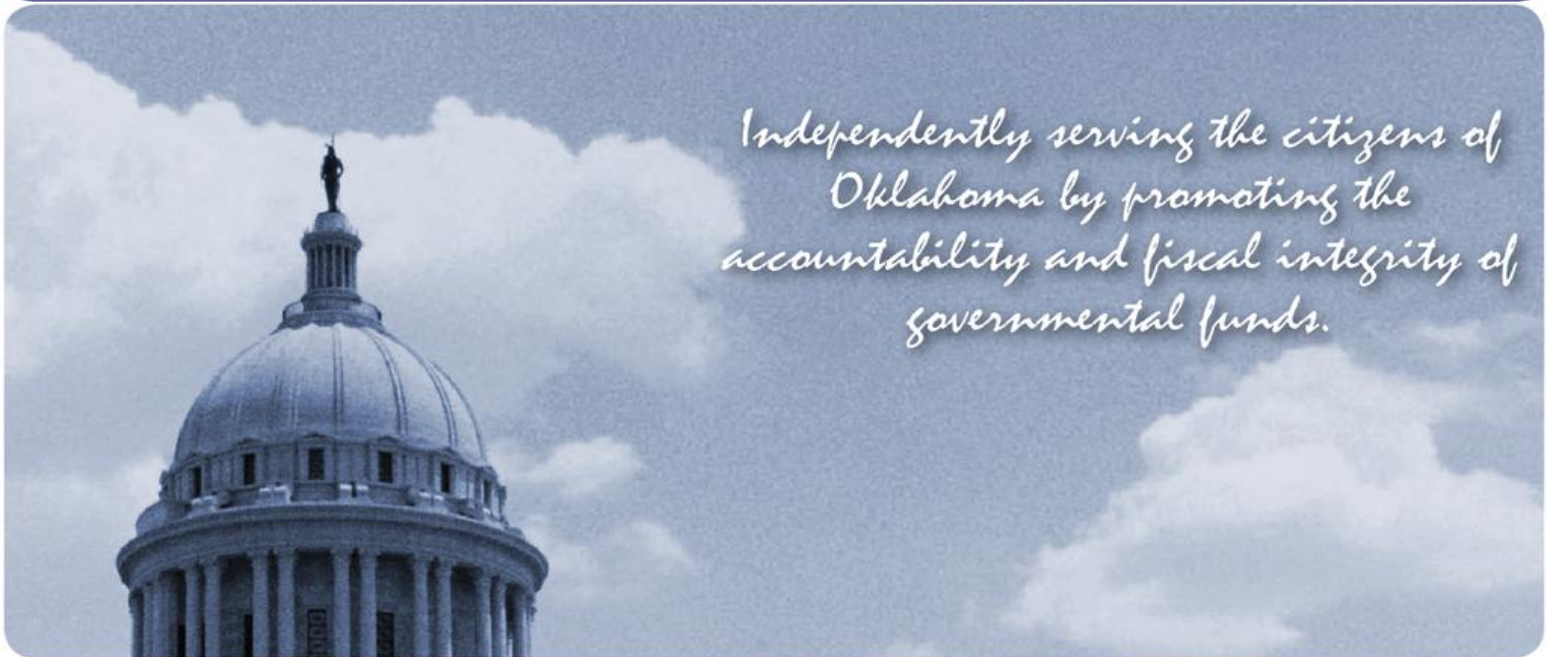


STATUTORY REPORT

# CHOCTAW COUNTY AMBULANCE AUTHORITY

For the fiscal year ended June 30, 2014



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



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

**CHOCTAW COUNTY AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

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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](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



# Oklahoma State Auditor & Inspector

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

April 15, 2016

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

Transmitted herewith is the audit report of Choctaw County Ambulance Authority for the fiscal year ended June 30, 2014.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

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

**CHOCTAW COUNTY AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

	<b>FY 2014</b>
Beginning Cash Balance, July 1	\$ 1,140,696
Collections	
Ad Valorem Tax	189,435
Charges for Services	769,621
Sales Tax	182,330
Miscellaneous	9,143
Total Collections	1,150,529
Disbursements	
Personal Services	627,870
Travel	-
Maintenance and Operations	442,214
Capital Outlay	44,683
Audit Expense	-
Total Disbursements	1,114,767
Ending Cash Balance, June 30	\$ 1,176,458

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



# Oklahoma State Auditor & Inspector

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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 Authority's collections, disbursements, and cash balances for FY 2014 were accurately presented on the estimate of needs.

All information included in the records of the authority 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.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

November 12, 2015

**CHOCTAW COUNTY AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 1 – Lack of Segregation of Duties and Inadequate Internal Controls Over the Receipting Process (Repeat Finding)**

**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:

- Receives payments and issues receipts,
- Posts to ledgers and accounts,
- Verifies bank deposits,
- Performs bank reconciliations, and
- Prepares monthly and yearly reports.

**Cause of Condition:** Policies and procedures have not been designed and implemented to adequately segregate the receipting process and to ensure all reports and bank reconciliations are reviewed and approved by someone other than the preparer.

**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. To improve controls over the receipting, depositing, and reconciling functions, we recommend the following:

- Bank reconciliations should be reviewed by someone other than the preparer.
- Monthly reports should be reviewed by someone other than the preparer.

**Management Response:**

**Chairman of the Board:** The Administrator and Board will implement a policy that the Office Manager will reconcile all bank accounts and will be reviewed by and signed off on by the Administrator and/or Board Member. The Administrator and Board will implement a policy that the Office Manager will prepare all monthly reports and be reviewed and approved by the Administrator and/or Board Member.

**CHOCTAW COUNTY AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

**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, and reconciliations should be segregated.

**Finding 2 – Lack of Documentation Regarding Uncollectible Accounts (Repeat Finding)**

**Condition:** Our test of twenty-five (25) ambulance runs resulted in the following:

- Two (2) runs were written-off as bad debt without proper authorization of the Board.

The Authority does not have an established verbal or written policy regarding bad debt write-offs.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure bad debt write-offs only occur after proper authorization of the Board.

**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 design and implement recordkeeping policies and procedures to ensure bad debt write-offs only occur after Board authorization and to safeguard billing revenue crucial to operations of the Authority.

**Management Response:**

**Chairman of the Board:** The Administrator and Board will implement a recordkeeping policy for bad debt write-offs. Bad debt write-offs will only occur after they are 18 months old, after three statements have been sent, and with the approval of the Board as recorded in the Board Meeting Notes.

**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 billed accurately and in a timely manner.

**Finding 3 – Inadequate Internal Controls Over the Collection Process**

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



**CHOCTAW COUNTY AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

- Receipts are not issued in sequential order.
- Deposits are not made in a timely manner.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure Authority receipts are issued in sequential order and to ensure collections are deposited in a timely manner.

**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 design and implement a recordkeeping process whereby receipts are issued in sequential order. Additionally, OSAI recommends the Authority ensure all collections are deposited daily.

**Management Response:**

**Chairman of the Board:** The Administrator and Board have implemented a policy and procedure that as a payment for patient account, tax payment or refund comes into the office, priority is the Office Manager will write the receipt at that time so the receipts will be in sequential order. In the absence of Office Manager the Billing Clerk will prepare the receipts. The Administrator and Board have implemented a policy and procedure that the Administrator will make every effort to make deposits on the first business day following the receiving of funds.

**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 ensuring receipts are issued in sequential order and ensuring collections are timely deposited.

**Finding 4 – Inadequate Internal Controls Over the Expenditures Process (Repeat Finding)**

**Condition:** Based upon inquiry and observation of the expenditures process, the following was noted concerning the testwork conducted of twenty-five (25) expenditures:

- One (1) expenditure tested did not have supporting documentation attached to claim.
- Six (6) expenditures tested did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.
- Twenty-five (25) expenditures tested did not have proper approval by the Board.

It was noted that the Authority utilized fuel charge cards without statutory authority for such cards.

**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. Additionally, policies and

**CHOCTAW COUNTY AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

procedures have not been developed to ensure expenditures for fuel are made in accordance with state statute.

**Effect of Condition:** These conditions resulted in noncompliance with state statute, and 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 and are for the lawful operation of the Authority. Regarding fuel purchases, OSAI recommends the Authority consider using the state contract for obtaining fuel cards.

**Management Response:**

**Chairman of the Board:** The Administrator and Board have implemented a policy and procedure that all expenditures will have Board Approval. The monthly ledger of expenditures will be reviewed and approved by at least 3 Board Members with signatures. As items are received there will be two employees open and verify with signatures for accuracy. The Administrator and Board have implemented a policy and procedure that all fuel purchases are verified with a supervisor signature on supporting document. Each supporting document will be stapled to purchase order for the Board's approval.

**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, ensuring expenditures are only incurred in accordance with state statute, and ensuring the proper approval of the Board for the operation of the Authority.

Further, Title 19 O.S. § 1723 requires that the Authority follow county purchasing procedures for competitively bidding fuel as outlined in Title 19 O.S. § 1501(A)(3)(g).

**Finding 5 – Noncompliance with State Statutes – Bids Not Obtained (Repeat Finding)**

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

- The Authority did not bid the following:

Purpose	Date	Amount
Re-Furbished Ambulance	7/30/13	\$44,683

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that expenditures are competitively bid in accordance with 19 O.S. § 1723.

**CHOCTAW COUNTY AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

**Effect of Condition:** These conditions resulted in noncompliance with state statute and 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. The Authority should follow purchasing procedures outlined in state statutes.

**Management Response:**

**Chairman of the Board:** The Administrator and Board have implemented a policy that ensures all labor, material, and/or equipment that is to be purchased at a price over \$15,000.00 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 has 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.

Title 19 O.S. § 1723 requires EMS entities to competitively bid 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.

**Finding 6 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)**

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

- Employee timesheets were not signed/approved by a Supervisor.
- Leave balance reports were not maintained with a beginning or ending balance, nor did they reflect accrual amounts. Leave balance reports were not acknowledged by employees.
- The Director did not prepare a timesheet or maintain a ledger with compensated leave balances.
- No approved personnel policies were available for the employee 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, to ensure all employees complete a timesheet and maintain a ledger of compensated leave balances, to ensure leave balance reports depict the beginning, ending, and accrued amounts, and to ensure leave taken per timesheets agrees to the compensated leave ledger.

**Effect of Condition:** These conditions resulted in inaccurate recordkeeping and incorrect payment of wage and leave benefits.

**CHOCTAW COUNTY AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**Recommendation:** OSAI recommends the Authority ensure all employees prepare a timesheet, and that 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. The leave used per the leave ledger should match the leave taken on the timesheet. OSAI also recommends the Authority develop written policies and ensure all compensation comply with Internal Revenue Service and the Oklahoma Tax Commission regulations regarding withholdings.

**Management Response:**

**Chairman of the Board:** The Administrator and Board have implemented a policy and procedure concerning the payroll process. A time clock has been purchased and is being utilized by all employees to ensure all time worked is accurate. There is a printout for all employees with a signature for said employee and supervisor. Beginning and ending balance of compensated leave is posted on each employee sheet monthly. The Administrator and Board have implemented a policy and procedure with approval of the Employee Handbook Policy for employee compensated time that has been approved.

**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 7 – Inadequate Internal Controls Over Inventory Records (Repeat Finding)**

**Condition:** Based on inquiry, observation, and review of the Authority the following was noted concerning inventory:

- Documentation was not maintained for fixed assets list.
- An annual physical count of inventory was not performed.

**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 that policies and procedures be implemented to ensure inventory is updated on an ongoing basis. Furthermore, OSAI recommends an annual physical inventory verification by someone other than the individual maintaining inventory.

**Management Response:**

**Chairman 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 as well as all EMS

**CHOCTAW COUNTY AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

equipment that is purchased through the 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 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 8 – Inadequate Internal Controls Over the Estimate of Needs (Repeat Finding)**

**Condition:** While reviewing the Authority accounting records and comparing them to the Estimate of Needs (EON) for the fiscal year ended June 30, 2014, the following was noted:

- The Estimate of Needs does not reflect the expenditures of each fund, itemized by department and account.
- The Authority failed to properly budget the one tenth of one mill for the audit budget account.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the Estimate of Needs was prepared in accordance with 19 O.S. § 1702 and 19 O.S § 1706.1.

**Effect of Condition:** The Authority's Estimate of Needs for the period under review did not reflect the complete financial condition of the Authority and the mandatory amount budgeted for audit expenses. This condition resulted in a noncompliance with state statutes.

**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 budget account, and that any unused portion be carried forward into the next year audit budget account.

**Management Response:**

**Chairman of the Board:** The Administrator and Board have implemented a policy and procedure that will require the accounting firm preparing the budget for CCAA to utilize a budget format that meets the State requirements. Estimate of needs will reflect the expenditure of each fund, itemized by each department. One tenth mill will be budgeted annually for audit budget.

**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 "A. ... Each budget shall provide a complete financial plan for the budget year. The budget format shall be as prescribed by the State Auditor and Inspector.

**CHOCTAW COUNTY AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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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.”

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 Authority for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit .....

**Finding 9 – Authority’s L.L.C. Activities**

**Condition:** Based upon inquiry, observation, and a review of Authority’s L.L.C. activities the following was noted:

- The Authority created an L.L.C. in May of 2008 to employ EMT personnel and to avoid paying OPERS. The L.L.C. is wholly owned by the Authority.
- The Choctaw County Ambulance Authority contracted with the Choctaw County EMS, L.L.C. to provide personnel and facilities. The agreement is effective for a twelve month period. A new agreement is signed each year.
- The operating agreement for the L.L.C. states it is managed by a 3 member Board of Directors appointed by the Authority. The three Directors of the L.L.C. consist of the vice chairman of the Authority, Administrator of the Authority, and the Operations Director of L.L.C. The Board is required to meet on the 2<sup>nd</sup> Tuesday of each month.
- The L.L.C. did not have any documentation for eleven monthly meetings during the audit period.
- Bank reconciliations were not performed on the L.L.C. bank account.
- Concerning the testwork conducted of ten (10) expenditures:
  - Two (2) expenditure tested did not have supporting documentation attached to claim.
  - Ten (10) expenditures tested did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.
  - Ten (10) expenditures tested did not have proper approval by the L.L.C.’s Board.
- 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.
- No approved personnel policies were available for the employee compensation.
- The Authority paid for expenditures that were the responsibility of the L.L.C. according to the annual contract:
  - Housing of ambulance personnel and vehicles and equipment.
  - Utilities related to building.
  - Satellite television services for EMT Quarters.
  - All medical supplies.

**CHOCTAW COUNTY AMBULANCE AUTHORITY  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**Cause of Condition:** Policies and procedures have not been designed to ensure the bank account is reconciled; all claims are filed with sufficient supporting documentation, and guidelines have been established concerning employee compensation and the documentation of such compensation. Further, policies and procedures have not been designed to ensure the terms of the service contract are adhered to.

**Effect of Condition:** These conditions resulted in noncompliance with open meeting laws and could result in inaccurate records, incomplete information or misappropriation of assets.

**Recommendation:** OSAI recommends the Authority and its activities as the L.L.C. implement a system of internal controls to ensure the L.L.C. activities comply with entity's operation agreement to conduct meetings and approve expenditures with proper supporting documentation, ensuring they are for the lawful operation of the L.L.C. We also recommend that the bank accounts be reconciled monthly and the reconciliation be reviewed and approved by someone other than the preparer.

Further, we recommend the L.L.C. develop and approve an employee handbook policy and document employee compensation. In addition, the Authority/L.L.C. should follow the terms of the executed contract for provisions to be provided by the L.L.C.

**Management Response:**

**Chairman of the Board:** The Administrator and Board will review, correct and adopt a Contract with Choctaw County EMS, L.L.C. that accurately meets the current needs of the Choctaw County Ambulance Authority. The Administrator and Board have implemented a policy and procedure that will maintain a 3 member Board of Directors to include Vice-Chair of the Choctaw County Ambulance Authority, Director of the Ambulance Authority, and Supervisor Representative of the Choctaw County EMS LLC. The Choctaw County EMS, L.L.C. has implemented a policy and procedure that will have monthly meetings of the Choctaw County EMS, L.L.C. Board of Directors with documentation. The Choctaw County EMS, L.L.C. has implemented a policy and procedure that will ensure expenditures are supporting with documentation, receiving report, and LLC Board Approval. The Choctaw County EMS, L.L.C. has implemented a policy and procedure for monthly bank account reconciliation and LLC Board Approval. The Choctaw County EMS, L.L.C. has implemented a policy and procedure handbook with documentation of employee compensation. The Choctaw County EMS, L.L.C. has implemented a policy and procedure of employee approved biweekly time sheets and leave balance reports.

**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, ensuring expenditures are only incurred in accordance with state statute, and ensuring the proper approval of the Board for the operation of the Authority. A component objective of an effective internal control system is to ensure the Authority/L.L.C. only enters into agreements that are legally binding and signed accordingly.

Further, to help ensure a proper accounting of funds, reconciliations, should be performed monthly recommends and reflect an indication of review and approval by someone other than the preparer. OSAI also recommends the L.L.C. develop written policies for employee compensation.



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