



WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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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, 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



**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2018

	<u>FY 2018</u>
Beginning Cash Balance, July 1	\$ 1,134,538
Collections	
Ad Valorem Tax	899,233
Charges for Services	908,058
Miscellaneous	635
Total Collections	<u>1,807,926</u>
Disbursements	
Personal Services	1,110,051
Travel	20,498
Maintenance and Operations	303,224
Capital Outlay	476,450
Audit Expense	23,622
Total Disbursements	<u>1,933,845</u>
Ending Cash Balance, June 30	<u>\$ 1,008,619</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 2018 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
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-001 – Inadequate District-Wide Controls Over the Employee Handbook, Policies and Procedures and Bylaws (Repeat Finding)

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.
- Board minutes approved during the July 17, 2017 meeting, stated *the Board made a motion and approved to remove the Administrator’s \$300.00 per month car allowance;* however, each month after the meeting, the former Administrator continued to receive the car allowance and the Board signed the purchase order.
- The Administrator’s \$300.00 per month car allowance appears to be a taxable fringe benefit under IRS guidelines and was not included in the employee’s 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.

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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 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."
- This \$300.00 car allowance was discontinued after the State Auditor's office informed the District Board of the error.

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.

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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**Finding 2018-002 – 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 Board agendas did not specify items to be discussed during the meeting.
- Four (4) 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.
- The Board has not approved minutes for the special meeting held on February 5, 2018.
- The minutes for the special meeting held on June 22, 2018 reflect motions were made, but the minutes do not record the Board's actions.

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 and work diligently to stay in compliance with the Open Meeting Act.

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."

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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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.”

Finding 2018-004 – Inadequate Internal Controls Over the Billing Process (Repeat Finding)

Condition: Upon inquiry of District staff and observation of ambulance run sheets, the billing process, and a test of forty-five (45) ambulance service runs, the following weaknesses were noted:

- Three (3) of the amounts billed for ambulance service runs did not agree to the amount calculated based on the fee schedule as approved by the Board.

Run	Date of Service	Billing per SAI Calculation	Billed	Variance
119171586	10/03/2017	\$2,328.00	\$2,378.00	\$(50.00)
119171708	10/21/2017	\$844.00	\$794.00	\$50.00
119171860	11/24/2017	\$2,242.00	\$2,292.00	\$50.00

- In one (1) instance the District has not filed a claim with a patient’s secondary insurance provider (Ambulance Run 119171733, dated 10/27/17 Account Balance \$265.00).

Cause of Condition: The District has designed, but not fully implemented policies and procedures to ensure ambulance runs are billed according to the fee schedule approved by the Board and a claim is filed with secondary insurance providers for outstanding balances.

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, and the District under/overbilling for ambulance services.

Recommendation: OSAI recommends the District design and fully implement policies and procedures to ensure runs are properly billed according to the fee schedule approved by the Board and claims are filed with all secondary insurance providers for the collection of outstanding balances.

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Management Response:

Chairman of the Board: Policies and procedures will be fully implemented to accommodate internal controls over billing ambulance runs. Ambulance runs will be billed according to the fee schedule and a claim filed with the secondary insurance providers for outstanding balances.

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 verification that ambulance runs are properly billed, claims are filed with patient insurance companies and outstanding balances are monitored.

Finding 2018-005 - Inadequate Internal Controls Over the Disbursements Process (Repeat Finding)

Condition: Upon inquiry of District staff and observation of the disbursement process, and the test of seventy-three (73) purchase orders the following exceptions were noted:

- Ten (10) instances in which there was no evidence of verification of goods or services received.

Further, the test of twenty-one (21) credit card statements reflected the following exceptions:

- Seven (7) instances in which there was no evidence of a verification of goods or services received.
- Twenty-one (21) instances were noted where there was no evidence the credit card receipts were verified to the invoice.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure a verification of goods or services is performed and documented, by someone other than the employee that orders supplies, and proper supporting documentation is attached to the purchase order.

Effect of Condition: These conditions 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 are verified as received and adequate documentation is provided for all disbursements prior to Board approval.

Management Response:

Chairman of the Board: The Administration has established a policy and procedure to segregate the duties of ordering and receiving goods and/or services and document the purchase of goods and/or services.

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 or services.

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Finding 2018-008 – Inadequate Internal Controls and Noncompliance Over the Competitive Bidding Process (Repeat Finding)

Condition: Upon inquiry of District staff, observation of the competitive bidding process, and a test of six (6) disbursements for equipment costing in excess of \$15,000.00, the following exceptions were noted:

- The District did not provide evidence the purchase of an ambulance costing \$107,700.00 was purchased through the competitive bidding process or a national purchasing cooperative.
- The District did not obtain sealed bids for the purchase of five (5) power cots and five (5) power lifts with a combined cost of \$246,432.96.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that disbursements are competitively bid in compliance with the state statute.

Effect of Condition: These conditions resulted in noncompliance with the state statutes and could result in errors and improprieties and the District paying more for equipment as a result of noncompliance with the competitive bidding process.

Recommendation: OSAI recommends that purchases of equipment in excess of \$15,000 be competitively bid in accordance with Title 19 O.S. § 1723.

Management Response:

Chairman of the Board: The Administration will become educated regarding the competitive bidding process or a national purchasing cooperative and follow those guidelines when purchasing equipment in excess of \$15,000.00.

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 regarding reliability of financial reporting and compliance with applicable laws and regulations.

Title 19 O.S. § 1723 requires Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. §§ 1501 and 1505 which requires all equipment purchases in excess of \$15,000 be competitively bid, including using the state approved contracts and national purchasing cooperative organizations.

Finding 2018-009 - Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

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

- A timesheet was not prepared or approved for the former Director.
- Two (2) timesheets lacked evidence of a supervisory review.

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- Four (4) 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, all 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.

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 2018-010 – 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 asset 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.

Additionally, a test of thirty (30) fixed assets reflected the following exceptions:

- Seventeen (17) fixed asset items were visually verified; however, these items were not listed on the fixed assets inventory records.

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- In two (2) instances, the serial number listed on the fixed asset inventory records could not be verified to the serial number on the fixed asset.

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 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 assets are included, assets should be identified by a serial number, date of acquisition, and purchase price. Additionally, an annual physical verification of 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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