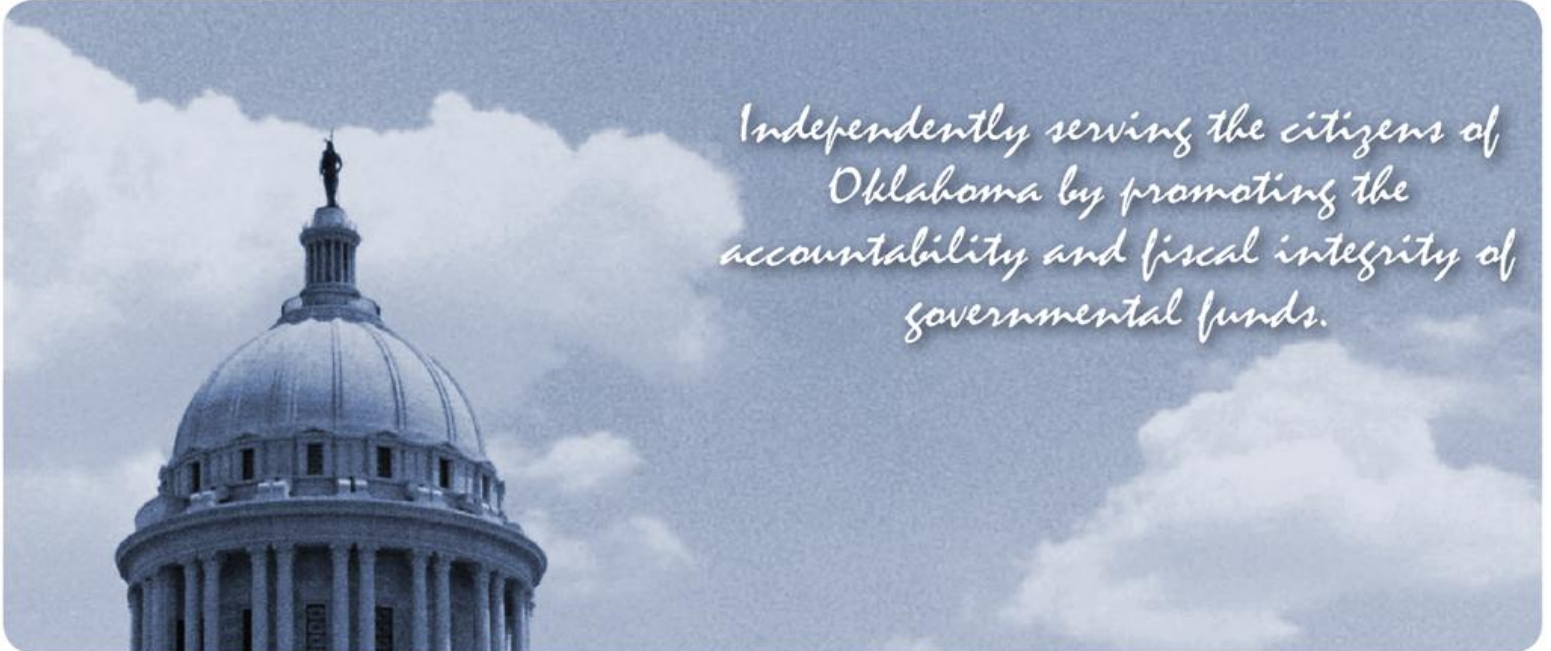


STATUTORY REPORT

WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the period July 1, 2011 through June 30, 2014



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



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

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2011 THROUGH JUNE 30, 2014**

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Oklahoma State Auditor & Inspector

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

January 29, 2016

**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 period July 1, 2011 through June 30, 2014.

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, appearing to read "Gary A. Jones".

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

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2011 THROUGH JUNE 30, 2014**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2012, FY 2013 and FY 2014.

| | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> |
|--------------------------------|---------------------|---------------------|---------------------|
| Beginning Cash Balance, July 1 | \$ 1,859,147 | \$ 2,146,755 | \$ 2,432,795 |
| Collections | | | |
| Ad Valorem Tax | 635,998 | 638,597 | 692,470 |
| Charges for Services | 901,975 | 705,541 | 757,321 |
| 5 Year Exempt Manufacturing | 5,457 | 158,852 | 183,313 |
| Miscellaneous | 104 | - | 126 |
| Total Collections | <u>1,543,534</u> | <u>1,502,990</u> | <u>1,633,230</u> |
| Disbursements | | | |
| Personal Services | 868,692 | 887,757 | 1,024,424 |
| Travel | 13,742 | 20,710 | 33,658 |
| Maintenance and Operations | 290,563 | 283,639 | 337,308 |
| Capital Outlay | 69,836 | 23,170 | 38,940 |
| Building Fund | - | - | 7,946 |
| Audit Expense | 13,093 | 1,674 | - |
| Total Disbursements | <u>1,255,926</u> | <u>1,216,950</u> | <u>1,442,276</u> |
| Ending Cash Balance, June 30 | <u>\$ 2,146,755</u> | <u>\$ 2,432,795</u> | <u>\$ 2,623,749</u> |

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



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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 disbursements 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 2012, FY 2013 and FY 2014 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, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

October 5, 2015

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR PERIOD JULY 1, 2011 THROUGH JUNE 30, 2014**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-1 – Inadequate Internal Controls Over the Billing and Collection Process – Ambulance Runs

Condition: Based upon inquiry of District staff and observation of accounting for ambulance run billing and collections, it was determined that the District’s administrative employees have implemented internal controls to segregate the duties of receipting collections, and deposits all collections with the Woodward County Treasurer’s office, who provide evidence of review of deposits. These changes in internal controls over the collection process have strengthened segregation of duties with regard to this process.

Our review of the billing process indicated that the Woodward County Emergency Medical Service District (the District) provided inadequate oversight of the third party billing service during the period of July1, 2011 through June 30, 2013. For the period of July 1, 2013 through June 30, 2014, the internal controls over the billing process were strengthened as a result of adding a billing clerk to the administrative staff of the District.

Our test of 75 ambulance service runs, which included 25 ambulance service runs per fiscal year, resulted in the following internal control weaknesses within the billing process:

July1, 2011 through June 30, 2012

- The test of 25 ambulance service runs resulted in no evidence that the third party billing service filed the claim for payment for five runs.

| Run Number | Calculated | Billed | Variance |
|------------|------------|--------|------------|
| 1191113591 | \$1,396.80 | \$0 | \$1,396.80 |
| 1191116881 | \$652.00 | \$0 | \$652.00 |
| 1191117041 | \$1,778.00 | \$0 | \$1,778.00 |
| 1191119341 | \$2,354.00 | \$0 | \$2,354.00 |
| 1191121991 | \$702.00 | \$0 | \$702.00 |

- The amount filed by the third party billing service for two runs of the 25 runs tested, did not agree with the fee schedule.

| Run Number | Calculated | Billed | Variance |
|------------|------------|------------|----------|
| 1191122101 | \$2,488.00 | \$2,208.00 | \$280.00 |
| 1191200481 | \$676.00 | \$664.00 | \$12.00 |

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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July 1, 2012 through June 30, 2013

- The test of 25 ambulance service runs resulted in no evidence that the third party billing service filed one claim for payment.

| Run Number | Calculated | Billed | Variance |
|------------|------------|--------|----------|
| 1191216841 | \$646.00 | \$0 | \$646.00 |

July 1, 2013 through June 30, 2014

- We noted no exceptions in the test of 25 ambulance service runs.

Cause of Condition: Policies and procedures have not been completely designed and implemented to ensure the claims for payment of services were accurate and that all claims were accurately filed by the third party billing service.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, and possible loss of revenue for the charges for services.

Recommendation: The Oklahoma State Auditor & Inspector’s Office (OSAI) recommends policies and procedures are designed and implemented to ensure all runs are billed accurately and to ensure all runs are billed in a timely manner so the District can receive billing revenue crucial to operating this service.

Management Response:

Board Chairman: Management is aware of the problem and is working to correct and amend policies for better oversight of third party billing procedures.

Criteria: Effective internal controls require oversight by management to provide assurance that amounts billed are based upon the billing policies adopted by the Board, and the billing and collection process is monitored for correctness and completeness.

Finding 2014-2 – Inadequate Internal Controls Over Disbursements (Repeat Finding)

Condition: Based upon inquiry of District staff and observation of the disbursements process, including reimbursing the petty cash fund and department store or WalMart Community account cards for fuel and miscellaneous supplies, the following internal control weaknesses were noted with regard to the 103 payments randomly selected:

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR PERIOD JULY 1, 2011 THROUGH JUNE 30, 2014**

July1, 2011 through June 30, 2012

- 25 of the 33 disbursements tested lacked independent verification of the goods and/or services received by the District.
- 6 of the 33 disbursements tested lacked documentation such as an invoice or statement to support the goods and/or services for which payment was made by the District.

July1, 2012 through June 30, 2013

- 13 of the 37 disbursements tested lacked independent verification of the goods and/or services received by the District.
- 6 of the 37 disbursements tested lacked supporting documentation such as an invoice or statement to support the goods and/or services for which payment was made by the District.

July1, 2013 through June 30, 2014

- 11 of the 33 disbursements tested lacked independent verification of the goods and/or services received by the District.
- 8 of the 33 disbursements tested lacked supporting documentation such as an invoice or statement to support the goods and/or services for which payment was made by the District.

Included in these exceptions was the lack of documentation for some fuel tickets and the statement for those disbursements paid with the government WalMart Community account cards.

Cause of Condition: Policies and procedures have not been designed and implemented to provide adequate documentation to support disbursements and independent verification of goods or services received.

Effect of Condition: These conditions could result in inaccurate records, incomplete information or misappropriation of assets.

Recommendation: OSAI recommends that the District implement a system of internal controls to ensure that all disbursements have proper supporting documentation and independent verification of invoices should be documented to ensure that the District receives goods and/or services.

Management Response:

Board Chairman: Management is aware of the appearance of inadequate internal controls.

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Copies of invoices will now be kept at the District base, as well as the Woodward County courthouse.

Criteria: Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, supporting documentation of the disbursement such as an invoice, statement, or fuel tickets and indication of goods and services being received should be evidenced.

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 2014-3 – Inadequate Internal Controls Over the Payroll and Leave Process (Repeat Finding)

Condition: Based upon inquiry of District staff and observation of the payroll process, and a test of 33 randomly selected payroll disbursements, the following internal control weaknesses were noted:

- There was no evidence of an employee's signature on 3 timesheets.
- There was no evidence of a supervisory review on 4 timesheets.
- The Administrator and Assistant Administrator did not prepare a timesheet.

With regard to our observation of District leave policies, we determined that the leave amounts appeared to be calculated correctly and consistently. However, based upon inquiry of District staff and a review of the current Woodward County EMS Policy and Procedure Manual (Policy and Procedure Manual), we determined that the vacation leave policy was inadvertently excluded from the updated manual. The District was able to provide us with an excerpt from the previous Policy and Procedure Manual which describes "Vacation Leave." The District is adhering to this vacation leave policy and intends to update the current Policy and Procedure Manual to include this section.

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

**WOODWARD COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
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Effect of Condition: These conditions could result in inaccurate recordkeeping and incorrect payroll disbursements and 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 Policy and Procedure Manual should include a vacation leave policy as approved by the Board of Directors.

Management Response:

Board Chairman: Management is aware of the problem and has reformatted timesheets in order to ensure signature and approval on each page instead of final page of submitted timesheets. The Policy and Procure Manual has been updated to include the leave policies.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls include key functions within a process be monitored to allow for prevention and detection of errors and abuse. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions.

An 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 2014-4 – Inadequate Internal Controls and Noncompliance Over the Audit Expense Budget Account (Repeat Finding)

Condition: Based upon inquiry of District staff and observation of the budgeting process, it was determined that the amount required by state statute was incorrectly budgeted for the audit expense budget account. It was further noted that the District has not carried forward the balance into the audit expense budget account each fiscal year. The following was noted:

- The District's balance in the audit expense budget account as of June 30, 2014 was \$71,000.00. However, the correct balance should have been \$118,374.21. As a result, the audit expense budget account was underfunded in the amount of \$47,374.21.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the audit expense budget account is accurately budgeted in accordance with the statutory requirement.

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Effect of Condition: This condition resulted in noncompliance with state statute and underfunding of the audit expense budget account.

Recommendation: OSAI recommends the District implement a system of internal controls to provide reasonable assurance that one-tenth mill upon the net total assessed valuation be set aside in the audit expense budget account, and that any unused portion be carried forward into the next year audit expense budget account in accordance with 19 O.S. § 1706.1.

Management Response:

Board Chairman: Management is aware of the failure to ensure the budget maker is aware of and complies with this requirement.

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.

Further, according to 19 O.S. §1706.1, the EMS District must appropriate the net proceeds of the one-tenth mill annual levy upon the net total assessed valuation of the District for audit expenses.

Finding: 2014-5 – Inadequate Internal Controls and Noncompliance Over the Bidding Process

Condition: During the period audited, the District made two purchases that required the solicitation of bids. Based upon inquiry of District staff, observation, and testwork conducted on the bidding process of the District, the following was noted:

- On October 9, 2012, the District solicited a written quote via email for the purchase of six computers. The District included hardware specifications from their IT (Information Technology) provider as part of the solicitation of a written quote.
- On October 10, 2012, a vendor submitted a quotation via email for these computers.
- On October 22, 2012, the District Board minutes reflected discussion of the quote for new “laptops” regarding a higher “bid” that included new DVD drives for the computers. The Board voted to “accept higher bids if specs are met.”
- The District received an invoice for these computers dated February 6, 2013.
- Funds were encumbered on February 12, 2013 in the amount of \$20,970.00.
- On February 28, 2013 payment was made for these computers from that vendor for a total of \$20,970.00.

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Although the District obtained one written quote, bids were not solicited as required by state statutes.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that disbursements in excess of statutory requirements be competitively bid in compliance with 19 O.S. § 1723 and 19 O.S. § 1501.

Effect of Condition: This condition resulted in noncompliance with state statutes, and could result in inaccurate records, incomplete information or misappropriation of assets.

Recommendation: OSAI recommends that all purchases in excess of \$15,000 be competitively bid in accordance with state statutes. During the period under audit, the threshold for bidding was \$10,000 for the period of July 1, 2011 through May 5, 2014.

Management Response:

Board Chairman: Management is aware of the problem and will implement a policy and procedure to address the competitive bidding process in the future.

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 regard to reliability of financial reporting and compliance with applicable laws and regulations.

As of July 1, 2012, Title 19 O.S. § 1723 requires EMS Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1501, which as of May 6, 2014 requires all purchases in excess of \$15,000 be competitively bid. Prior to May 5, 2014, the competitive bid threshold was \$10,000.



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