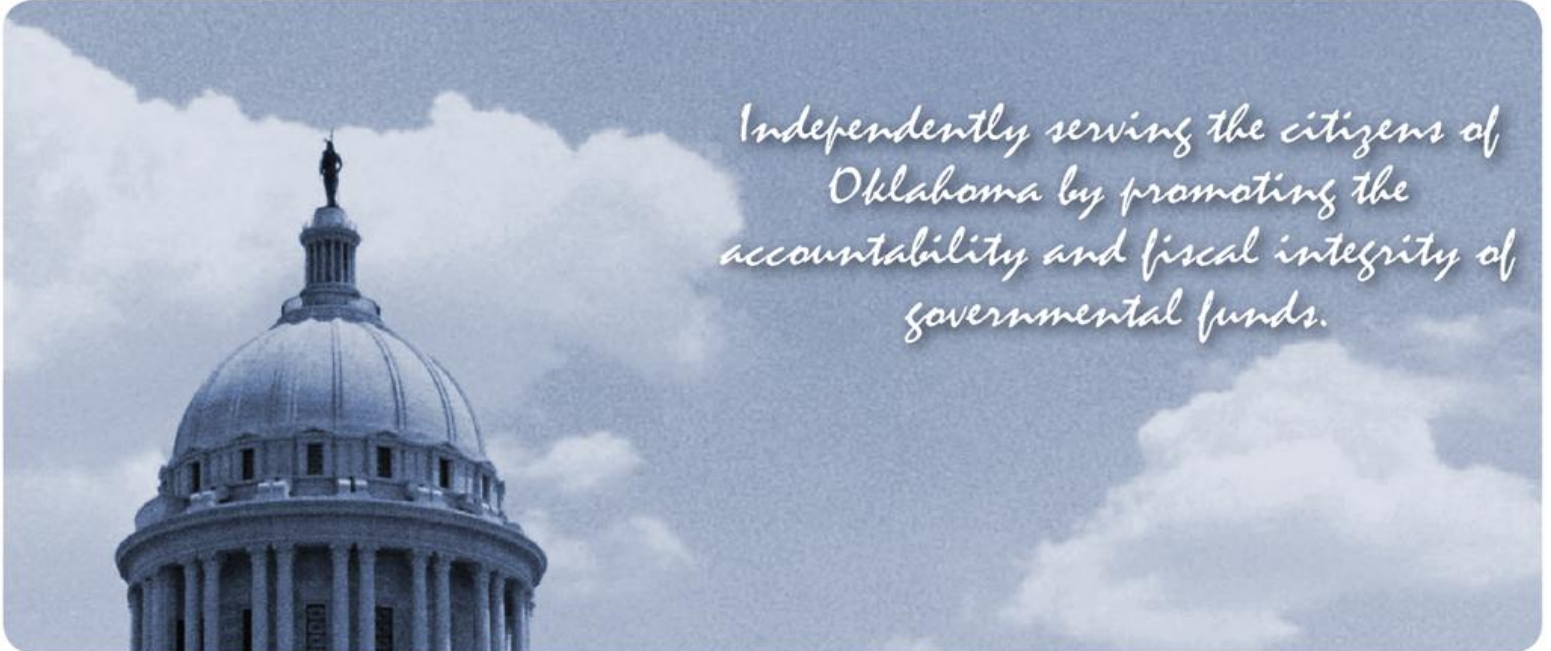


STATUTORY REPORT

THOMAS FAY CUSTER EMERGENCY MEDICAL SERVICE DISTRICT

For the period September 1, 2013 through June 30, 2015



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

**THOMAS FAY CUSTER EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD SEPTEMBER 1, 2013 THROUGH JUNE 30, 2015**

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Oklahoma State Auditor & Inspector

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February 24, 2016

**TO THE BOARD OF DIRECTORS OF THE
THOMAS FAY CUSTER EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Thomas Fay Custer Emergency Medical Service District for the period September 1, 2013 through June 30, 2015.

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 fluid and cursive, with the first name "Gary" being the most prominent.

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

**THOMAS FAY CUSTER EMERGENCY MEDICAL SERVICE DISTRICT
 STATUTORY REPORT
 FOR THE PERIOD SEPTEMBER 01, 2013 THROUGH JUNE 30, 2015**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2014 and FY 2015

	<u>FY 2014</u>	<u>FY 2015</u>
Beginning Cash Balance, July 1	\$ -	\$ 44,930
Collections		
Ad Valorem Tax	100,069	119,410
Miscellaneous	<u>52</u>	<u>94</u>
Total Collections	<u>100,121</u>	<u>119,504</u>
Disbursements		
Maintenance and Operations	982	1,626
Contract Services	<u>54,209</u>	<u>105,455</u>
Total Disbursements	<u>55,191</u>	<u>107,081</u>
Ending Cash Balance, June 30	<u>\$ 44,930</u>	<u>\$ 57,353</u>

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



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Thomas Fay Custer Emergency Medical Service District
P.O. Box 45
Thomas, Oklahoma 73669

TO THE BOARD OF DIRECTORS OF THE THOMAS FAY CUSTER 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 2014 and FY 2015 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Thomas Fay Custer 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 Thomas Fay Custer 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 Thomas Fay Custer 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, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

January 4, 2016

**THOMAS FAY CUSTER EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD SEPTEMBER 01, 2013 THROUGH JUNE 30, 2015**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-01 – Inadequate Internal Controls Over the Revenue Process

Condition: Based on discussion with District staff, we determined the District does not have adequate segregation of duties or mitigating controls in place with regard to the revenue process:

- One individual is responsible for receiving monies, depositing monies, and receiving the bank statement.

Cause of Condition: Policies and procedures have not been designed to adequately segregate the duties of receiving and depositing funds. Additionally, internal controls over monitoring the process in order to mitigate inadequate segregation of duties have not been implemented.

Effect of Condition: These conditions 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 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.

Management Response:

Board: A Board member will receive the bank statement and any invoices that are due. A second Board member will receive all monies at a separate location and will deposit the funds immediately. The Board Treasurer will request a copy of the apportionment ledger from the County Treasurers in Blaine, Custer, and Dewey counties at the end of each fiscal year. The Board will review the apportionment ledger at the first regularly scheduled Board meeting after receipt of the apportionment ledgers to verify that all funds have been received and deposited.

Criteria: To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2015-02 – Inadequate Internal Controls Over the Disbursement Process

Condition: Based on discussion with District staff and observation of thirty-one (31) disbursements, we noted the following weaknesses with regard to the disbursement process:

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- One individual maintains the checks, is an authorized signature, and performs the bank reconciliation.
- The District has not developed procedures for utilizing a claim form or receiving document to document the authorization and validity of the expenditures for payment.
- Seven (7) of the thirty-one (31) expenditures tested did not have an independent verification of goods/services received.
- Three (3) of the thirty-one (31) expenditures tested did not have evidence of being approved by the Board.

Cause of Condition: Policies and procedures have not been designed to adequately segregate the duties over the disbursement process.

Effect of Condition: A single individual having responsibility for more than one area of recording, authorization, custody of assets, and reconciliation could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: 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 district and having management review and approval of accounting functions.

Management Response:

Board: A claim form has been created to record the amount of the expenditure, the date Board voted to pay the invoice, the check number used to pay the invoice, and we will attach the invoice to the claim form for recordkeeping purposes. The Board Treasurer will write the checks for the approved expenditures at the current Board meeting. The Board will approve the claim prior to paying the expense and it will be noted in the Board minutes.

Criteria: To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2015-03 – Inadequate Internal Controls and Noncompliance Over Service Provider Contract

Condition: Based on discussion with District staff and observation of records, we noted the following weaknesses with regard to the District’s contract process:

- The minutes do not reflect the Board approval for the service provider contract from July 1, 2014 through January 31, 2015.
- The service provider contract was approved for the period September 1, 2013 through June 30, 2014. The contract stated that the service provider would be paid 90% of the budgeted ad valorem

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revenue for the fiscal year ending June 30, 2014. However, the District Board did not take formal action for the approval and renewal of the contract services and continued to pay the same monthly payment from July 1, 2014 through January 31, 2015.

- The budgeted ad valorem revenue decreased for fiscal year ending June 30, 2015. This decrease in ad valorem revenue would have decreased the District's monthly payment to the service provider from \$9,034.97 to \$8,442.33 if the Board would have properly reviewed and renewed the contract at July 1, 2014.
- Evidence of the calculation of the service contract payment for the month of January, 2015 was not documented.

Cause of Condition: Policies and procedures have not been designed or implemented by the Board to ensure the District approves and renews contracts at the beginning of each fiscal year. Additionally, policies and procedures regarding adequate evidence of the calculation of contract payments were not completely implemented for the month of January, 2015.

Effect of Condition: These conditions resulted in the service provider contract not being timely renewed and may have resulted in a loss of revenue to the District.

Recommendation: OSAI recommends that the District design and implement policies and procedures to ensure the contracts are approved at the beginning of each fiscal year and those contracts do not extend past fiscal year end. Additionally, the District should retain documentation of the calculation of contract payments to the Service Provider.

Management Response:

Board: The Board will approve each contract on a fiscal year basis. The Board will amend the contracts in December to reflect the new valuation amounts for the tax year in order to calculate the amount to be paid for the provider. Additionally, the automatic renewal clause will be removed from the contracts. The Board minutes will reflect approval of the calculation to be paid to the provider.

Criteria: Effective internal controls require that annual contracts be properly reviewed and renewed at the beginning of each fiscal year. Further, the District should comply with the Oklahoma Constitution Article 10 § 26 which would prohibit entering into a contract past the current fiscal year and obligating future funds.



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