

STATUTORY REPORT

RURAL SOUTHERN OKLAHOMA EMERGENCY MEDICAL SERVICE DISTRICT

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

**RURAL SOUTHERN OKLAHOMA EMERGENCY MEDICAL SERVICE DISTRICT
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 7, 2017

**TO THE BOARD OF DIRECTORS OF THE
RURAL SOUTHERN OKLAHOMA EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Rural Southern Oklahoma Emergency Medical Service District 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". The signature is written in a cursive, flowing style.

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

**RURAL SOUTHERN OKLAHOMA EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2016

	FY 2016
Beginning Cash Balance, July 1, as restated (See Note 1 below)	\$ 254,430
Collections	
Ad Valorem Tax	281,400
Charges for Services	-
Miscellaneous	235
Total Collections	281,635
Disbursements	
Provider contract Payments	240,000
Personal Services	5,616
Travel	-
Maintenance and Operations	6,084
Capital Outlay	545
Audit Expense	-
Total Disbursements	252,245
Ending Cash Balance, June 30	\$ 283,820

Note 1: Beginning Balance at July 1, 2015 restated due to unidentified variance in prior year's Estimate of Needs and reported amount of \$9,397.

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



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Rural Southern Oklahoma Emergency Medical Service District
P.O. Box 785
Heraldton, Oklahoma 73438

TO THE BOARD OF DIRECTORS OF THE RURAL SOUTHERN OKLAHOMA 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 2016 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Rural Southern Oklahoma 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 Rural Southern Oklahoma 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 Rural Southern Oklahoma 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 that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

May 10, 2017

**RURAL SOUTHERN OKLAHOMA EMERGENCY MEDICAL SERVICE DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-2 – Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account (Repeat Finding)

Condition: It was noted the District appropriated more than the mandatory one-tenth mill to the audit expense budget account and balances from the previous years' budget were not properly carried forward into the current year.

For the fiscal year 2015-2016, the District appropriated \$51,000.00 to the audit expense budget account; however, the amount calculated for the current audit budget expense was \$8,717.46 and the amount that should have been carried forward to the next fiscal year was \$10,905.55, making the total available for the audit expense budget account \$19,623.01. Therefore, the District appropriated \$31,376.99 more than was statutorily required.

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 the state statute and the audit expense budget account being overfunded for the fiscal year.

Recommendation: OSAI recommends 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 expense budget account and that any unused portion be carried forward into the next year's audit expense budget account in accordance with 19 O.S. § 1706.1.

Management Response:

Chairman of the Board: These issues are being addressed with the Board's accountant.

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

Finding 2016-3 – Inadequate Internal Controls Over the Recording of the District's Certificate of Deposit Balance and Interest Earned

Condition: Based upon inquiry of District staff and observation of the District's financial ledger, it was noted that a certificate of deposit and interest earned were not reported on the District's financial ledger nor

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is the interest a part of collections on the District's Estimate of Needs. At June 30, 2016, the certificate of deposit amount was \$89,664.12 and the earned interest that was not booked was \$267.08.

Cause of Condition: Policies and procedures have not been designed and implemented to provide a record of the District's certificate of deposit and interest earned on the investment.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors or the misappropriation of funds.

Recommendation: OSAI recommends that all bank account balances and interest earned by the District be reflected on the District's financial ledger at the time the money is received. Also, this amount should be reflected on the District's Estimate of Needs as a part of funds collected.

Management Response:

Chairman of the Board: We will establish a financial ledger category for the certificate of deposit and interest earned.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to the achievement of the entity's objectives with regard to the reliability of financial reporting. Effective internal controls require that key functions within a process be adequately segregated to allow for the prevention and detection of errors and possible misappropriation of funds.

Finding 2016-04 – Inadequate Controls and Noncompliance Over the Disbursement Process

Condition: Upon inquiry of District personnel and the District Board Chairman with regard to the disbursements process, and a test thirty-one (31) checks, we noted the following weaknesses:

Three (3) checks could not be verified to the Board Minutes for approval.

- Check #1367 – the District's Board Minutes reflected Check #1356.
- Check #1375 – the amount of the check was \$806.28; however, the District's Board Minutes reflected \$806.00.
- Check #1376 – the amount of the check was \$231.00; however, the District Board Minutes reflected \$321.00.

Sales tax was paid on the disbursement by the District on two (2) checks:

- Check #1369 – Sales Tax paid in the amount of \$45.00.
- Check #1375 – Sales Tax paid in the amount of \$6.30.

One (1) check was voided (#1380); however, this check number was not reflected on the District's financial ledger as void.

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Cause of Condition: Policies and procedures have not been designed and implemented to accurately document the approval of disbursements in the Board Minutes and financial ledger and to avoid the payment of sales tax by the District.

Effect of Condition: These conditions could result in inaccurate records, incomplete information, or the misappropriation of assets and did result in noncompliance with regard to payment of sales tax by the District.

Recommendation: OSAI recommends that Board be aware of these conditions and provide compensating controls, including the review and approval of each disbursement for approval by the Board in the monthly Board Minutes, and avoidance of paying sales tax in accordance with Title 68 O.S. § 1356 (1).

Management Response:

Chairman: The checks listed were typographical errors on the Board Minutes. The issue with paying sales tax will be addressed by the Board. The voided check will be corrected on the financial ledger.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to the achievement of the entity's objectives with regard to the reliability of financial reporting. Effective internal controls require the Board to review Board Minutes and accurately document the approval checks in the Board Minutes and the avoidance of paying sales tax by the governmental entity.

Title 68 O.S. § 1356 (1) states, "There are hereby specifically exempted from the tax levied by Section 1350 et seq. of this title:

1. Sale of tangible personal property or services to the United States government or to the State of Oklahoma, any political subdivision of this state or any agency of a political subdivision of this state; provided, all sales to contractors in connection with the performance of any contract with the United States government, State of Oklahoma or any of its political subdivisions shall not be exempted from the tax levied by Section 1350 et seq. of this title, except as hereinafter provided."

Finding 2016-7 – Inadequate Internal Controls Over the District's Estimate of Needs and the District's Financial Ledger

Condition: The District's Estimate of Needs did not provide adequate information (Exhibit E – Schedule 8) to prepare a comparative schedule of disbursements. The following misclassifications of disbursements were noted:

- The District's Estimate of Needs reflected \$242,025.23 for personal services; however, the District's financial ledger reflected \$240,000.00 for provider contract payments. The amount reflected as personal services on the District's financial ledger was \$5,616.74.

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- The District's Estimate of Needs reflected \$4,586.11 for "Other"; however, the District's financial ledger reflected the amount was for revaluation expenses to Carter and Jefferson Counties.
- The District's Estimate of Needs reflected \$5,634.24 for salaries and expense of audit; however, the District's financial ledger did not reflect any payments for this expense category.

Additionally, the beginning cash balance at July 1, 2015 did not agree to the prior year ending balance due to an unidentified variance in prior year's Estimate of Needs and reported amount of \$9,397.

Further, the following items were not recorded in the disbursement categories of the District's financial ledger:

- The total amount paid to the District's recordkeeper for salaries and withholdings was not posted in an expenditure category in the correct amount of \$6,334.83.
- Check #1369 in the amount of \$544.95 for the purchase of a laptop computer and a printer/FAX/scanner/copier was not posted to the District's financial ledger.
- Check #1375 in the amount of \$106.28 for the purchase and installation of software to the laptop computer was not posted to the District's financial ledger.
- Check #1377 in the amount of \$225.00 for the renewal of the officials' bond insurance was not posted to the District's financial ledger.
- Check #1381 in the amount of \$17.50 for the third quarter payroll reports was not posted to the District's financial ledger.

Cause of Condition: Policies and procedures have not been designed and implemented to review the District's Estimate of Needs and the District's financial ledger for propriety prior to Board approval.

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

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

Further, OSAI recommends the District's Board compare the Estimate of Needs to the District's financial ledger to ensure disbursements are accurately presented on both accounting documents.

Management Response:

Chairman of the Board: These issues have been discussed by the Board and are being addressed with the record keeper.

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Criteria: Internal controls should be designed and implemented to ensure the accuracy and completeness of disbursements is accurately presented on the Estimate of Needs.

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.



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