

TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

AGREED-UPON PROCEDURES REPORT



Oklahoma State Auditor
& Inspector

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
AGREED-UPON PROCEDURES REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

This publication is printed and issued by the State Auditor and Inspector as authorized by Article 10, § 9C (i) of the Oklahoma Constitution and as defined by 19 O.S. § 1704.3. Pursuant to 74 O.S. § 3105.B, ten copies have been prepared and distributed at a cost of \$24.36. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

STATE AUDITOR AND INSPECTOR

STEVE BURRAGE, CPA
State Auditor

MICHELLE R. DAY, ESQ.
Chief Deputy



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October 22, 2008

TO THE BOARD OF TRUSTEES OF THE
TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Transmitted herewith is the agreed-upon procedures report for the Tillman County Emergency Medical Service District for the fiscal year ended June 30, 2007. The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our engagement.

Sincerely,

A blue ink signature of Steve Burrage, written in a cursive style.

STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR

A blue ink signature of Michelle R. Day, written in a cursive style.

MICHELLE R. DAY, ESQ.
DEPUTY STATE AUDITOR & INSPECTOR

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

INTRODUCTION

Article 10, § 9C of the Oklahoma Constitution authorized the formation of emergency medical service districts and initially authorized a tax levy not to exceed three (3) mills for the purpose of providing funds for the purpose of support, organization, operation, and maintenance of district ambulance services. District voters approved the formation of the district and an original 2 mills ad valorem levy to support the operation of the District. The County voted to repeal the personal property tax. The initiative provided that real property tax levies would be increased to make up for the loss of taxable personal property. With the repeal of personal property tax, the millage with the adjustment factor is 2.09 mills. The Tillman County Emergency Medical Service District is comprised of Tillman County and was created to provide ambulance service to all citizens.

Emergency medical service districts are governed by a board of trustees. The board of trustees (the board) has the power to hire a manager and other personnel, contract, organize, maintain, or otherwise operate the emergency medical service district. The trustees must act as a board when entering into contracts or other agreements affecting the district's welfare. Thus, actions taken by the board are voted on and approved by a majority of the trustees. The board of trustees' business meetings are open to the public. The board shall have the capacity to sue and be sued but shall enjoy immunity from civil suits for actions or omissions arising from the operation of the district. Such districts have the authority to charge fees for services, and accept gifts, funds, or grants.

TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
JUNE 30, 2007

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STEVE BURRAGE, CPA
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

TO THE BOARD OF TRUSTEES OF THE
TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

We have performed the procedures enumerated below, which were agreed to by management of the Tillman County Emergency Medical Service District (the District), solely to assist you in evaluating the receipt and disbursement process, the safeguarding of capital assets, and in determining whether selected receipts and disbursements are supported by underlying records for the fiscal year ended June 30, 2007. This agreed-upon procedures engagement was conducted in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We observed whether receipting, depositing, and reconciling functions are performed by separate employees.

Finding: The receipting, depositing, and reconciling functions were not properly segregated to assure adequate internal control structure.

Recommendation: OSAI recommends management be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. An increased level of review of transactions, cross-training for the financial duties, and periodic rotation of financial duties are ways that some small entities try to manage the increased risk of irregularities in a small office.

Views of responsible officials and planned corrective actions: We understand the State control aspects of a small office staff and have been told this for many years now. We all know a little about each others job duties and fulfill them as need with a staff member gone. However, to rotate these duties would cause a great deal of disarray in our office. Our board members understand the limited staffing issue and keep a close watch on our monthly activities.

2. We randomly selected 10 runs from the dispatch log book and:
 - Traced to the run sheet.
 - Agreed fee charged to fee schedule.
 - Traced run to billing records.
 - Traced receipt number from billing records to receipt.

- Traced receipt to deposit slip.
- Agreed cash/check composition of deposits to the receipts issued.
- Examined receipts to determine they are pre-numbered and issued in numerical order.
- Agreed date of receipts to date of deposit slip.
- For any voided receipts, observed the original receipt.
- Observed second billing and or list sent to collection agency if no payment was received.
- Observed District Board authorization in the Board minutes if the amount was written off.

There were no findings as a result of applying the procedures.

3. Agree all bank reconciliations performed during the year to the financial records.

Finding: Documentation of bank reconciliations performed was not retained. Procedure could not be performed.

Recommendation: OSAI recommends that documentation for any financial reconciliation be retained at least until completion of the statutorily required “audit.”

Views of responsible officials and planned corrective actions: We have corrected this finding by making a report that will be attached to each monthly bank statement for the state auditor.

4. We confirmed with financial institutions all cash and cash equivalent balances and investment balances as of June 30.

There were no findings as a result of applying the procedures.

5. We compared District cash/cash equivalents in each financial institution to the fair market value of each financial institution’s pledged collateral at January and June;

There were no findings as a result of applying the procedures.

6. We traced amounts of ad valorem taxes remitted from the County Treasurer to the District deposit slips.

There were no findings as a result of applying the procedures.

7. We performed a cash count of petty cash.

There were no findings as a result of applying the procedures.

8. We reconciled warrants issued, as reported on the District’s Estimate of Needs, to bank debits/checks clearing the bank for the fiscal year.

There were no findings as a result of applying the procedures.

9. We reviewed the District’s warrant/check register report to identify missing and/or voided checks and obtained the disposition of missing or voided checks.

There were no findings as a result of applying the procedures.

10. Observe whether receiving goods and services, preparing claims, and issuing payments are performed by separate employees.

Finding: The receiving of goods and services, preparing claims, and issuing payments were not properly segregated to assure adequate internal control structure.

Recommendation: OSAI recommends management be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. An increased level of review of transactions, cross-training for the financial duties, and periodic rotation of financial duties are ways that some small entities try to manage the increased risk of irregularities in a small office.

Views of responsible officials and planned corrective actions: We understand the State control aspects of a small office staff and have been told this for many years now. We all know a little about each others job duties and fulfill them as need with a staff member gone. However, to rotate these duties would cause a great deal of disarray in our office. Our board members understand the limited staffing issue and keep a close watch on our monthly activities.

11. We randomly selected 17 (5%) checks/warrants/vouchers and:
- Agreed to invoices.
 - Agreed payee on cancelled check to vendor on invoice.
 - Inspected the receiving report/invoice for signature of District employee who verified goods and/or services were received.
 - Traced claim approval to District Board minutes.

Finding: Three of 17 invoices did not have an employee or official signature to verify the goods or services were received.

Recommendation: OSAI recommends all invoices, tickets and/or statements documenting the District's disbursements be signed by an employee or official taking responsibility for verifying the goods or services were received.

Views of responsible officials and planned corrective actions: We have informed all District personnel that receive goods to initial all invoices and/or statements thus showing that the goods were received.

With respect to the other procedures applied, there were no findings.

12. We selected 100% of disbursements in excess of \$2,500 and:
- Agreed to invoices.
 - Agreed payee on cancelled check to vendor on invoice.
 - Inspected the receiving report/invoice for signature of District employee who verified goods and/or services were received.
 - Traced claim approval to District Board minutes.
 - Observe whether bidding requirements were met.

Finding: The District purchased a transport cot for \$9,549 without the formal bid process required by 19 O.S. § 1723. The District purchased the cot on the basis of demonstrations and quotes from two vendors and not through the competitive bid process, which requires advertisement and opening of sealed bids in a public meeting.

Criteria: Title 19 O.S. § 1723 states, “Purchases by any board which are in excess of Two Thousand Five Hundred Dollars (\$2,500.00), or in the case of written or facsimile quotes, purchases in excess of Seven Thousand Five Hundred Dollars (\$7,500.00), shall be by competitive bid.”

Recommendation: OSAI recommends the District use a formal bid process and/or state contract for any purchase in excess of the \$7,500 bid limit indicated in 19 O.S. § 1723.

Views of responsible officials and planned corrective actions: As the auditor was informed during the audit, there are only two companies that sell electric cots and Tillman County Emergency Medical Service received bids from both companies and looked at as well as watched demonstrations from both companies and the District purchased the cot that best fit the District’s needs for service, and it happened to be the cheapest cot.

With respect to the other procedures applied, there were no findings.

OSAI response: State statutes require competitive bids for all purchases in excess of \$7,500. The District shall advertise and accept sealed bids for all purchases in excess of \$7,500.

13. We confirmed that the District has a provider contract and obtained a copy to:

- Observe that the contract was approved by the District Board for the current year and was for a specific amount.
- Observe that the provider has provided the District with financial reports of its revenue and expenditures;
- Observe that the provider has provided the District information/documentation for its personnel, including emergency medical certifications from the Oklahoma State Dept of Health;
- Observe that the provider has provided the District copies of its inspection reports from the Oklahoma State Dept of Health; and
- Observe that the provider has provided the District copies of its liability insurance coverage.

Finding: The District Board is not enforcing provisions of its agreement with the Grandfield Ambulance Service (Service), including:

- the Service has not provided the District with financial reports of its revenue and expenditures;
- the Service has not provided the District information/documentation for its personnel, including emergency medical certifications from the Oklahoma State Dept of Health;

- the Service has not provided the District copies of its inspection reports from the Oklahoma State Dept of Health; and
- the Service has not provided the District copies of its liability insurance coverage.

Recommendation: OSAI recommends the District take immediate action to enforce the terms of its agreement with the Grandfield Ambulance Service, up to and including, withholding payment of ad valorem tax revenue until the Service is in compliance.

Views of responsible officials and planned corrective actions: The Grandfield Board Chairman and Grandfield EMS Director were informed about the time frame and when financial reports are to be sent to the District office.

With respect to the contract, it was for a specific amount and approved by the Board.

14. We observed the Board members' coverage for Official Bond was included in the District's insurance policy.

There were no findings as a result of applying the procedures.

15. We randomly selected one payroll period and:
 - Observed whether all employees prepared timesheets.
 - Inspected timesheets for signatures of employees and supervisors.

There were no findings as a result of applying the procedures.

16. We selected five (100%) employees from the payroll records to:
 - Compare leave amounts earned to the District's policy for earning leave.
 - Compare leave balances to the District's policy for limitations on leave balances.
 - Trace annual leave used on the employee's timesheet (or payroll claim) to the respective monthly leave balance report.

Finding: While comparing leave balances to the District's policy for limitations on leave balances, it was noted that the District is accruing annual leave at the beginning of each fiscal year and paying all unused annual leave at June 30, instead of on the anniversary "date of hire" of each employee, as per its policy and procedures manual, Section III.

Recommendation: OSAI recommends that the Director and Board review the policy and determine whether the policy should be amended to authorize the present procedure, or be adhered to in the future, with each individual employee's anniversary date of hire being used for "benefit purposes."

Views of responsible officials and planned corrective actions: The District grants the following vacation time to its full-time employees:

After one completed year of employment, employees are entitled to one week of vacation. After two completed years of employment, employees are entitled to two weeks of vacation. After ten completed years of employment, employees are entitled to three weeks of vacation. Employees have the option to take any/or all vacation time during the year with a two week notice given to the Director; or to be reimbursed for days not taken at the end of the fiscal year.

OSAI response: The policy and procedures manual should address the policies concerning the payment of earned benefits.

With respect to annual leave used on the employee's timesheet (or payroll claim) to the respective monthly leave balance report, there were no findings.

17. We observed the publication notice of the District's Estimate of Needs and whether the District's expenditures exceeded its appropriations in budget category.

There were no findings as a result of applying the procedure.

18. We confirmed the District's policy regarding safeguarding of capital assets with the following criteria:

- o Observed the existence of an equipment inventory list.
- o Observed documentation of the conduct of a physical inventory.

There were no findings as a result of applying the procedures.

19. We observed insurance policies for the existence of coverage of capital assets.

There were no findings as a result of applying the procedures.

We were not engaged to, and did not, conduct an examination or a review, the objective of which would be the expression of an opinion or limited assurance on the cash, receipts, disbursements, personnel costs, capital assets, and long-term debt for the District. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees, Excise Board, and Legislative Officials and should not be used for any other purpose. This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S., § 24A.1 et seq.), and shall be open to any person for inspection and copying.



STEVE BURRAGE, CPA
STATE AUDITOR & INSPECTOR



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April 30, 2008



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