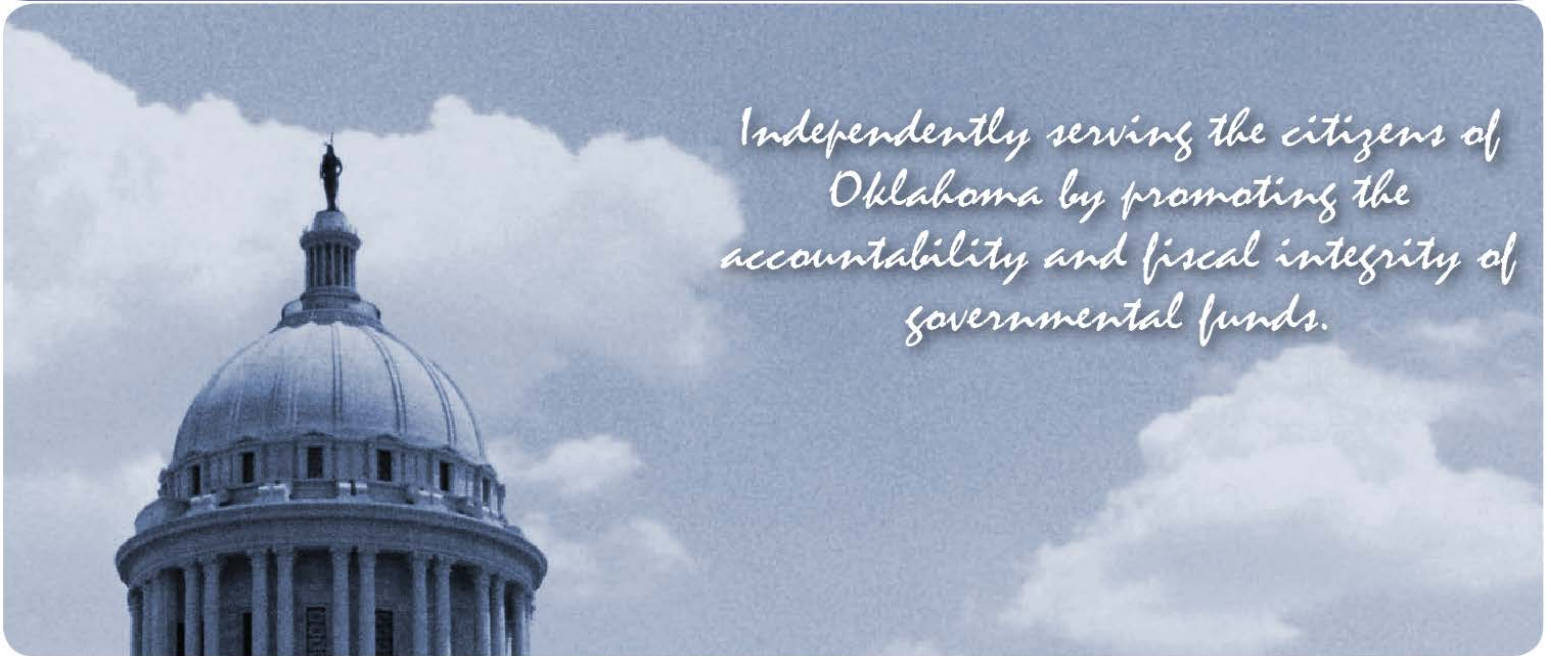


STATUTORY REPORT

SUGAR CREEK 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

**SUGAR CREEK 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 30, 2017

**TO THE BOARD OF DIRECTORS OF THE
SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Sugar Creek 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

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2016

	FY 2016
Beginning Cash Balance, July 1	\$ 294,389
Collections	
Ad Valorem Tax	145,722
Prior Year Transfer	52,756
Miscellaneous	116,171
Total Collections	314,649
Disbursements	
Contract Payments	226,193
Maintenance and Operations	37,982
Audit Expense	7,891
Total Disbursements	272,066
Ending Cash Balance, June 30	\$ 336,972

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



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Sugar Creek Emergency Medical Service District
Binger, Oklahoma 73009

TO THE BOARD OF DIRECTORS OF THE SUGAR CREEK 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 Sugar Creek 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 Sugar Creek 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 Sugar Creek 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 written in a cursive style with a long horizontal stroke at the end.

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

May 31, 2017

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-1 - Inadequate Internal Controls and Noncompliance Over the Collection and Disbursement Processes (Repeat Finding)

Condition: Upon inquiry of District personnel and Board members with regard to the collection process and the disbursement processes, we noted the following weaknesses in the lack of segregations of duties:

- One person opens the mail, sorts the mail, prepares the deposit, delivers or mails the deposit to the bank, receives goods and services, prepares claims, and processes payments.
- There was no evidence of review by an employee or Board member independent of the process of the monthly bank reconciliations.

The original test of fifteen (15) deposits reflected that all of the fifteen (15) deposits were not made in a timely manner.

Further, an additional test of 57 deposits to determine the funds collected were deposited in the District account reflected the following weaknesses in the description of the deposits made on the deposit slips.

- Two contract payments from the Town of Hinton could not be traced to deposit slips.
 - Check #27273 Date: 11/2/2015 Amount: \$2,000.00
 - Check #27690 Date: 1/4/2016 Amount: \$2,000.00
- Three ad valorem payments from counties could not be traced to deposit slips.
 - Blaine County Issued: Dec 2015 Amount: \$283.63
 - Caddo County Issued: Dec 2015 Amount: \$23,961.90
 - Blaine County Issued: Jan 2016 Amount: \$36.21
- The total of these five (5) deposits was \$28,281.74.

However, the District's financial records reflected the following entries were made:

- "unknown deposit" Date: 1/6/2016 Amount: \$2,283.63
 - "unknown deposit" Date: 2/12/2016 Amount: \$25,998.11
- The total of these two (2) "unknown deposits" total \$28, 281.74.

Therefore, it appears the funds were deposited, but were not accurately recorded in the financial records.

Cause of Condition: Policy and procedures have not been designed and implemented to sufficiently segregate the collection and disbursement processes and the depositing of funds in a timely manner in accordance with state statute.

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT
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Effect of Condition: This condition resulted in noncompliance with state statute regarding timely deposit of funds and inadequate description of the source of the funds. A single employee having responsibility for more than one area of the collection and disbursement process and failing to deposit funds in a timely and descriptive manner could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of fund.

Recommendation: The Oklahoma State Auditor and 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 office, and having management review and approval of accounting functions. We recommend evidence of the Board’s review process be clearly documented so as to provide a mitigating control over the lack of segregation of duties for the receipting, depositing, reconciling and the disbursement processes. We additionally recommend funds collected be deposited in a timely manner and the deposit slip be documented in such a manner as to be easily traced to the receipts that have been issued.

Management Response:

Chairman of the Board: Per discussion with the auditor during the review of findings, the Board has been made aware of this finding and believes these issues arose during a time when the prior recordkeeper was unable to fulfill these duties. The Chairman believes the current recordkeeper is maintaining the receipts and the deposits in a timely and orderly manner.

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. Further, funds should be deposited in a timely manner on deposit slips that identify the amounts and entity of the depositor to provide adequate documentation to support the collections.

Further, Title 62 O.S. § 517.3B states in part, “...The treasurer of every public entity shall deposit daily, not later than the immediately next banking day...”

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

Condition: For the fiscal year ended June 30, 2016, the District did not appropriate the mandatory one-tenth mill to the audit expense budget account.

- The Estimate of Needs did not reflect the correct amount appropriated for the audit expense budget account.

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT
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- The current year appropriations of the audit expense budget account including the carry over amount for the prior years' unused appropriations should have been \$17,262.66; rather than \$17,000.00 as reported on the Estimate of Needs.
- Audit expenses incurred were not reflected in the audit expense budget account on the Estimate of Needs.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the Estimate of Needs was prepared in accordance with 19 O.S § 1706.1.

Effect of Condition: This condition resulted in noncompliance with the state statute and the underfunding of the audit expense budget account in the amount of \$ 262.66

Recommendation: OSAI recommends that the District implement policies and procedures designed to ensure 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: The District will set aside one-tenth of a mill in the audit expense budget account and carry forward appropriations in the next budget and will document audit expense on the budget.

Criteria: Title 19 O.S. § 1706.1 states in part, "The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district purpose..."

Finding 2016-3 – Inadequate Internal Controls and Noncompliance Over Board Meeting Minutes

Condition: Upon inquiry of the District staff and review of the District's Board meeting agendas and minutes, the following weaknesses were noted:

- A public notice or agenda was not located for the regularly scheduled Board meeting for January, 2016.
- There was no evidence of Board meeting minutes for January 2016.

Cause of Condition: Policies and procedures have not been designed and implemented with regard to the Open Meeting Act. Further, procedures have not been implemented to ensure that regularly scheduled Board meetings minutes are recorded and a public notice of the agenda for the meetings be maintained.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Inadequate internal controls over posting of a public notice for a regularly scheduled Board meeting recordkeeping of Board minutes resulted in incomplete documentation of the meeting and noncompliance with the Open Meetings Act.

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT
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Recommendation: OSAI recommends the Board adhere to the Open Meeting Act with regard to filing all regularly scheduled meetings with the Caddo County Clerk. OSAI also recommends the Board meeting minutes be reviewed for accuracy and signed as verification of this review, and maintained in a safe and secure location.

Management Response:

Chairman: The Board has been made aware of this issue and believes the current recordkeeper will maintain agendas and minutes in a safe and secure location.

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. Oklahoma Open Meeting and Open Records Book states:

Title 25 O.S. § 303 states in part, “All meetings of such public bodies, shall be preceded by advance public notice specifying the time and place of each such meeting.”

Title 25 O.S. § 311 (A) (11) states in part, “Notwithstanding any other provisions of law, all regularly scheduled, continued or reconvened, special or emergency meetings of public bodies shall be preceded by public notice as follows:

1. All public bodies shall give notice in writing by December 15 of each calendar year of the schedule showing the date, time and place of the regularly scheduled meetings of such public bodies for the following calendar year.

3. All county public bodies, including, but not limited to, public trusts and any other bodies with the county as beneficiary, shall give such notice to the county clerk of the county wherein they are principally located.

10. In the event any meeting is to be continued or reconvened, public notice of such action, including date, time and place of the continued meeting, shall be given by announcement at the original meeting. Only matters appearing on the agenda of the meeting which is continued may be discussed at the continued or reconvened meeting.

Finding 2016-4 – Inadequate Internal Controls Over County Sales Tax Collections

Condition: During our review of the county sales tax collections the District received, the following discrepancies were noted:

- The following warrants were issued by Caddo County to the Town of Hinton for the District; however, there was no evidence of the amounts being deposited in the District bank account:

Purchase Order	Warrant	Date	Amount
004543	60	5/5/2016	\$4,603.16

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Purchase Order	Warrant	Date	Amount
004899	66	6/2/2016	\$4,336,79

- The following deposit was noted in the District’s bank account; however, there is no evidence of the amount being issued by Caddo County; rather, the funds were deposited with the Town of Hinton and a check was written to the District.

<u>Town of Hinton Check #</u>	<u>Date Issued</u>	<u>Deposit Date</u>	<u>Amount</u>
27924	2/9/2016	4/19/2016	\$5,207.81

Cause of Condition: Policy and procedures have not been designed and implemented to account for county sales tax collections within the District’s account.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, and clerical errors.

Recommendation: OSAI recommends policies and procedures be designed and implemented over the receipting and depositing of county sales tax funds. Additionally, we recommend that the Board actively review bank statements to ensure the county sales tax amounts are deposited in the District’s account.

Management Response:

Chairman: The Board has been made aware of these conditions and will make an effort to correct the receipting and depositing of county sales tax. The current record keeper has corrected these mistakes.

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 an example of effective internal controls would be the review of the monthly bank statement by the Board to determine county sales tax was deposited in the District’s account.

Finding 2016-5 - Inadequate Internal Controls and Noncompliance Over Pledged Collateral

Condition: Upon inquiry of the District staff, observation, and review of documents regarding the pledged collateral process, the following was noted:

- The District does not monitor the bank balance throughout the year to ensure that District funds are adequately secured.
- At June 30 2016, the District’s deposits were not secured by pledged collateral at a local bank in the amount of \$40,392.16.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that bank deposits are adequately secured.

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT
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Effect of Condition: These conditions resulted in noncompliance with state statute and unsecured District funds. Further, this condition could result in possible loss of county funds.

Recommendation: OSAI recommends that the District Treasurer design procedures to compare bank balances to the fair market value of pledged collateral to ensure that District funds are adequately secured and that the county is in compliance with 62 O.S. § 517.4. Documentation for this procedure should be maintained.

Management Response:

Chairman: The Board has been made aware of these conditions and will make an effort to monitor pledged collateral.

Criteria: Effective internal controls require that monitoring pledged securities be performed on a daily basis to ensure compliance with state statute.

Title 62 O.S. § 517.4.A. states, “A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.”

Finding 2016-6 – Inadequate Internal Controls Over the Test of Disbursements

Condition: Upon inquiry of the District Board minutes, observation of the disbursement process, and test of thirty one (31) disbursements, exceptions noted are reflected as follows:

- Board meeting minutes could not be located for January 2016 resulting in eight (8) instances in which there is no evidence that disbursements were approved in an open meeting by the Board.
- Six (6) other instances were noted, in which disbursements were not approved in an open meeting by the Board.
- Supporting documentation was not maintained for twenty (20) disbursements.

Cause of Condition: Policies and procedures have not been designed and implemented to check completeness, authorization, and provide adequate documentation to support disbursements. Further, procedures have not been implemented to ensure that regularly scheduled Board meetings are held.

Effect of Condition: These conditions could result in inaccurate records, incomplete information, and/or misappropriation of assets.

Recommendation: OSAI recommends that appropriate documentation supporting disbursements be maintained with purchase orders to provide evidence of goods and/or services received. OSAI also

**SUGAR CREEK EMERGENCY MEDICAL SERVICE DISTRICT
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FOR FISCAL YEAR ENDED JUNE 30, 2016**

recommends that the Board meet during regularly scheduled meetings to review and approve all purchase orders.

Management Response:

Chairman: The Board has been made aware of these conditions regarding the disbursement process and will make an effort to maintain documentation to support the disbursements and evidence of the Board's approval.

Criteria: Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions.

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 untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation. An example of proper internal controls is retaining evidence of transactions in the form of a detailed receipt or invoice to support each disbursement and evidence of Board approval for disbursements.



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