

STATUTORY AUDIT

WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2008 through June 30, 2013



*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

**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2013**

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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

January 20, 2015

**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 July 1, 2008 through June 30, 2013.

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, appearing to read "Gary A. Jones".

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

**WELEETTKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2012 and FY 2013

	<u>FY 2012</u>	<u>FY 2013</u>
Beginning Cash Balance, July 1	\$ 13,181	\$ 6,714
Collections		
Ad Valorem Tax	44,845	45,446
Miscellaneous	47,850	11,891
Total Collections	<u>92,695</u>	<u>57,337</u>
Disbursements		
Personal Services		
Travel		
Maintenance and Operations	99,162	48,504
Capital Outlay		
Audit Expense		
Total Disbursements	<u>99,162</u>	<u>48,504</u>
Ending Cash Balance, June 30	<u>\$ 6,714</u>	<u>\$ 15,547</u>

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



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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 2012 and FY 2013 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 District Service.

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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

January 14, 2015

**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Lack of Segregation of Duties over Receipting

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of the Weleetka-Graham Emergency Medical Service District (the District), we noted that the Chairman performs the following duties:

- Accepts payments and issues receipts.
- Deposits funds.
- Opens the mail.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the receipting process.

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 the District segregate the accounting duties of receiving payments and depositing funds.

Management Response: For 2014, the Chairman and Treasurer are both able to deposit funds, accept payments, and issue receipts. For 2015, another Board member is being added.

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, recording, and depositing cash and checks should be segregated.

Finding 2 – Cash Compositions

Condition: Receipts could not be located for the periods selected for testing during fiscal years 2009, 2010, 2011, and 2013. Some receipts were on hand, but the specific dates selected for testing could not be located.

Cause of Condition: Policies and procedures have not been designed to ensure District records are maintained for accounting purposes.

**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

Effect of Condition: Not maintaining all receipt records could result in incomplete records, unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the District implement a record keeping process whereby records are maintained in an orderly and complete manner.

Management Response: Receipts are kept for all years at the EMS office in filing cabinets to present date. We now have a lady helping us to be better bookkeepers.

Criteria: Effective record keeping includes ensuring all accounting records are accurate and complete. Further, these records should be maintained in a manner so they can be viewed on demand as needed.

Finding 3 – Lack of Accounting Records

Condition: The District is not keeping a true, daily accounting ledger to ensure ongoing accounting records are accurately maintained. Rather, the District only maintains a check register for the District checking account.

Cause of Condition: The District has not developed procedures to ensure a daily accounting ledger is maintained to reflect the accounting records of the District.

Effect of Condition: This condition could result in unrecorded transactions, misstated financial reports, undetected errors, or a misappropriation of funds.

Recommendation: OSAI recommends the District maintain a daily accounting ledger showing the daily starting balance, daily receipts, daily disbursements, and a daily ending balance. These records could then be utilized to reconcile to the bank statement on a monthly basis.

Management Response: As of 2015, we are implementing a daily accounting ledger and it will be reconciled to the monthly bank statement.

Criteria: A significant aspect of the proper accounting of funds is maintaining accurate financial records. Such financial records should be maintained daily to reflect accurate balances.

Finding 4 – Bank Reconciliations

Condition: Based on the understanding gained and the testwork performed, it was noted that true bank reconciliations are not being performed since the District does not maintain a daily accounting ledger separate from the bank statements. Rather, a list of the payments written for the month is used to compare to what actually clears the bank.

**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

Cause of Condition: The District has not designed and implemented procedures to ensure the financial records are maintained and reconciled to the bank records on a monthly basis.

Effect of Condition: This condition could result in undetected errors and/or the misappropriation of funds.

Recommendation: OSAI recommends all accounts be reconciled on a monthly basis and in a timely manner. Further, all bank reconciliations should reflect an indication of review and approval by someone other than the preparer.

Management Response: All accounts will be reconciled at the monthly EMS meeting during review from EMS Director and the EMS Treasurer.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, all bank reconciliations should be performed monthly and approved by someone other than the preparer.

Finding 5 – Segregation of Duties Over Disbursements

Condition: Upon inquiry and observation of the expenditures process, the following was noted:

- The District did not use claims or purchase orders to keep record of the expenditures incurred.
- The Director and Chairman are the only two (2) individuals who make purchases. These two (2) individuals can also receive goods.
- The Chairman is the only individual who prepares checks.
- The Chairman and the Treasurer are two (2) of the three (3) authorized signers for warrants.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process.

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: OSAI recommends management 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 risk 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.

**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

Management Response: Due to the fact that there is very limited personnel, we will be implementing compensating controls which are to be reviewed by the EMS Board when issuing checks and receiving goods so that one individual will not be the only one involved in disbursement.

Criteria: Accountability and stewardship are overall goals of management in the 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.

Effective internal controls require that management implement procedures and policies that safeguard the assets of the District with respect to 19 O.S. § 1710.1A, which outlines purposes for expending District funds, which includes the support, organization, operation, and maintenance of the emergency medical service.

Finding 6 – Disbursements

Condition: During our test of expenditures, the following was noted per fiscal year:

FY 2009

- Expenditure documentation for this fiscal year was not provided to OSAI.

FY 2010

- Eight (8) of the twenty-five (25) expenditures tested were not able to be traced to an invoice.
- Two (2) of the twenty-five (25) expenditures tested were voided without the documentation being retained.
- None (0) of the twenty-five (25) expenditures tested had evidence of a receiving signature/verification of accuracy.

FY 2011

- Fifteen (15) of the twenty-five (25) expenditures tested were not able to be traced to an invoice.
- One (1) of the twenty-five (25) expenditures tested was voided without the documentation being retained.
- None (0) of the twenty-five (25) expenditures tested had evidence of a receiving signature/verification of accuracy.

FY 2012

- Seventeen (17) of the twenty-five (25) expenditures tested were not able to be traced to an invoice.
- One (1) of the twenty-five (25) expenditures tested was voided without the documentation being retained.
- None (0) of the twenty-five (25) expenditures tested had evidence of a receiving signature/verification of accuracy.

**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

FY 2013

- Sixteen (16) of the twenty-five (25) expenditures tested were not able to be traced to an invoice.
- One (1) of the twenty-five (25) expenditures tested was voided without the documentation being retained.
- None (0) of the twenty-five (25) expenditures tested had evidence of a receiving signature/verification of accuracy.

Cause of Condition: Policies and procedures have not been designed to ensure supporting documentation is retained for all expenditures, to ensure all voided voucher documentation is retained, and to ensure items are received with a signature verification of accuracy for what was physically received.

Effect of Condition: This condition could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends that the District implement a system of internal control to ensure all items are purchased via a claim or purchase order, all voided items are retained, all items received are reviewed for accuracy, and that all expenditures have proper supporting documentation.

Management Response: As of 2015, purchase orders will be used and voided items will be filed at the EMS office for review.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to help achieve the entity's objectives with regard to the reliability of financial reporting. Such effective internal controls would include ensuring all purchases are made via claim or purchase order, ensuring all items are received and reviewed for accuracy, and ensuring all supporting documentation related to disbursements is maintained.

Finding 7 – Payroll

Condition: District employees do not prepare time sheets to reflect hours worked.

Cause of Condition: Policies and procedures have not been designed to ensure timesheets are prepared and then reviewed for accuracy by management.

Effect of Condition: The District is not keeping accurate records of the hours worked by employees. Further, this could create a risk of over or under compensating employees for time worked.

Recommendation: OSAI recommends the District implement a policy to ensure all employees are completing timesheets each pay period. Such timesheets should be signed by the preparer, and then reviewed and signed as approval by management.

Management Response: Timesheets will be implemented for 2015 for all employees, and reviewed by Director and EMS board.

**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

Criteria: Accountability and stewardship are overall goals in evaluating managements accounting of funds. To help ensure a proper accounting of funds, timesheets should be filled out each pay period, signed by each employee, and reviewed and signed by management.

Finding 8 – Inventory Records

Condition: Based upon inquiry and observation at the District, it was noted the District does not review their inventory on a yearly basis.

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

Effect of Condition: This condition could result in errors and improprieties, unrecorded transactions, misappropriation of assets, and loss of District equipment.

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

Management Response: Inventory will be conducted by the EMS Director and will be reviewed by EMS Board on a monthly basis.

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, 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 10 – Funding of Audit Expense Account

Condition: For the period of July 1, 2009 through June 30, 2013, the District did not appropriate the mandatory one-tenth mill to the audit budget account.

Cause of Condition: Procedures have not been designed to ensure compliance with 19 O.S § 1706.1.

Effect of Condition: This condition resulted in noncompliance with the statute and under funding of the audit expense account in the amount of \$6,949.88.

Recommendation: OSAI recommends that the District implement policies and procedures designed to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit expense account,

**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

and that any unused portion be carried forward into the next year audit expense account in accordance with 19 O.S. § 1706.1.

Management Response: As of 2015, the mandatory one-tenth mill will be appropriated to the audit budget account and any unused portion carried forward into the next year.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.

Finding 11 – Going Concern

Condition: While gaining an understanding of the District as a whole, the following going concern issues were noted:

- Payroll is not paid on a regularly basis. Rather, it is paid as funds are available. OSAI was informed payroll was approximately one (1) year behind at the time of the initial fieldwork.
- The ending cash balance for the District at the end of fiscal year 2013 was \$15,547.

Cause of Condition: The District is not meeting their monthly payroll obligations due to a lack of funds.

Effect of Condition: The District could be held liable for the back pay owed to employees. This obligation could cause the District to cease operations due to a lack of available funds.

Recommendation: OSAI recommends the District explore any funding options available to ensure the obligations of the District can be met on an ongoing basis.

Management Response: We performed fundraisers for EMS and switched billing companies, and for 2014 all bills and payroll was paid on time and payroll is up to date.

Criteria: An integral part of continuing operations as an entity is the ability to meet financial obligations as they occur. Not being able to meet such obligations greatly increases the entity's risk to continue operations long-term.



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