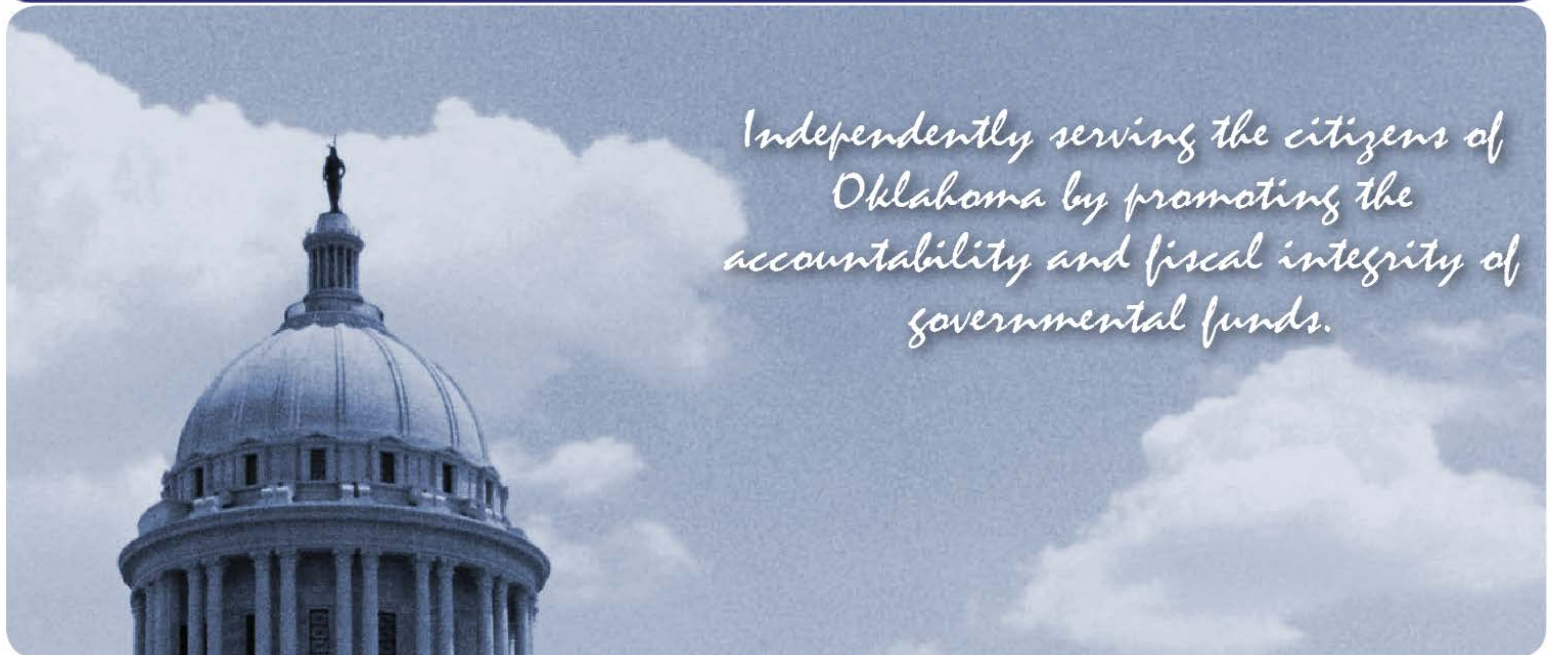


STATUTORY REPORT

# BRYAN COUNTY AMBULANCE AUTHORITY

For the fiscal year ended June 30, 2016



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

**BRYAN COUNTY AMBULANCE AUTHORITY  
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

June 30, 2017

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

Transmitted herewith is the audit report of Bryan County Ambulance Authority 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.

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

**BRYAN COUNTY AMBULANCE AUTHORITY  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2106**

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

	<u>FY 2016</u>
Beginning Cash Balance, July 1	<u>\$ 1,270,578</u>
Collections	
Ad Valorem Tax	983,362
Charges for Services	989,092
Intergovernmental Revenues	4,600
Miscellaneous	<u>14,111</u>
Total Collections	<u>1,991,165</u>
Disbursements	
Personal Services	1,476,471
Maintenance and Operations	574,178
Capital Outlay	270,296
Audit Expense	<u>17,995</u>
Total Disbursements	<u>2,338,940</u>
Ending Cash Balance, June 30	<u>\$ 922,803</u>

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



# Oklahoma State Auditor & Inspector

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Bryan County Ambulance Authority  
306 South 22<sup>nd</sup> Ave.  
Durant, Oklahoma 74701

## **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 Authority'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 Authority 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 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

April 20, 2017

**BRYAN COUNTY AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2016-2 –Inadequate Internal Controls Over the Collection Process (Repeat Finding)**

**Condition:** The following duties were performed by the Office Manager and were not adequately segregated:

- Issued receipts,
- Posted to ledgers and accounts,
- Prepared and took the deposit to the County Treasurer, and
- Reconciled posted payments to receipts.

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

**Management Response:**

**Chairman of the Board:** New procedures have been established whereby duties are separated, logged, balanced, and initialed to provide evidence of each function of the collection process.

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

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**Finding 2016-3 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)**

**Condition:** The following duties were performed by the Office Manager and were not adequately segregated:

- Prepared purchase orders and warrants,
- Posted warrants to the warrant register,
- Took warrants to the County Treasurer to be registered,
- Took purchase orders and warrants to one Board Member for approval, and
- Mailed warrants to vendors.

Additionally, the test of twenty-eight (28) purchase orders reflected the following weaknesses:

- Three (3) purchase orders did not have adequate documentation.
  - One (1) purchase order was for reimbursement to the Director for meals provided for several employees during the Presidential visit to Durant at two (2) local restaurants. Purchase order #95 was for \$470.74, dated August 20, 2015. Detailed information was not presented with the purchase order; however, the Board did approve the reimbursement.
  - One (1) purchase order was issued to correct an error in payroll due to a change in retirement contributions. Adequate documentation was not provided authorizing the change in payroll.
  - One (1) purchase order did not have adequate documentation for payment made to an employee for transporting an ambulance out of state for repairs. The employee was paid a fee of \$800 and this compensation was neither included on the employee's W-2 form, nor was the employee issued a 1099 form for tax purposes.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure disbursements are incurred to provide adequate documentation for disbursements and to sufficiently segregate the duties over 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 and inadequate documentation of reimbursements could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**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. Also OSAI recommends the Authority implement a system of internal controls to ensure that all disbursements have proper supporting documentation including those disbursements for reimbursements.



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**Management Response:**

**Chairman of the Board:** These conditions are duly noted and a policy will be established to comply with the auditor's recommendation for purchases.

**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. 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. Key factors in this system are having supporting documentation maintained for record keeping and audit needs, ensuring expenditures are only incurred in accordance with state statute, and ensuring the proper approval of the Board for the operation of the Authority. Additionally, key functions within a process should be adequately segregated to allow for prevention and detection of errors and abuse.

Further, adequate documentation of disbursements should accompany each purchase order so as to provide the Board with assurance those reimbursements, compensation and refunds are valid and substantiated.

**Finding 2016-4 – Inadequate Internal Controls Over Payroll Disbursements (Repeat Finding)**

**Condition:** The following duties were performed by the Office Manager and were not adequately segregated:

- Enrolled new employees,
- Verified timecards,
- Input payroll information into the software system,
- Maintained personnel files,
- Processed payroll claims,
- Reviewed payroll verification reports,
- Prepared and initiated the Direct Deposit,
- Printed payroll warrants,
- Distributed payroll warrants, and
- Made payroll changes in the system.

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

- Leave balance reports were not maintained with a beginning or ending balance, and accrual amounts were not reflected.
- Leave balance reports were not verified by employees.
- One (1) employee did not sign a timesheet for the payroll period selected.
- Two (2) employees' timesheets were not approved by management.

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**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure adequate segregation of duties with regard to the payroll process. Policies and procedures have not been designed and implemented to maintain a leave ledger, ensuring leave balance reports depict the beginning, ending, and accrued amounts are accurate and timesheets are signed by the employee and approved by management.

**Effect of Condition:** These conditions resulted in inaccurate recordkeeping of leave balances. Additionally, these conditions could result in unrecorded transaction, misstated financial reports, undetected errors, misappropriation of funds, and incorrect payment of wage and leave benefits.

**Recommendation:** OSAI recommends the Board 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 approval of accounting functions.

OSAI recommends the Board take steps to adequately segregate the following key accounting functions:

- Enrolling new employees and maintain personnel file,
- Reviewing time records and preparing payroll, and
- Distributing payroll warrants to individuals.

Additionally, OSAI recommends the Authority ensure each timesheet is verified by the employee and supervisor for accuracy with evidence of review documented with signature and date. OSAI also recommends the Authority ensure the leave ledger depicts the beginning balance, ending balance, and any accrued or used amounts for all employees.

**Management Response:**

**Chairman of the Board:** Payroll disbursement procedures will be segregated, revised, and monitored to the extent possible.

**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. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to allow for prevention and detection of errors and abuse. To help ensure a proper accounting of funds, key functions within the payroll process such as the duties of processing, authorizing, and payroll distribution should be adequately segregated. An important aspect of internal controls is to ensure timekeeping records are accurately prepared to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds.

**BRYAN COUNTY AMBULANCE AUTHORITY  
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**Finding 2016-5 – Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)**

**Condition:** Based on inquiry of staff, observation, and review of the of the Authority’s fixed assets inventory records, the following exceptions were noted:

- An annual review and physical count of fixed assets inventory was not adequately completed by the employee that verified the inventory items.
- The inventory records were missing an item (*One of the two, 55 inch Vizio television located in Captain’s Office*).
- Two ambulances listed on the inventory records had incorrect vehicle identification numbers (VIN numbers).

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

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

**Recommendation:** OSAI recommends annual physical inventory verifications be performed by someone other than the individual maintaining inventory records to ensure accurate records are properly maintained, updated and documented.

**Management Response:**

**Chairman of the Board:** The physical inventory preparation and the inventory verification functions will be performed by separate individuals to reflect accurate records.

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

**Finding 2016-6 – Inadequate Internal Controls Over Ambulance Service Run Activities (Repeat Finding)**

**Condition:** Our test of twenty-eight (28) ambulance service runs selected from the dispatch log resulted in the following exceptions:

- Two (2) ambulance service run numbers selected from the dispatch log could not be verified to the actual ambulance run sheet.
- Three (3) of the ambulance service runs could not be traced to the billing records.

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- Six (6) ambulance service runs that have been billed were denied by providers for untimely filing and/or incorrectly billed information and continue to reflect outstanding balances at the date of fieldwork.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that all ambulance service runs are billed accurately, in a timely manner. Further, services were not billed according to policies with regard to charges for additional supplies and biohazard suits.

**Effect of Condition:** These conditions resulted in the Authority having inaccurate record information available 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 all runs are billed accurately, and in a timely manner so the Authority can receive billing revenue crucial to operations of the Authority.

**Management Response:**

**Chairman of the Board:** Procedures are now in place to verify that all runs are accounted for on a daily basis and accurately billed.

**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, including ensuring the Authority maintain records of ambulance runs that are billed timely and accurately.

**Finding 2016-7 – Inadequate Internal Controls and Noncompliance Over the Competitive Bidding Process**

**Condition:** Based upon inquiry and observation of the competitive bidding process for the Authority, the following exceptions were noted:

- On February 10, 2016, the Authority awarded a bid for remount of a Type III AEV Box totaling \$86,290.00 with a trade-in valued at \$2,000.00. However, the Authority paid for additional upgrades in the amount of \$6,515.00 that were not part of the original bid specifications.
- Those additional items included LED flashing lights in the amount of \$3,895.00, LED turn, brake and backup lights in the amount of \$825.00, and an aluminum roll up door in the amount of \$1,795.00.
- On February 24, 2016, the Authority awarded a bid for a Sprinter Style Type II Ambulance in the amount of \$97,274.00. However, an additional upgrade for a spotlight in the amount of \$250.00 was originally paid to the vendor.
- Upon inquiry of the additional charge, the Director was forthcoming with documentation reflecting a reimbursement for the additional \$250.00

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- However, auditors subsequently located multiple invoices from the vendor with varying dates and descriptions, and a purchase order was issued to the vendor for the reimbursement of the spotlight in the amount of \$250.00, as noted in the table below:

Invoice Number	Date of Purchase	Description	Amount	Paid by Purchase Order	Date of the Purchase Order
127962	4/20/16	2016 Mercedes Sprinter Type II AEV VIN WDAPE7CD6GP202837 (included spot light)	\$97,524.00	663	4/27/16
128220	6/9/16	Add Spot Light to VIN WDAPE7CD6GP202837, Paid with PO #663 Warrant #036390	\$250.00	N/A	
128221	6/9/16	2016 Mercedes Sprinter Type II AEV VIN WDAPE7CD6GP202837, ***Revised Notice*****	\$97,274.00	N/A	
128351	7/8/16	Add Spot Light to 2016 Mercedes Sprinter Type II AEV VIN WDAPE7CD6GP202837	\$250.00	29	7/26/16

- Additionally, we noted fuel was purchased with a credit card that was not the state approved contract for fuel cards.

**Cause of Condition:** The Authority did not follow the policies and procedures designed by the state statute requiring that purchases be competitively bid.

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

**Recommendation:** OSAI recommends that all purchases be competitively bid in accordance with Title 19 O.S. § 1723, which provides that the awarded bid price should not be adjusted to include items added to the original bid price after the bid is awarded and the Authority use the state approved contract for the purchase of fuel with a credit card.

**Management Response:**

**Chairman of the Board:** The Board will monitor and follow Title 19 O.S. § 1723 requirements for the competitive bidding process.

**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

**BRYAN COUNTY AMBULANCE AUTHORITY  
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entity's objectives with regard to reliability of financial reporting and compliance with applicable laws and regulations.

Title 19 O.S. § 1723 requires EMS Districts to make equipment purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1505, which requires all purchases in excess of \$15,000 be competitively bid, including adding items to the awarded bid priced that were not included in the original bid award and using the state approved contract for fuel credit cards.



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