STATUTORY REPORT

Bryan County Ambulance Authority

For the fiscal year ended June 30, 2015

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

BRYAN COUNTY AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (http://digitalprairie.ok.gov/cdm/search/collection/audits/) pursuant to 65 O.S. § 3-114.

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 5, 2016

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, 2015.

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,

Gary A Jones

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

Presentation of Collections, Disbursements, and Cash Balances of Authority Funds for FY 2015.

	FY 2015
Beginning Cash Balance, July 1	$ 738,684
Collections	
Ad Valorem Tax	932,022
Intergovernmental Revenues	23,534
Charges for Services	1,649,848
Miscellaneous	26,047
Total Collections	2,631,451
Disbursements	
Personal Services	1,452,250
Maintenance and Operations	604,601
Capital Outlay	42,706
Total Disbursements	2,099,557
Ending Cash Balance, June 30	$ 1,270,578

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

Oklahoma State Auditor & Inspector
2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

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 2015 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.

Gary A Jones

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

May 26, 2016

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-1 –Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account (Repeat Finding)

Condition: Upon inquiry and observation of the budgeting process, it was determined that internal controls have not been designed or implemented to ensure the amount required by statute is correctly budgeted for the audit expense budget account.

It was further noted that Bryan County Ambulance Authority (the Authority) has not carried forward the balance into the audit expense budget account each fiscal year. As a result, the Authority's balance in the audit expense budget account as of June 30, 2015 was $3,059.00. However, the correct balance should have been $139,488.61, leaving the account underfunded by $136,429.61.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the audit expense budget account is accurately budgeted in accordance with statutory requirements.

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

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the Authority implement a system of internal controls to provide reasonable assurance that one-tenth mill upon the net total assessed valuation be set aside in the audit account and that any unused portion be carried forward into the next year audit account in accordance with 19 O.S. § 1706.1.

Management Response:
Chairman of the Board: The Audit Expense Budget Account was properly recorded and accrued as a line item in our budget, but was not transferred accurately to the Estimate of Needs. We will address this issue with the accountant who prepares our Estimate of Needs to ensure future compliance.

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. § 1706.1 states in part "The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit ….."

Finding 2015-2 – Lack of Segregation of Duties Over the Collection Process (Repeat Finding)

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

- Receives payments and issues receipts,
- Posts to ledgers and accounts,
- Prepares and takes the deposit to the County Treasurer, and
- 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: 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:
Chairman of the Board: Our policy regarding the collection of mail, recording of mail received, including checks received has been corrected to involve all three of the office personnel. Each person performs a separate function and creates a better system of checks and balances.

Auditor Response: As stated in the recommendation**,** management's responsibility is to implement compensating controls to mitigate risk when duties are concentrated in one employee. Such compensating controls could be further involvement in the process by the Board including reviewing deposits and payment ledgers at monthly meetings and evidencing such by initialing and dating those documents.

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.

Finding 2015-3 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

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

- 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 twenty-five (25) purchase orders reflected the following weaknesses:

- One (1) purchase order for $115.00 did not have supporting documentation for the reimbursement of "misc. supplies" and lacked evidence of a receiving signature to verify the invoice for accuracy.
- Three (3) purchase orders did not have evidence of a receiving signature to verify the invoice for accuracy.

Further, a review of purchases on an account with a local department store indicated purchases were made on four different occasions for dog food and gift cards which do not appear to be 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 District, 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, unlawful purchases, and no evidence of the receiving signature for the receipt of goods and/or services, could result in noncompliance with state statute.

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

Additionally, OSAI recommends the following:

- Invoices should accompany all claims for disbursements prior to payment.
- Evidence that goods and/or services have been received should be indicated by the initials of a designated receiving officer and a date the goods and/or services were received.
- The 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: Packing slips enclosed with incoming shipments are to be verified when goods are received to ensure the presence of all items invoiced. Purchase of the dog food has been prohibited. Gift cards will not be issued in the future without Board approval. The Board has implemented policies and procedures to segregate the duties in the disbursement process to involve all three of the office personnel.

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.

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 2015-4 – Inadequate Internal Controls Over Payroll Expenditures (Repeat Finding)

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

- Leave balance reports were not maintained with a beginning or ending balance, nor did they show accrual amounts. Leave balance reports are not acknowledged by employees.

- W-4's were incomplete for six (6) employees.
- The Director received additional monetary compensation for a vehicle allowance ($300.00 month) and insurance allowance ($236.50 month). These fringe benefits were not subject to federal or state withholdings. In addition, no written policies were available for the additional compensation.
- The Assistant Director received additional monetary compensation for a phone allowance ($60.00 month). In addition, no written policies were available for the additional compensation.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that both employees and supervisors verify the accuracy of timesheets and to maintain a leave ledger, ensuring leave balance reports depict the beginning, ending, and accrued amounts are accurate Additionally, policies and procedures have not been designed and implemented to ensure that compensation is paid with Board approval and in accordance with Internal Revenue Service and the Oklahoma Tax Commission regulations regarding withholdings.

Effect of Condition: These conditions resulted in inaccurate recordkeeping and could result in incorrect payment of wage and leave benefits. This condition could also result in noncompliance to Internal Revenue Service (IRS) and Oklahoma Tax Commission regulations.

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

Management Response:
Chairman of the Board: We are currently working with software vendor to create a Leave Balance Report that meets compliance requirements. W-4"s will be properly maintained for all employees. The additional compensation for the Director is approved in the revised Human Resources Manual and is being included in the gross income on the second pay period of the month. The Assistant Director's phone allowance is also included in the revised Human Resources Manual.

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 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 2015-5 – 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 was noted:

- An annual physical count of fixed assets inventory was not adequately documented by the employee that verified the inventory items.

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: This condition 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 and documentation of the physical inventory count be retained.

Management Response:
Chairman of the Board: A physical inventory is now being maintained and randomly verified by an individual who did not participate in the inventory process.

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 2015-6 – Inadequate Internal Controls Over Ambulance Service Run Activities (Repeat Finding)

Condition: Our test of thirty (30) ambulance service runs resulted in the following exceptions:

- Two (2) runs were denoted as written-off as bad debt. The billing clerk stated that the amounts were written off as bad debts.
- One (1) run could not be located in the billing records.
- The Authority did not have an established verbal or written policy regarding bad debt write-offs.
- Additional charges for supplies in the amount of \$9.00 to \$289.00 and biohazard suits in the amount of \$5.00 to \$25.00 were added on to the charges for all ambulance service runs tested.
- The Authority did not have an established verbal or written policy regarding the charge of additional fees for supplies and biohazard suits.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that all ambulance service runs are billed accurately and according to policies with regard to charges for additional supplies and biohazard suits, and to ensure bad debt write-offs occur after authorization as documented in Board minutes.

Effect of Condition: These conditions resulted in the Authority having inaccurate record information with regard to billing for additional supplies and biohazard suits, 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 have Board authorization prior to writing the account off, and to ensure all runs are billed accurately with regard to additional supplies and biohazard suits, so the Authority can receive billing revenue crucial to operations of the Authority.

Management Response:
Chairman of the Board: We have now established a policy that requires Board approval of write-off amounts that are not included in the normal non-allowable charges not covered by Medicare and Medicaid. There is also a procedure in place that verifies all runs are accounted for and presented to the Billing Clerk. Charges for supplies and biohazard fees were discontinued in the 2015-2016 fiscal year.

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 approval and ensuring all runs are maintained and billed accurately with regard to additional supplies and biohazard suits.

Finding 2015-7 – Inadequate Internal Controls and Noncompliance Over Pledged Collateral

Condition: Based upon testwork performed, the Authority's funds were under-collateralized at June 30, 2015 at a financial institution.

- The Authority had $1,101,962.44 on deposit, and pledged securities and FDIC coverage of $897,416.35 leaving unsecured deposits of $204,546.09.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure accounts are in compliance with state statutes regarding pledged securities.

Effect of Condition: Failure to monitor pledged collateral amounts to daily bank balances resulted in unsecured Authority funds, noncompliance with state statute, and could result in the possible loss of Authority funds.

Recommendation: OSAI recommends the Authority maintain evidence of monitoring the fair market value of pledged collateral to bank balances on a daily basis to ensure funds are adequately secured and to ensure compliance with 62 O.S. § 511.

Management Response:
Chairman of the Board: The Authority is now monitoring and verifying that sufficient pledged securities are in place to cover our funds.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the Authority should monitor the pledged collateral amounts on a daily basis and compare those amounts to the deposits on hand at each financial institution.

Title 62 O.S. § 511 states, "Any custodian of public funds of any kind or character, required by law to secure proper collateral before depositing public funds in a bank or trust company, shall hereafter, in depositing public funds in a bank or trust company whose deposits are insured by the Federal Deposit Insurance Corporation, be required to secure proper collateral only for sums deposited in excess of the amount of deposit insured by such Federal Deposit Insurance Corporation."

OFFICE OF THE STATE AUDITOR & INSPECTOR
2300 N. LINCOLN BOULEVARD, ROOM 100
OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV