



# WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT

## Statutory Report

For the fiscal year ended June 30, 2018

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

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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September 14, 2020

**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 fiscal year ended June 30, 2018.

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



**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2018**

	<u>FY 2018</u>
Beginning Cash Balance, July 1	<u>\$ 159,917</u>
Collections	
Ad Valorem Tax	76,824
Charges for Services	128,873
Miscellaneous	400
Total Collections	<u>206,097</u>
Disbursements	
Personal Services	101,142
Maintenance and Operations	85,538
Audit Expense	2,456
Total Disbursements	<u>189,136</u>
Ending Cash Balance, June 30	<u>\$ 176,878</u>

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

Waurika Emergency Medical Service District  
P.O. Box 59  
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 charges for services were billed and collected in accordance with District Policies.
- 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, 2018 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 and 61 O.S. §101-139.
- 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 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 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.



CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR

April 15, 2020

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2018-001 – Internal Controls Over the Collections Process (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.
  - Determined patient accounts to send to collections or write off.
- Bank reconciliations did not have evidence of being reviewed and approved by someone other than the preparer.
- Delinquent patient accounts sent to collections or written off as uncollectable were not approved by the Board.

Additionally, the test of thirty (30) patient runs reflected one (1) account that was not collected, and the District did not retain evidence of a second billing.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the duties of the collection process were adequately segregated, bank reconciliations were reviewed and approved by someone other than the preparer, accounts were sent to collections or written off were approved by the Board and the District retained evidence of a second billing.

**Effect of Condition:** 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. Mitigating controls would include evidence of the review and approval of bank reconciliations by someone other than the preparer and evidence of the District Board's approval of patient accounts sent to the collections agency or written off as uncollectable.

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**Management Response:**

**Chairman of the Board:** The District will work to segregate the duties of the collections process. Bank 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.

**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.

**Finding 2018-002 – 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 regarding the disbursement process:
  - Input invoices for payment into Quick Books.
  - Prepared the checks.
  - Prepared an itemized disbursement list.
  - Signed checks as one signature when the Chairman or Vice Chairman was not available.
  - Mailed checks to vendors.
- The District did not use numbered purchase orders or claims to provide a systematic method of documenting each disbursement.
- The Board approved a disbursement list prepared by the Director; however, the Board did not review the invoices for payment.



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**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 process to document disbursements, and to ensure the Board reviews and approves the payment 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 can perform all accounting functions. Additionally, OSAI recommends the District implement a purchase order or claim process to document disbursements and the Board review and approve payment of invoices.

**Management Response:**

**Chairman of the Board:** The District will work to segregate the duties of the disbursement process, prepare claims for disbursements and review invoices prior to approval of payment.

**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 2018-003 – 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

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- Input payroll into the accounting software
- Prepared the direct deposit
- Prepared written checks for employees not participating in direct deposit.
- The District's Director and Assistant Director do not complete timesheets for administrative hours worked.

Additionally, a test of payroll for the pay period December 9, 2017 through December 22, 2017 that included ten (10) payroll checks, the following exception was noted:

- Three (3) employees did not sign the payroll summary.

**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 sign the payroll summary.

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

**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 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, the Director and Assistant Director will complete timesheets for administrative hours worked, and all payroll summaries will be signed by the employees.

**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

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operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

The GAO Standards – Principle 10 – Design Control Activities – 10.12 states in part:

*Segregation of Duties*

Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

The GAO Standards – Principle 10 – Design Control Activities – 10.13 states in part

*Segregation of Duties*

Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

**Finding 2018-004 – Internal Controls Over the Petty Cash Process**

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

- The Director performed the following duties for the maintenance of petty cash;
  - Maintained possession of petty cash.
  - Made purchases using petty cash.
  - Issued checks to replenish petty cash.
- The District Board approved a petty cash fund, during the May 07, 2018 Board meeting, in the amount of \$100.00; however, the Director maintained \$200.00 in petty cash.
- The Director did not reconcile petty cash.

Additionally, a test of five (5) petty cash replenishment checks reflected the following exceptions:

- In five (5) instances, receipts were not signed by the employees.
- In five (5) instances, adequate documentation was not retained to support the disbursement

**Cause of Condition:** The District has not designed and implemented policies and procedures to sufficiently segregate the petty cash process, ensure the petty cash balance is in compliance with Board policies, petty cash is reconciled, receipts are signed by the employee and adequate documentation is retained for all petty cash disbursements.

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

**Recommendation:** OSAI recommends the 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 Board's oversight of office operations and a periodic review of operations. OSAI recommends the Board provide segregation of duties so that no one individual can perform all accounting functions.

Additionally, OSAI recommends the Board design and implement policies and procedures to ensure the petty cash fund balance is not greater than the amount approved by the Board, petty cash is reconciled monthly by someone other than the Director, receipts are signed by the employees, and supporting documentation is retained to support each disbursement of petty cash.

Due to increased risk of fraud involving petty cash, OSAI does not recommend the use of petty cash funds; however, if the Board determines a petty cash fund is necessary, OSAI recommends the District minimize the use of petty cash to goods or services that cannot be purchased utilizing the District's standard disbursement process.

**Management Response:**

**Chairman of the Board:** The District will work to segregate the duties of the petty cash fund, will ensure the petty cash on hand is within the limits established by the Board, and replenishment checks are not in excess of District policy. The Board will require all requests to replenish petty cash will include documentation of how funds were used.

**Criteria:** The GAO Standards – Principle 10 – Design and Control Activities – 10.03 states 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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The GAO Standards – Principle 16 – Perform Monitoring Activities – 16.05 states:

*Internal Control System Monitoring*

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.

The GAO Standards – Principle 5 – Enforce Accountability –5.02 states:

*Enforcement of Accountability*

Management enforces accountability of individuals performing their internal control responsibilities. Accountability is driven by the tone at the top and supported by the commitment to integrity and ethical values, organizational structure, and expectations of competence, which influence the control culture of the entity. Accountability for performance of internal control responsibility supports day-to-day decision making, attitudes, and behaviors. Management holds personnel accountable through mechanisms such as performance appraisals and disciplinary actions.

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STATE AUDITOR & INSPECTOR



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

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