

## STATUTORY REPORT

# WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2016

A photograph of the Oklahoma State Capitol building's dome against a cloudy sky.

*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



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

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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

October 18, 2017

**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, 2016.

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 2016**

	<b>FY 2016</b>
Beginning Cash Balance, June 30	\$ 103,029
Less: Prior year EON error	(208)
Beginning Cash Balance, July 1, restated	<u>102,821</u>
 Collections	
Ad Valorem Tax	72,869
Charges for Services	94,356
Miscellaneous	<u>19,701</u>
Total Collections	<u>186,926</u>
 Disbursements	
Personal Services	66,346
Maintenance and Operations	<u>59,426</u>
Total Disbursements	<u>125,772</u>
 Ending Cash Balance, June 30	<u>\$ 163,975</u>

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



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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 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 2016 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 that reads "Gary A. Jones".

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

September 5, 2017

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

**Finding 2016-1 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)**

**Condition:** Upon inquiry of Waurika Emergency Medical Service District (the District) personnel regarding the collection process, we noted the following weaknesses:

- The Director picks up, opens and sorts the mail, processes payments, posts information to the computer system and patient accounts, prepares and mails account statements to patients, prepares the monthly bank reconciliations, and prepares the deposit and delivers the deposit to the bank.
- Prenumbered, duplicate receipts were not issued for funds received.
- The District did not deposit monies received daily.

There was no evidence of review by an employee or Board member independent of the process of the monthly bank reconciliations including the following exceptions:

- There was one unidentified item (\$196.36) on the bank reconciliation at June 30, 2016 that has been carried on the bank reconciliations since February 29, 2016. This item was reflected on the District's general ledger as a "reconciliation discrepancy".
- The District's checking account at one financial institution was not in an interest-bearing account.

There was no evidence the Board approved the patient accounts to be written-off or the patient accounts to be sent to the collection agency.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the duties of the collection process, issue prenumbered duplicate receipts, deposit funds in a timely manner, and provide oversight of the District's reconciliation of the bank accounts and review of delinquent patient accounts.

**Effect of Condition:** A single employee having responsibility for more than one area of the collection process, lack of prenumbered receipts and daily deposits, and oversight of bank reconciliations and approval of delinquent account activity 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 the Board 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, issuing prenumbered duplicate receipts, and daily depositing funds and collected. 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 and reconciling processes. We further recommend that the District Board approve all patient accounts to be written-off and all patient accounts to be sent to the collection agency.

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**Management Response:**

**Chairman of the Board:** The Board has reviewed the finding and accepts the recommendations as presented by OSAI. The Board will instruct the Director to use prenumbered receipt books and the Assistant Director will issue receipts for funds received. The Board will review patient accounts for propriety and approve accounts to be sent to the collection agency.

**Auditor Response:** *This finding is a repeat finding from the prior year.* As recommended, in addition to responses as noted above, the Board must provide evidence of oversight regarding the segregation of duties and monitoring of the collection process.

**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 provide documentation of its oversight over the bank reconciliation process and the approval of delinquent patient accounts.

**Finding 2016-2 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

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

- The Director receives the goods and/or services, checks the invoices for accuracy, processes the payments, prepares the checks, signs the checks as one signature when the Chairman or Vice Chairman is not available, and mails the checks to vendors.

Further, the District did not use prenumbered purchase orders or claims to provide a systematic method of documenting each disbursement.

While determining the total population of disbursements, we noted Checks #200 thru #275 had not been used and determined through inquiry that the checkbook is maintained in an unlocked desk drawer in the Director's office.

The test of twenty-five (25) disbursements, reflected the following exceptions:

- One (1) check did not have supporting documentation for the disbursement.
- One (1) check did not have an original invoice for the disbursement.
- Twenty-two (22) checks did not have evidence of a receiving signature on the invoices.
- The District made payments on vehicle insurance, resulting in paying a finance charge in addition to the premium of \$239.70 on check #387.
- The District did not pay the balance in full for charges that were incurred on the April 30, 2016 fuel statement totaling \$131.27. These charges were paid on the statement dated June 3, 2016 in which the April 30, 2016 and May 31, 2016 balances were paid together.

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Further, the District maintained a Petty Cash fund; however, there was no documentation of the total amount of the fund. At the time of the cash count, we verified \$93.54 in cash and \$18.50 in receipts for a total of \$112.04. The District does replenish the Petty Cash fund with a disbursement check from the operating account.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the disbursements process, provide for purchase orders or claims to document disbursements, attach supporting documentation such as invoices, provide evidence of receiving goods and or services and establish a dollar threshold and replenishment process for the Petty Cash fund. Additionally, the District was not aware of the incurrence of debt through credit cards when the balance is not paid in full and the use of a fuel credit card that is not the approved credit card as provided for by state contract.

**Effect of Condition:** A single employee having responsibility for more than one area of the disbursement process, lack of purchase orders, claims, invoices, evidence of receiving goods and services, and replenishment of the Petty Cash fund could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds. The incurrence of debt when balances are not paid in full is not authorized by state statute and resulted in noncompliance.

**Recommendation:** OSAI recommends the Board 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 evidence of the Board's review process clearly documented as a mitigating control over the lack of segregation of duties for the disbursement process. Further, OSAI recommends the District provide for purchase orders or claims to document disbursements, attach supporting documentation such as invoices, provide evidence of receiving goods and or services and avoid late or finance charges.

We also recommend that the District establish an amount for the Petty Cash fund and the fund be replenished each month by approval of the District Board.

**Management Response:**

**Chairman of the Board:** The Board has reviewed the finding and accepts the recommendations as presented by OSAI. The Director or Assistant Director will sign acknowledging goods and/or services received and attach claims to all claims. The Board will formally establish an amount to be used for petty cash.

**Auditor Response:** *This finding is a repeat finding from the prior year.* As recommended in addition to responses as noted above, the Board must provide oversight regarding the segregation of duties by providing evidence of monitoring the disbursement process.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions, including incurring debt on unpaid monthly balances and avoiding the payment of late fees or finance charges on purchases.

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Article 10 Section 9C of the Oklahoma State Constitution allows *only* the sale of bonds as a manner for incurring debt, as follows:

“Any district board of trustees may issue bonds, if approved by a majority vote at a special election for such purpose.”

**Finding 2016-3 – Inadequate Internal Controls Over the Payroll Process**

**Condition:** Upon inquiry of District staff, observation of the payroll records, and test of the payroll period of February 26, 2016 that included six (6) payroll checks, the following exceptions were noted:

- The District Director calculates and prepares payroll, prepares the direct deposit, and prepares handwritten checks for those volunteers who do not participate in the direct deposit of the payroll check.
- The District Director and the volunteers do not prepare timesheets; however, documentation of services performed was noted on a monthly calendar prepared by the Director. There was no evidence that the monthly calendar was signed by the Director and volunteers or approved by the Board.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure time records are completed with the hours worked for the payroll period, and signed and reviewed for accuracy by the Board.

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

**Recommendation:** OSAI recommends the District ensure that time records are completed and signed by the volunteer and Director and include hours and/or shifts worked each pay period. OSAI also recommends that time records be reviewed for accuracy by the District Board.

**Management Response:**

**Chairman of the Board:** The Board has reviewed the finding and accepts the recommendations as presented by OSAI. The Board will instruct volunteers to sign the payroll sheet each meeting to provide the Board evidence of time worked.

**Auditor Response:** As recommended in addition to the responses above, the Board should provide oversight regarding the segregation of duties by providing evidence of monitoring the payroll process.

**Criteria:** Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. An aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity’s governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or

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untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation. An example of proper internal controls is documented evidence that timesheets are completed and reviewed for propriety to ensure policies and procedures are being adhered to by the employee.

**Finding 2016-4 – Inadequate Internal Controls Over Fixed Assets Inventory**

**Condition:** Based upon inquiry and observation of the fixed assets inventory process, the following weaknesses were noted:

- The District Director stated an annual inventory observation of all fixed assets is performed; however, no documentation of the verification was evidenced.
- One item did not have the correct serial number listed on the fixed assets inventory as compared to the actual serial number on the equipment.
  - Ferno Cot Serial #10N-163616 but the item showed the Serial # 10N-163416
- One item could not be visually verified.
  - Motorola Pager Serial #136WNH0114
- A security system that includes eight (8) cameras and one (1) monitor was purchased from the Waurika Police Department on August 3, 2015; however, this equipment was not included on the District's fixed asset listing. OSAI observed some of the cameras and the monitor during the fixed assets inventory verification.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure fixed assets inventory is being properly accounted for, maintained, and updated regularly by the District.

**Effect of Condition:** These conditions could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment.

**Recommendation:** OSAI recommends that policies and procedures be implemented to ensure fixed assets inventory is being updated on an ongoing basis. Furthermore, OSAI recommends physical fixed assets inventory verification, by someone other than the individual in charge of the fixed assets inventory, be completed and documented annually to verify inventory on hand.

**Management Response:**

**Chairman of the Board:** The Board has reviewed the finding and accepts the recommendations as presented by OSAI. The Board has instructed the Assistant director to perform an inventory of fixed assets annually.

**Criteria:** 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

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personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguard assets from loss, damage, or misappropriation. Effective internal controls would include evidence of a documented annual physical verification of fixed assets performed using current fixed assets listing prepared by the District.

**Finding 2016-7 – Inadequate Internal Controls Over the District’s Estimate of Needs and Financial Records (Repeat Finding)**

**Condition:** Upon inquiry of District staff and observation of the recordkeeping process, collections, disbursements, and cash balances on the Estimate of Needs (EON) do not accurately reflect those of the District's records as noted:

- The beginning cash balance of the EON was \$102,821; however, the amount confirmed in the bank accounts was \$103,029 resulting in a variance of (\$208 of which \$196.36 was noted on the bank reconciliation as a reconciliation discrepancy.)
- The EON reflected \$2,514.18 for salaries and expense of the audit; however, this amount was paid to the Jefferson County Treasurer for Visual Inspection Fees.

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

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

**Recommendation:** OSAI recommends the Board 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 Director or a member of the 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:** The Board has reviewed the finding and accepts the recommendations as presented by OSAI. The board Treasurer will ensure the accuracy of the Estimate of Needs by comparing the amounts reported to the District's accounting records.

**Auditor Response:** As recommended, the Board should provide oversight regarding the documentation of reported information on the Estimate of Needs.

**Criteria:** Internal controls should be designed to ensure the accuracy and completeness of collections, disbursements, 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, including the design of procedures and implementation of policies to

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provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.



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