

STATUTORY REPORT

# PUSHMATAHA COUNTY EMERGENCY MEDICAL SERVICE AUTHORITY

For the fiscal year ended June 30, 2017



*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, 2017**

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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 19, 2018

**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, 2017.

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 2017**

	<b>FY 2017</b>
Beginning Cash Balance, July 1	\$ 90,582
Collections	
Ad Valorem Tax	149,801
Intergovernmental	2,928
Miscellaneous	123
Total Collections	152,852
Disbursements	
Contract Sevices - City of Antlers	98,592
Contract Sevices - Town of Clayton	12,500
Maintenance and Operations	9,610
Audit Expense	5,463
Total Disbursements	126,165
Ending Cash Balance, June 30	\$ 117,269

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



# Oklahoma State Auditor & Inspector

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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 2017 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 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 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 large initial "G" and a long horizontal stroke at the end.

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

February 15, 2018

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

**Finding 2017-1 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)**

**Condition:** While gaining an understanding of the receipting, depositing, and reconciling processes of the Pushmataha County Emergency Medical Service Authority (the Authority), the following internal control weaknesses were noted:

- The Secretary receives ad valorem tax remittance checks, posts collections to ledgers and accounts, prepares and takes deposits to the bank, and posts deposits to accounting records.
- Bank reconciliations were not 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:** As noted in the prior year audit, policies and procedures were not designed and implemented to sufficiently segregate the collection 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 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's Office (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 management's oversight of office operations and a periodic review of operations. OSAI recommends the Board provide segregation of duties so that no one employee performs all accounting functions. When 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 the Board provide evidence of review and approval of deposits made and bank reconciliations.

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

**Management Response:**

**Board Chairman:** The procedures have been changed to comply with the auditor's recommendation. The Vice President receives and deposits the check in the bank. The Secretary-Treasurer posts the collections to the ledger and accounts. The reconciliation report is part of the agenda package in which the Board reviews and approves the reconciliation.

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**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 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 2017-2 – 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 Board Secretary-Treasurer performed the following duties:

- Prepared claims,
- Reviewed invoices for accuracy,
- Prepared checks,
- Signed checks,
- Disbursed checks, and
- Maintained and posted amounts to the financial accounting records.

Also, there was no indication that the Board reviewed and compared invoices to claims to verify that the amounts are accurate.

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

- Eighteen (18) claims did not have proper supporting documentation attached.
- Nineteen (19) claims did not have evidence of receiving signature and or verification of accuracy of the invoice.
- One (1) claim could not be located; thus, we were unable to verify supporting documentation, evidence of receiving signature and/or verification of the invoice, or approval from the Board.

**Cause of Condition:** As noted in the prior year audit, policies and procedures have not been designed and implemented to sufficiently segregate the disbursement process, and to ensure all claims are filed with supporting documentation and maintain all claims for Board review and approval of the documentation of disbursements.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions, lack of sufficient documentation of disbursements, evidence of receiving goods or services, and maintenance of all records 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 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 the Boards' oversight of office operations and a periodic review of operations. OSAI recommends the Board provide segregation of duties so that no one individual can perform all accounting functions. When 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 the Board review and approve claims for completeness and evidence of receipt of goods or services. Additionally, OSAI recommends all claims be maintained to provide evidence of the disbursement.

**Management Response:**

**Board Chairman:** Written procedures have been put in place to correct these situations as recommended by the auditor.

**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 having proper supporting documentation for disbursements, verifying that invoices and supporting documentation is accurate, and all claims are maintained.

**Finding 2017-3 – Inadequate Internal Controls Over Fixed Assets Inventory**

**Condition:** Based on inquiry of Authority Board members, observation and review of the Authority's fixed assets inventory records, the following weakness were noted:

- An annual physical count of fixed assets inventory was not being performed, nor reviewed and approved for accuracy and completeness.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure fixed assets 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, reviewed, and approved for accuracy and completeness. Furthermore, OSAI recommends annual physical inventory verification by someone other than the individual maintaining fixed assets inventory records.

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**Management Response:**

**Board Chairman:** The fixed asset inventory will be reviewed and fixed assets will be verified at the first meeting starting in the new fiscal year (July).

**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 2017-4 – Inadequate Internal Controls and Noncompliance Over Contract Service Providers (Repeat Finding)**

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

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 monthly, rather than calculating the payments according to the terms of the contracts.
- The Authority Board members met in 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.
- The Authority Board approved a contract with the Town of Clayton. However, the Town of Clayton revised the contract and the Authority Board voided the contract. Therefore, the Authority did not have an approved contract from July 1, 2016 to November 15, 2016. During this time, the Authority Board continued to pay the Town of Clayton a fee in the amount of \$2,500 per month.

Additionally, the following noncompliance of the service contract terms 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 was maintained.

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- The City of Antlers periodically submitted expense reports to the Authority. These reports were not submitted monthly as stipulated in the contract.

**Cause of Condition:** As noted in the prior year audit, policies and procedures have not been designed and implemented to ensure the Authority and contract service providers adhere to the terms and conditions of the 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 service contracts.

**Management Response:**

**Board Chairman:** These conditions were caused by a combination of failed attempts to correct the contracts and a computer crash. The Board will implement policies to ensure compliance with the terms and conditions of service contracts.

**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 Authority Board ensure the provisions of the service contracts are met.

**Finding 2017-5 – Inadequate Internal Controls and Noncompliance Over Board Meeting Documentation (Repeat Finding)**

**Condition:** Upon inquiry of Authority Board members, observation of records, and review of the Board Minutes, the following exceptions were noted:

- Board minutes for one (1) regular monthly meeting could not be located.
- Board minutes were not signed.
- Board minutes for meetings were not detailed regarding discussion of agenda items and 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 Board minutes.

**Effect of Condition:** These conditions resulted in noncompliance with the state statute regarding the Open Meeting Act concerning the existence and retention of Board meeting minutes.

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**Recommendation:** OSAI recommends the Authority maintain written minutes for all Board meetings to ensure compliance with 25 O.S. § 312.A and maintain those minutes in such detail to document all agenda items discussed and approved by the Board.

**Management Response:**

**Board Chairman:** The board will maintain written minutes for all board meetings in detail complying with Title 25 O.S. §312.A.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective control system is to provide accurate and reliable information through proper documentation of the Board meetings.

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.”

**Finding 2017-6 – Inadequate Internal Controls and Noncompliance Over Compensation (Repeat Finding)**

**Condition:** Based upon inquiry of Board members, observation, and review of disbursement documents, the following weaknesses regarding internal controls and noncompliance were noted:

- The Authority’s Board Members each received compensation of \$35.00 for traveling to monthly Board meetings. The claims state the \$35.00 payments made to Board Members were for “travel expense or reimbursement”. Additionally, there was no documentation attached to the claims for travel expense.
- The Bylaws of the Authority in Article II Section 4 “Members of the Pushmataha County Emergency Medical Service Authority *shall receive no salary*”.
- The Authority was unable to locate an approved copy of the current Bylaws.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that the Authority complies with the state statute and Attorney General (AG) Opinion regarding compensation to Board members.

**Effect of Condition:** This condition resulted in noncompliance with state statute and AG Opinion and could result in inaccurate records, incomplete information or misappropriation of assets.

**Recommendation:** OSAI recommends the Authority ensure all disbursements are for the lawful operation of the Authority in accordance with AG Opinion 1983 OK AG 280 and Title 19 O.S. § 340.

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**Management Response:**

**Board Chairman:** The Board chose not to respond to this finding.

**Criteria:** Accountability and stewardship are overall goals of the Board in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives regarding the reliability of financial reporting. An important aspect of internal controls is to ensure timekeeping records are accurately prepared to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds. Internal controls should be designed and implemented regarding compensation practices. Additional key factors include ensuring compensation is only incurred in accordance with the AG Opinion and 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.*”

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.”



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