

STATUTORY REPORT

# TILLMAN COUNTY EMS

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

**TILLMAN COUNTY 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 28, 2017

**TO THE BOARD OF DIRECTORS OF THE  
TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Tillman County 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 style with a long, sweeping tail on the letter "s".

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

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2016**

	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ 114,053
Collections	
Ad Valorem Tax	95,278
Charges for Services	309,899
Miscellaneous	<u>15,372</u>
Total Collections	<u>420,549</u>
Disbursements	
Personal Services	298,251
Maintenance and Operations	93,588
Contract Services	13,797
Tillman Revaluation	1,850
Audit Expense	<u>2,973</u>
Total Disbursements	<u>410,459</u>
Ending Cash Balance, June 30	<u>\$ 124,143</u>

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



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Tillman County Emergency Medical Service District  
300 Lucille Avenue  
Frederick, Oklahoma 73542

## **TO THE BOARD OF DIRECTORS OF THE TILLMAN COUNTY 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 Tillman County 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 Tillman County 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 Tillman County 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

June 6, 2017

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-1 - Inadequate Internal Controls Over the Collection and Reconciling Processes (Repeat Finding)**

**Condition:** Upon inquiry and observation of the Tillman County Emergency Medical District, (the District's), collection and reconciling processes, the following was determined:

- Duties are not adequately segregated due to one employee preparing patient accounts, performing the billing process, opening the mail, posting to patient accounts, issuing receipts, and reconciling monthly bank statements.

**Cause of Condition:** Policies and procedures have not been designed and implemented with regard to segregating the duties over aspects of the collection and reconciling processes.

**Effect of Condition:** A single employee having responsibility for more than one area of recording, authorization, custody of assets, reconciling, and execution of transactions could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office, (OSAI), recommends the District be aware of these conditions and realize that a 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 District oversight of office operations and a periodic review of operations. OSAI recommends the District 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 the District Board review and approve accounting functions.

**Management Response:**

**Chairman of the Board:** The District will work toward the design of review processes to enhance internal controls and will work to create compensating controls.

**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, and depositing funds should be segregated.

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**Finding 2016-2 - Inadequate Internal Controls over the Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry of the District staff, observation of the disbursement process, and the test of forty (40) disbursements, we noted the following exceptions:

- Nineteen (19) instances in which purchase orders did not have evidence of a receiving signature or verification of the accuracy of the invoice.
- One (1) instance in which a purchase order did not have proper supporting documentation attached to the claim.

**Cause of Condition:** Policies and procedures have not been designed and implemented to check completeness, authorization, and provide adequate documentation to support disbursements with regard to evidence of verifying that goods and/or services were received and maintaining appropriate supporting documentation for each purchase order.

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

**Recommendation:** OSAI recommends that appropriate documentation of receipt of good and/or services be maintained with purchase orders to provide evidence that goods and/or services were received and supporting documentation of the disbursement such as a detailed invoice or statement be retained with the purchase order.

**Management Response:**

**Chairman of the Board:** The Board will work to ensure that all invoices are signed and dated showing receipt of goods and services and verification of accuracy of invoice. All supporting documentation will also be provided and attached to purchase orders.

**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 documented evidence of receipt of goods and/or services in the form of a receiving report or initialing and date the invoice and retention of invoices or statements to support each disbursement.



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**Finding 2016-3 - Inadequate Internal Controls and Noncompliance over the Audit Expense Budget Account**

**Condition:** The District did not appropriate the statutorily prescribed amount to the audit expense budget account. The District appropriated more than the 1/10<sup>th</sup> of one mill; thus, the audit expense budget account amount was budgeted as \$13,500.00. The amount calculated for the account expense budget account was \$9,022.22 which resulted in an overfunded amount of \$4,477.78.

**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:** The EMS Board will visit with the CPA and discuss issue. The Board will work in the future to ensure the correct amount required is appropriated to the audit account.

**Criteria:** Accountability and stewardship are overall goals of management in 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 mil annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.

**Finding 2016-4 - Inadequate Internal Controls Over Fixed Assets Inventory**

**Condition:** Upon inquiry and observation of the recordkeeping process regarding fixed assets inventory, it was noted that the District does not perform an annual physical count of all inventory items.

**Cause of Condition:** Policies and procedures have not been designed and implemented to perform an annual physical inventory to ensure all items are accounted for and included on the inventory records.

**Effect of Condition:** Failure to provide adequate internal controls over fixed assets inventory could result in inaccurate inventory records, unauthorized use of inventory, or misappropriation of inventory.

**Recommendation:** OSAI recommends that the District implement controls for the safeguarding of fixed assets. Further, OSAI recommends that an annual physical count of fixed assets be performed and documentation be retained to verify that the physical count was performed.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**Management Response:**

**Chairman of the Board:** An annual inventory count will be conducted by the Director and another individual. This count will then be approved by the EMS Board. Evidence of this approval will be present in the EMS Board minutes.

**Criteria:** 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 acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage, or misappropriation.



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