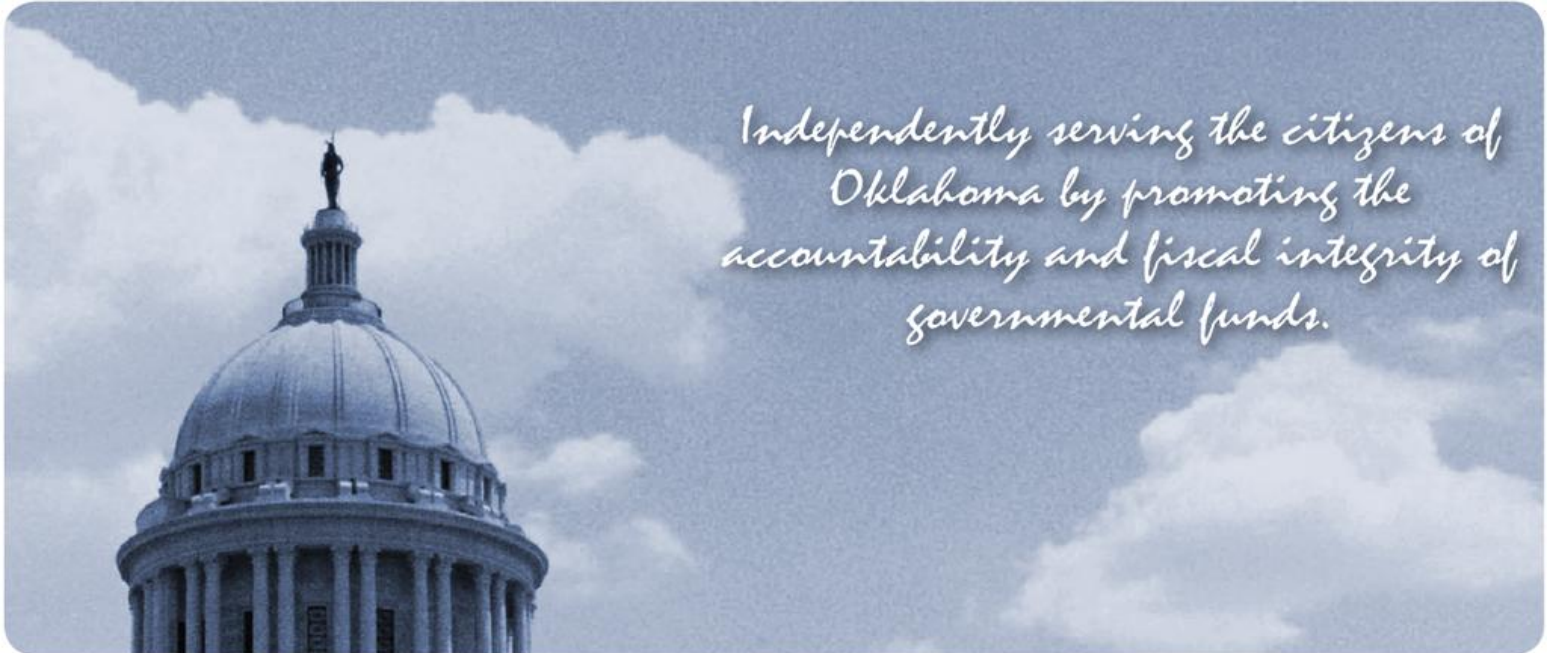


STATUTORY REPORT

# WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2013 through June 30, 2015



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

**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2015**

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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](http://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.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

September 20, 2016

**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, 2013 through June 30, 2015

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

**WELEETKA-GRAHAM EMERGENCY MEDICAL SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2014 and FY 2015**

	<u>FY 2014</u>	<u>FY 2015</u>
Beginning Cash Balance, July 1	\$ 15,547	\$ 47,934
Collections		
Ad Valorem Tax	48,698	48,493
Charges for Services	78,463	47,418
Miscellaneous	-	80
Total Collections	<u>127,161</u>	<u>95,991</u>
Disbursements		
Maintenance and Operations	94,748	123,786
Miscellaneous	26	-
Audit Expense	-	-
Total Disbursements	<u>94,774</u>	<u>123,786</u>
Ending Cash Balance, June 30	<u>\$ 47,934</u>	<u>\$ 20,139</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 2014 and FY 2015 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.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a large initial "G" and a long horizontal stroke at the end.

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

August 30, 2016

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

**Finding 2015-1 – Going Concern (Repeat Finding)**

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

- Payroll is not paid on a regular basis. Rather, it is paid as funds are available. Payroll (including payroll taxes) was approximately eight pay periods (4 months) behind at the time of the initial fieldwork.
- The ending cash balance for the District at the end of fiscal year 2015 was \$20,139.

**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:** The Oklahoma State Auditor & Inspector (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:**

**Chairman of the Board:** We have paid November – February payroll. Our new billing company has collected 31 payments and we have 21 pending payments at this time.

**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.

**Finding 2015-2 – Lack of Accounting Records (Repeat Finding)**

**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’s 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 misappropriation of funds.

**Recommendation:** OSAI recommends the District maintain a daily accounting ledger documenting the daily starting balance, daily receipts, daily disbursements, and a daily ending balance. These records

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could then be utilized to reconcile the bank statement on a month basis.

**Management Response:**

**Chairman of the Board:** Management chose not to respond.

**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 2015-3 – Inadequate Internal Controls Over Charges for Services**

**Condition:** Based upon observation of billing records and discussion with District staff, we determined that the District staff does not follow up with the third party billing service to ensure a second bill is sent if payment has not been received.

The following exceptions were noted:

- The District hired an outside company to handle all billing services, which could not provide a daily accounting ledger of all account balances.
- During fiscal year 2015, it was noted that sixty-eight (68) runs were not billed correctly; costing the District \$27,132 in lost revenue.

**Cause of Condition:** Policies and procedures have not been adequately designed and implemented to ensure the amounts billed for services are accurate and all monies are timely collected.

**Effect of Condition:** This condition resulted in \$27,132 of uncollectable revenue and could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends the District maintain a true account of all runs to ensure all billings are accurate and all monies due are timely collected.

**Management Response:**

**Chairman of the Board:** Management chose not to respond.

**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. 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 2015-4 – Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account (Repeat Finding)**

**Condition:** The District did not appropriate the mandatory one-tenth mill to the audit expense budget



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account. Further, balances from previous years' were not properly carried forward.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with 19 O. S. § 1706.1.

**Effect of Condition:** This condition resulted in noncompliance with state statute and under-funding of the audit expense budget account.

**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 budget account, and that any unused portion of the one-tenth mill be carried forward into the next year's audit account in accordance with 19 O.S. § 1706.1.

**Management Response:**

**Chairman of the Board:** The budgetmaker is now aware of the budgeted audit expense that is to be included in our Estimate of Needs.

**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.

Title 19 O.S. § 1706.1 states, "The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit shall henceforth be restricted to and used only for audit survey and reporting receipt, disbursement and management of emergency medical service district affairs financed by ad valorem levy and miscellaneous revenues other than ad valorem taxation accruing to the general fund of the emergency medical service district, whether such audit be in the performance of duties charged to the State Auditor and Inspector and instigated at the State Auditor and Inspector's own initiative and directive, on request of the board of trustees of the emergency medical service district, on request of the board of county commissioners of such county or on order of the Governor as provided by Section 212 of Title 74 of the Oklahoma Statutes. If, after completion of audit of all emergency medical service district accounts so financed, and report thereof, including report of audit of cash funds where possible, as provided by this section, unless there be directive from the Governor for other and/or further inquiry, the board of trustees of the emergency medical service district may, upon certificate of completion by the State Auditor and Inspector, request that any unexpended and unencumbered balance of appropriation therein be, by the board of trustees of the emergency medical service district, lapsed and canceled and the revenues restricted thereby revert to surplus, available for appropriation to any lawful emergency medical service district purpose."

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**Finding 2015-5 – Inadequate Internal Controls Over the Receipting Process and Bank Reconciliation (Repeat Finding)**

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

- One individual opens the mail, prepares receipts, prepares the deposit, and reconciles the bank statement to the accounting records.
- Receipts were not written for all monies received for fiscal year 2014.
- Receipts are not issued in numerical order.
- Reconciliations were not reviewed for accuracy by someone other than the preparer.

In addition, true bank reconciliations are not being performed. The District does not maintain a daily accounting ledger separate from the bank statements. Rather, a list of payments written for the month is used to compare to what actually clears the bank.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the receipting process and verification of accuracy, receipts are prepared for all monies received, and reconciling revenue received to accounting records.

Further, the District has not designed and implemented procedures to ensure the financial records are maintained and reconciled to the bank statements on a monthly basis.

**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, 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 is able to 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. Further, OSAI recommends evidence of the Board's review process be clearly documented for all bank reconciliations, so as to provided a mitigating control over the lack of segregation of duties over the receipting, depositing, and reconciling processes.

**Management Response:**

**Chairman of the Board:** Management chose not to respond.

**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,

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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 should be segregated. Bank reconciliations should be performed on a monthly basis and approved by someone other than the preparer and include an indication of review.

**Finding 2015-6 – Inadequate 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 each fiscal year, we noted the following weaknesses with regard to the disbursement process:

- One individual is responsible for ordering and receiving goods and services, printing and signing checks, and also mailing payments.

Of the twenty-five (25) disbursements tested, the following exceptions were noted for fiscal year 2014:

- Six (6) claims did not have supporting documentation (i.e., invoice, etc.).
- Twenty-two (22) claims were not approved by the Board.
- Eleven (11) claims did not have any indication that goods and/or services had been received (i.e., receiving report, signature, etc.) and verified for accuracy.

Of the twenty-five (25) disbursements tested, the following exceptions were noted for fiscal year 2015:

- Two (2) claims did not have supporting documentation (i.e., invoice, etc.).
- Twenty-two (22) claims were not approved by the Board.
- Nine (9) claims did not have any indication that goods and/or services had been received (i.e., receiving report, signature, etc.) and verified for accuracy.

**Cause of Condition:** Policies and procedures have not been designed and implemented to adequately monitor or segregate the duties over the disbursement process.

**Effect of Condition:** A single individual having responsibility for more than one area of recording, authorization and custody of assets 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 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 is able to 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

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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.

**Management Response:**

**Chairman of the Board:** I am the only person who works 8am to 5pm so I do all the ordering and check in the products. All other Board Members and Directors work during the day. The Board approves the bills at our Board meetings.

**Auditor Response:** Internal controls regarding the disbursement process have not been adequately designed and implemented.

**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.

**Finding 2015-7 – Inadequate Internal Controls and Lack of Segregation of Duties Over Inventory Records (Repeat Finding)**

**Condition:** Based on inquiry and observation of the District, the following weaknesses were noted concerning inventory:

- Ambulances are not listed on the inventory list.
- Physical inspection of inventory is not performed.
- Donated assets are not listed on the inventory.

In addition, approval of donations could not be located in the Board minutes.

**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:** 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 designed and implemented to ensure inventory is being updated on an ongoing basis. Furthermore, OSAI recommends physical inventory verification, by someone other than the individual in charge of inventory, be completed and documented annually to verify inventory on hand. Also, OSAI recommends that all donated assets be approved by the Board and documented in the minutes.

**Management Response:**

**Chairman of the Board:** Management chose not to respond.

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**Criteria:** 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.

**Finding 2015-8 – Inadequate Internal Controls Over Payroll (Repeat Finding)**

**Condition:** While reviewing payroll documents, we noted that employees do not prepare timesheets to reflect hours worked.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure timesheets are prepared by employees and then reviewed and approved by management.

**Effect of Condition:** The District is not keeping accurate payroll records. This condition could create a risk of over or under compensating employees for time worked.

**Recommendation:** OSAI recommends that the District implement a policy to ensure all employees are completing timesheets each pay period. Timesheets should be signed by the employee and then reviewed and approved by management.

**Management Response:**

**Chairman of the Board:** Management chose not to respond.

**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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