



# WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT

## Statutory Report

For the period of July 1, 2015 through June 30, 2018

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

**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE PERIOD OF JULY 1, 2015 THROUGH JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | [www.sai.ok.gov](http://www.sai.ok.gov)

April 1, 2019

**TO THE BOARD OF DIRECTORS OF THE  
WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Weleetka-Graham Emergency Medical Service District for the period of July 1, 2015 through 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,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds**

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Beginning Cash Balance, July 1	\$ 20,139	\$ 28,839	\$ 1,960
Collections			
Ad Valorem Tax	47,685	48,554	51,662
Charges for Services	36,930	27,404	-
Miscellaneous	-	495	1,357
Total Collections	<u>84,615</u>	<u>76,453</u>	<u>53,019</u>
Disbursements			
Personal Services	-	30,801	3,515
Unclassified*	75,883	66,895	6,172
Bank Charges	32	29	29
Audit Expense	-	5,607	-
Total Disbursements	<u>75,915</u>	<u>103,332</u>	<u>9,716</u>
Ending Cash Balance, June 30	<u>\$ 28,839</u>	<u>\$ 1,960</u>	<u>\$ 45,263</u>

\*Unclassified disbursements were not specified in the financial records of the District.

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

Weleetka-Graham Emergency Medical Service District  
P.O. Box 445  
Weleetka, Oklahoma 74880

**TO THE BOARD OF DIRECTORS OF THE  
WELEETKA-GRAHAM 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, FY 2017, and FY 2018 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Weleetka-Graham 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 Weleetka-Graham 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 Weleetka-Graham 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

January 9, 2019

**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2018-001- Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)**

**Condition:** Based on inquiry of the Weleetka-Graham Emergency Medical Service District (the District) and observation of the fixed assets inventory, the following weaknesses were noted:

- Ambulances were not included on the fixed assets inventory listing.
- Donated fixed assets were not included on the fixed assets inventory listing.
- There was no evidence of visual verification of fixed assets inventory items.
- The fixed assets inventory listing did not include the identification numbers and/or serial numbers, or the original cost of each fixed asset.

Additionally, the Board minutes did not reflect donated fixed assets were approved and accepted by the Board.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the fixed assets inventory records are properly accounted for, maintained, updated regularly by the District, and evidence documented that fixed asset items are visually verified at least annually.

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

**Recommendation:** The Oklahoma State Auditor and Inspector's Office (OSAI) recommends that policies and procedures be implemented to ensure fixed assets inventory records are updated on an ongoing basis. Further, OSAI recommends evidence of visual verification, by someone other than the individual in charge of inventory, be completed and documented annually to verify fixed assets inventory on hand.

Further, OSAI recommends that donated fixed assets be approved by the Board and documented in the Board minutes and included on the fixed assets inventory listing.

**Management Response:**

**Board Chairman:** An inventory will be completed and presented to the EMS Board as soon as possible. A policy and procedure will be developed for the following:

- All fixed assets are on the inventory list.
- Inventory is reviewed and updated annually.
- Donated fixed asset are accepted by the EMS Board.
- A representative of the Board will perform and document a visual inspection of inventories each year.

**Criteria:** 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,

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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.

**Finding 2018-002 - Internal Controls Over the Payroll Process (Repeat Finding)**

**Condition:** Based on inquiry of the District Board Chairman, observation of the payroll process and review of payroll disbursements, the following weaknesses were noted:

- The District ceased operations on December 19, 2016, at which time the employees had not been paid for their services for approximately six (6) months.
- A total of \$34,315.55 in outstanding payroll claims at December 19, 2016 was paid to employees over the course of the next year and finalized in December of 2017.
- These outstanding payroll claims were paid as the ad valorem taxes were collected and remitted to the District by the Okfuskee County Treasurer.
- Timesheets were not maintained to document time worked.
- There was no signature of approval or verification of accuracy of time records and payroll records prepared and subsequently paid by the District.

**Cause of Condition:** Policies and procedures have not been designed and implemented to document, review and approve payroll claims and disbursements.

**Effect of Condition:** This condition resulted in inaccurate records and incomplete information and could result in misappropriation of assets.

**Recommendation:** OSAI recommends that the District maintain timesheets and the timesheets be approved by both the supervisor and employee to provide effective internal controls over the payroll process.

**Management Response:**

**Board Chairman:** All timesheets will be reviewed/approved by the supervisor and the employee before process for payment.

**Criteria:** Accountability and stewardship are overall goals in evaluating management's accounting of funds. 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 transactions and safeguarding assets from misappropriation. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll transactions.



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**Finding 2018-003 - Inadequate Internal Controls Over the Receipting, Recording, and Bank Reconciliation Processes (Repeat Finding)**

**Condition:** Based upon inquiry of the District Chairman and observation of the receipting and bank reconciliation processes, the following was noted:

- One individual opened the mail, issued receipts, prepared the deposit, and performed the bank reconciliation.
- Some receipts were located, but the specific dates selected for testing could not be located for fiscal year 2016.
- Receipts were not issued in numerical order for fiscal year 2016 and 2017. Funds were directly deposited during fiscal year 2018.
- The District did not file ambulance run sheets with the billing company after November 2015; thus, charges for services were not billed after that date and revenue from ambulance runs continued to decrease each year.
- Run sheets could not be located to perform testwork for the fiscal year of 2016.
- The District ceased operations in December 2016; therefore, no run sheets were filed for fiscal year 2017 and 2018.

Additionally, the District did not maintain an accounting ledger of financial activity. Therefore, a bank reconciliation was not performed, rather, a list of checks issued for the month was compared to the checks paid on the bank statement. This process was not reviewed by someone other than the preparer.

**Cause of Condition:** The District has not designed and implemented policies and procedures to sufficiently segregate the receipting, recording, and bank reconciling processes. Further, policies and procedures have not been designed and implemented to maintain and document run sheets, charges for services and accounts receivable.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions, including inadequate documentation of ambulance runs, charges for service, accounts receivable, and reconciliation of bank balances could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends the Board be aware of these conditions and realize that 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 management provide segregation of duties so that no one employee can perform all accounting functions. 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 having the Board review and approve accounting functions, including monthly bank reconciliations.

Further, OSAI recommends evidence of the Board's review process be clearly documented for all bank

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reconciliations, to provide a mitigating control over the lack of segregation of duties over the receipting, recording, and reconciling processes.

OSAI additionally recommends the District Board provide evidence of filing run sheets, billing for charges for services, receipt of funds, and accounts receivable records of patient account balances to document and record those transactions.

**Management Response:**

**Board Chairman:** The EMS Board will develop policies and procedures for segregation of duties for financial internal control.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. 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 transactions and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of receiving, receipting, and recording should be segregated. Bank reconciliations should be performed monthly and approved by someone other than the preparer and include an indication of review. Internal controls should be established to analyze and check accuracy, completeness, authorization, and validity of transactions including ambulance run sheets.

**Finding 2018-004 - Internal Controls Over the Disbursement Process (Repeat Finding)**

**Condition:** Based upon inquiry with the District staff, and observation of twenty-five (25) randomly selected disbursements for fiscal year 2016 and 2017 and fifteen (15) disbursements for fiscal year 2018, we noted the following weaknesses in the disbursement process:

- One individual may order goods and/or services, receive goods and/or services, print checks, sign checks and mails payments.

Of the twenty-five (25) disbursements tested, the following exceptions were noted for Fiscal Year 2015-2016:

- Twenty-three (23) claims did not have supporting documentation (i.e., invoice, etc.).
- Twenty-three (23) claims were not signed or verified for accuracy of the invoice.
- Twenty-one (21) claims were not approved by the Board.

Additionally, because twenty-three (23) claims lacked documentation, we were unable to determine the expense was an authorized disbursement of the District.

Of the twenty-five (25) disbursements tested, the following exceptions were noted for fiscal year 2016-2017:

- Nine (9) claims did not have supporting documentation (i.e., invoice, etc.).

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- Nine (9) were not signed or verified for accuracy of the invoice.
- Ten (10) claims were not approved by the Board.

Additionally, because nine (9) claims lacked documentation, we were unable to determine the expense was an authorized disbursement of the District.

There were no exceptions noted in the test of fifteen (15) claims for fiscal year 2017-2018.

**Cause of Condition:** Although there were no exceptions in the 2018 fiscal year reviewed, the District has not completely designed and implemented policies and procedures to provide evidence of supporting documentation, verification of the receipt of goods and/or services and Board approval of disbursements.

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

**Recommendation:** OSAI recommends management be aware of these conditions and realize that 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. 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 having management review and approve accounting functions, including supporting documentation of each disbursement, verification of goods and/or services, and Board approval of disbursements.

**Management Response:**

**Board Chairman:** The EMS Board realizes a need for segregation of duties in this area but due to limited number of employees it is very difficult. However, all efforts will be made to comply with this finding in the future.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. Internal controls should be established to analyze and check accuracy, completeness, authorization, and validity of transactions including supporting documentation of each disbursement, verification of goods and/or services, and Board approval of disbursements.

**Finding 2018-006 - Going Concern Regarding Ambulance Transport Services and Noncompliance with the Oklahoma Constitution (Repeat Finding)**

**Condition:** Upon discussion with the District Chairman and observation of records, the following going concern was noted:

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- The District relinquished its license and ceased operations on December 19, 2016; however, the District has continued to collect ad valorem tax revenue from Okfuskee County Treasurer as of the date of our audit.
- The collection of ad valorem taxes has been used to pay delinquent payroll expenses and operating expenses.

**Cause of Condition:** The District is no longer licensed to perform runs and ceased operations; however, the District is collecting ad valorem taxes as provided for the ambulance service for the District.

**Effect of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with Article 10 § 9C of the Oklahoma Constitution which specifically refers to ambulance services as a function of a District.

**Recommendation:** OSAI recommends the District evaluate the status of the District’s ambulance service and determine viability of operating an ambulance service based on the limited revenue obtained from ad valorem tax collections and ensure compliance with the Oklahoma Constitution and the requirement of providing ambulance service. Further, OSAI recommends the District consider entering a contract for such services with a local service provider.

**Management Response:**

**Board Chairman:** The EMS Board is fully aware of no emergency services being provided and is actively working to reopen emergency services. If nothing can be worked out to reopen the emergency service, then a vote of the people will determine the future of the Weleetka-Graham EMS Service.

**Criteria:** Article 10 § 9C of the Oklahoma Constitution provides for an Emergency Medical Service District can be voted on and established “...for the purpose of providing funds for the purpose of support, organization, operation and maintenance of district ambulance services, emergency medical service districts...”

Further, (l) Any district may be dissolved, or the millage levy changed, by a majority vote of the registered voters voting at an election called for that purpose by the county commissioners of each county or part thereof included within the district; provided that such an election shall not be called unless either three-fifths (3/5) of the trustees of such district request the county commissioners to call such an election, or the respective county commissioners are presented a petition signed by not less than twenty percent (20%) of all registered voters in the district.

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