



LONE WOLF AND HOBART 522 SCHOOL DISTRICT EMERGENCY MEDICAL SERVICE DISTRICT Statutory Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**LONE WOLF AND HOBART 522 SCHOOL DISTRICT
EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cindy Byrd, CPA | State Auditor & Inspector

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August 31, 2020

**TO THE BOARD OF DIRECTORS OF THE
LONE WOLF AND HOBART 522 SCHOOL DISTRICT EMERGENCY MEDICAL SERVICE
DISTRICT**

Transmitted herewith is the audit report of Lone Wolf and Hobart 522 School District Emergency Medical Service District for the fiscal year ended June 30, 2019.

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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**LONE WOLF AND HOBART 522 SCHOOL DISTRICT
EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2019.

	FY 2019
Beginning Cash Balance, July 1	\$ 81,461
Collections	
Ad Valorem Tax	117,636
City of Hobart Sales Tax/Utility Fees	118,791
Town of Lone Wolf Utility Fees	4,494
Total Collections	240,921
Disbursements	
Service Contracts	120,000
Maintenance and Operations	13,610
Total Disbursements	133,610
Ending Cash Balance, June 30	\$ 188,772

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

Lone Wolf and Hobart 522 School District Emergency Medical Service District
111 E. 3rd Street
Hobart, Oklahoma 73651

**TO THE BOARD OF DIRECTORS OF THE
LONE WOLF AND HOBART 522 SCHOOL DISTRICT
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 for the fiscal year ended June 30, 2019 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 compliance with contract service providers.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2018 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Lone Wolf and Hobart 522 School District 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 Lone Wolf and Hobart 522 School District 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 Lone Wolf and Hobart 522 School District Emergency Medical Service District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

July 15, 2020

**LONE WOLF AND HOBART 522 SCHOOL DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2019-001 – Internal Controls Over the Accounting Process

Condition: Upon inquiry of the Lone Wolf and Hobart 522 School District Emergency Medical Service District's (the District) Board Secretary, and observation of the collections and disbursements process, the following weaknesses were noted:

Collections:

- The District Board's Secretary performed the following duties of the collections process:
 - Received the mail, including ad valorem tax from the Kiowa County Treasurer, utility fees from the Town of Lone Wolf, and utility fees and sales tax from the City of Hobart,
 - Prepared and delivering the deposit to the bank,
 - Maintained the District's financial ledger, and
 - Performed bank account reconciliations.
- The District did not issue receipts for collections.
- Bank reconciliations were not reviewed and signed by someone other than the preparer.
- The Board received a verbal Financial Report, from the Board's Secretary, rather than a formal written financial report for the Board to review.

Disbursements:

- The District Board's Secretary performed the following duties of the Disbursement process:
 - Maintained blank checks,
 - Received bills,
 - Prepared purchase orders,
 - Wrote checks
 - Signed checks,
 - Mailed checks to the vendor, and
 - Reconciled the bank statements.
- Disbursements were approved by the Board during the meeting; however, there was no evidence of independent review or approval of disbursements by the Board.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately segregate the responsibilities of the accounting process, require receipts to be issued for collections and document review and approval of bank reconciliations and disbursements.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the District Board 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

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District Board's oversight of office operations and a periodic review of operations. OSAI recommends the District Board provide segregation of duties so that no one can perform all accounting functions. Mitigating controls would include evidence of the review of a formal monthly financial report, documentation of the Board's review of sales tax and utility fees received and the documented review of bank reconciliations by someone other than the preparer.

Additionally, OSAI recommends the Board design and implement policies and procedures to ensure receipts are issued for collections.

**Management Response:
Chairman of the Board:**

- Bills will be listed on the agenda documenting disbursements that are paid.
- Policies will be approved documenting the Secretary has the approval to pay the monthly contract payments.
- Bank statements will be mailed to the Chairman for review then provided to the Secretary for reconciliation.
- Bank statements are now being reviewed at meetings, since the initial audit was performed.
- Deposits will be made in a timelier fashion.

Criteria: The United States Government Accountability Office's Standards for Internal Control in the Federal Government (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasigovernmental entities.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

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