

OPERATIONAL AUDIT

TILLMAN EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2012



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

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by Article 10, § 9C (i) of the Oklahoma Constitution and as defined by 19 O.S. § 1704.3, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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June 27, 2013

TO 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, 2012.

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, 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

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

BACKGROUND

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.

Emergency medical service districts are governed by a district board of trustees. The board of trustees has the power to hire a manager and appropriate personnel, contract, organize, maintain, or otherwise operate the emergency medical services within said district and such additional powers as may be authorized by the Legislature.

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's business meetings are open to the public.

The board of any district shall have capacity to sue and be sued. Provided, however, the board shall enjoy immunity from civil suit for actions or omissions arising from the operation of the district. Such districts shall be empowered to charge fees for services, and accept gifts, funds or grants from sources other than the mill levy, which shall be used and accounted for in a like manner.

BOARD OF TRUSTEES

Don Dunham.....	Chairman of the Board
Cullen Worthington	Vice-Chairman
Craig Peters.....	Secretary
Frank Jensen.....	Treasurer
Dwight Parker	Board Member
Max Brown	Administrator

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2012

Beginning Cash Balance, July 1, 2011	\$ 197,181
Collections	
Ad Valorem Tax	84,386
Charges for Services	242,490
Intergovernmental	111,505
Miscellaneous	4,553
Total Collections	<u>442,934</u>
Disbursements	
Personal Services	275,870
Maintenance and Operations	60,194
Capital Outlay	122,500
Contract Service	12,243
Audit Expense	8,603
Total Disbursements	<u>479,410</u>
Ending Cash Balance, June 30, 2012	<u>\$ 160,705</u>

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

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

PURPOSE, SCOPE, AND SAMPLE METHODOLOGY

This audit was conducted in response to Article 10, § 9C (i) of the Oklahoma Constitution and as defined by 19 O.S. § 1704.3, which requires the State Auditor and Inspector's Office to audit the books and accounts of the District.

The audit period covered was July 1, 2011 through June 30, 2012.

Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This report is 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.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

Objective 1: To determine the District's collections, disbursements, and cash balances for FY 2012 were accurately presented on the Estimate of Needs.

Conclusion: With respect to the items reconciled and reviewed, the District's collections, disbursements, and cash balances for FY 2012 appear to be accurately presented on the Estimate of Needs. However, internal controls over the collection of revenue process and the review of the Estimate of Needs should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the process of accurately presenting collections, disbursements, and cash balances through discussions with District personnel, observation, and review of documents.
- Reconciled and reviewed the accuracy of the District's Estimate of Needs to ensure collections, disbursements, and cash balances were accurately presented on the District's Estimate of Needs, which included the following:
 - Reconciled collections presented on the Estimate of Needs to the District's financial records approved by the Board of Trustees.
 - Reconciled warrants issued presented on the Estimate of Needs to disbursements approved by the Board of Trustees and paid through the operating account of the District.
 - Reviewed the ending cash balances presented on the Estimate of Needs to the financial records of the District, including the bank reconciliation at June 30, 2012.

Finding: Inadequate Internal Controls Over the Collection of Revenue and Review of the Estimate of Needs

Condition: Upon inquiry of District personnel with regard to the collection of the revenue process, we noted the following:

- The employee that opens the mail also performs the duties of issuing receipts and posting payments received to patient's accounts into the computer system.
- The same employee also performs the billing service of patients to various insurance companies.
- Another employee is responsible for preparing the deposit slip, depositing at the financial institution, and reconciling monthly bank statements.
- The employee performing monthly bank reconciliations does not initial and date the reconciliation.
- There was no review by an employee independent of the monthly bank reconciliations.
- There was no evidence that the Estimate of Needs is reviewed by the District to ensure the accuracy of reporting of collections, disbursements, and cash balances of District funds.

Cause of Condition: Procedures have not been designed and implemented for separating the duties over the collection of revenue due to the District being unaware how to adequately separate duties with a

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

limited number of personnel. Procedures have not been designed and implemented in the initialing and dating of the bank reconciliations, reviewing of bank reconciliations, maintaining supporting documentation over the review of the Estimate of Needs due to the District being unaware of a need for such procedure.

Effect of Condition: A single employee having responsibility for more than one area of the collection process could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the District implement a system of internal control to provide reasonable assurance that the collection over the revenue process is adequately segregated. In the event that segregation of duties is not possible due to the 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 approve key accounting functions.

OSAI recommends the following key accounting functions of the collection of revenue process be adequately segregated:

- Opening the mail.
- Issuing receipts for mail-in or electronic payments.
- Posting payments received to patient's accounts in the computer system.
- Preparing the deposit slip.
- Depositing at the financial institution.
- Reconciling monthly bank statements.
- Reviewing for the accuracy of reporting on the Estimate of Needs.

Further, OSAI recommends the employee's performing the duties of reconciling and reviewing monthly bank reconciliations initial and date the work performed.

Management Response: Tillman County EMS has a limited number of employees to segregate all duties that are required to function. We have put into effect a policy that two people sign off on the deposits and bank reconciliations. One person already opens the mail, and makes a receipt for the money collected, and then hands the deposit to the bookkeeper to be put into the Quicken Software and a deposit is made at the bank. Another employee checks that the deposit is correct and initials it.

As far as the Estimate of Needs is concerned, the EMS will work with the accountant to provide needed information to complete the budget appropriately.

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.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

To help ensure a proper accounting of funds, the duties of receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

Objective 2: To determine the District's financial operations complied with 62 O.S. § 517.4, which requires deposits with financial institutions be secured with collateral securities or instruments.

Conclusion: With respect to the days tested, the District generally complied with 62 O.S. § 517.4, which requires deposits with financial institutions be secured with collateral securities or instruments. However, internal controls over monitoring pledged collateral should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to pledged collateral through discussions with District personnel, observation, and review of ledgers and documents.
- Tested compliance of the significant law, which included the following:
 - Selected the highest balance day for each month, for the audit period, to determine if the District's funds were adequately secured as required by 62 O.S. § 517.4.

Finding: Inadequate Internal Controls Over Pledged Collateral

Condition: Based upon inquiry of District personnel, observation, and test of records, we noted the following:

- The District does not monitor pledged collateral amounts to daily bank balances to ensure that funds are adequately secured.

Cause of Condition: The District had not considered the possibility that deposits could exceed FDIC coverage in the amount of \$250,000 and procedures have not been designed and implemented due to the District being unaware of a need for such procedures.

Effect of Condition: Failure to monitor pledged collateral amounts to daily bank balances could result in unsecured District funds and possible loss of District funds.

Recommendation: OSAI recommends that the District comply with 62 O.S. § 517.4, which requires District deposits with financial institutions be secured with collateral securities or instruments. Further, OSAI recommends that the District monitor and maintain evidence documenting the security of District deposits on a daily basis.

Management Response: The EMS understands that they need to keep a daily log of account amounts. We will start keeping a daily log to make sure the total amount on each account type does not exceed \$250,000.00.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

Criteria: 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.

Objective 3: To determine the District's financial operations complied with 19 O.S. § 1710.1A, which outlines purposes for expending District funds.

Conclusion: With respect to the items tested, the District complied with 19 O.S. § 1710.1A, which outlines purposes for expending District funds. However, internal controls over expenditures should be strengthened.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to the process of preparing purchase orders, authorizing payments, and documenting goods and services received, which included discussions with District personnel, observation, and review of documents.
- Tested compliance of the significant law, which included the following:
 - Selected a random sample of 25 expenditures to determine the expenditures were for the purpose of providing funds for the support, organization, operation, and maintenance of the District.

Finding: Inadequate Controls Over Expenditure Process

Condition: Upon inquiry and observation of records, it was determined that internal controls have not been implemented to ensure an adequate segregation of duties over the expenditure process of District funds due to the following:

- One employee performs the duties of preparing purchase orders, posting expenditures to the accounting records, preparing checks for payment, and reconciling monthly bank statements. This employee may also purchase goods and/or services.
- Purchase orders are prepared after purchases are made using the invoice as the source document.
- The District does not prepare receiving reports for goods and/or services received and an employee does not indicate that goods and/or services have been received by initialing and dating the invoice.

Cause of Condition: Procedures have not been designed and implemented to adequately segregate the duties over the expenditure process due to the District being unaware of a need for such procedures.

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

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

Recommendation: OSAI recommends the District design and implement procedures to ensure proper segregation of duties over the expenditure process.

OSAI recommends the following key accounting functions of the expenditure process be adequately segregated:

- The employee who orders goods and/or services is separate from the employee that requisitioned the purchase order.
- An employee signs a receiving report, as receiving officer, separate from the two employees ordering goods and/or services and requisitioning the purchase order.
- An employee that is independent of the purchasing process should post expenditures to the accounting records.

Management Response: The EMS will ask the Board to vote in an employee, other than the Administrator, to become the new receiving officer. There are two employees that can order the goods. The Administrator will provide a purchase order before any goods are bought or ordered, but with the shortage of office employees, the same employee who provides a purchase order is also responsible for posting expenditures to the Quicken software. We will try to keep things as separate as possible.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. 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.

Objective 4: To determine the District's financial operations complied with 19 O.S. § 1723, which requires District purchases in excess of \$7,500 be competitively bid.

Conclusion: With respect to the items tested, the District did not comply with 19 O.S. § 1723, which requires that purchases in excess of \$7,500 be competitively bid.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to the process of competitively bidding purchases in excess of \$7,500, which included discussions with District personnel, observation, and review of documents.
- Tested compliance of the significant law, which included the following:
 - Select 100% of purchases in excess of \$7,500 and determined that the County did not follow statutes regarding public notice, handling of unopened bids, awarding bid to best bidder, recording appropriate information in Board minutes, and notification to successful bidders.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

Finding: Inadequate Controls and Noncompliance over the Bidding Process

Condition: Upon inquiry of District personnel, observation, and test of bidding procedures, we determined that controls over the bidding process have not been properly implemented and as a result in the review of one item requiring a bid, the following discrepancies occurred:

- The District received a grant from the State Department of Health in the amount of \$110,250 for a new ambulance. The District’s matching funds were \$12,250.
- The District did not follow bidding procedures with regard to the purchase of the new ambulance.
- The District Administrator obtained telephone quotes with regard to a new ambulance.
- The District Administrator ordered the new ambulance with no evidence the lowest and best bid was awarded by the Board in the minutes of the Board of Trustees.
- There was no evidence in the minutes of the Board of Trustees approving the Administrator to let bids on a new ambulance.
- There was no evidence regarding public notice and notification to the successful bidder.

Cause of Condition: Procedures have not been designed and implemented to document compliance with the statute and provide assurance that internal controls are in place with regard to the bidding process.

Effect of Condition: These conditions resulted in noncompliance with the state statute.

Recommendation: OSAI recommends the District implement procedures to ensure bidding is properly performed. These procedures should ensure the District is in compliance with 19 O.S. § 1723 which states in part, “Purchases by any board of trustees of any emergency medical service district shall be made in accordance with the bidding requirements as provided in Sections 1501 and 1505 of this title.”

Management Response: The EMS was not aware of the bidding process, but now is obtaining information to bid an item, instead of making telephone calls. We will make sure we put together a bid package to send to possible vendors. We did not understand the whole process, but we are now aware that we need to send bids out, instead of calling possible vendors. We now have a bid packet and will proceed accordingly.

Criteria: Effective internal controls require that management properly implement procedures to ensure that purchases over \$7,500 comply with 19 O.S. § 1723.

Objective 5: To determine if the District’s internal controls provide reasonable assurance that payroll expenditures were accurately reported in the accounting records.

Conclusion: The District’s internal controls do not provide reasonable assurance that payroll expenditures were accurately reported in the accounting records.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to the payroll process through discussions with District personnel, observation and review of documents.

Finding: Inadequate Controls Over Payroll Expenditures

Condition: Upon inquiry of District personnel and observation of the payroll process for the District, the following was noted:

- One person enrolls new hires, posts withholdings, maintains personnel files, initiates the payment of payroll, handwrites payroll checks, posts to accounting records, distributes payroll checks, prepares state and federal payroll reports, and reconciles the bank statement.

Cause of Condition: Procedures have not been designed and implemented for separating the duties over the payroll process due to the District being unaware how to adequately separate duties with a limited number of personnel.

Effect of Condition: This condition could result in errors and/or misappropriation with regard to the accurate reporting of payroll expenditures.

Recommendation: OSAI recommends separating the duties of enrolling new hires, posting withholdings, maintaining personnel files, initiating the payment of payroll, handwriting payroll checks, posting to accounting records, distributing payroll checks, preparing state and federal payroll reports, and reconciling the bank statement.

Further, in the event that segregation of duties is not possible due to the 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 key accounting functions.

Management Response: The EMS is understaffed and with a limited number of employees it is difficult to adequately segregate all payroll duties. The EMS is, however, having the employees check one another by initialing the documents. This is one way to make sure that more than one person has control and double checks for errors.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. 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.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

Objective 6: To determine if the District's internal controls provide reasonable assurance that consumable inventories were accurately reported in the accounting records.

Conclusion: The District's internal controls do not provide reasonable assurance that consumable inventory was accurately reported in the accounting records.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to the consumable inventory process through discussions with District personnel, observation, and review of documents.

Finding: Inadequate Internal Controls Over Consumable Inventory

Condition: Upon inquiry of District personnel and review of documents, we noted the following weaknesses in internal controls over consumable inventory items:

- Controls have not been designed and implemented to ensure consumable inventory items are accurately accounted for as to items purchased, items used, and items on hand.
- The Administrator or an EMT orders consumable items by the case or in bulk when supplies need to be replenished.
- The Administrator or an EMT also receives the consumable items and stocks the ambulance.
- A physical count of consumable inventory is not performed on a monthly basis.

Cause of Condition: Procedures have not been designed and implemented to adequately account for consumable items due to the District being unaware of a need for such procedures.

Effect of Condition: Opportunities for loss and misappropriation of District assets may be more likely to occur when the District does not design and implement internal controls.

Recommendation: OSAI recommends management implement a system for maintaining consumable inventory and performing monthly inventory counts, which documents the date of the count, items received, items used, and items on hand. OSAI further recommends all supporting documentation be signed and dated by the employee performing the duty and the employee responsible for reviewing the accuracy of the documentation.

Management Response: The EMS has not been accounting for the inventory being used out of the ambulances, but will implement a system of accountability. It is very difficult to keep up with every consumable item, but we will try to come up with a strategy.

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

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

unauthorized acquisition, use, or disposition of consumable inventory and safeguard assets from loss, damage, or misappropriation.

Objective 7: To determine if the District's internal controls provide reasonable assurance that fixed assets were accurately reported in the accounting records.

Conclusion: The District's internal controls do not provide reasonable assurance that fixed assets were accurately reported in the accounting records.

Methodology: To accomplish our objective, we performed the following:

- Gained an understanding of the internal controls related to the fixed asset inventory process through discussions with District personnel, observation, and review of documents.

Finding: Inadequate Controls Over Fixed Assets

Condition: Upon inquiry of District personnel and observation of documents there is not sufficient evidence to support the operating effectiveness of controls designed and implemented to account for fixed assets due to the following:

- Changes that are made to the fixed assets listing as a result of new items purchased or items disposed, were not documented as such, by the designated employee.
- The employee did not initial or date the updated fixed assets listing for the District.
- The fixed assets listing was not signed or dated by the employee who is responsible for performing the yearly fixed assets count.

Cause of Condition: Supporting documentation of a physical fixed assets count is not being maintained by the District.

Effect of Condition: Opportunities for loss and misappropriation of District assets may be more likely to occur when the District does not maintain supporting documentation of the internal controls designed and implemented.

Recommendation: OSAI recommends that management realize the importance of maintaining supporting documentation to provide sufficient evidence that internal controls that have been designed and implemented are operating effectively. OSAI further recommends all fixed assets be documented on the fixed assets listing of the District and all physical counts be signed and dated by the employee responsible for performing the fixed assets count.

Management Response: The EMS does keep a list of fixed assets, but we were not aware we should initial anything that was changed. The EMS will start dating and initialing every added or deleted fixed asset on an ongoing basis.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

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 fixed assets and safeguard fixed assets from loss, damage, or misappropriation.

All Objectives:

The following findings are not specific to any objective, but are considered significant to all of the audit objectives:

Finding: Inadequate District-Wide Controls

Condition: District-wide controls regarding Risk Management and Monitoring have not been designed.

Cause of Condition: Procedures have not been designed to address risks of the District.

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

Recommendation: OSAI recommends that the District design procedures to identify and address risks. OSAI also recommends that the District design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the District’s policies and procedures handbook.

Examples of risks and procedures to address risk management:

Risks	Procedures
Fraudulent activity	Segregation of duties
Information lost to computer crashes	Daily backups of information
Noncompliance with laws	Attend workshops
Computer failures	Written disaster recovery plans
Board Member Turnover	Training, attending workshops, monitoring

Examples of activities and procedures to address monitoring:

Monitoring	Procedures
Communication between Board Members and employees of the District	Periodic meetings to address items that should be included in the handbook and to determine if the District is meeting its goals and objectives.
Audit findings	Determine audit findings are corrected.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

Monitoring	Procedures
Financial status	Periodically review budgeted amounts to actual amounts and resolve unexplained variances.
Policies and procedures	Ensure employees understand expectations in meeting the goals of the District.
Following up on complaints	Determine source of complaint and course of action for resolution.
Estimate of needs	Work together to ensure this financial document is accurate and complete.

Management Response: The EMS has always been short staffed, and is doing everything they can to keep things monitored. They are now implementing new policies of having every purchase, reconciliation, and deposit checked by at least two people to make sure there are no errors detected.

Criteria: Internal control is an integral component of an organization’s management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. District management is responsible for designing a district-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the District faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

Finding: Disaster Recovery Plan

Condition: Upon inquiry of District personnel with regards to the accounting and bookkeeping software, the District does not have a formal, written Disaster Recovery Plan.

Cause of Condition: A formal, written Disaster Recovery Plan over the accounting and bookkeeping software and hardware has not been designed due to the District being unaware for the need of such a procedure.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

Effect of Condition: The failure to have a formal Disaster Recovery Plan could result in the District being unable to function financially in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring District business, such as collections, expenditures for operations, such as goods and/or services and the payroll process, and patient billing could continue uninterrupted.

Recommendation: OSAI recommends the District develop a formal, written Disaster Recovery Plan to safeguard the assets of the District from being unable to operate financially during the event of a disaster.

Further, management should ensure that a written Disaster Recovery Plan is documented and contains the following:

- Guidelines on how to use the recovery plan;
- Emergency procedures to ensure the safety of all affected staff members;
- Roles and responsibilities of information services function, vendors providing recovery services, users of services and support administrative personnel;
- Listing of systems requiring alternatives (hardware, peripherals, software);
- Listing of highest to lowest priority applications, required recovery times and expected performance norms;
- Various recovery scenarios from minor to loss of total capability and response to each in sufficient detail for step-by-step execution;
- Training and/or awareness of individual and group roles in continuing plan;
- Listing of contracted service providers;
- Logistical information on location of key resources, including back-up site for recovery operating system, applications, data files, operating manuals and program/system/user documentation;
- Current names, addresses, telephone/pager numbers of key personnel;
- Business resumption alternatives for all users for establishing alternative work locations once IT resources are available.

Management Response: The EMS did not have a Disaster Recovery Plan, but is currently working on putting one in place. We bought new back-up drives, and are making sure all programs are backed up daily and weekly for complete computer back- up. The Disaster Recovery Plan is being written.

Criteria: An important aspect of internal controls is the safeguarding of assets which includes adequate Disaster Recovery Plans. 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 in a District being unable to function in the event of a disaster.

Other Item Noted:

Although not considered significant to the audit objectives, we believe the following issue should be communicated to management.

**TILLMAN COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
OPERATIONAL AUDIT**

Finding: Inadequate Controls and Noncompliance Over the Audit Expense Account

Condition: Upon inquiry and observation of the budgeting process, it was determined that controls have not been designed and implemented to ensure the amount required by statute is correctly budgeted for the audit budget account. The District relies on the “Budget Maker” to calculate the required amount for the audit budget account with no independent oversight by employees of the District or members of the Governing Board.

Further, the audit account on the 2012-2013 Estimate of Needs should reflect \$4,305.74 in appropriations set aside for the audit expense account of the District, of which \$147.32 is lapsed from fiscal year 2011-2012. The District Estimate of Needs reflects that \$10,000 was appropriated to this account for the fiscal year 2012-2013. Therefore, the audit expense account was funded in excess of the amount required by \$5,796.80.

Cause of Condition: Procedures have not been designed to ensure the audit account is accurately budgeted in accordance with statutory requirements due to the District being unaware for the need of such a procedure.

Effect of Condition: This condition resulted in the audit expense account being overfunded.

Recommendation: OSAI recommends that 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 account and that any unused portion be lapsed into the next year audit account in accordance with 19 O.S. § 1706.1.

Further, OSAI recommends an employee of the District perform the calculation of the required amount for the audit expense account and document the calculation by signing and dating it. The Board should compare the figures calculated by the Financial Officer and the Budget Maker to ensure compliance with state statute.

Management Response: The EMS did not respond to this finding.

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



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