,344
Disbursements	
Contract - Town of Clayton	40,579
Contract - City of Antlers	81,158
Maintenance and Operations	9,150
Total Disbursements	130,886
Ending Cash Balance, June 30	\$ 90,582

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



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Pushmataha County Emergency Medical Service Authority  
P.O. Box 1243  
Antlers, Oklahoma 74523

## **TO THE BOARD OF DIRECTORS OF THE PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY**

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 Authority'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 Authority is the representation of the Pushmataha County Emergency Medical Service Authority.

Our emergency medical service authority 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 Pushmataha County Emergency Medical Service Authority.

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 Pushmataha County Emergency Medical Service Authority. 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 18, 2017

**PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-1 – Inadequate Internal Controls and Segregation of Duties Over the Receipting Process (Repeat Finding)**

**Condition:** While gaining an understanding of the receipting, depositing, and reconciling functions of the Pushmataha County Emergency Medical Service Authority (the Authority), it was noted that the following duties were not properly segregated:

- The Secretary/Treasurer of the Board receives ad valorem tax remittance checks, posts collections to ledgers and accounts, prepares and takes the deposit to the bank, and verifies the deposit to the bank statement.
- Bank reconciliations were not adequately performed to reconcile to the ledger balance, and evidence of review and approval by someone other than the preparer was not documented.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the receipting process. Additionally, policies and procedures have not been designed and implemented to ensure all bank accounts are reconciled to the ledger balance and approved by someone other than the preparer.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions and inadequate reconciliation of the bank balance to the ledger balance and lack of evidence of review and approval of those reconciliations 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 (OSAI) recommends management 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 management'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 management review and approve accounting functions.

Additionally, OSAI recommends the Authority ensure bank reconciliations are being performed and reviewed by someone other than the preparer. Evidence of such review should be documented with initials and date and retained as verification.

**Management Response:**

**Chairman of the Board:** As recommended, check stubs, deposits slips, the check register (ledger), and bank statement reconciliations will be reviewed and approved at the Board meeting. Further, the bank

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statement reconciliations will be performed electronically and reviewed and approved by the Board in monthly meetings.

**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, depositing cash and checks, and reconciliations should be segregated and bank statement reconciliations should be reconciled to ledger balances and be approved by someone other than the preparer.

**Finding 2016-2 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)**

**Condition:** While gaining an understanding of the disbursement process of the Authority, we noted that the Secretary/Treasurer performed the following duties:

- Prepared claims,
- Reviewed packing list against invoice,
- Prepared checks,
- Signed checks,
- Disbursed checks, and
- Maintained and posted amounts to the financial statements.

We tested ninety-three (93) disbursements and determined weaknesses exist in the disbursement process as noted:

- Fifty-six (56) claims did not have proper supporting documentation attached.
- Eighty-four (84) claims did not have evidence of receiving signature/verification of accuracy of the invoice.
- Eighty-three (83) claims were not approved by the majority of the Board members.
- Two (2) check numbers and claim numbers were not used; however, we were unable to locate the voided checks.
- One (1) check issued for the District's insurance coverage did not have supporting documentation or a claim as evidence of the disbursement.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the disbursement process, to ensure all claims are filed with supporting documentation to support the disbursement, properly approved by the Board, and to document and retain voided checks.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions, and lack of sufficient documentation and approval of disbursement claims and checks, could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.



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**Recommendation:** OSAI recommends the Board 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 Board'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 including documentation of the review and approval of disbursements by the Board to mitigate the risks involved with a concentration of duties. Additionally, we recommend adequate documentation of supporting invoices and statements, evidence of receiving of goods and services by another employee, retention of voided or unused checks, and preparation of claims for each check issued to provide effective internal controls over the disbursement process.

**Management Response:**

**Chairman of the Board:** The Secretary/Treasurer of the Board does perform all disbursement functions except signing the checks. She signs checks only when her signature is necessary due to the limited number of Board members at meetings. Procedures will be implemented to address the findings regarding disbursements as recommended.

**Auditor Response:** Because the District contracts for the ambulance service and does not employ an individual for the accounting functions of the District, we recommend the Board take an active role in separating the duties of the disbursement process by reviewing the transactions at Board meetings and providing evidence of the review by signing and dating the documents to provide compensating internal controls over the disbursement process.

**Criteria:** Accountability and stewardship are overall goals of the Board 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/or misappropriation of funds. Effective internal controls include key functions within a process be adequately segregated to allow prevention and detection of errors and abuse. Key factors in this system are having proper supporting documentation maintained for record keeping purposes and audit needs. Additional key factors include Board approval of all purchases and retention of voided checks and adequate documentation of receiving goods and services.

**Finding 2016-4 – Inadequate Internal Controls and Noncompliance of Contract Services (Repeat Finding)**

**Condition:** While reviewing the terms and conditions of the service contracts between the Authority, the Town of Clayton, and the City of Antlers, the following exceptions were noted with regard to compliance with those contracts:

The contracts state that 1/3 of the ad valorem tax millage is to be paid to the Town of Clayton after expenses of the Authority are paid and 2/3 of the ad valorem tax millage is to be paid to the City of Antlers after expenses of the Authority are paid.

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However, upon reviewing the payments to the Town of Clayton and the City of Antlers, we noted the payments were not made in accordance with contract terms.

- The Authority paid a monthly fee in the amount of \$2,500 to the Town of Clayton and a monthly fee in the amount of \$5,000 to the City of Antlers on a monthly basis rather than calculating the payments according to the contract.

Upon discussion with the Board Chairman and review of the accounting ledgers and prior year minutes, we noted the following discussion concerning payment to contractors:

“Board members met in a regular meeting in December, and determined the account was reconciled to the bank statement. The Board then agreed to distribute the account balance in excess of \$10,000 between the Town of Clayton and City of Antlers at 1/3 and 2/3, respectively. “

Additionally, the following noncompliance with the contracts was noted:

- The Town of Clayton did not submit monthly expense reports to the Authority as stipulated in the contract.
- The Town of Clayton did not provide the Authority with documentation to verify the required insurance for the provider’s vehicles and employees was maintained as stipulated in the contract.
- The Pushmataha County Emergency Medical Service Authority did not have documentation of a signed service provider contract with the Town of Clayton.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the Authority and service providers adhered to the terms and conditions of the ambulance service contracts and the Authority Board signed the contract with the Town of Clayton.

**Effect of Condition:** These conditions resulted in noncompliance of the service contract terms, and could result in misappropriation of funds and liabilities incurred due to lack of evidence of insurance coverage.

**Recommendation:** OSAI recommends the Board design and implement policies and procedures to ensure compliance with the terms and conditions of ambulance service contracts and provide evidence that contracts were approved by the Board by signing the contracts.

**Management Response:**

**Chairman of the Board:** The contracts have been changed and approved to meet the criteria as listed above in the finding.

**Criteria:** Accountability and stewardship are overall goals of the Board 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/or misappropriation of funds. Key factors in this system would include the terms and conditions of the ambulance service contracts are met and approved by the Board.

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**Finding 2016-5 – Inadequate Internal Controls and Noncompliance Over Board Meeting Minutes**

**Condition:** While reviewing Authority Board minutes, the following exceptions were noted:

- Board minutes for three (3) regular monthly meetings could not be located.
- Board minutes were not signed.
- Board minutes were not detailed with regard to discussion of agenda items and Board approval of agenda items.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that all relevant discussions in the Authority meetings are properly documented in the minutes in accordance with state statute.

**Effect of Condition:** This condition resulted in noncompliance with the state statute regarding the Open Meeting Act concerning the existence and retention of board meeting minutes.

**Recommendation:** OSAI recommends the Authority maintain written minutes for all Board meetings to ensure compliance with Title 25 O.S. § 312.A.

**Management Response:**

**Chairman of the Board:** Procedures have now been implemented to make sure all minutes are accounted for and the approval and votes of agenda items are now recorded.

**Criteria:** Title 25 O.S. § 312.A states, “The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.”



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