



WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Cindy Byrd, CPA | State Auditor & Inspector

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March 21, 2022

**TO THE BOARD OF DIRECTORS OF THE
WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Woodward County Emergency Medical Service District for the fiscal year ended June 30, 2020.

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". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2020

	General Fund
Beginning Cash Balance, July 1	\$ 1,079,583
Collections	
Ad Valorem Tax	910,154
Charges for Services	986,958
Miscellaneous	1,573
Provider Relief Funds Phase 1 – CARES Act	38,581
Paycheck Protection Program (PPP Loan)	221,723
Total Collections	2,158,989
Disbursements	
Personal Services	1,203,622
Travel	11,862
Maintenance and Operations	323,441
Capital Outlay	161,074
Audit Expense	37,942
Total Disbursements	1,737,941
Ending Cash Balance, June 30	\$ 1,500,631

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

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Coronavirus Aid, Relief, and Economic Security (CARES) Act

Provider Relief Funds Phase 1 – CARES Act money distributed to healthcare providers who bill Medicare fee-for-service to provide financial relief during the coronavirus (COVID-19) pandemic. Funds were distributed by the Department of Health and Human Services (HHS) through the Health Resources and Service Administration. The District received \$38,581 for the fiscal year.

Paycheck Protection Program (PPP Loan) – CARES Act money to provide up to eight (8) weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The loan will be fully forgiven if at least 60% of the funds are used for payroll costs and the remaining funds, up to 40%, are used for interest on mortgages, rent, and utilities incurred during the 24-week period after receiving the PPP Loan. Funds were distributed by the Small Business Administration through any federally insured depository institution. The District received \$221,723 for the fiscal year.

Woodward County Emergency Medical Service District
P.O. Box 771
Woodward, Oklahoma 73802

**TO THE BOARD OF DIRECTORS OF THE
WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

For the purpose of complying with 19 O.S. § 1706.1, we have performed the following procedures:

- Determined charges for services were billed and collected in accordance with District Policies.
- 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 for the fiscal year ended June 30, 2020 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 and 61 O.S. §101-139.
- 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 the fiscal year ended June 30, 2020 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Woodward County 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 Woodward County 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 Woodward County 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 "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

December 20, 2021

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2020-001 – Lack of Internal Controls Over District Financial Statements and the Estimate of Needs

Condition: Upon observation of the Woodward County Emergency Medical Service District (the District) financial statements and Estimate of Needs, it was noted that the Paycheck Protection Program (PPP Loan) in the amount of \$221,723 was not accounted for in the collections or ending balance in the Estimate of Needs.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the District reports the total collections and the ending balance attributed to the District in the financial statements and Estimate of Needs.

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

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that the District design and implement a system of internal controls to provide reasonable assurance that collections, disbursements and ending balances are accurately presented and recorded on the District’s financial statement and Estimate of Needs and reconciled to the District’s bank statements.

Management Response:

Chairman of the Board: The Administration will work more closely with the CPA firm that prepares our Estimate of Needs to ensure all financial information is provided to them for the preparation of the financial statements.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

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Establishment and review of performance measures and indicators

Management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made, and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

Finding 2020-002 – Lack of Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry of the District employees, observation of disbursement records, a test of forty-five (45) disbursements, and a review of large expenditures, the following weaknesses were noted:

- Four (4) expenditures totaling \$1,299 did not have evidence of review or a receiving report.
- One (1) purchase order totaling \$3,000 did not have all the supporting documentation attached to the purchase order.
- One (1) expenditure totaling \$7,601 for freight and modification of an ambulance purchase did not have Board approval.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all purchases are supported with adequate documentation, verification of goods and/or services received, and all purchases are approved by the Board for payment.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Board design and implement policies and procedures to ensure all purchases are supported with adequate documentation, verification of goods and/or services received is documented, and evidence of the Board’s review and approval of disbursements is documented prior to payment.

Management Response:

Chairman of the Board: The Administrator will reiterate the policies and procedures to ensure all purchases are supported with adequate documentation, verification of good and/or services received, and evidence of Board review and approval of disbursements prior to payment.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity – OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

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GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Policies & Procedures, Bylaws

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Finding 2020-003 – Lack of Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry of the District employees and observation of the payroll process, the duties of the Administrator were not adequately segregated.

The District did not have an adequate segregation of duties to ensure that duties assigned to individuals are performed in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

The Administrator performed the following functions:

- Prepared payroll for the third-party payroll service.
- Entered payroll into the accounting software.
- Issued checks for payroll deductions (health insurance, garnishments, retirement, and additional insurances).
- Received the bank statements.
- Reconciled the payroll bank account to financial records.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties over the payroll process.

Effect of Condition: These conditions could result in inaccurate recordkeeping and incorrect payroll disbursements.

Recommendation: OSAI recommends the Board be aware of these conditions and determine if duties can be properly segregated. If 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 documenting the Board’s review and approval of accounting functions.

Management Response:

Chairman of the Board: The District has hired more administrative personnel to ensure adequate segregation of duties over the payroll process.

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Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12 – Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

Finding 2020-004 – Lack of Internal Controls and Noncompliance Over the Accounting Process (Repeat Finding)

Condition: Upon inquiry of District employees and observation of the accounting process of the District, the following weaknesses were noted:

- The Board did not receive or review monthly financial statements, monthly bank reconciliations, or monthly bank statements.
- Bank reconciliations were not signed and dated by the preparer.
- Bank reconciliations were not reviewed, signed and dated by someone other than the preparer.
- On June 30, 2020, the District’s bank account at one financial institution was undercollateralized by \$243,613.

Cause of Condition: Policies and procedures have not been designed and implemented to document bank reconciliations are signed and dated by the preparer, reviewed by someone other than the preparer and provided to the Board to be reviewed and approved at monthly Board meeting. Additionally, policies and

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procedures have not been designed and implemented to ensure District funds are adequately collateralized at financial institutions.

Effect of Condition: This condition resulted in noncompliance with state statute regarding collateralization of funds on deposit, and could result in unrecorded transactions, misstated financial reports, clerical errors, loss of funds, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the District design and implement policies and procedures to ensure bank reconciliations are signed and dated by the preparer and reviewed, signed and dated by someone other than the preparer. Additionally, OSAI recommends the Board review District financial information monthly. Furthermore, OSAI recommends the Board design and implement policies and procedures to ensure District funds are adequately collateralized at financial institutions in accordance with state statute.

Management Response:

Chairman of the Board: The District’s monthly financial statements, bank reconciliations and bank statements are currently being discussed on a quarterly basis at Board meetings, as it states in the policies and procedures. Administration will begin reviewing all financial information monthly. The preparer and the Board will also sign and date the documents monthly, as they review the financial information. The Administration will check the bank balance routinely to ensure funds are adequately collateralized.

Criteria: The GAO Standards - Principle 16 – Performance Monitoring Activities: 16.05 states in part:

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Title 62 O.S. § 517.4.A. states, “A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

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Finding 2020-005 – Lack of Internal Controls Over Fixed Assets Inventory

Condition: Upon inquiry of the District employees, and review of fixed assets documentation, it was determined that the District did not maintain documentation of an annual inventory review.

Cause of Condition: The Board has not designed and implemented policies and procedures to update the list of fixed assets and to perform and document the annual review of those fixed assets.

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

Recommendation: OSAI recommends the Board design and implement policies and procedures to ensure the District fixed assets inventory is reviewed annually, and that documentation is verified and retained for Board review and approval.

Management Response:

Chairman of the Board: Policies and procedures will document the dollar threshold to record fixed assets on the inventory and fixed assets inventory will be accurately maintained and verified annually and reviewed and approved by the Board.

Criteria: The GAO Standards Section 2 – Establishing an Effective Internal Control System - OV2.24 states:

Safeguarding of Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets

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