



LONE WOLF AND HOBART 522 SCHOOL DISTRICT EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2023

Cindy Byrd, CPA
State Auditor & Inspector

**LONE WOLF AND HOBART 522 SCHOOL DISTRICT
EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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February 20, 2024

**TO THE BOARD OF DIRECTORS OF THE
LONE WOLF AND HOBART 522 SCHOOL DISTRICT
EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of Lone Wolf and Hobart 522 School District Emergency Medical Service District for the fiscal year ended June 30, 2023.

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

**LONE WOLF AND HOBART 522 SCHOOL DISTRICT
EMERGENCY MEDICAL SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2023

	General Fund
Beginning Cash Balance, July 1	\$ 466,418
Collections	
Ad Valorem Tax	115,092
City of Hobart Sales Tax/Utility Fees	134,676
Town of Lone Wolf Utility Fees	4,132
Miscellaneous	4,221
Total Collections	258,121
Disbursements	
Service Contract	120,000
Maintenance and Operations	3,984
Building Lease	10,575
Audit Expense	7,658
Total Disbursements	142,217
Ending Cash Balance, June 30	\$ 582,322

Presented for informational purposes.



Lone Wolf and Hobart 522 School District Emergency Medical Service District
111 E. 3rd Street
Hobart, Oklahoma 73651

**TO THE BOARD OF DIRECTORS OF THE
LONE WOLF AND HOBART 522 SCHOOL DISTRICT
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 collections 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, 2023 were secured by pledged collateral.
- Determined disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1, and were accurately reported in the accounting records.
- Determined all purchases requiring bids complied with 19 O.S. § 1723 and 61 O.S. §101-139.
- Determined payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined fixed assets records were properly maintained.
- Determined compliance with contract service providers.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2023 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Lone Wolf and Hobart 522 School District 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 Lone Wolf and Hobart 522 School District 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 Lone Wolf and Hobart 522 School District 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

December 6, 2023

**LONE WOLF AND HOBART 522 SCHOOL DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2023-001 – Lack of Internal Controls and Noncompliance Over the Collections and Accounting Process (Repeat Finding)

Condition: Upon inquiry of the Lone Wolf and Hobart 522 School District Emergency Medical Service District (the District) Board Secretary, and observation of the collection process and a reperformance of the June 30, 2023, bank reconciliation, the following weakness was noted:

The District did not have an adequate segregation of duties to ensure that duties assigned to individuals are performed in a manner that would not allow one individual to control both the recording function and the procedures relative to processing a transaction.

- The District Secretary performs the following duties:
 - Receives the mail, including ad valorem tax, utility fees, and sales tax.
 - Prepares and delivers the deposit to the bank.
 - Performs bank account reconciliations.
 - Maintains the District financial ledger.
- The Board received a verbal financial report, from the Board Secretary but no formal written monthly financial report was presented for the Board to review and approve in the Board meeting.
- The District did not prepare a June 30, 2023, financial statement reflecting the cumulative totals with documentation of the Board’s review and approval.
- A certificate of deposit totaling \$157,655 was not reported on the District’s financial ledger.
- Bank reconciliations were not dated by the preparer, had no indication of review by someone other than the preparer and were not reviewed and approved by the Board.
- The bank erroneously posted \$12,560 deposit as \$560 on March 6, 2023. On June 30, 2023 the deposit had not been corrected.

Additionally, a test of twelve (12) ad valorem tax remittances, reflected four (4) instances, ad valorem tax deposits totaling \$18,672 were deposited more than ten (10) business days after the remittances were issued by the County.

Date Ad Valorem Remittance Issued	Date Deposited	Weekdays Between Issue Date and Deposit Date
June 2, 2022	July 19, 2022	32
October 3, 2022	October 20, 2022	12
November 1, 2022	November 22, 2022	14
May 3, 2023	June 1, 2023	21

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Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the responsibilities of the accounting process and depositing funds in a timely manner. Additionally, policies and procedures have been designed but not implemented to ensure a financial statement is prepared and reviewed by the Board.

Effect of Condition: These conditions resulted in noncompliance with state statute regarding depositing daily and completion of a June 30th financial statement. Further, these conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the Board be aware of these conditions and realize that a 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 the Board design and implement policies and procedures regarding the accounting processes. Which should include a policy that the Board will receive and review a written financial statement. The report should include balance of all accounts including investments. Additionally, the processes should be designed to segregate duties so that no one is able to perform all accounting functions, to reduce risk and ensure accuracy of financial records.

Furthermore, OSAI recommends the District deposit funds the same day or the next banking day after funds are received in accordance with 62 O.S. § 517.3 B.

Management Response:

Chairman of the Board: Management chose not to respond.

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

The GAO Standards – Principle 10 – 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.

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final

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classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

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. § 517.3 B states in part, “The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office ...”

Title 19 O.S. § 1706 states in part: “It shall be the duty of the board of the district on or before the third Monday of July in each year to produce or caused to be produced a financial statement of the district for the preceding year ending June 30th.”

Finding 2023-002 – Lack of Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Upon inquiry of the District Board Secretary, and observation of the disbursements process, the following weaknesses were noted:

The District does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.

- The District’s Secretary performs the following duties:
 - Maintains blank check stock.
 - Receives bills.
 - Prepares purchase orders.
 - Writes and distributes checks to vendors.
 - Maintains the financial ledger.
 - Performs bank account reconciliations.

Additionally, a test of twenty (20) disbursements, reflected six (6) disbursements were not approved by the Board, due to the Board not meeting monthly during fiscal year 2023.

Cause of Condition: Policies and procedures were not designed and implemented to sufficiently segregate the duties of the disbursements process. Additionally, the Board did not follow their bylaws in regard to holding meetings the 2nd Wednesday of each month during fiscal year 2023.

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Effect of Condition: A single person having responsibility for more than one area of disbursement function could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Additionally, the Board not meeting monthly resulted in noncompliance of their bylaws and resulted in disbursements not being reviewed or approved by the Board in an open meeting.

Recommendation: OSAI recommends the Board be aware of these conditions and realize that a 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 the Board provide segregation of duties so that no one employee can perform all disbursement functions. 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. Additionally, OSAI recommends the Board meet regularly as outlined in the bylaws to review and approve disbursements.

Management Response:

Chairman of the Board: Management chose not to respond.

Criteria: The GAO Standards – Principle 10 – 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.

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Bylaws of Lone Wolf and Hobart Emergency Medical Services states in part, “Lone Wolf and Hobart EMS Board will conduct a monthly meeting at 6:00 p.m. on the 2nd Wednesday of each calendar month, unless otherwise announced at the preceding month meeting, at which time the Chairperson, or persons in charge shall make such announcement.

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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