



# WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT

## Statutory Report

For the fiscal year ended June 30, 2021

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

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

September 2, 2021

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2021-001 – Lack of Internal Controls and Noncompliance Over the Collection and Deposit Processes (Repeat Finding)**

**Condition:** Based upon inquiry of the Waurika Emergency Medical Service District (the District) employees and observation of the collection process, the following weaknesses were noted:

- The Director performed the following duties for the collections process:
  - Posted patient payments to the accounting software,
  - Prepared the deposit,
  - Took the deposit to the bank,
  - Received the bank statements,
  - Reconciled the bank statements and,
  - Determined which patient accounts to send to collections or write-off as uncollectable.
- Delinquent accounts sent to collections or written-off as uncollectable were not approved by the District Board.
- In addition, a review of ad valorem receipts reflected five (5) occasions in which seven (7) or more days lapsed between the issue date and deposit date and deposits were not deposited into an interest-bearing account.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the duties of the collection process were adequately segregated, accounts sent to collections or written off were approved by the Board and the District retained evidence of a second billing. Further, internal controls over the timely depositing of ad valorem taxes have not been addressed in order to comply with the state statute.

**Effect of Condition:** This condition resulted in noncompliance with state statute regarding timely depositing of funds. Further, a single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions 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 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 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. and evidence documented of the District Board’s approval of patient accounts sent to collections or written off as uncollectable.

Furthermore, OSAI recommends the District deposit all fund as required by 62 O.S. § 517.3 (B).

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Management Response:**

**Chairman of the Board:** The District will work to segregate the duties of the collections process. Bank statements and reconciliations will be reviewed and signed by someone other than the preparer, and patient accounts sent to collections or written off as uncollectable will be approved by the Board. Further, we will make every effort to deposit ad valorem checks in a timely manner.

**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 quasi-governmental 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.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

*Compliance Objectives*

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Title 62 O.S. § 517.3 (B) states in part: “The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office ...”

Further, Title 62 O.S. § 517.3 (B) states in part; “ The treasurer of a public entity may authorize any designated depository within this state to redeposit funds of the public entity into interest-bearing demand-deposit accounts in one or more federally insured financial institutions;”



**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Finding 2021-002 -Lack of Internal Controls Over the Disbursement Process (Repeat Finding)**

**Condition:** Upon inquiry of District employees and observation of disbursement process, the following weaknesses were noted:

- The Director performed the following duties for the disbursement process:
  - Input invoices for payment into accounting software .
  - Prepared the checks.
  - Prepared an itemized claims list.
  - Signed checks as one signature when the Chairman or Vice-Chairman is not available.
  - Mailed checks to vendors.

Additionally, the District did not use pre-numbered purchase orders or claims to provide a systematic method of documenting each disbursement.

Further, employees are required to enter their specific PIN number and vehicle mileage when purchasing fuel from the local vendor; however, they did not maintain mileage logs or fuel amount purchased for the units.

Additionally, the test of thirty (30) disbursements noted the following weaknesses:

- Four (4) disbursements had no supporting documentation, therefore it could not be determined if the disbursement was an appropriate/legal expense.
- Four (4) disbursements did not have an employee signature on the invoice.

The review of twelve (12) credit card purchases reflected the following:

- One (1) disbursement did not have itemized statement attached.
- Two (2) disbursements had no evidence of verification of expense.
- One (1) check for disbursement did not reconcile with the total on the statement. The variance was \$33.45.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the disbursement process, to implement a purchase order or claim system to document disbursements, to retain adequate documentation of fuel receipts or log the mileage for each vehicle, and to ensure Board review of invoices.

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

**Recommendation:** OSAI recommends management 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 management’s oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. Additionally, OSAI recommends the District design and implement a system for prenumbered purchase orders or claims to document disbursements and document the Board review of invoices.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Management Response:**

**Chairman of the Board:** The Board will work to segregate the duties of the disbursement process, including documenting the review and approval of invoices for disbursements by initialing and dating the invoices, prior to approval of payment. District employees will maintain and document the receipt of fuel for the credit statement paid monthly, and sales tax will be avoided as much as possible when making purchases. Further all invoices will be signed by the employee as evidence of receipt of goods and/or services.

**Criteria:** 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.

**Finding 2021-003 – Lack of Internal Controls Over the Payroll Process (Repeat Finding)**

**Condition:** Based upon inquiry of the District employees and observation of the payroll process, the following weaknesses were noted:

- The Director performed the following duties for the payroll process:
  - Calculated payroll,
  - Prepared payroll,
  - Input payroll into the accounting software,
  - Prepared the direct deposit, and
  - Prepared written checks for employees not participating in direct deposit.
- The District's Director and Assistant Director did not complete timesheets for administrative hours worked.

Additionally, a test of payroll for the pay period December 26, 2020 through January 5, 2021 that included five (5) payroll checks, reflected the following exceptions:

- Five (5) employees did not sign the payroll summary.
- The Director did not sign the payroll summary.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure adequate segregation of duties regarding the payroll process, to document administrative time worked, and to ensure employees and the Director sign the payroll summary.

**Effect of Condition:** These conditions could result in inaccurate time records and unauthorized payments to employees, Assistant Director, and the Director.

**Recommendation:** OSAI recommends management 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 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. Additionally, OSAI recommends the District employees , Assistant Director and Director, complete timesheets for administrative hours and sign the payroll summary, documenting their approval.

**Management Response:**

**Chairman of the Board** The District will work to segregate the duties of the payroll process by signing off on the payroll summary. The Director and Assistant Director will complete timesheets for administrative hours worked, and all payroll summaries will be signed by the employees. The Board will review and provide evidence of review of the payroll summary in the monthly meetings by documenting this review in the monthly Board minutes.

**Criteria:** 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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