



WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.

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, 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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2019

	<u>FY 2019</u>
Beginning Cash Balance, July 1	<u>\$ 176,878</u>
Collections	
Ad Valorem Tax	90,412
Charges for Services	160,272
Miscellaneous	1,099
Total Collections	<u>251,783</u>
Disbursements	
Personal Services	96,338
Maintenance and Operations	97,646
Capital Outlay	65,943
Audit Expense	2,590
Total Disbursements	<u>262,517</u>
Ending Cash Balance, June 30	<u>\$ 166,144</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, 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 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, 2019 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

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2019-001 – 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 which 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.

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, and accounts were sent to collections or written off were approved by the Board.

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 collections or written off as uncollectable.

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.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019-002 - 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.

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.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019-003 –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,
 - Input payroll into the accounting software,
 - Prepared the direct deposit, and
 - Prepared written checks for employees not participating in direct deposit.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

- The District’s Director and Assistant Director did not complete timesheets for administrative hours worked.

Additionally, a test of payroll for the pay period September 29, 2018 through October 12, 2018 that included eight (8) payroll checks, the following exception was noted:

- Two (2) 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 operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019-004 – Internal Controls Over the Petty Cash Process (Repeat Finding)

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 approved a petty cash fund, during the May 7, 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.
 - A cash count during the audit reflected cash on hand of \$38.03 and receipts totaling \$161.37 for a total petty cash accounted for of \$199.70.

Additionally, a test of six (6) petty cash replenishment checks reflected the following exceptions:

- In six (6) instances, receipts were not signed by the employees.
- In six (6) instances, adequate documentation was not retained to support the disbursement.
- In one (1) instance, the invoice lacked adequate information to determine the purpose of the disbursement.
- In four (4) instances, the Board approved petty cash replenishment checks for amounts in excess of the \$100.00 petty cash fund approved by the Board.
- In two (2) instances, petty cash replenishment checks were for amounts in excess of the \$200.00 petty cash balance maintained by the Director.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.

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.

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 adequate supporting documentation is retained for petty cash disbursements. Furthermore, OSAI recommends the Board review the 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 only 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.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 – 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.

Finding 2019-005 – Noncompliance Over the Incurrence of Debt

Condition: Based upon inquiry of District employees, observation of records and a test of thirty (30) disbursements, the following instance of noncompliance was noted:

- The District financed \$6,314.40 of insurance premiums in order to make monthly payments. The total financing included a finance charge of \$441.00 or an annual percentage rate of 14.96%. The financing was for ten (10) monthly payments of \$675.54 starting on June 5, 2019 and into the next fiscal year, constituting the incurrence of long-term debt.

Additionally, the notice date of the financing was April 30, 2019. The District’s combined bank balance for April 30, 2019 was \$166,049.39, with \$153,849.45 of the balance earning an annual percentage yield of 0.80%.

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Furthermore, Article X, § 9C of the Oklahoma Constitution, does not allow a District to borrow money or incur long-term debt other than through the issuance of bonds after an election.

Cause of Condition: The District has not designed and implemented policies and procedures to ensure compliance with state statutes and the Oklahoma Constitution.

Effect of Condition: This condition resulted in noncompliance with state statute and the Oklahoma Constitution resulting in the District incurring unauthorized debt and the unnecessary payment of interest.

Recommendation: OSAI recommends the District discontinue financing insurance that incurs unauthorized debt. Additionally, OSAI recommends, the District, when financially solvent, pay insurance premiums in a lump sum to avoid additional costs. Furthermore, OSAI recommends the District, if necessary, ensure all payments are made within the fiscal year, July 1 to June 30, to avoid crossing fiscal years resulting in unauthorized debt.

Management Response:

Chairman of the Board: The Board will work to comply with statutes and pay all insurance premiums in full prior to the end of the fiscal year.

Criteria: 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.

The GAO Standards – Principle 8 – Assess Fraud Risk – 8.03 states in part:

Types of Fraud

In addition to fraud, management considers other forms of misconduct that can occur, such as waste and abuse. Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary operational practice given the facts and circumstances. This includes the misuse of authority or position for personal gain or for the benefit of another. Waste and abuse do not necessarily involve fraud or illegal acts. However, they may be an indication of potential fraud or illegal acts and may still impact the achievement of defined objectives.

Title 19 O.S. § 1721(A)(3) states in part, “... Any appropriation authorizing the creating of an indebtedness shall be governed by the applicable provisions of Article X of the Constitution of the State of Oklahoma”

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Article 10 § 9C provides the only lawful manner emergency medical service districts are allowed to incur debt;

“(b) Any district board of trustees may issue bonds, if approved by a majority vote at a special election for such purpose. All registered voters within the designated district shall have the right to vote in said election. Such bonds shall be issued for the purpose of acquiring emergency vehicles and other equipment and maintaining and housing the same.”

Finding 2019-007 - Internal Controls and Noncompliance Over the Bidding Process

Condition: Based upon an inquiry of District employees and review of the Board minutes, the following weakness and noncompliance was noted:

- The Board minutes of August 6, 2018 reflected the Board approved a bid totaling \$65,061.00 for the remount of an ambulance; however, documents provided indicate the District only obtained three (3) quotes, rather than following bidding process as required by state statutes.

Cause of Condition: Policies and procedures have not been designed and implemented over the bidding process to ensure compliance with state statutes.

Effect of Condition: This disbursement resulted in noncompliance with the state statutes regarding bid requirements of equipment purchases exceeding \$15,000.00.

Recommendation: OSAI recommends the District design and implement policies and procedures to ensure the District follows the bidding requirements for the purchase of equipment exceeding \$15,000.00 in accordance with 19 O.S. § 1723. Further, the District should maintain evidence that bidding was properly performed. These procedures should include, proof of publication of the bid, including the bid was time and date stamped when received, justification and approval of awarding the bid to a bidder other than the lowest bidder in the Board minutes, and documentation of notification to the successful bidder. All documentation should be maintained in a bid file and all bid awards should be documented in the Board minutes.

Management Response:

Chairman of the Board: The District will follow the statutory bidding requirements for equipment purchases in excess of \$15,000.00

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

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

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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. Some entities may set objectives to a higher level of performance than established by laws and regulations. In setting those objectives, management can exercise discretion relative to the performance of the entity.

Title 19 O.S. § 1723 requires Districts to make equipment purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1501 and § 1505, which requires all purchases in excess of \$15,000.00 be competitively bid.

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



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov