

STATUTORY REPORT

# YALE EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2016



*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

**YALE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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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

October 3, 2017

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

Transmitted herewith is the audit report of Yale Emergency Medical Service District for the fiscal year ended June 30, 2016.

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 "Gary A. Jones". The signature is written in a cursive style with a long, sweeping tail on the letter "s".

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

**YALE EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2016**

	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ <u>89,879</u>
Collections	
Ad Valorem Tax	62,165
Miscellaneous	<u>13,940</u>
Total Collections	<u>76,105</u>
Disbursements	
Maintenance and Operations	115,271
Audit Expense	<u>-</u>
Total Disbursements	<u>115,271</u>
Ending Cash Balance, June 30	<u>\$ 50,713</u>

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



# Oklahoma State Auditor & Inspector

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Yale Emergency Medical Service District  
P.O. Box 143  
Yale, Oklahoma 74085

## **TO THE BOARD OF DIRECTORS OF THE YALE 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 2016 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Yale 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 Yale 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 Yale 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 that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

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

July 18, 2017

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

**Finding 2016-1 – Inadequate Internal Controls and Noncompliance with State Statute Over District Board Meeting Minutes (Repeat Finding)**

**Condition:** Upon review of the Yale Emergency Medical Service District (the District) Board meeting minutes, the following weaknesses were noted:

- Board minutes for February 2016 could not be located.
- Board minutes for March and April 2016 could not be identified.
  - These minutes were not dated and were an incomplete summary of District Board proceedings.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with the Open Meeting Act. The District did not ensure that Board meeting minutes were complete and maintained in a safe and secure location.

**Effect of Condition:** These conditions resulted in noncompliance with state statute and Board minutes being an incomplete record of the proceedings of the meetings.

**Recommendation:** The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the Board adhere to 25 O.S. § 312(a) regarding meeting minutes being reviewed for accuracy and signed as verification of this review. OSAI also recommends District Board meeting minutes be maintained in a safe and secure location.

**Management Response:**

**Chairman of the Board:** The District is now printing all minutes and agendas and has them on file with the Operations Manager and Treasurer/Secretary.

**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 of the Board meetings.

Title 25 O.S. § 312(a) 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 2016-2– Inadequate Internal Controls Over Ambulance Transport Services and Noncompliance with State Statute (Repeat Finding)**

**Condition:** Upon review of the District, the following was noted:

- The District is operating as a first responder unit only and not making transport runs.

**Cause of Condition:** The District does not own an ambulance, and they are not providing transport run services.

**Effect of Condition:** Policies and procedures have not been designed to ensure compliance with Article 10 § 9C of the Oklahoma Constitution which specifically refers to ambulance services as a function of a District.

**Recommendation:** OSAI recommends the District evaluate how they can ensure compliance with the Oklahoma Constitution and the requirement of providing ambulance services. This could include contracting out for such services, or exploring other options.

**Management Response:**

**Chairman of the Board:** The District now has a signed contract with the City of Cushing for ambulance transport service.

**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 an ambulance service as dictated in the Oklahoma State Constitution.

Article 10 § 9C of the Oklahoma Constitution dictates an Emergency Medical Service District can be voted on and established as follows:

*“...for the purpose of providing funds for the purpose of support, organization, operation and maintenance of district ambulance services, emergency medical service districts...”*

**Finding 2016-3 – Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account (Repeat Finding)**

**Condition:** The District did not appropriate the mandatory one-tenth mill to the audit expense budget account as calculated of \$1,985.81 Further, balances from previous years were not properly carried forward to be appropriated into the current fiscal year of \$8,550.80.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance with 19 O. S. § 1706.1 and provide funding for audit expenses.

**Effect of Condition:** This condition resulted in noncompliance with the statute and underfunding of the audit expense budget account in the amount of \$10,536.61.



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**Recommendation:** OSAI recommends that the District implement policies and procedures to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit expense account, and that any unused portion be carried forward into the next year audit expense account in accordance with 19 O.S. § 1706.1.

**Management Response:**

**Chairman of the Board:** The District will have our accountant establish an audit expense budget account that will be restricted for all audit expenses. The mandatory one-tenth mill will be added to that restricted audit expense budget account.

**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 District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.

Title 19 O.S. § 1706.1 states, “The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit shall henceforth be restricted to and used only for audit survey and reporting receipt, disbursement and management of emergency medical service district affairs financed by ad valorem levy and miscellaneous revenues other than ad valorem taxation accruing to the general fund of the emergency medical service district, whether such audit be in the performance of duties charged to the State Auditor and Inspector and instigated at the State Auditor and Inspector's own initiative and directive, on request of the board of trustees of the emergency medical service district, on request of the board of county commissioners of such county or on order of the Governor as provided by Section 212 of Title 74 of the Oklahoma Statutes. If, after completion of audit of all emergency medical service district accounts so financed, and report thereof, including report of audit of cash funds where possible, as provided by this section, unless there be directive from the Governor for other and/or further inquiry, the board of trustees of the emergency medical service district may, upon certificate of completion by the State Auditor and Inspector, request that any unexpended and unencumbered balance of appropriation therein be, by the board of trustees of the emergency medical service district, lapsed and canceled and the revenues restricted thereby revert to surplus, available for appropriation to any lawful emergency medical service district purpose.”

**Finding 2016-4 – Inadequate Internal Controls Over Receipting and Disbursement Processes (Repeat Finding)**

**Condition:** While gaining an understanding of the receipting, depositing, reconciling, and disbursement processes of the District, we noted the following:

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- The Treasurer is responsible for receiving payments, preparing and making deposits, preparing and issuing disbursements, and performing monthly reconciliations.
- Bank reconciliations were not reviewed for accuracy by someone other than the preparer.
- One individual may order goods/services, and receive those same goods/services.

**Cause of Condition:** The District has not designed and implemented policies and procedures to sufficiently segregate the receipting, recording, and reconciling process. In addition, the District has not designed and implemented policies to segregate the purchase and receipt of goods and/or services.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

**Recommendation:** OSAI recommends the Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in the Board's oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. 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 the Board review and approve accounting functions, including monthly bank reconciliations, and approval of disbursement documents.

Further, OSAI recommends evidence of the Board's review process be clearly documented for all bank reconciliations, so as to provide a mitigating control over the lack of segregation of duties over the receipting, depositing, reconciling process, and the purchase and receipt of goods and/or services.

**Management Response:**

**Chairman of the Board:** The District will address this finding in the following manner:

- The Treasurer will split duties with the Board President on receiving payments, preparing and making deposits, preparing and issuing disbursements, and performing monthly reconciliations.
- The Board President will review all bank reconciliations on a monthly basis.
- The Operations Manager will order goods and or services and a Board member will check in boxes for accuracy, prior to being opened.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing should be segregated. Bank reconciliations should be performed on a monthly basis and approved by someone other than the preparer and include an indication of review. Internal controls should be established to analyze and check accuracy, completeness, authorization, and validity of transactions.

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**Finding 2016-5 – Inadequate Internal Controls and Noncompliance Over Disbursements (Repeat Finding)**

**Condition:** Based upon inquiry with the District staff, and observation of twenty-five (25) randomly selected disbursements, we noted the following weaknesses regarding the disbursement process:

Of the twenty-five (25) disbursements tested, the following exceptions were noted:

- Eight (8) claims did not have supporting documentation (i.e., invoice, etc.) to ensure the disbursement was an appropriate expenditure of the District.
- Seventeen (17) disbursements did not have any indication that goods and/or services had been received (i.e., receiving report, signature, etc.).
- Two (2) disbursements included the District paying sales tax in the amounts of \$326.36 and \$371.31, respectively for the repair and parts on equipment.
- We could not locate in the minutes the Board approval for the purchase of a 2016 Ford Explorer (Interceptor) through state contract, purchased September 18, 2015.

**Cause of Condition:** The District has not designed and implemented policies and procedures to ensure proper documentation, approval, and appropriateness of disbursements and the receipt of goods and/or services.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, misappropriation of funds and did result in noncompliance with regard to the payment of sales tax on purchases.

**Recommendation:** OSAI recommends management be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's oversight of office operations and a periodic review of operations.

OSAI recommends that the District implement a system of internal controls to ensure all items received are reviewed for accuracy, and that all disbursements have Board approval and proper supporting documentation maintained for management review and audit purposes. Additionally, OSAI recommends the District cease paying sales tax on purchases in accordance with state statute.

**Management Response:**

**Chairman of the Board:** All claims will have supporting documents and or invoices and signatures. Sales tax will not be paid for anymore services and all minutes are now being kept in a secure location.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. Internal controls should be established to analyze and check accuracy, completeness, authorization, and validity of transactions.

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Title 68 O.S. § 1356(1) states in part, “There are hereby specifically exempted from the tax levied by section 1350 of this title:

“1. Sale of tangible personal property or services to the United States government or to the State of Oklahoma, any political subdivision of this state or any agency of a political subdivision of this state; provided, all sales to contractors in connection with the performance of any contract with the United States government, State of Oklahoma or any of its political subdivisions shall not be exempted from the tax levied by section 1350 of this title, except as hereinafter provided;”

**Finding 2016-6 – Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)**

**Condition:** Based on inquiry and observation of the District’s fixed assets inventory records, the following weaknesses were noted:

- Fixed assets inventory records were not maintained in a manner to provide sufficient detail, such as denoting serial number, price, location, etc.
- There was no evidence to document an annual fixed assets inventory verification was performed.

**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 policies and procedures be implemented to ensure fixed assets inventory records are updated on an ongoing basis. Furthermore, OSAI recommends a physical fixed assets inventory verification, by someone other than the individual in charge of inventory, be completed and documented annually to verify inventory on hand.

**Management Response:**

**Chairman of the Board:** Policies and procedures are being implemented to ensure inventory is being updated on an ongoing basis. A spreadsheet has been developed and inventory is counted and checked on a quarterly basis.

**Auditor Response:** As part of implementing internal controls over the inventory process, we recommend evidence of the review be documented on an annual basis.

**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 untimely detection of unauthorized acquisition, use, or disposition of the entity’s assets and safeguarding assets from loss, damage, or misappropriation.



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