



WYNNEWOOD EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

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

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April 3, 2019

**TO THE BOARD OF DIRECTORS OF THE
WYNNEWOOD EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of the Wynnewood 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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**WYNNEWOOD EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2018

	<u>FY 2018</u>
Beginning Cash Balance, July 1	\$ 147,824
Collections	
Ad Valorem Tax	171,296
5 Year Exempt Manufacturing Tax	99,417
In Lieu of Tax	92
Total Collections	<u>270,805</u>
Disbursements	
Contract Services	237,122
Maintenance and Operations	1,203
Capital Outlay	60,315
Audit Expense	9,130
Total Disbursements	<u>307,770</u>
Ending Cash Balance, June 30	<u>\$ 110,859</u>

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

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Contract Service Provider

For the fiscal year ended June 30, 2018, Wynnewood Emergency Medical Service District contracted with Pauls Valley General Hospital to provide ambulance service for the District.

However, as of October 12, 2018, Pauls Valley General Hospital ceased operations.

At the date of our audit January 16, 2019, Wynnewood Emergency Medical Service District had contracted with Mercy Hospital, Ada Inc. to provide service to the District.

Wynnewood Emergency Medical Service District
207 W. Robert S. Kerr Blvd.
Wynnewood, Oklahoma 73098

**TO THE BOARD OF DIRECTORS OF THE
WYNNEWOOD 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 was accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Wynnewood 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 Wynnewood 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 Wynnewood 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

January 16, 2019

**WYNNEWOOD EMERGENCY MEDICAL SERVICE DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-002 - Internal Controls Over the Collection Process (Repeat Finding)

Condition: The Wynnewood Emergency Medical Service District (the District) receives ad valorem tax remittances from the Garvin County Treasurer. No other source of revenue is collected by the District. Upon inquiry of District personnel regarding the collection process, the following weaknesses were noted:

- One individual receives the mail, opens the mail, prepares the deposit, and makes the deposit.
- The District did not maintain accounting ledgers.
- The District did not prepare a monthly bank reconciliation for the bank account.
- There was no evidence the Board reviewed bank statements, or the collection of ad valorem taxes.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the segregation of duties over the collection process, maintaining the accounting ledgers, and the District not preparing reconciliations and monthly reports for the District Board to review and approve at Board meetings.

Effect of Condition: A single individual having responsibility for more than one area of the collection process or maintaining accounting ledgers and bank reconciliations could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector's Office (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 and having management review and approval of accounting functions.

We additionally recommend evidence of the Board's review process be clearly documented to provide a mitigating control over the lack of segregation of duties for the receipting, depositing, and reconciling processes.

Management Response:

Board Chairman: The Board will follow the recommendation contained in 2018-002 in that the CPA will prepare accounting ledgers, prepare monthly reconciliation reports and submit said report to the Board for their review and approval. The Board Clerk will receive the mail, open the mail, make any deposits and deliver the bank statements and deposit records to the CPA for review.

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. Effective internal controls require that key functions within a process be adequately

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segregated to allow for the prevention and detection of errors and possible misappropriation of funds and evidence of active participation by the Board in reviewing and approving financial documents.

Finding 2018-003 - Internal Controls Over Compliance with Service Provider Contracts (Repeat Finding)

Condition: Discussion of the District Board members and observation of the service provider contract with Pauls Valley General Hospital reflected the following exceptions:

- The service provider contract for fiscal year 2017-2018 was not renewed by the District until May 24, 2018.
- The payments of \$237,121.91 to the service provider were made based on ad valorem tax collections for the period of May 1, 2017 through April 2, 2018 as opposed to July 1, 2017 through June 30, 2018 as stated in the contract.
- The service provider contract has not been updated since the contract was originally signed by the District on February 17, 2004.

Additionally, the payment to the service provider for the fiscal year 2017-2018 was not made in accordance with the provisions of the contract.

- An invoice was submitted by Pauls Valley General Hospital (Service Provider) in the amount of \$237,121.97. However, two checks were issued, to the service provider; one check to NewLight Healthcare, LLC for \$180,000.00 and one check to Pauls Valley General Hospital for \$57,121.91.

The Agreement between NewLight Healthcare, LLC and Pauls Valley Hospital Authority was not signed by the District Chairman. Thus, the District paid \$180,000.00 to NewLight Healthcare, LLC without authorization from the service provider and without a contractual agreement signed by the District.

At the date of our audit, the service provider, Pauls Valley General Hospital, has ceased operations and the District had contracted with another service provider.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the service provider contract is renewed each fiscal year and the District complied with contractual obligations regarding compensation to the service provider.

Effect of Condition: These conditions resulted in noncompliance with contractual obligations for the fiscal year 2017-2018. Further, these conditions could result in undetected errors or misappropriation of funds.

Recommendation: OSAI recommends that the District implement a system of internal controls to ensure the District is in compliance with contractual obligations regarding renewing the contract each fiscal year and meeting the financial obligations of the contractual agreements and providing service.

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Management Response:

Chairman of the Board: The Board will follow the recommendation contained in 2018-003 in that the CPA will assist in implementing internal controls over compliance with contract provisions. The Board will review the contract for the ambulance service for fiscal year 2019-2020 to ensure compliance with recommendations.

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 of contractual obligations.

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

Condition: Discussion with the District Board members and observation of the disbursement process reflected the following weaknesses:

- One Board member prepared the checks, signed the checks along with one other Board Member, maintained all accounting records, checked invoices for accuracy, ordered and received goods and/or services.
- The District did not maintain a check ledger and did not prepare claims for District Board approval of payment.

Additionally, for the fiscal year ended June 30, 2018, eight (8) checks were disbursed for payment. The following exceptions were noted:

- Two (2) checks issued for publication expense and audit expense could not be traced to an invoice and had no evidence of approval in the District Board Meeting minutes.
- Evidence of review of invoices indicating goods and/or services were received was not documented with initials and date of receipt.

Cause of Condition: Policies and procedures have not been designed and implemented to mitigate the lack of segregation of duties of the disbursements process, including Board approval, of an invoice, and verification of goods and/or services received.

Effect of Condition: A single individual having responsibility for more than one area of the disbursement process, lack of indication of the Board's approval of disbursements in the Board minutes, supporting documentation of the disbursement such as an invoice, and indication of receipt of goods and/or services, could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds.

Recommendation: OSAI recommends that management 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

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and having management review and approval of accounting functions. We recommend evidence of the Board's review process be clearly documented to provide a mitigating control over the lack of segregation of duties for the disbursement processes. We also recommend that all invoices be maintained and properly approved in the District's Board minutes.

Management Response:

Board Chairman: The Board will follow the recommendations contained in 2018-005 in that the CPA will assist in implementing a system of internal controls. The Board will segregate the duties of the disbursements process. The CPA will maintain a check ledger and prepare claims for Board approval at Board meetings.

Criteria: Accountability and stewardship are overall goals of the Board in the accounting of funds. Effective internal controls are essential to the achievement of the entity's objectives regarding the reliability of financial reporting. Effective internal controls require that key functions within a process be adequately segregated to allow for the prevention and detection of errors and possible misappropriation of funds, including Board approval of disbursements in the Board minutes, maintenance of supporting documentation such as invoices, and indication of receipt of goods and/or services.

Finding 2018-006 - Internal Controls Over Fixed Assets Inventory and Noncompliance Over the Competitive Bidding Procedures

Condition: Based upon inquiry of District personnel and observation of the fixed assets inventory and the competitive bidding process, the following weaknesses were noted:

- The District's fixed assets inventory listing is not current regarding the addition of 27 handheld radios in use by the contract service provider, Pauls Valley General Hospital.
- The District reimbursed the contract service provider, Pauls Valley General Hospital, in the amount of \$60,314.93 on August 30, 2017, check #212, for these 27 handheld radios. There was no evidence the purchase was competitively bid prior to the purchase of these radios.

At the date of our audit, the service provider, Pauls Valley General Hospital, has ceased operations. and the District has contracted with another service provider.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory of equipment is being properly accounted for, maintained, and updated regularly by the District. Further, policies and procedures have not been designed and implemented to ensure disbursements of more than \$15,000 be competitively bid in compliance with state statutes

Effect of Condition: These conditions resulted in the District being in noncompliance with state statutes regarding competitive bidding equipment purchases of \$15,000.00 or more. Additionally, the opportunity for loss and misappropriation of District fixed assets may be more likely to occur when the District does not maintain a current detailed fixed assets inventory listing.

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Recommendation: OSAI recommends the Board be aware of these conditions and realize the importance of documenting fixed assets inventory. Further, OSAI recommends the Board take steps to document equipment used by the contract service provider and ensure these fixed assets are documented by annual fixed assets inventory verification. OSAI recommends the Board implement guidelines for all equipment purchases of more than \$15,000.00 to be competitively bid in accordance with 19 O.S. § 1723.

Management Response:

Chairman of the Board: The Board will follow the recommendations contained in 2018-006 in that the Board will take steps to document equipment used by the contract service provider and ensure these fixed assets are documented by annual fixed assets inventory verification. The Board will implement guidelines for all equipment purchases of more the \$15,000.00 to be competitively bid in accordance 19 O.S. § 1723.

Criteria: An important aspect of internal controls 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, including the verification of fixed assets inventory.

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 about reliability of financial reporting and compliance with applicable laws and regulations including the following documentation be maintained:

- Proof of publication of the bid,
- Evidence of sealed bid being presented for consideration by the Board, and
- Evidence of bids being time and date stamped when received.

Further, Title 19 O.S. § 1723 requires Districts to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1505, which requires equipment purchases more than \$15,000 be competitively bid.

Finding 2018-008 - Internal Controls and Noncompliance Over District Board Official Fidelity Bond Insurance (Repeat Finding)

Condition: Upon inquiry of a District Board Member, and observation of insurance policies and disbursements, we noted the following weakness:

- The Board did not purchase official fidelity bond insurance for the Board members. The official bond expired on January 30, 2017 and was not renewed as of June 30, 2018.

Cause of Condition: Policies and procedures have not been designed and implemented to provide evidence of the renewal and purchase of official fidelity bond insurance for Board members in compliance with state statute.

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Effect of Condition: This condition resulted in noncompliance with the Oklahoma Constitution regarding official fidelity bond insurance.

Recommendation: OSAI recommends the District purchase official fidelity bond insurance in an amount of \$10,000.00 or more for each Board Member as required by Article 10 Section 9c.

Management Response:

Board Chairman: The Board will follow the recommendation contained in 2018-008 in that the Board will maintain bonding in the amount of \$10,000.00 for each Board Member.

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 evidence of each Board member's official fidelity bond insurance to reduce the risk of liability in the occurrence of errors, omissions and/or embezzlement of funds.

Further, Article 10 Section 9c, states, in part:

“Such board of trustees shall have the power and duty to promulgate and adopt such rules, procedures and contract provisions necessary to carry out the purposes and objectives of these provisions and shall individually post such bond as required by the County Commissioners, which shall not be less than Ten Thousand Dollars (\$10,000.00).”

Finding 2018-009 - Internal Controls and Noncompliance Over the District's Pledged Collateral (Repeat Finding)

Condition: Based upon inquiry of the District Board members and observation of the District bank statements, the following internal control weakness and noncompliance was noted:

The bank balances for the following months reflected balances in excess of \$250,000 FDIC coverage with no additional pledged securities maintained by the District for the amount over the \$250,000 FDIC limit:

- | | |
|------------------|--------------|
| ○ March 31, 2018 | \$257,985.95 |
| ○ April 30, 2018 | \$321,607.79 |

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the District is acquiring adequate pledged securities to protect the loss of District funds in accordance with state statute.

Effect of Condition: This condition resulted in noncompliance with state statute, inadequate internal controls over the District funds, and could result in loss of District funds.

Recommendation: OSAI recommends the District implement a system of internal controls to provide reasonable assurance the District complies with 62 O.S. § 517.4.A A regarding the collateralization of District funds.

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Management Response:

Chairman of the Board: The Board will follow the recommendation contained in 2018-009 in that the CPA will assist in implementing a system of internal controls to provide reasonable assurance the District complies with 62 O.S. § 517.4.A regarding the collateralization of District funds.

Criteria: Effective internal controls require that monitoring pledged securities be performed daily to ensure compliance with state statute.

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 2018-010 - Internal Controls and Noncompliance Over District Board Meetings and Bylaws (Repeat Finding)

Condition: Upon review of the District Bylaws and Board minutes and agendas, the following weaknesses and noncompliance was noted:

- The District Board did not conduct *regular meetings* and did not file a listing of regular meetings with the Garvin County Clerk at the beginning of each calendar year to document regular board meeting dates. In lieu of regular meeting date, the District Board held a special Board meeting as deemed necessary by the Board.
- According to the District’s Bylaws, the District is to hold *one meeting each year in July to hold the Election of Officers*. A meeting was not held in July 2017.
- The District Board conducted two special Board meetings during the fiscal year on August 30, 2017 and May 16, 2018.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that all relevant discussions and Board approval of the District’s financial activities are conducted in regularly scheduled meetings and a notice of regularly scheduled Board meetings be provided to the Garvin County Clerk each calendar year.

Additionally, the District Bylaws appear to conflict with the state statutes regarding regular meetings of the Board.

Effect of Condition: Policies and procedures have not been designed and implemented over the Board meeting which resulted in noncompliance with the Open Meeting Act, state statutes, and the District Bylaws.

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Recommendation: OSAI recommends the District conduct regular meeting maintain written minutes for all Board meetings to ensure compliance with Title 19 O.S. § 1707, 25 O.S. § 311 and the District Bylaws.

Management Response:

Board Chairman: The Board will follow the recommendation contained in 2018-010 in that the Board will conduct quarterly meetings and file a listing of the quarterly meetings with the Garvin County Clerk. The Board will also hold one meeting each fiscal year in July to hold the election of Officers as stipulated in the Bylaws.

Criteria: Accountability and stewardship are overall goals of the Board in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper documentation and adherence to the Open Meetings Act regarding Board meetings.

Title 19 O.S. § 1707 states in part, "...Regular meetings of the board shall be set by the board. Special meetings shall be held at the call of the chairman or any two (2) members of the board. A majority of all the members of the board shall constitute a quorum and have the power to transact business. Any official action of the board in adopting or revising the district budget or any portion thereof shall be effective upon the approving vote of a majority of all board members."

Title 25 O.S. § 311 states in part, "A. Notwithstanding any other provisions of law, all regularly scheduled, continued or reconvened, special or emergency meetings of public bodies shall be preceded by public notice as follows:

1. All public bodies shall give notice in writing by December 15 of each calendar year of the schedule showing the date, time and place of the regularly scheduled meetings of such public bodies for the following calendar year."

Additionally, Article Three, Section 2 of the District's Bylaws states, "The Board of the Wynnewood Emergency Medical Service District shall meet at least once per year during July. Meetings may be called by the Chairman or upon the written request of three (3) members of the Board. The purpose of the meeting shall be stated in the call. Notice of such special meetings shall be given not less than three (3) days prior to the meeting."

Also, Article Two, Section 1 of the District Bylaws states, "The officers shall include the Chairman, Vice-Chairman and Secretary and shall be selected during the July meeting, each year."

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S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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