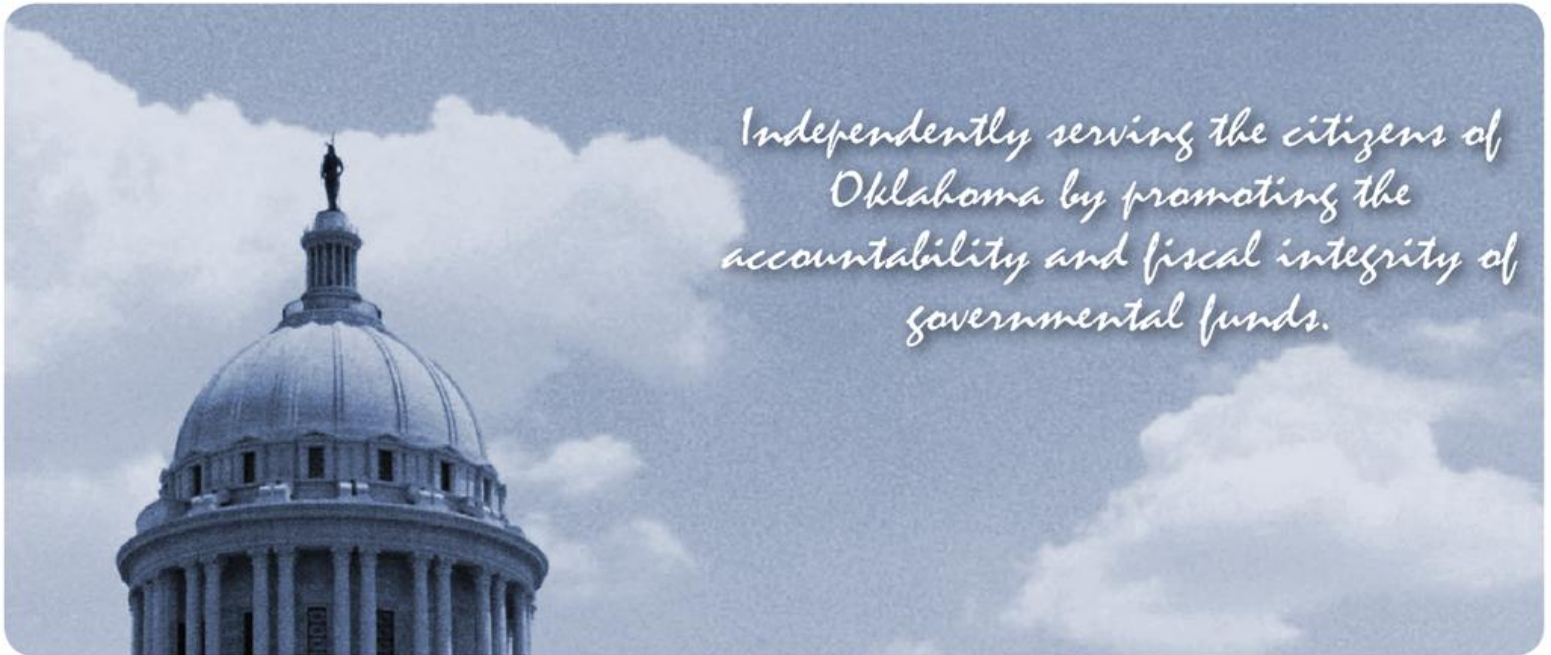


STATUTORY REPORT

PUSHMATAHA EMERGENCY MEDICAL SERVICE AUTHORITY

For the fiscal year ended June 30, 2014



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

**PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
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

February 13, 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, 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". The signature is written in a cursive, flowing style.

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

**PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

	FY 2014
Beginning Cash Balance, July 1	\$ 57,696
Collections	
Ad Valorem Tax	144,407
Miscellaneous	2,842
Total Collections	147,250
Disbursements	
Contract - Town of Clayton	45,610
Contract - City of Antlers	81,220
Maintenance and Operations	1,470
Capital Outlay	7,818
Audit Expense	3,105
Total Disbursements	139,223
Ending Cash Balance, June 30	\$ 65,723

Source: Authority 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 2014 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 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

October 12, 2016

**PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-01 – Inadequate 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:

- One employee receives ad valorem tax remittance checks, posts collections to ledgers and accounts, prepares and takes the deposit to the bank, verifies the deposit to the bank statement, and reconciles the bank statement.
- Bank reconciliations were not reviewed and approved by someone other than the preparer.

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 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 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: The Authority will segregate the duties of the receipting, depositing, and reconciling. One Board member will receive the ad valorem tax monies and take the monies to the Secretary/Treasurer, who is also a Board member. Both Board members will take the monies to the bank and make the deposit and initial the deposit slip. The Secretary/Treasurer will enter the amount into the account ledger. The account ledger will be presented each month to the complete Board for approval as recorded in the minutes as a financial report.

**PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
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As of October 11, 2016, a current copy of the bank statement will be included in the Board meeting as the financial report for review by the Board to ensure the account and ledger reconcile.

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 reconciliations should be approved by someone other than the preparer.

Finding 2014-02 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: While gaining an understanding of the disbursement process of the Authority, we noted that the accounting clerk performed the following duties:

- Prepares claims,
- Reviews packing list against invoice,
- Prepares checks,
- Signs checks,
- Disburses checks, and
- Maintains and posts amounts to the financial statements.

We tested twenty-five (25) disbursements and determined weaknesses exist in the disbursement process as noted:

- Seventeen (17) claims did not have supporting documentation attached to the claim and did not have evidence of receiving signature or verification of the invoice.
- Six (6) claims were not approved by the majority of the Board members.
- Seventeen (17) claims were for travel reimbursement to the Authority's Board Members for traveling to and from Board meetings. They each received \$35 for traveling to monthly Board meetings.

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, and to ensure disbursements were for the lawful operation of the Authority.

Effect of Condition: These conditions resulted in noncompliance with state statute and AG Opinion and could result in inaccurate records, incomplete information or misappropriation of assets. Additionally, a single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
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Recommendation: OSAI recommends management be aware of this condition 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.

Also, OSAI recommends the Authority implement a system of internal controls to ensure that all disbursements have proper supporting documentation, and are for the lawful operation of the Authority in accordance with AG Opinion 1983 OK AG 280 and Title 19 O.S. § 340.

Management Response:

Chairman of the Board: The Secretary/Treasurer prepares all claims, prepares all checks, disburses all checks and maintains and posts financial statements. All checks are signed by at least two Board members at the monthly meetings. All checks are approved by a majority of the Board.

A \$35 stipend is given to each board member for attendance. The checks are approved by the Board at each monthly meeting.

Auditor Response: There is no statutory authority allowing compensation for attendance of meetings. We recommend the Authority cease paying Board members a \$35 stipend for each monthly meeting. We additionally recommend the Board refer to our recommendations regarding segregation of duties and implementation of compensating internal controls to safeguard funds from misappropriation.

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/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 having approval of all purchases and ensuring expenditures are only incurred in accordance with state statute.

Additionally, AG Opinion 1983 OK AG 280 states in part, “.12 It is, therefore, the official opinion of the Attorney General that an Emergency Medical Service District formed pursuant to Article X, Section 9C, of the Oklahoma Constitution may not lawfully pay per diem expenses and/or mileage expense for travel to and from the board meeting and return to the residence to members of the board of trustees of the EMS District who attend regular and special meetings of the Board.”

**PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
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Title 19 O.S. § 340 states, “The board of county commissioners is hereby vested with full power to inquire into and investigate the accounts, disbursements, bills and expenses of any county, district, or township officer, and to that end may subpoena witnesses and in case any witness fails or refuses to obey any lawful order of the board of county commissioners he shall be deemed guilty of a misdemeanor, but in no case shall the board of county commissioners allow any compensation, fee, salary, bills or expenses to any officer or person except when expressly allowed by law.”

Finding 2014-03 – Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)

Condition: Upon inquiry, observation, and review of the Authority’s Fixed Assets inventory records, the following weaknesses were noted:

- An inventory listing was not being maintained by the Authority.
- Annual physical verification of inventory was not performed.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure inventory is properly maintained and updated through a periodic review by the Authority.

Effect of Condition: These conditions could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of Authority equipment.

Recommendation: OSAI recommends that policies and procedures be implemented to ensure inventory is updated on an ongoing basis. Furthermore, OSAI recommends annual physical inventory verification by someone other than the individual maintaining inventory. Evidence of such review should be documented with initials and date and retained as verification.

Management Response:

Chairman of the Board: The Authority will implement auditor’s recommendations regarding inventory.

Criteria: An important 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 timely detection of unauthorized acquisition, use, or disposition of the entity’s assets and safeguarding assets from loss, damage, or misappropriation.

Finding 2014-04 Inadequate Internal Controls and Noncompliance Over Contract Services

Condition: While reviewing the service contracts between the Authority, the Town of Clayton, and the City of Antlers, the following exceptions were noted:

**PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY
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The contracts state that 1/3 of the millage is to be paid to the Town of Clayton after expenses of the Authority are paid and 2/3 of the millage is to be paid to the City of Antlers after expenses of the Authority are paid.

However, payments to the Town of Clayton and the City of Antlers were not made in accordance with contract terms as follows:

- The Authority paid a fee in the amount of \$2,500 to the Town of Clayton and a 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.
- The Authority Board members met in regular meeting in December of each year, 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 was noted:

- The Town of Clayton did not submit monthly expense reports to the Authority.
- The Town of Clayton did not provide the Authority with documentation to verify the required insurance was maintained.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the Authority adheres to the terms of the ambulance service contracts.

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 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.

Chairman of the Board: The Authority has reviewed auditor's recommendations and will ensure the terms and conditions of the ambulance service contracts are met.

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/or misappropriation of funds. Key factors in this system would include management ensure the provisions of the ambulance service contracts are met.



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