



WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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July 8, 2019

**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, 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 "Cindy Byrd".

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 2017

	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ 854,181
Collections	
Ad Valorem Tax	964,344
Charges for Services	874,319
Miscellaneous	521
Total Collections	<u>1,839,184</u>
Disbursements	
Personal Services	1,018,813
Travel	32,589
Maintenance and Operations	450,503
Capital Outlay	56,922
Total Disbursements	<u>1,558,827</u>
Ending Cash Balance, June 30	<u>\$ 1,134,538</u>

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

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 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 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 27, 2018

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

Finding 2017-001 – Inadequate District-Wide Controls Over the Employee Handbook, Policies and Procedures and Bylaws

Condition: Upon inquiry of the Woodward County Emergency Medical Service District (the District) employees, review of the District Board Minutes, Employee Handbook and Policies and Procedures, the following weaknesses were noted:

- The District was unable to locate the District’s Bylaws.
- The District has not established written policies and procedures over:
 - The acceptable use and accounting for petty cash,
 - The acceptable use and accounting for the District credit cards, and
 - The process for sending delinquent accounts to collections.
- The Employee Handbook has not been updated to reflect the practices of the District.
 - The Employee Handbook states retirement is” a *benefit for full-time employees*,” however, according to the retirement plan documents, *all employees are eligible for retirement benefits*.
 - Employees received vacation leave benefits; however, the Handbook does not address vacation leave.
 - The Handbook states *that exempt and full-time employees are not required to maintain a time card*; however, the Handbook does require full-time employees to maintain acceptable attendance records including, but not limited to, *maintaining the scheduled minimum number of hours per week in any combination of actual hours worked plus approved leave time benefits*.
 - The Handbook does not outline the number of minimum hours of work per week required for the Administrator and Assistant Administrator position
- Employees not working in Woodward County during normal meal times received a meal allowance of \$12.00 per day. The meal allowance appears to be a taxable fringe benefit under IRS guidelines and was not included in the employee’s reported income.

Cause of Condition: These conditions are a result of the District Board not being aware of the importance of documenting all policies and procedures of the District, documentation of formation in bylaws, policies and procedures, and adherence to taxable benefit guidelines.

Effect of Condition: These conditions resulted in the District Board policies and procedures not being adhered to by the District, and could result in unrecorded transactions, misstated financials reports, undetected errors, and misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the District Board develop policies and procedures to ensure the acceptable use and accounting for petty cash and the District credit cards and to document the process for sending delinquent accounts to collections. Additionally, OSAI recommends the District follow the policies and procedures in the approved Employee

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Handbook or approve a new employee personnel handbook that reflects the current operations. Furthermore, OSAI recommends the District consult with a tax professional to determine the status of a meal allowance for employees and the tax implication of the allowance as a taxable fringe benefit.

Management Response:

Chairman of the Board:

- District Bylaws were not located as set forth in 1977. New Bylaws have been created and approved by the District Board.
- Our policy and procedure manual will be rewritten and include acceptable use and accountability for petty cash. This section will discuss allowable expenditures and the procedure for requesting and approving purchases.
- Sending delinquent accounts to the collection agency will be added to the policy and procedures manual and will be sent by the billing coordinator.
- Regarding employee retirement, on October 22, 2018, the following information was added to the retirement plan documents, *“eligible employees must work at least 1000 hours or more.”*
- Vacation leave benefits will be added to the Handbook.
- The Administration will add the minimum number of hours worked in a day or per week for exempt employees.
- Per discussion with our payroll contract service provider “The meal allowance for employees working within a thirty-mile radius of Woodward is taxable. The meal allowance for employees working outside of a thirty-mile radius of Woodward is considered non-taxable.

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 District’s objectives regarding reliability of financial reporting and compliance with applicable laws and regulations.

A component objective of an effective internal control system is to provide accurate and reliable information through proper formation of bylaws and policies and procedures.

Finding 2017-002 – Inadequate Internal Controls and Noncompliance Over the Open Meeting Act (Repeat Finding)

Condition: Upon inquiry of the District employees, review of the Board Minutes and Agendas, the following weaknesses were noted:

- The District Agendas did not specify items to be discussed during the meeting.
- Two (2) regular meetings were held at dates and/or times other than the scheduled meetings filed with the County Clerk. The District did not notify the County Clerk of the changes in meeting times or dates (1/23/17 and 5/21/17).
- Agendas and Board Minutes were not maintained in an orderly manner, nor were the documents easily located.
- The Board Minutes for the FY 2017 were not signed as approved by the Board.

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Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate internal controls over the documentation of approval and safeguarding of District Board Minutes and Agendas in compliance with state statutes.

Effect of Condition: These conditions resulted in noncompliance with the state statutes regarding the Open Meeting Act concerning the approval and retention of Board Minutes and Agendas. Failure to provide adequate internal controls over documentation and approval of District Board Minutes could result in inaccurate records.

Recommendation: OSAI recommends the District Board develop policies and procedures to ensure agendas specify items to be discussed during the meetings, hold meetings at dates and times filed with the County Clerk, sign the minutes as approved by the Board and maintain signed minutes in a safe and secure location in an orderly manner as provided by the Open Meetings Act, 25 O.S. § 311 and 312.

Management Response:

Chairman of the Board: In August of 2018, the agendas were improved and will continue to state the specific items that will be discussed at our Board meetings. Notifications will be sent to the County Clerk with ten days' notice of meeting dates and the time changes. Agendas and Board meeting minutes have been placed in a three-ring binder and maintained in the billing coordinator's office. The Administration will oversee the signatures of the Board members on all Board Minutes.

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

Title 25 O.S. § 311(A)(8) states, "If any change is to be made of the date, time or place of regularly scheduled meetings of public bodies, then notice in writing shall be given to the Secretary of State or county clerk or municipal clerk, as required herein, not less than ten (10) days prior to the implementation of any such change."

Title 25 O.S. § 311(B)(1) states, "All agendas required pursuant to the provisions of this section shall identify all items of business to be transacted by a public body at a meeting including, but not limited to, any proposed executive session for the purpose of engaging in deliberations or rendering a final or intermediate decision in an individual proceeding prescribed by the Administrative Procedures Act."

Title 25 O.S. § 312(A) states, "The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act."

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Finding 2017-004 – Inadequate Internal Controls Over the Billing Process

Condition: Upon inquiry of District staff, observation of the billing process and a test of forty (40) ambulance service runs, we noted the following exception:

- Five (5) instances in which delinquent account balances were written off as uncollectable, totaling \$2,840.18; however, the Board Minutes do not reflect the Board approved these accounts to be written-off as uncollectable.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the Board Minutes document delinquent accounts to be written-off as uncollectable.

Effect of Condition: This condition 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 District design and implement policies and procedures to ensure all amounts written-off as uncollectible are documented as approved by the Board in the Board Minutes.

Management Response:

Chairman of the Board: The Administration will work closely with our billing coordinator to ensure all amounts written-off as uncollectible are documented and approved by the Board members at a scheduled meeting.

Criteria: Accountability and stewardship are overall goals of the Board in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives with the regard to reliability of financial reporting, including accounts written off as uncollectable documented in the Board minutes as approved by the Board.

Finding 2017-005 - Inadequate Internal Controls and Noncompliance Over the Disbursement and Competitive Bidding Process (Repeat Finding)

Condition: Based upon inquiry of District staff, observation of the disbursement process, and the test of sixty-two (62) purchase orders, the following exceptions were noted:

- Twelve (12) instances in which there was no evidence of verification of goods or services received.

Further, the test of sixteen (16) credit card statements reflected the following exceptions:

- Seven (7) instances in which were there was no evidence of verification of goods or services received.
- Four (4) instances in which there was no receipt for the purchase attached to the purchase order.

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Additional Payment to Vendor

The District received notification of a grant from the Oklahoma State Department of Health on April 25, 2016 for the reimbursement of equipment up to \$75,581.12.

On July 29, 2016, the District approved payment for two (2) ventilators on Purchase Order 299 totaling \$28,446.07 *using a sales quote as documentation of the cost.*

There was no evidence in the Board Minutes of bid solicitation or the awarding of a bid for these ventilators.

Subsequently, on September 30, 2016, the District approved payment of *an invoice* from the same vendor for two (2) ventilators totaling \$28,475.79 on Purchase Order 1199.

Upon inquiry of District staff concerning the location of the ventilators, we were informed the District received two (2) ventilators.

The District has not maintained a complete and current fixed assets inventory records; therefore, fixed assets inventory records did not confirm the District received the additional two (2) ventilators resulting from the payment on Purchase Order 1199.

Based on discussion with District Administration and Board Members, the District has not received additional equipment; however, the District overpaid this invoice and issued an additional payment of \$28,475.79 on purchase order 1199, check number 245 to the vendor.

Cause of Condition: Policies and procedures have not been designed to ensure a verification of goods or services is performed and documented by someone other than the employee that orders supplies, proper supporting documentation is attached to the purchase order, equipment is properly inventoried and recorded on a fixed asset listing, and the competitive bidding process is followed as required by state statute.

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or misstated financial information.

Recommendation: OSAI recommends the District implement a system of internal controls to ensure that disbursements for goods and services are verified as received, adequate documentation is provided for all disbursements, fixed assets inventory records are maintained, and equipment is verified, and the competitive bidding process is followed as required by state statute.

Further, OSAI recommends the District Board determine the status of the second payment of \$28,475.79 to the vendor for ventilators and take appropriate action regarding a refund of the overpayment.

Management Response:

Chairman of the Board: Administration has established a policy and procedure to segregate and the duties of ordering and receiving goods and/or service and document the bid as necessary and purchase of goods and/or services. The Administrator has been in communication about the overpayment from the vendor

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through email correspondence. The reimbursement of the refund is expected within two weeks of this correspondence.

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 with the regard to reliability of financial reporting, including segregation of duties, and evidence of independent verification of goods and/or services, documentation of the purchases of goods and/or services, verification and maintenance of fixed assets inventories and compliance with the competitive bidding process.

Title 19 O.S. § 1723 requires Districts to make equipment purchases in accordance with the county purchasing procedures as outlined in 19 O.S. § 1505, which requires all purchases in excess of \$15,000 to be competitively bid, including using the state approved contracts for the purchase of equipment.

Further, Title 19 O.S. § 1505(B) requires the counties to solicit bids, compare them to the state contract price for the items, and select "the lowest and best bid based upon, if applicable, the availability of material and transportation cost to the job site within 30 days," specifying the reason "any time the lowest bid was not considered to be the lowest and best bid."

Finding 2017-008 - Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Based on inquiry of District staff and observation of two (2) payroll periods for twenty-five (25) employees, the following weaknesses were noted:

- A timesheet was not prepared or approved for the former Director.
- Three (3) timesheets lacked evidence of a supervisory review.
- Six (6) timesheets were not signed by the employee.
- Eight (8) employees W-4 forms were incomplete and did not state the total for withholdings.
- A current vacation leave policy was not included in the Employee Handbook.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure both employees and supervisors verify the accuracy of timesheets and to ensure all employees complete a timesheet to document evidence to support payroll disbursements. Additionally, vacation leave policies were not included in the current Employee Handbook.

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

Recommendation: OSAI recommends the District ensure all employees prepare a timesheet, and that each timesheet has evidence of an employee signature and approval of the supervisor for accuracy and completeness. Additionally, the Employee Handbook should include a vacation leave policy as approved by the Board.

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Management Response:

Chairman of the Board: The Administration will ensure that all timesheets are initialed and approved by the Administration and that all timesheets are signed by the employees. The Administration will ensure that all W-4 forms are completed appropriately. A vacation policy will be added to the Employee Handbook.

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, including documentation of payroll disbursements and policies regarding leave accrual.

Finding 2017-009 – Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat)

Condition: Upon inquiry of District staff, observation of the District's fixed assets inventory records, and a test of fixed assets, the following weaknesses were noted:

- A complete record of fixed assets was not maintained by the District. Fixed assets inventory records were maintained by three different methods, including paper records, Excel spreadsheets, and Operative IQ software.
- Periodic physical inspection of fixed assets inventory was not performed.
- The District has not established a dollar threshold for the inventory of fixed assets.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory is 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 fixed assets, or loss of District equipment.

Recommendation: OSAI recommends that the District implement policies and procedures to establish a dollar threshold to record fixed assets and accurately maintain fixed assets inventory records. Records should be maintained in such a manner that all fixed assets should be identified by a serial number, date of acquisition, and purchase price. Additionally, an annual physical verification of fixed assets should be performed and documented.

Management Response:

Chairman of the Board: The Administration and dispatch personnel are working to combine the three fixed assets inventories and update the policies and procedures to reflect those changes.

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 timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

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