

STATUTORY REPORT

# SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY

For the period July 1, 2012 through June 30, 2014



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY  
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2014**

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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

December 30, 2014

**TO THE BOARD OF DIRECTORS OF THE  
SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY**

Transmitted herewith is the audit report of Southwest Oklahoma Ambulance Authority for the period July 1, 2012 through June 30, 2014.

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

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2013 and FY 2014**

	<u>FY 2013</u>	<u>FY 2014</u>
Beginning Cash Balance, July 1	\$ 234,455	\$ 189,982
Collections		
Ad Valorem Tax	60,234	60,912
Charges for Services	88,920	142,066
Miscellaneous	8,660	2,598
Total Collections	<u>157,814</u>	<u>205,576</u>
Disbursements		
Personal Services	110,953	103,093
Travel	-	-
Maintenance and Operations	89,076	77,717
Capital Outlay	2,258	682
Audit Expense	-	-
Total Disbursements	<u>202,287</u>	<u>181,492</u>
Ending Cash Balance, June 30	<u>\$ 189,982</u>	<u>\$ 214,066</u>

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



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Southwest Oklahoma Ambulance Authority  
P.O. Box 88  
Hollis, Oklahoma 73550

## **TO THE BOARD OF DIRECTORS OF THE SOUTHWEST OKLAHOMA 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 2013 and FY 2014 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Southwest Oklahoma 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 Southwest Oklahoma Ambulance Authority

Based on our procedures performed, we have presented our finding in the accompanying schedule.

This report is intended for the information and use of the management of the Southwest Oklahoma 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

November 18, 2014

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY  
STATUTORY REPORT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2014-1 – Inadequate Internal Controls Over the Collection and Reconciliation Processes  
(Repeat Finding)**

**Condition:** Upon inquiry of the collection process, we noted that one Ambulance Authority employee issues receipts, prepares the deposit, and makes the deposits with the financial institution. This employee is also responsible for maintaining and posting patient records that are on file with the Ambulance Authority.

Further, the monthly reconciliation of receipts to deposits is performed by the Authority's bookkeeper and compared to the Ambulance Authority records. The reconciliation is not reviewed by the Director or the Board of Trustees.

The test of fifty ambulance runs indicated the following inconsistencies:

- One instance was noted in which a patient run sheet could not be located.
- Three instances were noted in which funds had been received by the Authority, but receipts were not issued in a timely manner.

The review of the bank statement reconciliation at June 30, 2014 reflected a variance of \$26.15 between the Authority's balance and the bank balance. There was no indication that the reconciling item was identified.

**Cause of Condition:** Policies and procedures have not been designed and implemented to segregate the duties of receipting, depositing, and reconciling receipts to deposits.

Further, a process has not been implemented for the Board or Administrator to review and approve monthly bank statement reconciliations.

**Effect of Condition:** A single person having responsibility for more than one area of the collection process 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 determine if duties can be properly segregated. 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. We recommend evidence of management's review process be documented so as to provide a mitigating control over the lack of segregation of duties for the receipting and depositing processes.

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2014**

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Additionally, OSAI recommends a member of the Board of Trustees review the bank statement reconciliation performed by the bookkeeper and initial and date the review.

**Management Response:** We now have three employees to perform the duties of receiving, reporting, and depositing cash and checks. The bank reconciliation will be signed off by the Board at the monthly meetings.

**Criteria:** To help ensure a proper accounting of funds, the duties of receipting, depositing cash and checks, reconciliations, and transaction authorization should be segregated.

**Finding 2014-2 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process**

**Condition:** Based upon inquiry and observation of the disbursement process, the following deficiencies were noted:

- One employee generally ordered goods and/or services and also received good and/or services.
- Receiving reports were not prepared for goods and/or services.
- The duties of preparing the purchase order, preparing the check, posting disbursements to accounting records, and reconciling the monthly bank statement to financial records were performed by the Authority's bookkeeper without oversight by the Board of Trustees.

The test of fifty purchase orders indicated the following deficiencies:

- Six instances of inadequate documentation to support the disbursement.
- Thirty instances in which there was no evidence of verification that goods and/or services were received.

**Cause of Condition:** Policies and procedures have not been designed and implemented to segregate the duties for the disbursement of funds, including the receiving of goods and/or services.

Further, a review process has not been designed to ensure the accuracy and completeness of the functions performed by the bookkeeper.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and reconciliation could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends management be aware of these conditions and determine if duties can be properly segregated. 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. We

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FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2014**

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recommend evidence of management's review process be documented so as to provide a mitigating control over the lack of segregation of duties for the receipting and depositing processes.

Additionally, OSAI recommends a member of the Board of Trustees review the reconciliation performed by the bookkeeper and initial and date the review.

**Management Response:** We are implementing procedures to ensure that proper segregation of duties exists over the disbursement process. We will obtain proper documentation of disbursements and initial and date invoices verifying that goods and/or services were received.

**Criteria:** 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. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. Internal controls should be established to analyze and check accuracy, completeness, authorization, and validity of transactions.

**Finding 2014-3 – Inadequate Internal Controls and Noncompliance Over Audit Expense Account**

**Condition:** Upon inquiry and observation of the budget process, it was determined that controls have not been designed and implemented to ensure the amount required by statute is correctly budgeted for the Audit Budget Account. The Ambulance Authority relies on the "budget maker" to calculate the required amount with no independent oversight by the Administrator or the Board of Trustees.

Further, the Audit Expense Account for the 2014-2015 Estimate of Needs reflected that the budget maker did not calculate an amount of appropriations for the account. The amount that should be reflected as the balance of appropriations is \$5,736.19.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that the Audit Expense Account is accurately calculated and budgeted in accordance with statutory requirement.

**Effect of Condition:** These conditions resulted in inadequate funding of the Audit Expense Account and noncompliance with the state statute.

**Recommendation:** OSAI recommends that the Authority design and implement 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:** We will implement a system to make certain that one-tenth of one mill upon the net total assessed valuation is set aside for the Audit Expense Account.

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2014**

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**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.



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