

STATUTORY AUDIT

CHOCTAW COUNTY AMBULANCE AUTHORITY

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



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

**CHOCTAW 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

March 27, 2015

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

Transmitted herewith is the audit report of Choctaw 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 that reads "Gary A. Jones". The signature is written in a cursive, flowing style.

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



Oklahoma State Auditor & Inspector

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

Choctaw County Ambulance Authority
P.O. Box 567
Hugo, Oklahoma 74743

TO THE BOARD OF DIRECTORS OF THE CHOCTAW 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 Choctaw 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 Choctaw 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 Choctaw 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, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

March 17, 2015

**CHOCTAW COUNTY AMBULANCE AUTHORITY
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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 Choctaw County Ambulance Authority (the Authority), it was noted that the Accounts Manager performs the following duties:

- Issues receipts and posts payments to patient accounts.
- Posts to and is able to make changes to the accounting ledgers.
- Reconciles and maintains the bank statements.
- Mails patient billings.

Cause of Condition: The Authority has not designed and implemented policies and procedures 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:

Administrator on Behalf of the Board:

- The Administrator and Board will implement a policy that the Administrator and Office Manager will reconcile all bank accounts together to ensure accuracy.
- The Administrator and Board will implement a policy that all bank statements will be maintained in a locked file cabinet in the Administrator's office.
- Due to limited personnel, the Office Manager will issue receipts, post payments to patient accounts, post to the accounting ledger and mail patient billings. Some of the billings will be mailed by the Billing Clerk. The Administrator and Board will implement a policy that the Administrator will randomly check 10 patient accounts on a weekly basis to ensure the correct receipts, posting, and billing has been completed and are accurate.

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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, reconciliations, and issuing bills to patients should be segregated.

Finding 2 – Run Test

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

- 3 runs did not have a second billing issued for payment.
- 1 run did not have a receipt issued for the payment received.

Cause of Condition: Procedures have not been designed to ensure that all runs have been issued a second billing prior to being turned over to collections and/or being written-off, and to ensure all funds received are issued a receipt accordingly.

Effect of Condition: These conditions resulted in the Authority having incomplete receipt records, and could result in the Authority missing the opportunity to receive additional billing revenue.

Recommendation: OSAI recommends that the Authority implement a policy to ensure all claims have a second billing prior to being turned over to collections and/or being written-off. Additionally, OSAI recommends the Authority ensures a receipt is always issued for any and all funding received.

Management Response:

Administrator on Behalf of the Board:

- The Administrator and Board will implement a policy that a receipt will be issued for every payment received. The Administrator will randomly check receipts with deposits to ensure accuracy.
- The Administrator and Board will implement a policy that patients with an outstanding balance will be sent three statements showing their balance. Billing Clerk will send the first statement with two follow up statements sent by the Office Manager before write off. With the third statement the Office Manager will include a form for financial hardship consideration. If the patient qualifies as a financial hardship case the patient may receive a discount of the balance owed after approval by the Administrator.

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 sends a second billing prior to turning an individual over to collections and/or having the account written-off, and ensuring a receipt is issued for any funding received.

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Finding 3 – Cash Composition Test

Condition: The following was noted while performing a cash composition test for the period under review:

- Receipts are not necessarily issued in sequential order, nor are the unused receipt books kept in a secure location.
- On 2 deposits the deposit slip was calculated incorrectly, and the bank had to make an adjustment. On one deposit the bank deducted \$200, and on the other deposit the bank added \$32.80.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure Authority receipts are secured prior to use and issued in sequential order, and to ensure deposits are prepared accurately.

Effect of Condition: These conditions could result in incomplete records, unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Authority implement a receipt recordkeeping process whereby unused receipts are secured prior to use and issued in sequential order. Additionally, OSAI recommends the Authority ensure deposits are prepared in such a manner that the deposit slip always matches the funds deposited. This could be aided by having an individual other than the preparer of the deposit review it for accuracy.

Management Response:

Administrator on Behalf of the Board:

- The Administrator and Board will implement a policy that the Administrator will randomly check the issued receipts to ensure each receipt is in sequence order. If for some reason a receipt has to be written out of sequence the Office Manager will write an explanation and receipt number in the front of that receipt book.
- The Administrator and Board will implement a policy that the unissued receipt books will be kept in a locked file cabinet in the Administrator's office. Also the Administrator will randomly check the issued receipts to ensure each receipt is in sequence order.
- The Administrator and Board will implement a policy that the Administrator will make out the deposit slip. The Office Manager will review the slip, checks/money and run a calculator tape for accuracy. The Office Manager will sign the deposit slip, and then give the tape to the Billing Clerk. When the Administrator returns from the bank he will take the deposit slip to the Billing Clerk for her to compare the tape with the deposit for accuracy. The Billing Clerk will sign the deposit slip.

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

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safeguarding unused receipt books, ensuring receipts are issued in sequential order, and ensuring deposits are prepared and made accurately.

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:

- Reviews the purchase order and invoice for accuracy.
- Enters the purchase order into the system.
- Prepares checks.
- Receives goods and services.
- Prepares envelopes and mails vendor checks.
- Maintains and files purchase orders.
- Records Authority Board minutes.

Cause of Condition: The District 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.

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:

Administrator on Behalf of the Board:

- The Administrator and Board will implement a policy that the Administrator will complete each purchase order (PO) and the Office Manager and Billing Clerk will review each PO for accuracy.
- The Administrator and Board will implement a policy that the Office Manager will enter PO into the computer. The Administrator will randomly check 10% of all POs entered for accuracy. Each Board member will have a printout of previous month POs entered into the computer to review for accuracy.

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- The Administrator and Board will implement a policy that the Administrator will write checks for POs and the Office Manager will review for accuracy. Final approval will be made at Board meetings when at least two Board members will review all POs, invoices, and checks signing each PO and check.
- The Administrator and Board will implement a policy that whoever receives goods and services will check in the items and sign the invoice. She/he will have a second employee sign off on each invoice.
- The Administrator and Board will implement a policy that the Office Manager will stuff envelopes for vendors and the Billing Clerk will randomly check and seal 10% of the envelopes. The Administrator will mail the envelopes.
- The Administrator and Board will implement a policy that the Administrator will record all Authority Board minutes with the Board approving the minutes at the next meeting.

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

- 21 of the 25 expenditures tested did not have evidence of a receiving signature/verification of accuracy.
- 2 of the 25 expenditures tested did not have an invoice attached to the claim.
- 1 of the 25 expenditures did not appear to have been approved by the Board.

Fiscal Year 2010

- 23 of the 25 expenditures tested did not have evidence of a receiving signature/verification of accuracy.
- 1 of the 25 expenditures tested did not have an invoice attached to the claim.

Fiscal Year 2011

- 20 of the 25 expenditures tested did not have evidence of a receiving signature/verification of accuracy.

Fiscal Year 2012

- 17 of the 25 expenditures tested did not have evidence of a receiving signature/verification of accuracy.
- 2 of the 25 expenditures did not appear to have been approved by the Board.

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Fiscal Year 2013

- 16 of the 25 expenditures tested did not have evidence of a receiving signature/verification of accuracy.
- 1 of the 25 expenditures tested did not have an invoice attached to the claim.
- 1 of the 25 expenditures did not appear to have been approved by the Board.

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 all expenditures are incurred only after Board authorization is given.

Effect of Condition: These conditions 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 obtains Board approval for all expenditures incurred.

Management Response:

Administrator on Behalf of the Board:

The Administrator and Board will implement a policy as well as follow through with invoice attachments to purchase orders which will in turn be inspected and signed by Board members at scheduled Board meetings to ensure proper accountability for funds being spent.

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, and ensuring Board authorization is given for all expenditures incurred.

Finding 6 – Bids

Condition: Based upon inquiry, observation, and testwork conducted on the bidding process of the Authority the following was noted on the 10 items reviewed:

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

Purpose	Date	Amount
Victory Life Building	5/14/09	\$173,745.00
Down Payment Ambulance Refurbishment	3/16/11	\$10,000.00
Remodeling of Building	Various	\$57,604.19
Water System Installation	Various	\$30,250.00
Electrical Repairs	3/13/12	\$11,624.35
New Water Line Installation	7/1/11; 8/1/11	\$18,800.00

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- Proof of publication was available for review, but additional information on the bids was not provided for the following:

Purpose	Date	Amount
Defibrillators	12/1/10; 1/1/11	\$21,147.39
2011 Ambulance Chassis	7/11/11	\$35,900.00
Software Installment	8/1/12	\$10,000.00
Refurbishment on Ambulance	3/12/12	\$46,803.39

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 noncompliance with state statute, and it 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:

Administrator on Behalf of the Board:

- The Administrator and Board will implement a policy that ensures all labor, material, and/or equipment that is to be purchased at a price over \$7,500.00 will be advertised, bid, and examined at the board meeting which is specified in the advertisement which pertains to it.
- All policies and procedures designed by the state regarding the bidding process and its requirements will be followed. Any bid which could be approved by the Board that is not based on the lowest bid received will always have a documented justification attached to it for the reason of making such decisions.

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 – Inventory Records

Condition: Based on inquiry, observation, and review of the Authority it was noted there was not an updated inventory list available for inspection by OSAI.

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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 a physical inventory verification be performed by someone other than the individual maintaining inventory on a recurring basis at least annually.

Management Response:

Administrator on Behalf of the Board: The Administrator and Board will implement a policy that will enact an annual inventory listing of all fixed assets as well as appliances, equipment for office use, and all EMS equipment that is purchased through the Choctaw County Ambulance Authority (CCAA) funds. The inventory listing will be re-evaluated on an annual basis, and it will be filed with the Choctaw County Clerk.

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.

Finding 8 - 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 \$2,530.88 between the EON and the Authority records, and an overstated variance of \$2,316.77 between the EON and the bank balance.
- The fiscal year 2012 EON depicted expenditures were \$1,875.27 more than the Authority records.
- The June 30, 2012 ending cash balance contained an overstated variance of \$549.30 between the EON and the Authority records, and an overstated variance of \$54,549.30 between the EON and the bank balance.
- The fiscal year 2013 EON depicted revenues were \$13,703.91 less than the Authority records.
- The fiscal year 2013 EON depicted expenditures were \$203,473.90 less than the Authority records.
- The June 30, 2013 ending cash balance contained an overstated variance of \$190,319.29 between the EON and the Authority records, and an overstated variance of \$190,308.33 between the EON and the bank balance.

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Due to these large variances, the financial information for the Estimate of Needs was not presented in this audit report.

Concerning the audit budget account for fiscal year 2010, the Authority did not budget any funds. Additionally, the Authority does not appear to be budgeting for audit purposes based on the statutory basis of one-tenth mill upon the total net valuation.

Cause of Condition: Policies and Procedures have not been designed and implemented to ensure the balances on the Estimate of Needs reconcile to the balances of the Authority records and bank balances.

Further, the Estimate of Needs was not prepared in accordance with 19 O.S. § 1702 or 19 O.S § 1706.1.

Effect of Condition: The Authority Estimate of Needs for the period under review did not reflect the complete financial condition of the Authority. This also resulted in noncompliance with state statutes and underfunding of the audit expense account.

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. Additionally, 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:

Administrator on Behalf of the Board:

The Administrator and Board will implement a policy that ensures the estimate of needs pertaining to the money that will be used from the County tax levy for its appropriation as well as its comparison to accounting records for purposes of accuracy.

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..."

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.



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

WWW.SAI.OK.GOV