

STATUTORY REPORT

# WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2015



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

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE YEAR ENDED JUNE 30, 2015**

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# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

June 7, 2016

**TO THE BOARD OF DIRECTORS OF THE  
WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Waurika Emergency Medical Service District for the year ended June 30, 2015.

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 "Gary A. Jones".

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2015**

	<u>FY 2015</u>
Beginning Cash Balance, July 1	\$ 78,479
Collections	
Ad Valorem Tax	73,781
Miscellaneous	633
Total Collections	<u>74,414</u>
Disbursements	
Personal Services	17,178
Maintenance and Operations	27,437
Audit Expense	5,249
Total Disbursements	<u>49,864</u>
Ending Cash Balance, June 30	<u>\$ 103,029</u>

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



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Waurika Emergency Medical Service District  
Waurika, Oklahoma 73573

## **TO THE BOARD OF DIRECTORS OF THE WAURIKA 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 2015 were accurately presented on the estimate of needs.

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

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

May 19, 2016

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2015-1 - Inadequate Internal Control Over the Collection and Disbursement Processes**

**Condition:** Upon inquiry of District personnel and Board members with regard to the revenue collection and disbursement processes, we noted the following weaknesses:

- One person opens and sorts the mail, processes payments, prepares the deposit, and delivers or mails the deposit to the bank.
- One person receives goods and services, prepares claims, and issues payments.
- There was no evidence of review by an employee or Board member independent of the process of the monthly bank reconciliations.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the receipting, depositing, reconciling, and disbursement processes.

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

**Recommendation:** The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that 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 approval of accounting functions. We recommend evidence of the Board's review process be clearly documented as a mitigating control over the lack of segregation of duties for the receipting, depositing, reconciling, and the disbursement processes.

**Management Response:**

**Chairman of the Board:** In open meeting, the financial statements are reviewed and compared to bank statements. The financial statement shows all income and expenses of the 522 district. After examination and comparison, the item is voted and approved. Checks are signed by multiple board members.

**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 with regard to 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.

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**Finding 2015-2 – Funding of Audit Expense Account (Repeat Finding)**

**Condition:** It was noted that the District did not appropriate the mandatory one-tenth mill to the audit budget account. Further, balances from previous years were not properly carried forward.

**Cause of Condition:** Policies and procedures have not been designed to ensure compliance with 19 O.S. § 1706.1.

**Effect of Condition:** This condition resulted in noncompliance with the state statute regarding the audit expense account.

**Recommendation:** OSAI recommends that the District implement policies and procedures designed to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit expense account, and that any unused portion be carried forward into the next year audit expense account in accordance with 19 O.S. § 1706.1.

**Management Response:**

**Chairman of the Board:** The District will discuss this issue with the budget maker to ensure that only the mandatory one-tenth mill is budgeted in the audit account. Also, the District will obtain written documentation before the balance is lapsed.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

Title 19 O.S. § 1706.1 states, “The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit shall henceforth be restricted to and used only for audit survey and reporting receipt, disbursement and management of emergency medical service district affairs financed by ad valorem levy and miscellaneous revenues other than ad valorem taxation accruing to the general fund of the emergency medical service district, whether such audit be in the performance of duties charged to the State Auditor and Inspector and instigated at the State Auditor and Inspector’s own initiative and directive, on request of the board of trustees of the emergency medical service district, on request of the board of county commissioners of such county or on order of the Governor as provided by Section 212 of Title 74 of the Oklahoma Statutes. If, after completion of audit of all emergency medical service district accounts so financed, and report thereof, including report of audit of cash funds where possible, as provided by this section, unless there be directive from the Governor for other and/or further inquiry, the board of trustees of the emergency medical service district may, upon certificate of completion by the State Auditor and Inspector, request that any unexpended and unencumbered balance of appropriation therein be, by the board of trustees of the



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emergency medical service district, lapsed and canceled and the revenues restricted thereby revert to surplus, available for appropriation to any lawful emergency medical service district purpose.”

**Finding 2015-3 – Inadequate Internal Controls Over the Estimate of Needs**

**Condition:** Upon inquiry and observation of the recordkeeping process for the fiscal year ending June 30, 2015, it was noted that collections, disbursements, and cash balances on the Estimate of Needs do not accurately reflect those of the District’s records.

**Cause of Condition:** Policies and procedures have not been designed and implemented to review the Estimate of Needs for accuracy prior to its approval.

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

**Recommendation:** OSAI recommends 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. Further, OSAI recommends the District Administrator or a member of the Governing Board compare the Estimate of Needs to the District’s records, and to the records of the County Treasurer to ensure collections, disbursements, and cash balances are accurately presented on the Estimate of Needs.

**Management Response:**

**Chairman of the Board:** Prior to approval, the Board will review the Estimate of Needs and ensure its accuracy with the District’s financial records.

**Criteria:** Internal controls should be designed to ensure the accuracy and completeness of disbursements, collections, and cash balances are accurately presented on the Estimate of Needs. 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.

Further, Title 19 O.S. § 1709 states:

- A. At least thirty (30) days prior to the beginning of each fiscal year, a budget for each fund of the district for which a budget is required shall be completed by the board. Each budget shall provide a complete financial plan for the budget year. The budget format shall be as prescribed by the State Auditor and Inspector. The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:
1. Actual revenues and expenditures for the immediate prior fiscal year;
  2. Estimated actual revenues and expenditures for the current fiscal year; and

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3. Estimated revenues and expenditures for the budget year.
- B. The budget for each fund shall contain a budget summary. It shall also be accompanied by a budget message from the board which shall explain the budget and describe its important features
  - C. The estimate of revenues in each fund for any budget year shall include probable income by source which the district is legally empowered to collect or receive at the time the budgets are adopted. The estimate shall be based upon a review and analysis of past and anticipated revenues of the district. Any portion of the budget of revenues to be derived from ad valorem property taxation shall not exceed the estimated amount of tax which is available for appropriation or which can or must be raised as required by law. The budget of expenditures for each fund shall not exceed the estimated revenues for each fund. No more than ten percent (10%) of the total budget for any fund may be budgeted for miscellaneous purposes.
  - D. The board shall determine the needs of the district for sinking fund purposes, pursuant to Section 9C of Article X of the Constitution of the State of Oklahoma, and include these requirements in the debt service fund budget for the budget year.



**OFFICE OF THE STATE AUDITOR & INSPECTOR**  
2300 N. LINCOLN BOULEVARD, ROOM 100  
OKLAHOMA CITY, OK 73105-4896

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