



WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cindy Byrd, CPA | State Auditor & Inspector

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June 24, 2020

**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, 2019.

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 2019

	<u>FY 2019</u>
Beginning Cash Balance, July 1	\$ 1,008,619
Collections	
Ad Valorem Tax	909,689
Charges for Services	828,483
Miscellaneous	<u>1,615</u>
Total Collections	<u>1,739,787</u>
Disbursements	
Personal Services	1,121,374
Maintenance and Operations	340,798
Capital Outlay	<u>206,651</u>
Total Disbursements	<u>1,668,823</u>
Ending Cash Balance, June 30	<u>\$ 1,079,583</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 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, 2019 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, 2019 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

April 20, 2020

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

Finding 2019-001 – Internal Controls and Noncompliance Over the Open Meeting Act (Repeat Finding)

Condition: Upon review of Woodward County Emergency Medical Service District (the District) Board minutes and agendas, the following weaknesses and noncompliance with state statutes were noted:

- In three (3) instances, the time of the Board meeting was changed from 12:00p.m. to 7:00p.m.; however, the Woodward County Clerk was not notified 10 days in advance of the change.
- In one (1) instance the Board discussed a topic in executive session that was not provided for by state statute.
 - On October 22, 2018 the Board discussed a 3.5% cost of living raise.
- In one (1) instance the Board voted on an item that was not listed on the agenda.
 - On October 22, 2018, a car allowance for the administrator was approved by the Board.
- In one (1) instance “executive session, concerning personnel” was listed on the Board meeting agenda; however, an individual or unique position was not noted on the agenda as required by state statute.
- In one (1) instance the Board minutes did not reflect the Board’s decision after returning from discussion in executive session as required by state statute.

Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate internal controls over notifying the County Clerk of any regular meeting time changes ten (10) days prior to the meeting, statutorily authorized use of executive sessions, and only discussing items specifically listed on the agenda in the Board meetings.

Effect of Condition: These conditions resulted in noncompliance with the state statutes regarding the Open Meeting Act concerning the filing of changes to a regular meeting time with the County Clerk, use of executive sessions, and only discussing items listed on the agenda.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the District Board comply with the Open Meeting Act and design and implement policies and procedures to ensure the County Clerk is notified of any changes to a regular scheduled Board meeting, proper use of executive sessions, and the Board discusses specific items listed on the agenda.

Management Response:

Chairman of the Board: The Administrator will set up policies and procedures to document the internal control processes of notifying the County Clerk of any regular meeting changes within 10 days prior to the meeting, proper use of executive sessions, and the Board’s discussion of items listed on the agenda.

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

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best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

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 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. § 307(B) states in part, “A. No public body shall hold executive sessions unless otherwise specifically provided in this section.

B. Executive sessions of public bodies will be permitted only for the purpose of:

1. Discussing the employment, hiring, appointment, promotion, demotion, disciplining or resignation of any individual salaried public officer or employee;”

1997 OK AG 61 states, “A public body may not keep confidential the purpose of an executive session authorized pursuant to the Open Meeting Act at 25 O.S. Supp.1997, § 307(B)(1) in which it discusses the employment, hiring, appointment, promotion, demotion, disciplining or resignation of an individual salaried public employee.”

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 2019-002 – Internal Controls and Noncompliance Over the Accounting Process

Condition: Upon inquiry of the District Administrator 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.
 - The ending bank balance of the payroll account at June 30, 2019 was -\$3,971.14, which resulted in the District being charged \$56.50 in additional bank overdraft fees.
 - Outstanding deposits dating from November 28, 2018 to May 28, 2019 and totaling \$1,515.05 at June 30, 2019 have not been investigated to determine propriety as of the end of fieldwork.

Additionally, on June 30, 2019, the District’s bank accounts were undercollateralized by \$128,814.39.

Cause of Condition: Policies and procedures have not been designed and implemented to require bank reconciliations to be signed and dated by the preparer and by someone other than the preparer and for financial information to be reviewed by the Board on a monthly basis. Additionally, policies and procedures have not been designed and implemented to ensure District funds are adequately collateralized.

Effect of Condition: These conditions resulted in noncompliance with state statutes. Further, without evidence of monitoring the process of reviewing bank reconciliations, these conditions 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 Board design and implement policies and procedures to ensure bank reconciliations are reviewed, signed, and dated by the preparer and reviewed, and signed and dated by someone other than the preparer. Additionally, OSAI recommends the District Board review District financial information on a monthly basis. Furthermore, OSAI recommends the District design and implement policies and procedures to ensure District funds are adequately collateralized in accordance with state statutes.

Management Response:

Chairman of the Board: Woodward County Emergency Medical Service District’s monthly financial statements, bank reconciliations and bank statements are currently being reviewed at the monthly Board meetings. The Administrator will monitor bank balances to ensure District funds are adequately collateralized and has addressed the negative payroll bank account and outstanding bank deposits.

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

Internal Control System Monitoring

Management performs ongoing monitoring of the design and operating effectiveness of the

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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.

Finding 2019-003 – Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Based upon inquiry of the District staff and observation of the disbursement process, and the test of forty (40) disbursements, the following weaknesses were noted:

- In eleven (11) instances there was no evidence of verification of goods and/or services received.
- In five (5) instances the purchase orders were not approved by a majority of the Board during the Board meeting, rather the purchase orders were signed outside of the Board meeting.
- In one (1) instance the District paid late fees totaling \$9.25 on a utility bill.

Additionally, the test of nine (9) petty cash replenishment checks reflected the following weaknesses:

- In three (3) instances there was no evidence of verification of goods and/or services received.
- In one (1) instance the receipt attached to the claim was not detailed as to the item purchased.

Further, the test of ten (10) credit card statements reflected the following weaknesses:

- In three (3) instances fuel receipts were not attached to the purchase order.
- In two (2) instances the District paid late fees totaling \$10.73.

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- In two (2) instances the purchase orders were not approved by a majority of the Board during the Board meeting.

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, Board review and approval of purchases are documented, and invoices are paid timely to avoid finance charges.

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 completely implement policies and procedures to ensure all purchases are supported with adequate documentation, verification of goods and/or services received, payments are made in a timely manner to avoid late fees, and evidence of Board review and approval of disbursements 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 goods and/or services received, late payments are avoided by timely payment, and evidence of the Board's review and approval of disbursements prior to the payment of purchase orders.

Criteria: 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.

Finding 2019-004 – Internal Controls Over the Payroll Process

Condition: Based upon inquiry of the District staff and observation of the payroll process, the duties of the Administrator were not adequately segregated:

- The Administrator 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, and
- Reconciled the Payroll Bank Account.

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Additionally, a test of leave balances for January 2019, reflected the following weakness:

- The spreadsheet used to track leave balances did not limit accrued sick leave, which resulted in one employee accruing more leave than the amount allowed by District Policy.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties regarding the payroll process, and to ensure sick leave is accrued according to the District Policy.

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

Recommendation: OSAI recommends the District Board 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 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 approval of accounting functions.

Additionally, OSAI also recommends the District adhere to the policies and procedures designed and approved by the Board for leave balances.

Management Response:

Chairman of the Board: The Administrator takes full responsibility for the error on the sick leave calculation and the error was corrected after brought to the attention of the District. The District Board is developing a job description for hiring an assistant to the Administrator in order to segregate the duties of the payroll process.

Criteria: The GAO Standards – Principle – 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.

The GAO Standards – Principal 10 – Design Control Activities – states:

Segregation of Duties

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.

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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.

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