



BRYAN COUNTY
AMBULANCE AUTHORITY

Statutory Report

For the fiscal year ended June 30, 2017

Cindy Byrd, CPA
State Auditor & Inspector

**BRYAN COUNTY AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Cindy Byrd, CPA | State Auditor & Inspector

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January 28, 2019

**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, 2017.

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



**BRYAN COUNTY AMBULANCE AUTHORITY
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Presentation of Collections, Disbursements, and Cash Balances of Authority Funds for FY 2017

	<u>FY 2017</u>
Beginning Cash Balance, July 1	<u>\$ 922,803</u>
Collections	
Ad Valorem Tax	1,022,782
Charges for Services	1,669,440
Intergovernmental Revenue	3,689
Miscellaneous	24,258
Total Collections	<u>2,720,169</u>
Disbursements	
Personal Services	1,820,506
Maintenance and Operations	595,433
Capital Outlay	230,823
Audit Expense	14,376
Total Disbursements	<u>2,661,138</u>
Ending Cash Balance, June 30	<u>\$ 981,834</u>

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

Bryan County Ambulance Authority
306 South 22nd 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 2017 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

November 13, 2018

**BRYAN COUNTY AMBULANCE AUTHORITY
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-001 – Inadequate Internal Controls and Noncompliance Over the Estimate of Needs and Financial Statement

Condition: Upon inquiry of the Bryan County Ambulance Authority (the Authority) staff and observation of the 2017-2018 Estimate of Needs and Financial Statement for the fiscal year 2016-2017, we noted that the information related to the Authority’s cash receipts and disbursements was not presented in conformity with the approved format for Emergency Medical Service Districts. Due to management and Board member changes during the fiscal year, the complete financial statement was not prepared correctly.

Cause of Condition: Policies and procedures have not been designed and implemented regarding the preparation and approval of complete and accurate financial information as reported on the Estimate of Needs and financial statement.

Effect of Condition: This condition resulted in an incomplete and incorrect Estimate of Needs and financial statement being approved by the Authority Board.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends management review the Estimate of Needs and financial statement prior to submitting it to the Authority Board for approval to ensure that financial information is complete and accurately presented.

Management Response:

Chairman of the Board: Bryan County EMS will go forward from 2016-2017 and make sure that the Estimate of Needs will be prepared in a timely manner, presented to the Authority Board for approval, and presented to the County Clerk’s office in accordance the OSAI recommendations.

Criteria: The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government’s duty to be publicly accountable and should enable user’s access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity’s adopted budget.

Additionally, Title 19 section 1709 states in part, “A. ...The budget format shall be as prescribed by the State Auditor and Inspector. The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:

1. Actual revenues and expenditures for the immediate prior fiscal year;
2. Estimated actual revenues and expenditures for the current fiscal year; and
3. Estimated revenues and expenditures for the budget year.

B. The budget for each fund shall contain a budget summary. It shall also be accompanied by a budget message from the board which shall explain the budget and describe its important features.

C. The estimate of revenues in each fund for any budget year shall include probable income by source which the district is legally empowered to collect or receive at the time the

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budgets are adopted. The estimate shall be based upon a review and analysis of past and anticipated revenues of the district. Any portion of the budget of revenues to be derived from ad valorem property taxation shall not exceed the estimated amount of tax which is available for appropriation or which can or must be raised as required by law. The budget of expenditures for each fund shall not exceed the estimated revenues for each fund. No more than ten percent (10%) of the total budget for any fund may be budgeted for miscellaneous purposes.

D. The board shall determine the needs of the district for sinking fund purposes, pursuant to Section 9C of Article X of the Constitution of the State of Oklahoma and include these requirements in the debt service fund budget for the budget year.”

Finding 2017-002 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Based on discussion with District employees and observation of the disbursement process, a segregation of duties exists in that the Office Manager performs the following duties without oversight and evidence of review and approval:

- Prepares purchase orders and warrants,
- Posts warrants to the warrant register,
- Takes warrants to the County Treasurer to be registered,
- Takes purchase orders and warrants to one Board Member for approval, and
- Mails warrants to vendors.

Additionally, the test of forty (40) disbursements reflected the following weaknesses:

- Seven (7) disbursements did not have proper supporting documentation.
- Six (6) disbursements did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.
- Two (2) disbursements included finance charges for late payments that were not considered appropriate/legal expenditures for the Authority.
 - Lowes Credit Card: Purchase Order # 465 was for miscellaneous supplies, \$1,438.08 with finance charges of \$61.98.
 - Walmart Community Card: Purchase Order #266 was for office equipment, \$1,108.51 with finance charges of \$4.68.

In addition, the review of credit card statements for supplies, equipment, food, and fuel, reflected the following exceptions:

- The following credit card charges including interest/late fees were not considered appropriate/legal expenditures for the Authority.
 - Wal-Mart Community Card: totaling \$40.84
 - Lowes Credit Card: totaling \$101.64

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- The following credit card charges did not appear to be for the lawful operation of the Authority and adequate supporting documentation was not maintained.

PO #	Date	Amount	Description
17	7/20/16	\$503.63	Walmart Community Card: \$116.07 Food charges for employees that were not in travel status.
36	7/26/16	\$1,188.01	Staples Credit Card: Luxor 72x40 magnetic double-sided whiteboard for \$263.99 This item was purchased by the Director for personal use.
464	1/31/17	\$2,208.03	Staples Credit Card: Office Supplies Supporting documentation was not available to determine that supplies were for the lawful operation of the Authority.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure disbursements are incurred only for the lawful operation of the Authority, to provide adequate documentation for disbursements, to indicate receipt of goods and/or services, and to sufficiently segregate the duties of disbursements.

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. Further, inadequate segregation of duties along with inadequate documentation of reimbursements and disbursement of funds for purchases that were not for the lawful operation of the Authority resulted in noncompliance with state statute.

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 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. Also, OSAI recommends the Authority implement a system of internal controls to ensure that all disbursements have proper supporting documentation, are reviewed for accuracy and are for the lawful operation of the Authority.

Additionally, OSAI recommends the following:

- Invoices should accompany all claims for disbursements prior to payment.

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- The Authority Board should address in a policy, disbursements for lawful purchases, as provided in Title 19 O.S. § 1710.1(A).

Management Response:

Chairman of the Board: A written procedure of segregation of duties has been implemented at Bryan County EMS and moving forward such duties will be segregated accordingly. The Bryan County EMS moving forward will create and follow a policy approved by the Board for invoices and attach all accompanying documents to future invoices.

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 regarding 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 recordkeeping 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.

Title 19 O.S. § 1710.1(A) states, "A. Any proceeds collected pursuant to the provisions of Section 9C of Article X of the Oklahoma Constitution shall only be expended for the purpose of providing funds for the support, organization, operation and maintenance of district ambulance services, known as emergency medical service districts."

Finding 2017-003 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Based on discussion with District employees and observation of the payroll process, a lack of segregation of duties exists in that the Office Manager performs the following duties without oversight and evidence of review and approval:

- Enrolls new employees.
- Verifies timecards.
- Inputs payroll information into the software system.
- Maintains personnel files.
- Processes payroll claims.
- Reviews payroll verification reports.
- Prepares and initiates the Direct Deposit.
- Prints the payroll warrants.
- Distributes payroll warrants.
- Makes payroll changes in the system.

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Based upon inquiry, observation, and a review of thirty-seven (37) employee payroll documents for the payroll period of May 15, 2017, the following was noted:

- One (1) employee's timesheet was not signed by the employee.
- Evidence of supervisor or management approval of fifteen (15) employees' timesheets was not documented.
- One (1) employee's payroll/personnel file did not have evidence of withholding documentation.

Additionally, upon inquiry, observation and review of employee leave reports, we noted the following exceptions:

- Leave balance reports were not maintained with a beginning or ending balance, nor were accrual amounts recorded on the reports.
- Evidence of leave balance reports being acknowledged by employee signatures was not documented.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure adequate segregation of duties regarding 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.

Additionally, policies and procedures have not been designed and implemented to ensure that payroll deductions have supporting documentation.

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

This condition could also result in noncompliance with Internal Revenue Service (IRS) and Oklahoma Tax Commission regulations regarding documentation of payroll withholding information.

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 management take steps to adequately segregate the following key accounting functions:

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

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

OSAI recommends the Authority develop written policies and ensure all compensation policies are adequately documented and ensure compliance with Internal Revenue Service and the Oklahoma Tax Commission regulations regarding withholdings.

Management Response:

Chairman of the Board: Payroll has been outsourced to a Certified Public Accountant office to ensure all compensation is adequately documented and that we comply with the Internal Revenue Service and Oklahoma Tax Commission regulations. Two office employees will review time cards for accuracy and to ensure the paid time off (PTO) is figured correctly. A report is given to each employee showing their PTO. A policy will be created defining the employee's rights to appeal their PTO if an error is suspected or found.

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 regarding 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.

Internal controls should be designed and implemented regarding compensation practices. Effective internal controls require management properly implement procedures to comply with Internal Revenue Service and Oklahoma Tax Commission regulations and guidelines regarding tax responsibilities as an employer.

Finding 2017-004 – Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)

Condition: Based on inquiry, observation, and review of the of the Authority's fixed assets inventory records, the following weaknesses were noted:

- An annual physical verification of fixed assets inventory was not performed.
- Fixed assets inventory records were not updated on an ongoing basis.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory is 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.

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Recommendation: OSAI recommends the Authority design and implement policies and procedures to ensure an annual physical fixed assets inventory verification is performed and maintained and records are updated on an ongoing basis. Furthermore, OSAI recommends annual physical inventory verification by someone other than the individual maintaining inventory records.

Management Response:

Chairman of the Board: Our Captains will compile and maintain the inventory list annually. The Captains will turn in the inventory list to the Deputy Director. The Deputy Director will review the inventory to ensure its accuracy and sign off as complete.

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 2017-006 – Inadequate Internal Controls and Noncompliance Over Documentation of the Competitive Bidding Process

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

- On July 13, 2016, the Authority Board minutes reflect the Board awarded a bid for a Ford F450 (Type I) remount ambulance totaling \$116,621.00 with a chassis trade-in valued at \$400.00.
- The Board minutes reflect seven bid solicitations were mailed to prospective vendors and two bids were received for consideration.
- The Authority did not retain documentation of the bid solicitations and returned bid packets as evidence of adhering to state statutes regarding the competitive bidding process.

Cause of Condition: The Authority did not follow the policies and procedures designed by the state statute regarding competitive bidding requirements, which include retaining documentation of competitive bidding procedures performed.

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

Recommendation: OSAI recommends that all equipment purchases be competitively bid in accordance with Title 19 O.S. § 1723, which requires the Authority make equipment purchases in accordance with the county purchasing procedures as outlined in 19 O.S. § 1505.

Management Response:

Chairman of the Board: Going forward with any competitive bidding, the Board will ensure compliance with the recommendations of OSAI, and Oklahoma Statute Title 19 O.S. § 1723 and 19 O.S. § 1505.

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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 regarding reliability of financial reporting and compliance with applicable laws and regulations.

Title 19 O.S. § 1723 requires the Authority make equipment purchases in accordance with the county purchasing procedures as outlined in 19 O.S. § 1505, which requires all equipment purchases in excess of \$15,000.00 be competitively bid and that forms and reports be retained for not less than two (2) years after all audit requirements for the state and federal government have been fulfilled and after any pending litigation involving forms and reports has been resolved.

Finding 2017-007 – Inadequate Internal Controls and Noncompliance with Contract Services

Condition: While reviewing the terms and conditions of the service provider contracts between the Authority, the Town of Bokchito, and the Colbert Public Utility Authority, the following exceptions were noted regarding compliance with those contracts:

- The Bryan County Ambulance Authority did not have documentation of a service provider contracts signed by the Board Chairman for the Town of Bokchito, and the Colbert Public Utility Authority.
- The Bryan County Ambulance Authority did not have documentation in the Authority Board minutes regarding discussion of service provider contract renewals and the Authority Board approval of contracts.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the Authority and service providers adhered to the terms and conditions of the ambulance service contracts.

Effect of Condition: These conditions could result in noncompliance of the service contract terms and could result in the misappropriation of funds and liabilities incurred due to a lack of evidence of contract approval.

Recommendation: OSAI recommends the Authority Board design and implement policies and procedures to ensure compliance with the terms and conditions of ambulance service contracts and document that contracts were approved and signed by the Board in the Board minutes.

Management Response:

Chairman of the Board: The Town of Bokchito's ambulance service ceased providing ambulance coverage in January of 2017 and surrendered their EMS license May of 2017 to the Oklahoma State Department of Health. The Bryan County Ambulance Authority and the Colbert Public Utility Authority now have measures in place to renew the contract annually.

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Criteria Accountability and stewardship are overall goals of the Board 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/or misappropriation of funds. Key factors in this system would include the terms and conditions of the ambulance service contracts are met and approved by the Authority Board.

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