

OPERATIONAL AUDIT

# LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT

For the July 1, 2008 through June 30, 2012



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

**LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT  
OPERATIONAL AUDIT  
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2012**

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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](http://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 LEEDEY EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Leedeey Emergency Medical Service District for the period July 1, 2008 through 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

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**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**

Kenneth Wohl .....	Chairman of the Board
Jana Kauk.....	Treasurer
Jonnie Ruth Welty.....	Board Member
Linda Ommen .....	Board Member
Quinten McIntyre.....	Board Member

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2011 and FY 2012**

	<u>FY 2011</u>	<u>FY 2012</u>
Beginning Cash Balance, July 1	\$ 190,100	\$ 227,986
Collections		
Ad Valorem Tax	69,778	91,626
Charges for Services	15,959	15,900
Miscellaneous	5,918	3,242
Total Collections	<u>91,655</u>	<u>110,768</u>
Disbursements		
Personal Services	4,800	5,524
Maintenance and Operations	40,503	41,284
Capital Outlay	8,466	2,195
Total Disbursements	<u>53,769</u>	<u>49,003</u>
Ending Cash Balance, June 30	<u>\$ 227,986</u>	<u>\$ 289,751</u>

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

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**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, 2008 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.

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Objective 1: To determine the District's collections, disbursements, and cash balances for FY 2011 and 2012 were accurately presented on the Estimate of Needs.

**Conclusion:** With respect to the items reconciled and reviewed, collections, disbursements, and cash balances appear to be accurately presented on the District's Estimate of Needs. However, internal controls with regard to reviewing the Estimate of Needs and segregating the duties within the revenue process 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 the collections, disbursements, and cash balances through discussions with District personnel, observation, and review of documents.
- Performed the following to ensure collections, disbursements, and cash balances were accurately presented on the District's Estimate of Needs:
  - Reconciled collections presented on the Estimate of Needs to collections deposited by the District.
  - Reconciled checks issued as listed on the Estimate of Needs to disbursements.
  - Re-performed the bank reconciliations at June 30, 2011 and June 30, 2012, to determine that the ending balance on the bank statements agreed to the District's records and the Estimate of Needs.

**Finding: Inadequate Internal Controls Over the Estimate of Needs and Revenue Process**

**Condition:** Through discussions with District personnel, observation and review of documents, we noted the following concerns regarding the Estimate of Needs and the collection of revenue process:

- One employee picks up the mail, opens the mail, and takes the money to the bank.
- The District utilizes three individuals to receive monies, deposit monies, maintain patient accounts, and perform other bookkeeping duties; however, internal controls have not been designed to reconcile the records of the three individuals.
- The Board of Trustees does not provide independent oversight with regard to the preparation of the Estimate of Needs.
- Ad valorem funds totaling \$93.32 were deposited into a Board member's personal account, rather than the District bank account. The error was not corrected until the next month when the individual was reconciling his personal bank account.

**Cause of Condition:** Procedures have not been designed to adequately segregate the duties of receiving and depositing funds, reconciling collections received by individuals involved in the collection of funds, and providing independent oversight of the budgeting process.

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

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**Recommendation:** The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends that the District implement a system of internal controls to provide reasonable assurance that collections, disbursements, and cash balances are accurately presented on the District’s Estimate of Needs. Such controls would include a comparison of the financial records to the Estimate of Needs prior to the District Board of Trustees approval of these documents. Additionally, the duties of receiving, depositing, and reconciling bank statements should be segregated and reviewed by someone other than the preparer of the records, so as to provide assurance that revenue is safeguarded.

**Management Response:** The Board will implement a policy that two people will meet and open mail, twice a week, and deposit any money received into the bank account. The Board is in contact with the CPA during preparation of the Estimate of Needs as far as upcoming needs and purchases. As for the funds which were deposited into the wrong account, the mistake was caught, reported, and corrected.

**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.

<p>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.</p>
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**Conclusion:** With respect to the audit period, the District did not comply with 62 O.S. § 517.4, which requires District deposits with financial institutions be secured with collateral securities or instruments.

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

- Gained an understanding of internal controls related to pledged collateral through discussions with District personnel, observation, and review of ledgers and documents.
- Selected the highest balance day for each month at the depository bank 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 and Noncompliance Over Pledged Collateral**

**Condition:** Upon discussions with District personnel, observation, and review of documents, we noted the following concerns regarding pledged collateral:

- The District has not properly designed and implemented internal controls to ensure District deposits are adequately pledged.



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- The test of 48 days revealed that the District deposits on hand for the highest balance day were not adequately secured with additional pledged collateral on nine occasions, as follows:
  - For the months of July, August, and September, 2008, the highest balance day was not adequately covered by FDIC coverage in the amount of \$100,000 and a letter of credit in the amount of \$106,000, in the amounts of \$38,464, \$37,971, and \$35,824, respectively.
  - For the months of January, February, March, April, May, and June 2012, the highest balance day was not adequately covered by FDIC coverage in the amount of \$250,000, in the amounts of \$33,603, \$34,717, \$27,379 \$42,061 \$41,534 and \$42,241, respectively.

**Cause of Condition:** Procedures have not been designed to review and monitor daily bank deposits to determine that deposits are adequately secured.

**Effect of Condition:** This condition resulted in the deposits of the District not being adequately safeguarded on nine occasions during the audit period.

**Recommendation:** OSAI recommends that the Board of Trustees establish policies and procedures to adequately safeguard the deposits of the District, especially in the event that bank deposits exceed FDIC coverage of \$250,000. Furthermore, OSAI recommends the District comply with 62 O.S. § 517.4, which requires District deposits with financial institutions be secured with collateral securities or instruments.

**Management Response:** Monies exceeding the financial institution’s FDIC coverage limit will be moved to another bank.

**Criteria:** Effective internal controls require that monitoring of bank balances be adequately documented to allow for the safeguarding of assets on deposit and compliance with statutes regarding adequate pledged collateral.

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 expenditures tested, the District did not comply with 19 O.S. § 1710.1A, which requires that collections be expended for the purposes of supporting, organizing, operating, and maintaining ambulance services.

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

- Gained an understanding of internal controls related to the process of preparing claims, authorizing claims for payment, and documenting goods and services received, which included discussions with District personnel, observation, and review of documents.
- Tested 80 checks for expenditures issued during the audit period to ascertain that they were made for purposes outlined by 19 O.S. § 1710.1A.

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**Finding: Inadequate Internal Controls and Noncompliance Over the Expenditure Process**

**Condition:** Through discussions with District personnel, observation, and review of documents, we noted the following weaknesses with regard to the expenditure process:

- One employee can order goods, receive goods, write checks, sign checks, and reconcile the bank statements.
- The bookkeeper prepares a purchase order for payment after receiving the invoice or statement from the vendor.
- There are no procedures to properly document the receipt of goods and/or services by the District.
- The District allows employees to purchase goods and then reimburses the employees from District funds.

Additionally, we noted the following issues regarding reimbursements:

- Reimbursements for mileage claims do not include a detailed mileage log to document the reimbursement expense.
- In two instances, the mileage reimbursement was more than the standard mileage rate.
- In three instances, the District did not maintain documentation to support the reimbursement expense as follows:
  - Reimbursement to one Board member for \$411.28 on December 8, 2011, was not accompanied by documentation to support the expense.
  - Receipts totaling \$38.50 were not attached to the purchase order for the reimbursement of petty cash.
  - Documentation for the purpose of a \$100.00 cashier's check was not attached to the purchase order.

**Cause of Condition:** Procedures have not been designed and implemented to adequately segregate the duties over the expenditure process, document the receipt of goods and/or services, and retain supporting documentation for expense.

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

**Recommendation:** OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include the following:

OSAI recommends separating the following duties with regard to the purchasing process:

- Requisitioning District funds,
- Ordering goods and/or services,
- Receiving goods and/or services, and
- Eliminating the practice of reimbursing employees for supplies.

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**Management Response:** The Board has implemented a policy that two employees will requisition supplies, two employees will check off and reconcile incoming supplies, and initial and date the receipt of invoices. Additionally, the Board has implemented a policy not to reimburse employees for purchases of goods except in an emergency situation.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be established to appropriately segregate the duties of purchasing goods and/or services and to analyze and check accuracy, completeness, authorization, and validity of 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:** 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 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:
  - Selected 100% of purchases in excess of \$7,500 to determine that the District followed statutes regarding public notice, handling of unopened bids, awarding bid to best bidder, recording appropriate information in Board minutes, and notification to successful bidders.

**Finding: Inadequate Internal Controls and Noncompliance Over the Bidding Process**

**Condition:** Controls and statutory requirements over the bidding process have not been properly implemented and as a result, in the review of three items (100% of purchases in excess of \$7,500), the following discrepancies occurred:

- The Administrator of the District performs all bidding processes, except the awarding of the bids, for purchases in excess of \$7,500.
- During the audit period, the District awarded one bid for an ambulance. The audit revealed the following discrepancies:
  - No evidence that the bid notice was published in the paper.
  - No evidence that unopened bids were time and date stamped as to the delivery of the bid to the Board.
  - No evidence of notification to successful bidders.

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- The District could not locate the bid documentation from the two vendors that bid on the ambulance.
- The District also purchased two Stryker Cots and lift systems totaling \$50,159.22 without seeking bids.
- Additionally, the District purchased two new computers totaling \$8,465.59 without seeking bids.

**Cause of Condition:** Procedures have not been designed and implemented to comply with state statute.

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

**Recommendation:** OSAI recommends the District implement procedures to ensure bidding is properly performed and adequate documentation of the process is maintained, including:

- Documentation of notification to the successful bidder.
- Evidence of public notice.
- Handling of unopened bids.
- Awarding bid to best bidder.
- Recording appropriate information in Board minutes.

**Management Response:** When bids were taken for an ambulance, two bids were received. One bid could not be located, but it was documented in the minutes. As for the purchase of Stryker cots; at the time of the purchase, only one manufacturer was able to provide such cots. They were purchased directly through the Stryker Company. Before the purchase of computers, we were advised the Panasonic Tough Book was the only unit that could meet our needs, and they were purchased directly from Panasonic.

**Auditor Response:** As documented in the condition, the Board must design and implement controls that would ensure compliance with statutes relating to the purchases in excess of \$7,500 that require competitive bidding. Further, the state contract list should be reviewed as an internal control procedure to determine what vendors are available to provide industry specific goods.

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

<b>Objective 5:</b> To determine if the District's internal controls provide reasonable assurance that payroll expenditures were accurately reported in the accounting records.
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**Conclusion:** The District's internal controls do not provide reasonable assurance that payroll expenditures were accurately reported in the accounting records.

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

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

**Finding: Inadequate Internal Controls and Noncompliance with IRS Guidelines Over Payroll Expenditures**

**Condition:** Through discussions with District personnel, observation, and review of documents, we noted the following concerns regarding the payroll process:

- One Board member issues payroll checks, signs checks, distributes checks, and reconciles the bank statements.
- One Board member was paid an hourly rate of \$20.00 to \$36.00 for “lost wages” while attending meetings related to EMS operations.
- The Board minutes do not reflect that the Board determined these rates; however, the Board did approve the claims.
- The District does not withhold payroll taxes from employee wages.
- The District does not remit payroll taxes, file quarterly reports, or file form W-2 with the Internal Revenue Service.

**Cause of Condition:** Procedures have not been implemented to provide reasonable assurance that payroll expenditures are properly recorded in the accounting records of the District.

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

**Recommendation:** OSAI recommends that management establish internal controls to provide reasonable assurance for the accurate and complete presentation of payroll expenditures in the financial records of the District. Furthermore, OSAI recommends that management consult a tax professional on the taxability of wages provided to employees and the responsibility of the District to report wages to the Internal Revenue Service.

**Management Response:** The Board has a long standing policy of reimbursing for lost wages relating to ambulance business. All reimbursements are always approved. After Board discussion on withholding payroll taxes and reporting such taxes to the Internal Revenue Service, with our CPA, 1099’s will be issued for wages over \$600.00.

**Auditor Response:** The Board did not address certain deficiencies in the payroll finding. As noted in the condition, the District does not have adequate segregation of duties with regard to the payroll process.

**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.

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The official opinion of the Attorney General, 1983 OK AG 280, is that an Emergency Medical Service District formed pursuant to Article 10, § 9C of the Oklahoma Constitution, may not lawfully pay compensation to board members. This opinion further states that by constitutional provision, “the Legislature is authorized to create additional powers for the board of trustees of the EMS district, which conceivably could include compensation and/or reimbursement for travel expenses for the board members. However, no such legislative authorization has occurred.”

**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 inventories were accurately reported in the accounting records.

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

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

**Finding: Inadequate Internal Controls Over Consumable Inventories**

**Condition:** Through discussions with District personnel regarding consumable inventories, the following was noted:

- The District does not maintain an inventory listing of consumable items.
- One District employee orders the consumable items, receives the goods, and stocks the ambulances.

**Cause of Condition:** Procedures have not been designed to provide reasonable assurance that consumable inventory is adequately safeguarded from theft or misappropriation.

**Effect of Condition:** The District’s failure to provide adequate internal controls over consumable inventory items and lack of inventory records could result in unauthorized use of inventory, or misappropriation of inventory.

**Recommendation:** OSAI recommends management implement a system of maintaining supporting documentation for consumable 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 Board now has two employees receive and sign for all incoming inventory and we have created a check list of consumable inventory items to be completed after each run.

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**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 consumable inventories 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 internal controls related to the fixed assets inventory process through discussions with District personnel, observation, and review of documents.

**Finding: Inadequate Internal Controls Over Fixed Assets Inventory**

**Condition:** Through discussions with District personnel, observation, and review of documents we noted the following concern regarding fixed assets inventory:

- The District prepared an inventory list of fixed assets and assigned numbers to each item after the last audit was performed for fiscal years 2007 and 2008; however, the list has not been updated since being created.
- The Board of Trustees has not established a policy regarding the minimum dollar threshold for fixed asset items.
- The District does not perform annual physical fixed assets inventory verification.

**Cause of Condition:** Procedures have not been designed to maintain an updated fixed asset list and to perform annual physical fixed assets inventory verification.

**Effect of Condition:** Failure to provide adequate internal controls over fixed assets 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 by establishing policies and procedures to determine the threshold for fixed assets and by maintaining a complete and up-to-date fixed assets inventory listing to include description, serial number, model number, date of purchase, and cost. OSAI also recommends that an annual physical inventory count of fixed assets be performed and documentation be retained to verify that the physical count was performed.

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**Management Response:** The Board will be more diligent in performing an annual inventory of fixed assets verifications.

**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 safeguarding assets from loss, damage, or misappropriation.

All Objectives:

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

**Finding: Inadequate District-Wide Controls**

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

**Cause of Condition:** Policies and procedures regarding District-wide controls, regarding Risk Management and Monitoring have not been designed.

**Effect of Condition:** This condition could result in unrecorded transactions, misappropriation of funds, or clerical errors that are not detected in a timely manner.

**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 should 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
Natural disasters	Written disaster recovery plans
Board Member Turnover	Training, attending workshops, monitoring



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Examples of activities and procedures to address monitoring:

<b>Monitoring</b>	<b>Procedures</b>
Communication between Board Members	Periodic meetings to address items that should be included in the handbook and to determine if the District is meeting its goals and objectives.
Annual Financial Statement	Review of financial statement of the District for accuracy and completeness.
Audit findings	Determine audit findings are corrected.
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:** Due to the limited number of employees and the voluntary status of employees, some conditions are difficult to address. The Board takes our duties very seriously and we take great effort to perform our duties diligently.

**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.



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