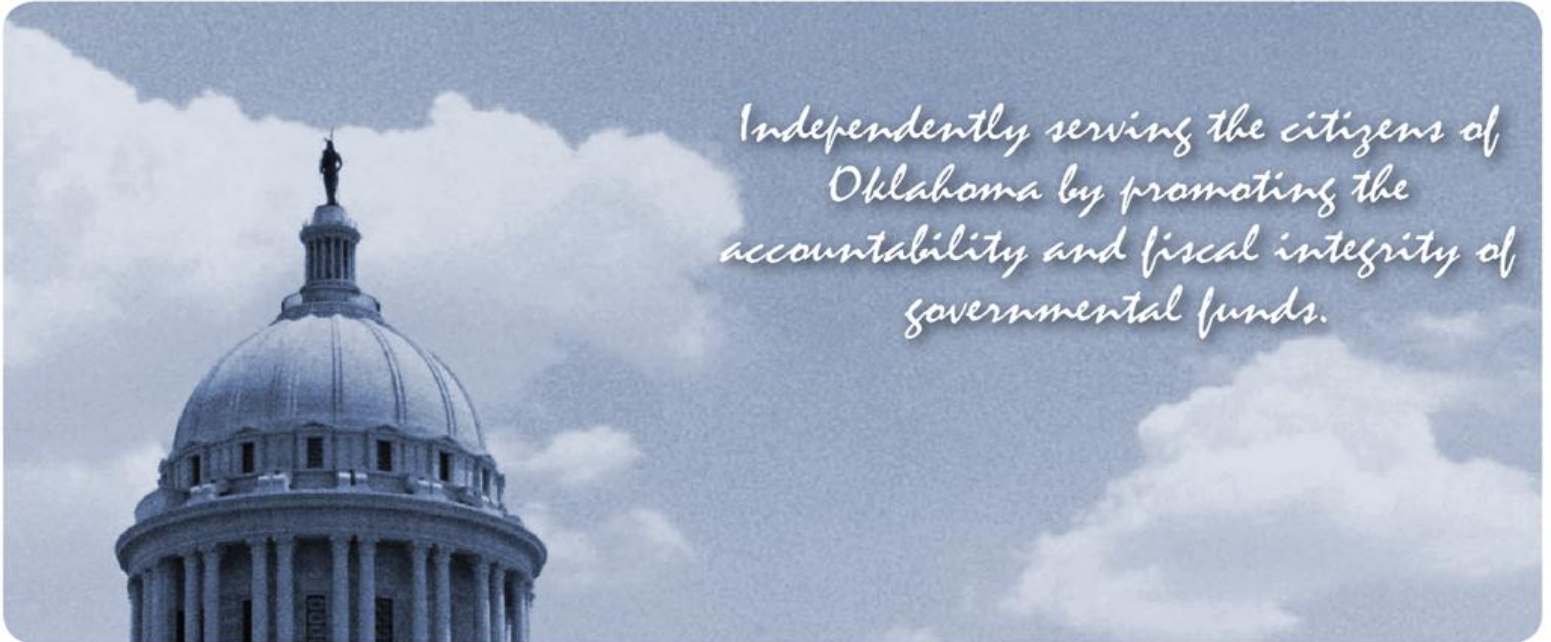


STATUTORY AUDIT

BRYAN COUNTY AMBULANCE AUTHORITY

For the period July 1, 2008 through June 30, 2013



*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

**BRYAN COUNTY AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2013**

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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

May 20, 2015

**TO THE BOARD OF DIRECTORS OF THE
BRYAN COUNTY AMBULANCE AUTHORITY**

Transmitted herewith is the audit report of Bryan County Ambulance Authority for the period July 1, 2008 through June 30, 2013.

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

**BRYAN COUNTY AMBULANCE AUTHORITY
STATUTORY REPORT
JULY 1, 2008 THROUGH JUNE 30, 2013**

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

	<u>FY 2012</u>	<u>FY 2013</u>
Beginning Cash Balance, July 1	\$ 861,166	\$ 767,695
Collections		
Ad Valorem Tax	802,821	814,539
Charges for Services	1,124,109	1,009,719
Miscellaneous	22,600	24,966
Total Collections	<u>1,949,530</u>	<u>1,849,224</u>
Disbursements		
Personal Services	1,303,999	1,351,402
Maintenance and Operations	537,417	509,699
Capital Outlay	201,585	116,069
Audit Expense	-	-
Total Disbursements	<u>2,043,001</u>	<u>1,977,170</u>
Ending Cash Balance, June 30	<u>\$ 767,695</u>	<u>\$ 639,749</u>

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



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Bryan County Ambulance Authority
P.O. Box 1
Durant, Oklahoma 74702

TO THE BOARD OF DIRECTORS OF THE BRYAN COUNTY AMBULANCE AUTHORITY

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 2012 and FY 2013 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Bryan County Ambulance Authority.

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 Bryan County Ambulance Authority.

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 Bryan County Ambulance Authority. 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

May 20, 2015

SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – Lack of Segregation of Duties Over Receipting Process

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of the Bryan County Ambulance Authority (the Authority), it was noted that the Office Manager performs the following duties:

- Receives and opens mail.
- Receives payments and issues receipts.
- Posts to ledgers and accounts.
- Prepares and takes the deposit to the County Treasurer.
- Reconciles posted payments to receipts.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the receipting process.

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, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor & Inspector's Office (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 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 management review and approve accounting functions.

Management Response:

Director: We have separated the duties of gathering and logging the incoming mail from writing receipts and posting to individual accounts.

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, depositing cash and checks, and reconciliations should be segregated.

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Finding 2 – Run Test

Condition: Our test of 25 ambulance runs per fiscal year resulted in the following:

Fiscal Year 2009

- The mileage amount billed on one run did not agree to the mileage amount charged on the run sheet.
- Five runs were written off as bad debt without authorization in the Board minutes.

Fiscal Year 2010

- The service charge billed on three runs did not agree to the service charge on the run sheet.
- The mileage amount billed on two runs did not agree to the mileage amount charged on the run sheet.
- Eight runs were written off as bad debt without authorization in the Board minutes.

Fiscal Year 2011

- Three runs were not billed.
- Two runs were written off as bad debt without authorization in the Board minutes.

Fiscal Year 2012

- Two runs were not billed.
- Two runs were written off as bad debt without authorization in the Board minutes.

Fiscal Year 2013

- One run was not billed.
- Two runs were written off as bad debt without authorization in the Board minutes.
- As of the testwork date, the Billing Clerk was six months behind on billing.

Cause of Condition: Procedures have not been designed to ensure that all runs are billed accurately, to ensure bad debt write-offs only occur after authorization is documented in Board minutes, and to ensure runs are billed in a timely manner.

Effect of Condition: These conditions resulted in the Authority having inaccurate record information available for audit review, and could result in the Authority missing the opportunity to receive additional billing revenue.

Recommendation: OSAI recommends the Authority implement recordkeeping policies and procedures to ensure bad debt write-offs only occur after Board minute authorization occurs, to ensure all runs are billed accurately, and to ensure all runs are billed in a timely manner so the Authority can receive billing revenue crucial to operating service.

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Management Response:

Director: The medics sometimes commit errors when totaling the charges on the run sheets. These clerical computations are reviewed and corrected by the billing clerk to ensure that accounts are billed correctly.

The runs not billed were the result of a software malfunction and has been corrected by closer scrutiny and comparison of runs made versus billed. Incorrect or inadequate patient addresses also contribute to this condition. Many of our patients give an erroneous address, which results in a large volume of returned mail.

We are not aware of the six month billing lag, but do know that Medicare and Medicaid denials often require an excessive amount of time in attempting to collect patient benefits.

Bad debt write-offs are only done after all allowable payments have been received and patient cannot be billed for the remainder. We are paid according to Medicare's payment schedule and are not allowed to bill the patient for the remaining balance.

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 reliability of financial reporting. Integral aspects of this would be ensuring the Authority only performs bad debt write-offs after proper Board minute approval, and ensuring all runs are billed accurately and in a timely manner.

Finding 4 – Lack of Segregation of Duties Over Disbursements

Condition: While gaining an understanding of the expenditures process of the Authority, we noted that the Office Manager performs the following duties:

- Prepares purchase orders and warrants.
- Takes purchase orders and warrants to Board Member for approval.
- Posts warrants to the warrant register.
- Takes warrants to the County Treasurer to be registered.
- Mails warrants to vendors.
- Reviews packing lists against invoices once goods are received.

Cause of Condition: The Authority has not designed and implemented policies and procedures to sufficiently segregate the disbursement process.

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, clerical errors, or misappropriation of funds not being detected in a timely manner.

**BRYAN COUNTY AMBULANCE AUTHORITY
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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 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 management review and approve accounting functions.

Management Response:

Director: The packing lists are compared to invoices when goods are received. This is done by the person responsible for the order, i.e., the Medical supply officer verifies medical supply shipments; the billing clerk verifies orders concerning office supplies and computer maintenance items, etc.

Invoices and statements are then reviewed by the Director who verifies mathematical accuracy, codes for proper accounting classification and then presents to the Office Manager. The Office Manager prepares the purchase order and warrants, and returns them to the Director who signs the warrants. The warrants are then signed by a Board Member and the Bryan County Treasurer. The Director then posts them to the warrant register.

Auditor Response: The duties regarding the disbursements process are not adequately segregated.

Criteria: Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. An important aspect of internal controls is the safeguarding of assets. 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/or misappropriation of funds.

Finding 5 – Disbursements

Condition: Based upon inquiry and observation of the expenditures process, the following was noted concerning the testwork conducted of 25 expenditures per fiscal year:

Fiscal Year 2009

- 19 of the 25 expenditures tested did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.
- 2 of the 25 expenditures tested were not for the correct amount per the contract agreed upon with the transport service provider.

Fiscal Year 2010

- 13 of the 25 expenditures tested did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.

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- 3 of the 25 expenditures tested were not for the correct amount per the contract agreed upon with the transport service provider.

Fiscal Year 2011

- 12 of the 25 expenditures tested did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.
- 1 of the 25 expenditures tested was not for the correct amount per the contract agreed upon with the transport service provider.

Fiscal Year 2012

- 8 of the 25 expenditures tested did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.

Fiscal Year 2013

- 14 of the 25 expenditures tested did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.

It was additionally noted the Authority has fuel credit cards without statutory authority for such cards.

Cause of Condition: Policies and procedures have not been designed to ensure all claims are filed with sufficient supporting documentation for recordkeeping and audit related needs, and to ensure service contractual amounts are always honored accurately. Additionally, policies and procedures have not been developed to ensure expenditures are incurred only for the lawful operation of the Authority. This includes the incurrence of debt through credit cards, which is not permitted per state statute.

Effect of Condition: These conditions resulted in noncompliance with state statute, and could result in inaccurate records, incomplete information or misappropriation of assets.

Recommendation: OSAI recommends the Authority implement a system of internal controls to ensure that all expenditures have proper supporting documentation. Additionally, OSAI recommends the Authority ensure any service contract payments are made in accordance with the terms of the annual service contract. OSAI further recommends the Authority discontinue the use of their credit cards.

Management Response:

Director: Fiscal Year 2009 - 2011 - The discrepancy on contract amount resulted because the current contract had not been received and the previous amount was paid pending receipt of the current contract. Any contractual differences were corrected after receipt of proper documents.

Fiscal Year 2009 - 2013 - Based on our findings, the purchase orders without documentation were monthly payments to contracted agencies that had been budgeted and approved by our Board.

Fuel cards are a necessity when long distance transfers are involved. We are in the process of applying for a Com Data card that we have been advised is on the list of Oklahoma State contracts. All charges are reviewed by the Director to ensure that no impropriety exists.

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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 the reliability of financial reporting. Key factors in this system are having supporting documentation maintained for record keeping and audit needs, ensuring the service contractual rates are honored in accordance with the annual service contract, and ensuring expenditures are only incurred in accordance with state statute.

Title 19 O.S. § 1717 (B, C) states in part: “B. It shall be unlawful for any employee or member of the board in any budget year: 1. To create or authorize creation of a deficit in any fund... C. Any obligation that is contracted or authorized by any member or employee of the board in violation of this act shall become the obligation of the member or employee himself and shall not be valid or enforceable against the district. Any member or employee who violates this act shall forfeit his position and shall be subject to such civil and criminal punishments as are provided by law. Any obligation, authorization for expenditure or expenditure made in violation of this act shall be illegal and void.

Finding 6 – Bids

Condition: Based upon inquiry, observation, and testwork conducted on the bidding process of the Authority, the following was noted on the 14 items reviewed:

- The Authority did not bid or the bid could not be located for the following:

Purpose	Date	Amount
Defibulator /Misc. Equipment	11/13/08	\$19,319.73
Ambulance	2/17/08	\$78,750.00
Software	8/18/09	\$10,400.00
Ambulance	1/17/10	\$43,000.00
Power Pro Cot	2/25/10	\$10,444.30
2 Ambulances	9/20/11	\$80,986.60
Lifepak Monitor	1/30/12	\$10,000.00
Remount Ambulance	1/30/12	\$48,466.15
Ambulance	2/5/13	\$38,030.00
Remount Ambulance	5/28/13	\$60,882.00

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- Proof of publication and proof of date/time stamp receipt could not be located for the following:

Purpose	Date	Amount
Computers	2/27/09	\$27,594.51
Ambulance	12/10/09	\$79,865.00
Remount Ambulance	11/15/11	\$48,466.15

Cause of Condition: Policies and procedures have not been designed to ensure that expenditures are competitively bid in compliance with 19 O.S. § 1723.

Effect of Condition: These conditions resulted in noncompliance with state statute, 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 \$7,500 for fiscal year 2012 and \$10,000 for fiscal year 2013.)

Management Response:

Director: Bids were not solicited on the defibrillator because it is critical to our patient's care that all our ambulances are equipped alike. All our ambulances are equipped with Physio Control defibrillators. It is not prudent or wise to "mix" equipment and compromise patient welfare. It has been on the State Contract since 2011. (SW0300-NASPO)

The ambulance purchased on 2/17/08 was bid and our meeting minutes reflect this. We will continue to search for the bid proposal.

The software was for Image Trend license to conform to the Oklahoma State Department of Health requirements.

The ambulance chassis purchased on 1/17/10 was included in the remount bid, but was paid directly to the dealer in order to reduce the cost and ensure availability of a chassis in short supply.

At the time the Power Pro Cot was purchased, it was the only product available.

Bids were solicited on the remaining purchases with the exception of the Lifepak Monitor which was used and eligible for a maintenance contract. It resulted in several thousand dollars in savings compared to the price of a new device.

The lack of a date/time stamp occurred due to the fact the bids were not opened until the Board meeting. Had they been opened to affix the date/time stamp the integrity of the bid would have been compromised.

Auditor Response: The District did not follow proper procedures for items that required a bid.

**BRYAN COUNTY AMBULANCE AUTHORITY
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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 entities to make purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1505, which requires all purchases in excess of \$10,000 be competitively bid. Prior to July 1, 2012, the competitive bid threshold for EMS entities was \$7,500.

Finding 7 – Payroll Expenditures

Condition: Based upon inquiry, observation, and a review of Authority payroll documents the following was noted:

- None of the 26 employee timesheets tested were signed by a supervisor.
- Two employees tested had leave taken on their timesheet that did not agree to the time taken on their leave ledger. One of these employees took three vacation days, but the leave ledger showed the days off as sick leave. The other employee took three days of earned holiday leave, but the ledger showed one of the three days as sick leave.
- Leave balance reports were not maintained with a beginning balance, nor did they show accrual amounts.
- The Director does not prepare a timesheet or maintain a leave ledger.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that both employees and supervisors verify the accuracy of timesheets, to ensure all employees complete a timesheet and maintain a leave ledger, to ensure leave balance reports depict the beginning, ending, and accrued amounts, and to ensure timesheet leave taken matches the leave ledger amounts taken.

Effect of Condition: These conditions resulted in inaccurate recordkeeping and incorrect payment of wage and leave benefits.

Recommendation: OSAI recommends the Authority ensure all employees prepare a timesheet, and that each timesheet is verified by the employee and supervisor for accuracy. Additionally, OSAI recommends the Authority ensure the leave ledger depicts the beginning balance, ending balance, and any accrued or used amounts for all employees. The leave used per the leave ledger should match the leave taken on the timesheet.

Management Response:

Director: The timesheets are now being signed by the proper supervising individuals.

The employees sometimes submit requests for leave in a category that has not been accrued on the date requested. When this occurs, it is transferred to a category that has time accrued. The Director does

**BRYAN COUNTY AMBULANCE AUTHORITY
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maintain an annual record of leave taken and what is remaining, including what is carried over to the next year.

The Director and Deputy Director are now maintaining a leave ledger.

Criteria: Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. An important aspect of internal controls is the safeguarding of assets. 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/or misappropriation of funds.

Finding 8 – Inventory Records

Condition: Based on inquiry, observation, and review of the Authority the following was noted concerning inventory:

- Documentation was not maintained for the disposal and trade-in of one ambulance.
- One ambulance listed on insurance coverage was not listed on the inventory list.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure inventory is being properly maintained and updated through a periodic review by the Authority.

Effect of Condition: This condition could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of Authority equipment.

Recommendation: OSAI recommends that policies and procedures be implemented to ensure inventory is being updated on an ongoing basis. Furthermore, OSAI recommends an annual physical inventory verification by someone other than the individual maintaining inventory.

Management Response:

Director: The ambulance listed on insurance coverage was due to the insurance carrier not deleting it when it was disposed of and was corrected on our policy.

Criteria: 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 timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

**BRYAN COUNTY AMBULANCE AUTHORITY
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Finding 9 – Audit Expense Account

Condition: For the period of July 1, 2008 through June 30, 2013, the Authority did not carry forward the proper amount for the audit expense account from the previous year's remaining balance. The following was noted:

- The audit expense account budgeted amount per the Estimate of Needs on June 30, 2013 was \$7,899 but the balance should have been \$90,209.47. As a result the budget was underfunded by \$82,310.47.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 19 O.S § 1706.1.

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

Recommendation: OSAI recommends that the Authority implement policies and procedures designed 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:

Director: We have now instituted the practice of carrying over the unused audit expenses to the next fiscal year.

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

Finding 10 - Estimate of Needs

Condition: While reviewing the Authority accounting records and comparing them to the Estimate of Needs (EON) for the period of July 1, 2011 through June 30, 2013, the following was noted:

- The July 1, 2011 beginning cash balance contained an overstated variance of \$199.81 between the EON and the Authority records.
- The fiscal year 2012 EON depicted revenues were \$545.91 less than the Authority records.
- The fiscal year 2012 EON depicted expenditures were \$2,519.63 more than the Authority records.
- The fiscal year 2013 EON depicted revenues were \$13,017.64 less than the Authority records.
- The fiscal year 2013 EON depicted expenditures were \$2,834.67 more than the Authority records.

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Cause of Condition: Policies and procedures have not been designed and implemented to accurately balance the Estimate of Needs to the Authority's financial records.

Further, the Estimate of Needs was not prepared in accordance with 19 O.S. § 1702.

Effect of Condition: The Authority's Estimate of Needs for the period under review did not reflect the complete financial condition of the Authority.

Recommendation: OSAI recommends the Authority ensure the Estimate of Needs is prepared in such a manner that the complete financial situation of the Authority is presented.

Management Response:

Director: These differences are apparently due to accounting discrepancies that we are in the process of identifying in order to ensure a proper reflection of our financial condition.

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.

Title 19 O.S. § 1702 states in part that Districts should "...3. Make available to the public and investors sufficient information as to the financial conditions, requirement and expectations of the district..."



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