



WYNNEWOOD EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

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

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Cindy Byrd, CPA | State Auditor & Inspector

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April 3, 2019

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

Transmitted herewith is the audit report of Wynnewood Emergency Medical Service District for the fiscal year ended June 30, 2017.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**WYNNEWOOD EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017

	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ 112,133
Collections	
Ad Valorem Tax	176,587
5 Year Exempt Manufacturing Tax	103,480
In Lieu of Tax	95
Total Collections	<u>280,162</u>
Disbursements	
Contract Services	243,271
Maintenance and Operations	1,200
Total Disbursements	<u>244,471</u>
Ending Cash Balance, June 30	<u>\$ 147,824</u>

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

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Contract Service Provider

For the fiscal year ended June 30, 2017, 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 has 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 2017 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 2017-002 - 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 approve 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 2017-002 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 2017-003 - Internal Controls Over Compliance with the Service Provider Contract (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 2016-2017 was not renewed by the District until May 24, 2017.
- The payment of \$243,271.40 to the service provider was made based on ad valorem tax collections for the period May 2, 2016 through April 30, 2017 as opposed to July 1, 2016 through June 30, 2017 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.

At the date of our audit, the service provider, Pauls Valley General Hospital, has ceased operations.

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 2016-2017. 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.

Management Response:

Board Chairman: The Board will follow the recommendation contained in 2017-003 in that the CPA will assist in implementing internal controls over compliance with contract provisions. The Board will review the contract for the ambulance services 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.

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Finding 2017-005 - Internal Controls Over the Disbursement 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 and payment.

Additionally, for the fiscal year ended June 30, 2017, a total of five (5) checks were issued. The following exceptions were noted:

- One (1) check issued for publication expense to the local newspaper could not be traced to evidence of approval of that invoice in the District's Board 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 disbursement process, including Board approval, 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 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 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 process. We also recommend that all invoices be maintained and properly approved in the District Board minutes.

Management Response:

Board Chairman: The Board will follow the recommendations contained in 2017-005 in that the CPA will assist in implementing a system of internal controls. The Board will segregate the duties of the disbursement process. The CPA will maintain a check ledger and prepare claims for Board approval at Board meetings.

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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 and indication of receipt of goods and/or services.

Finding 2017-006 - Internal Controls and Noncompliance Over District Board Official Fidelity Bond Insurance

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, 2017.

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.

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 2017-006 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).”

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Finding-2017-007 Internal Controls and Noncompliance Over Pledged Collateral

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 were 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:

○ January 31, 2017	\$264,573.51
○ February 28, 2017	\$288,450.50
○ March 31, 2017	\$303,521.25
○ April 30, 2017	\$372,057.85

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 regarding the collateralization of District funds.

Management Response:

Chairman of the Board: The Board will follow the recommendation contained in 2017-007 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 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 2017-008 - Internal Controls and Noncompliance Over District Board Meetings and Bylaws

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

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- 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 dates, 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 in order to hold the Election of Officers*. A meeting was not held in July 2016. The District Board conducted two special Board meetings during the fiscal year on September 1, 2016 and May 24, 2017.

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 is 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.

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

Management Response:

Board Chairman: The Board will follow the recommendation contained in 2017-008 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:

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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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