



# RURAL SOUTHERN OKLAHOMA MEDICAL SERVICE DISTRICT

## Statutory Report

For the fiscal year ended June 30, 2017

**Cindy Byrd, CPA**  
State Auditor & Inspector

**RURAL SOUTHERN OKLAHOMA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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August 27, 2019

**TO THE BOARD OF DIRECTORS OF THE  
RURAL SOUTHERN OKLAHOMA EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of the Rural Southern Oklahoma Emergency Medical Service District for the fiscal year ended June 30, 2017.

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,



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**RURAL SOUTHERN OKLAHOMA EMERGENCY MEDICAL SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017**

	<u>FY 2017</u>
Beginning Cash Balance, July 1	<u>\$ 283,820</u>
Collections	
Ad Valorem Tax	258,191
Miscellaneous	784
Total Collections	<u>258,975</u>
Disbursements	
Personal Services	9,114
Service Provider Contract	240,000
Maintenance and Operations	6,730
Audit Expense	6,494
Total Disbursements	<u>262,338</u>
Ending Cash Balance, June 30	<u>\$ 280,457</u>

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

Rural Southern Oklahoma Emergency Medical Service District  
P.O. Box 785  
Healdton, Oklahoma 73438

**TO THE BOARD OF DIRECTORS OF THE  
RURAL SOUTHERN OKLAHOMA EMERGENCY MEDICAL SERVICE DISTRICT**

For the purpose of complying with 19 O.S. § 1706.1, we have performed the following procedures:

- Determined that receipts were properly deposited and accurately reported in the accounting records.
- Determined cash balances were accurately reported in the accounting records.
- Determined whether deposits and invested funds were secured by pledged collateral.
- Determined that disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1 and were accurately reported in the accounting records.
- Determined that all purchases requiring bids complied with 19 O.S. § 1723.
- Determined that payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined that fixed assets records were properly maintained.
- Determined whether the District's collections, disbursements, and cash balances for FY 2017 was accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Rural Southern Oklahoma 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 Rural Southern Oklahoma 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 Rural Southern Oklahoma 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

February 26, 2019

**RURAL SOUTHERN OKLAHOMA EMERGENCY MEDICAL SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding-2017-002 - Internal Controls Over the Receipting Process and Financial Accounting Process  
(Repeat Finding)**

**Condition:** Based upon inquiry and observation of the Rural Southern Oklahoma Emergency Medical Service District (the District) receipting process and financial reporting presentation, the following internal control weaknesses were noted:

- One District employee issued receipts and posted receipts to the District ledger. There was no evidence of independent review or approval of these documents by management or the Board.
- A certificate of deposit and interest earned were not reported on the District's financial ledger. At June 30, 2017, the certificate of deposit amount was \$89,928.88 and the earned interest but not booked was \$264.76. This amount represents approximately 32% of the District's cash balance at June 30, 2017.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the receipting process and to account for the District certificate of deposit and interest earned on the investment.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, execution of transactions and incomplete financial presentation 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 & Inspector's Office (OSAI) recommends management be aware of these conditions and realize that 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 management's oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee can perform all accounting functions. If segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office and having management review and approve accounting functions. Additionally, OSAI recommends the District ensure all bank account balances and interest earned by the District be reflected on the District's financial records at the time the funds are received and presented to the Board for approval.

**Management Response:**

**Chairman of the Board:** To further segregate duties, future receipts will be completed by a District Board member. A separate ledger for the certificate of deposit is now presented to the Board quarterly, showing beginning balance and interest earned. This ledger and Estimate of Needs are now reviewed and initialed by the Board members.

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**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to the achievement of the entity’s objectives regarding the reliability of financial reporting. Effective internal controls require that key functions within a process be adequately segregated to allow for the prevention and detection of errors and possible misappropriation of funds, and the Board and management provide documentation of its oversight over the receipting process and approval of complete financial statement information.

**Finding 2017-003 - Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry of the District personnel and the Board Chairman, observation of the disbursement process, and the test of thirty-two (32) checks issued, the following weaknesses were noted:

- Twenty-three (23) checks were approved in the District Board minutes after the checks were issued.
- Sales tax was paid on three (3) disbursements for reimbursement of supplies purchased by the recordkeeper.

**Cause of Condition:** Policies and procedures have not been designed and implemented to accurately document the approval of disbursements in the Board minutes and financial ledger and to avoid the payment of sales tax by the District.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and could result in inaccurate records, incomplete information, or the misappropriation of assets.

**Recommendation:** OSAI recommends that Board be aware of these conditions and provide compensating controls, including the review and approval of each disbursement for approval by the Board in the Board minutes, and avoidance of paying sales tax in accordance with Title 68 O.S. § 1356 (1).

**Management Response:**

**Chairman of the Board:** At the beginning of each fiscal year, a blanket agenda for approval of all routine recurring expenses throughout the year will be presented for Board approval. Those expenses will be itemized as to payee and reason for the expense. Additionally, the District is in the process of obtaining Certification of Sales Tax Exemption to avoid the payment of sales tax.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to the achievement of the entity’s objectives regarding the reliability of financial reporting. Effective internal controls require the Board to review Board minutes and accurately document the approval of checks in the Board Minutes and the avoidance of paying sales tax by the governmental entity.

Title 68 O.S. § 1356 (1) states, “There are hereby specifically exempted from the tax levied by Section 1350 et seq. of this title:



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1.Sale of tangible personal property or services to the United States government or to the State of Oklahoma, any political subdivision of this state or any agency of a political subdivision of this state; provided, all sales to contractors in connection with the performance of any contract with the United States government, State of Oklahoma or any of its political subdivisions shall not be exempted from the tax levied by Section 1350 et seq. of this title, except as hereinafter provided.”

O·K·L·A·H·O·M·A  
S·A·I  
STATE AUDITOR & INSPECTOR



**Cindy Byrd, CPA | State Auditor & Inspector**

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