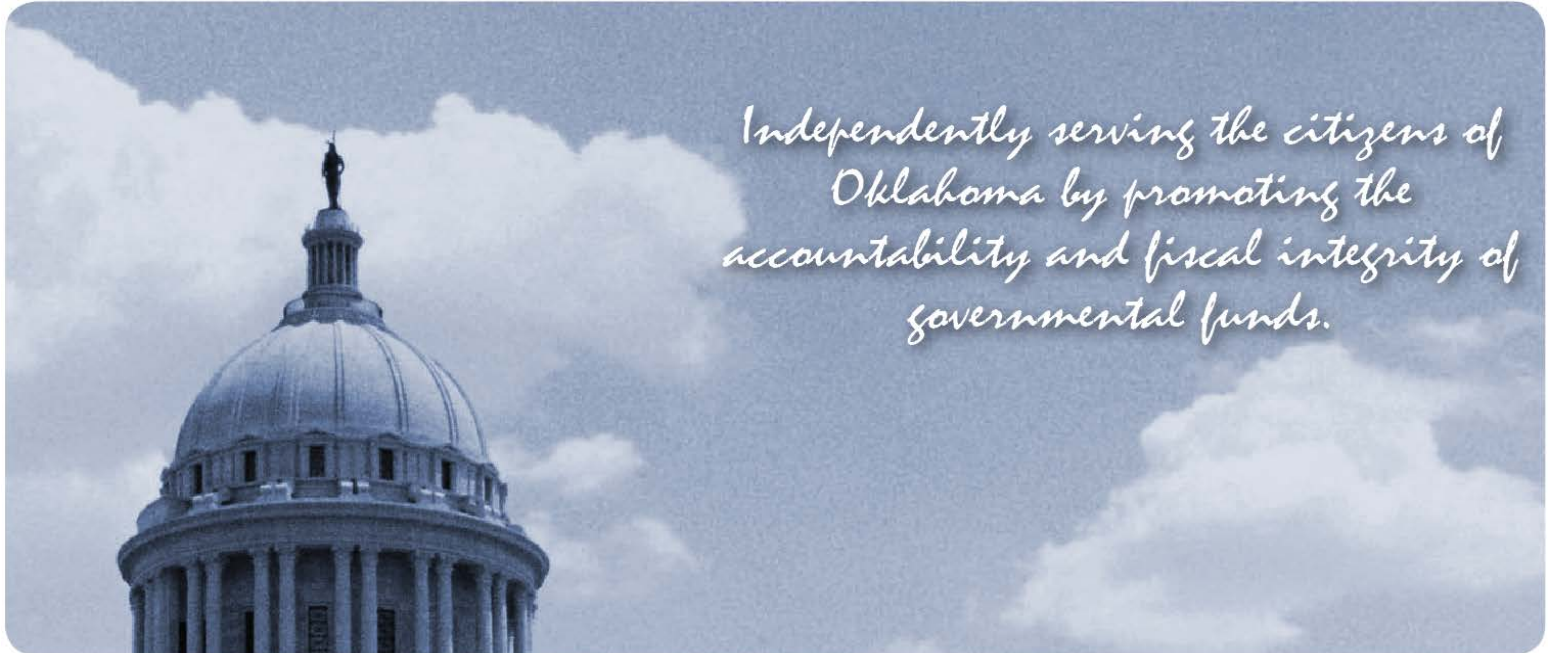


STATUTORY REPORT

WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2017



*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, 2017**

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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

July 19, 2018

**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, 2017.

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
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017

	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ 163,975
Collections	
Ad Valorem Tax	77,017
Charges for Services	90,752
Interest	286
Total Collections	<u>168,055</u>
Disbursements	
Personal Services	74,409
Maintenance and Operations	94,648
Audit Expense	3,056
Total Disbursements	<u>172,113</u>
Ending Cash Balance, June 30	<u>\$ 159,917</u>

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



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Waurika Emergency Medical Service District
121 S. Main Street
Waurika, Oklahoma 73579

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 2017 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". The signature is written in a cursive style with a long horizontal stroke at the end.

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

May 14, 2018

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-01 - Inadequate Internal Controls and Noncompliance 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 picked up, opened and sorted the mail, processed payments, posted information to the computer system and patient accounts, prepared and mailed billing statements to patients, prepared the monthly bank reconciliations, and prepared and delivered the deposit to the bank.
- Prenumbered, duplicate receipts were not issued for funds received.

In the review of seven (7) bank deposits, deposits, we noted the following weakness:

- One deposit was not made in a timely manner.

Additionally, there was no evidence of review by an employee or Board Member independent of the process of the monthly bank reconciliations and the District's checking account at one financial institution was not in an interest-bearing account.

Further, the Board did not approve the delinquent patient accounts to be sent to the collection agency or written-off as uncollectable.

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: The condition of not depositing funds daily resulted in noncompliance. Additionally, a single person having responsibility for more than one area of recording, authorization, custody of assets, execution of transactions, and not issuing prenumbered duplicate receipts 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 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 as collected in accordance with state statute. 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

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

receipting, depositing and reconciling processes. We further recommend that the District Board review and approve all delinquent patient accounts to be written-off or sent to the collection agency.

OSAI also recommends the District implement internal controls to document the receipt of collections and daily deposits in accordance with state statute.

Management Response:

Chairman of the Board: We have implemented procedures to correct this issue.

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.

Title 62 O.S. § 517.3B states in part, “The treasurer of every public entity shall deposit daily, not later than the immediately next banking day...”

Finding 2017-02 - Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

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

- The Director received the goods and/or services, verified the invoices for accuracy, processed the payments, prepared the checks and signed as one signature on the checks when the Chairman or Vice-Chairman was not available, and mailed checks to vendors.
- The District did not use numbered purchase orders or claims to provide a systematic method of documenting each disbursement.

The test of thirty (30) disbursements, reflected the following exceptions:

- Four (4) checks did not have an invoice for the disbursement.
- Three (3) disbursements were not approved by the Board.
- The District paid a retainer fee of \$250 per month to an attorney; however, the District did not receive a monthly statement, nor was there a contract on file stating terms of the engagement.

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 \$2.57 in cash and \$65.36 in receipts for a total of \$67.93. The District replenished the Petty Cash fund with a disbursement check from the operating bank account for the amount expended each month.

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Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the disbursement process, provide for purchase orders or claims to document disbursements, attach supporting documentation such as invoices, and provide evidence of receiving goods and/or services. Additionally, the District has not designed and implemented a replenishment process for the Petty Cash Fund and establish a total of the petty cash.

Effect of Condition: This condition resulted in incomplete documentation of disbursements and disbursements that were not properly approved by the Board. A single employee having responsibility for more than one area of the disbursement process, lack of purchase orders, claims, evidence of receiving goods and services, and inadequate controls over the petty cash fund could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds.

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, and provide evidence of receiving goods and/or services.

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: We will design and implement procedures to correct these issues.

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 and provide internal controls over the disbursement process and replenishment over the petty cash fund.

Finding 2017-03 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry of District staff, observation of the payroll records, and test of the payroll for the month of August 2016 that included fifteen (15) payroll checks, the following exceptions were noted:

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

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
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Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the payroll process, and to ensure timesheets are prepared by each paid volunteer and signed, with the hours worked for the payroll period, and approved and reviewed for accuracy by the Board.

Effect of Condition: A single employee having responsibility for more than one area of the payroll process, and inadequate documentation of the paid volunteer's time worked in the form of a monthly calendar could result in inaccurate time records and unauthorized payments to volunteers and the Director.

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 and approval process clearly documented as a mitigating control over the lack of segregation of duties for the payroll process.

OSAI also recommends the District ensure that timesheets are completed and signed by the paid volunteer and Director and include hours and/or shifts worked each pay period to document payroll disbursements.

Management Response:

Chairman of the Board: We have implemented procedures and corrected this issue.

Criteria: Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll disbursements and/or transactions.

An important 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 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 prepared and reviewed for accuracy and completeness to ensure policies and procedures are being adhered to by the paid volunteer.

Finding 2017-04 - Inadequate Internal Controls Over Fixed Assets Inventory (Repeat Finding)

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 was performed; however, one person is responsible for both performing the verification and updating the records in the computer.
- Evidence of annual verification of fixed assets inventory varication was not documented.
- Three (3) items were not documented on the fixed assets inventory listing.
 - 1 - HP Computer SN# CNV7060HFJ

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- 1 - HP Computer SN# CNC002010N
- 2008 Ford Ambulance VIN# 1FDXE45P98DA35942

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 by someone other than the person who performs the physical verification.

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, be performed by someone other than the individual in charge of the fixed assets inventory, be completed, documented annually, and evidenced with initials and date to verify inventory on hand.

Management Response:

Chairman of the Board: We will implement procedures to include multiple people in fixed asset inventory review and record maintenance.

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 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 and evidenced as such with initials and date.

Finding 2017-07 - Inadequate Internal Controls and Noncompliance Over the Bidding Process

Condition: Based on inquiry of District staff and review of the District Board minutes, we noted the following weakness and noncompliance regarding the bidding process:

- The District made the following purchase without going through the bidding process:

Purchase Approval Date	Authorized Purchase Amount	Item	Invoice Date	Invoice Amount	Check Number Date	Check Amount
3/13/2017	\$25,000.00	Ambulance, Inverter and Shipping	3/14/2017	\$26,980.00	No. 105 3/15/2017	\$26,980.00

**WAURIKA EMERGENCY MEDICAL SERVICE DISTRICT
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Further, the Board minutes authorized the purchase of a used ambulance in the amount of \$25,000. However, the invoice and payment amount totaled \$26,980.00, which consisted of \$25,000 for the used ambulance, \$1,080.00 for an inverter and shipping expense of \$900.00.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 19 O.S. § 1723, requiring the Board to comply with the bidding requirements for equipment costing \$15,000.00 or more as provided in 19 O.S. § 1501 and 19 O.S. § 1505.

Effect of Condition: These conditions resulted in noncompliance with the state statutes regarding the awarding of bids. As a result, the District may not have obtained the best prices for products.

Recommendation: OSAI recommends the District implement policies and procedures to ensure compliance with 19 O.S. § 1723, which requires that the District follow county purchasing procedures for competitively bidding as outlined in 19 O.S. § 1505.

In addition, OSAI recommends the District implement procedures to ensure bidding is properly performed. These procedures should include:

- Proof of publication of the bid.
- Justification and approval of awarding the bid to a bidder other than the lowest bidder in the Board minutes, the bid was time and date stamped when received.
- Documentation of notification to the successful bidder be maintained in the bid file.
- All bid awards should be documented in the minutes of the Board.

Management Response:

Chairman of the Board: We will implement procedures and follow bid requirements on future purchases.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives regarding reliability of financial reporting and compliance with applicable laws and regulations.

19 O.S. § 1723 requires Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1501 and 1505, which requires all equipment purchases in excess of \$15,000 be competitively bid.



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