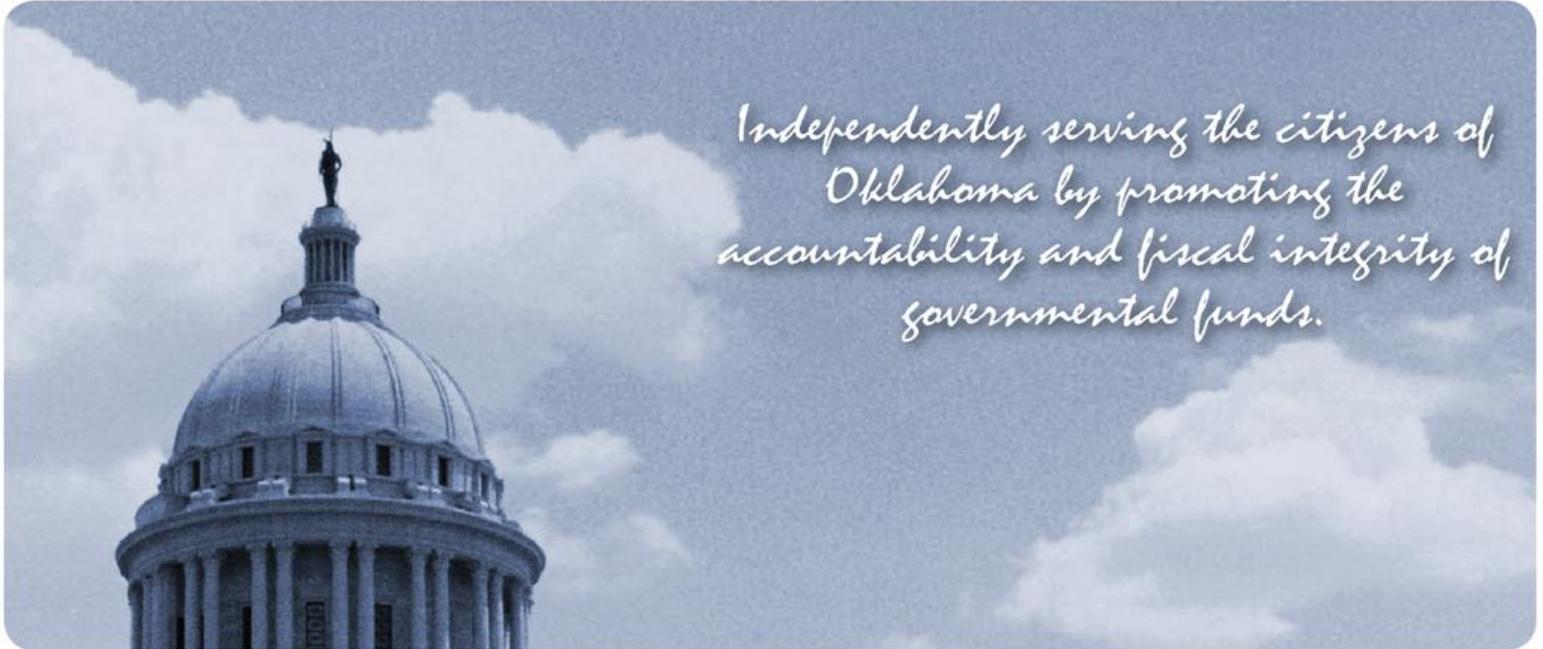


STATUTORY REPORT

CHOCTAW COUNTY AMBULANCE AUTHORITY

For the fiscal year ended June 30, 2015



*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 FISCAL YEAR ENDED JUNE 30, 2015**

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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

February 16, 2017

**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, 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,

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

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

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

	<u>FY 2015</u>
Beginning Cash Balance, July 1	\$ 1,176,458
Collections	
Ad Valorem Tax	203,950
Charges for Services	819,808
Sales Tax	204,686
Miscellaneous	5,762
Total Collections	<u>1,234,206</u>
Disbursements	
Personal Services	709,170
Maintenance and Operations	468,554
Audit Expense	2,115
Total Disbursements	<u>1,179,839</u>
Ending Cash Balance, June 30	<u>\$ 1,230,825</u>

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



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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 disbursements 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 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 that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

November 28, 2016

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

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2015-01 – Inadequate Internal Controls and Noncompliance Over Audit Budget Expense Account (Repeat Finding)

Condition: For the fiscal year ended June 30, 2015, the Choctaw County Ambulance Authority (the Authority) did not carry forward the proper amount for the audit budget expense account from the previous years' remaining balance. The following exception was noted:

- The Estimate of Needs does not reflect the amount appropriated for the audit budget account which was underfunded in the amount of \$8,226.

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 § 1706.1.

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

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the Authority implement policies and procedures designed to ensure one-tenth mill of the net total assessed valuation be set aside in the audit budget expense account, and that any unused portion be carried forward into the next year's audit budget expense account in accordance with 19 O.S § 1706.1.

Management Response:

Chairman of the Board: The Administrator and Board has implemented a policy and procedure that will require the accounting firm preparing the budget for Choctaw County Ambulance Authority (CCAA) to utilize a budget format that meets the statutory requirements. The Estimate of Needs will reflect the expenditure of each fund, itemized by each department. One tenth of one mill will be budgeted annually for the audit budget expense account. Also, the Administrator and Board will implement a policy of follow up with the accounting firm that any unused portion of the audit budget expense account be carried forward into the next year's Estimate of Needs.

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 ..."

**CHOCTAW COUNTY AMBULANCE AUTHORITY
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FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Finding 2015-02 – Inadequate Internal Controls Over the Receiving Process (Repeat Finding)

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

- Receives payments and issues receipts,
- Posts to ledger 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 receiving 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: 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 receiving, 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 has implemented a policy requiring two or more employees to receive and acknowledge payments and receipts with initials and dates, and two employees verify bank deposits. The Office Manager will reconcile all bank accounts and the reconciliation will be reviewed by and signed off on by the Administrator and/or Board Member. Also, the Administrator and Board will implement a policy in which monthly receipts are to be reviewed and compared to posting on the ledger and accounts. The Office Manager will prepare all monthly and yearly reports and they will be reviewed and approved by the Administrator and/or Board Member.

**CHOCTAW COUNTY AMBULANCE AUTHORITY
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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 of cash and checks, and reconciliations should be segregated.

Finding 2015-03 – Inadequate Internal Controls Over Billing Process (Repeat Finding)

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

- An amount billed for one (1) run was overcharged by \$100.00 due to an error in base rate charge.
- The approval by the Board to write-off three (3) runs could not be verified to the meeting minutes.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that all runs are billed accurately, and to ensure bad debt write-offs are properly documented in Board minutes.

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

Recommendation: OSAI recommends the Authority implement recordkeeping policies and procedures to ensure all runs are billed accurately, and bad debt write-offs are properly approved with Board authorization documented in the minutes.

Management Response:

Chairman of the Board: The Administrator and Board will implement a policy of monthly random review of billing and base rate application for accuracy. Additionally, the Administrator and Board have implemented a record keeping policy for bad debt write-offs. Bad debt write-offs will only occur after they are eighteen (18) months old and three statements have been sent with the approval of the Board and 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. A component objective of an effective internal control system is to ensure all runs are billed correctly and ensuring bad debt write-offs are properly documented after proper Board approval.

**CHOCTAW COUNTY AMBULANCE AUTHORITY
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Finding 2015-04 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)

Condition: Based upon inquiry and observation of the disbursement process, the following exceptions were noted regarding the test of thirty-two (32) disbursements:

- Three (3) 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.
- All thirty-two (32) disbursements tested did not have proper approval by the Board.

Additionally, we determined the Authority did not properly bid fuel purchases.

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 purposes. Additionally, policies and procedures have not been developed to ensure disbursements for fuel are made in accordance with state statute.

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

Recommendation: OSAI recommends the Authority implement a system of internal controls to ensure that all disbursements have proper supporting documentation, are for the lawful operation of the Authority, and are made in accordance with purchasing procedures regarding fuel bids.

Management Response:

Chairman of the Board: The Administrator and Board has implemented a policy of maintaining supporting documentation for purchases such as receipts, invoices, packing slips and purchase orders. The Administrator and Board have implemented a policy and procedure that all disbursements will have Board Approval. The monthly ledger of disbursements will be reviewed and approved by at least three Board Members with signatures. As items are received there will be two employees open and verify with signatures for accuracy.

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 disbursements 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 Authority follow county purchasing procedures for competitively bidding fuel as outlined in Title 19 O.S. § 1501(A)(3)(g).

**CHOCTAW COUNTY AMBULANCE AUTHORITY
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Finding 2015-05 – Inadequate Internal Controls and Noncompliance Over the Payroll Process (Repeat Finding)

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

- Documentation was not prepared or maintained for the compensated leave of the Director.
- The Authority’s vacation accrual for one (1) of the three (3) employees tested had a variance.
 - One (1) employee’s accrued leave was overstated by two (2) hours of vacation leave.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure a ledger of compensated leave balances is maintained and to verify leave taken per timesheets agrees to the compensated leave ledger.

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

Recommendation: OSAI recommends the Authority ensure all employees prepare or maintain a ledger with compensated leave balances. Additionally, we also recommend the leave used per the leave ledger should reconcile to the leave taken on the timesheet.

Management Response:

Chairman of the Board: The Administrator and Board have implemented policy and procedures 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. The Administrator and Board have implemented a policy that the beginning and ending balance of compensated leave is posted on each employee sheet monthly.

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.

Finding 2015-06 – Inadequate Internal Controls Over Inventory Records (Repeat Finding)

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

- Annual physical verification of inventory was not performed.
- One (1) ambulance on inventory valued at \$88,540, could not be located and there was no documentation of the disposal of the ambulance.

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

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

Recommendation: OSAI recommends the Authority design and implement policies and procedures to ensure an annual physical 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: The Administrator and Board have implemented a policy that will ensure an annual inventory listing of all fixed assets, appliances and equipment for office use, as well as all equipment that is purchased through the CCAA funds. The Administrator and Board will implement a policy that annual inventory verification will be completed by two or more employees. After discussion with auditors, the Authority contacted the vendor and subsequently obtained a signed statement from the subcontractor who performed the remount work on the ambulance. The statement identifies the VIN for the ambulance and the chassis was considered as trade-in for partial payment on work performed. The Administrator and Board have implemented a policy that evidence regarding the disposition of inventory will be retained.

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 2015-07 – Inadequate Internal Controls and Noncompliance Over Contract for Services (Repeat Finding)

Condition: Based upon inquiry, observation, and a review of the Authority's Limited Liability Corporation (L.L.C.) accounting activities. The following information was obtained with regard to the relationship between the L.L.C. and the Authority. :

- The Authority created the Choctaw County EMS, L.L.C. in May of 2008 to employ Emergency Medical Technician (EMT) personnel and maintain facilities.
- The L.L.C. is wholly owned by the Authority.
- The L.L.C. is currently listed as inactive with the Oklahoma Secretary of State on its website.
- The contract between the two entities is to be renewed by March 31, 2015 or the contract must be re-bid.
- The Operating Agreement for the L.L.C. states it is managed by a three member Board of Directors appointed by the Authority.

**CHOCTAW COUNTY AMBULANCE AUTHORITY
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- 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 the L.L.C.
- The Board is required to meet on the 2nd Tuesday of each month.

A review of the L.L.C. indicated the following internal control weaknesses and noncompliance with the service contract:

- The contract was not renewed until October 2015.
- The L.L.C. did not have documentation for monthly Board meetings.
- Bank reconciliations were not performed on the L.L.C. bank account.
- After reviewing the bank statements for the L.L.C., it was noted that the balance of the checking account was negative and incurred overdraft fees.

Disbursements:

- Concerning the testwork conducted of ten (10) disbursements:
 - Ten (10) disbursements tested did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.
 - Ten (10) disbursements tested did not have proper approval by the L.L.C.'s Board.
- The Authority Board approved and paid for disbursements that were the responsibility of the L.L.C. according to the annual contract:
 - Housing of ambulance personnel, vehicles, and equipment.
 - Utilities related to the building.
 - Satellite television services for EMT quarters.
 - All medical supplies.
 - Meal reimbursement out of the petty cash fund.
 - An additional compensation of \$30,000 for payroll.

Payroll and Leave:

- Leave balance reports and timesheets were not acknowledged by employees.
- No approved personnel policies were available for the employee compensation.
- The L.L.C. did not pay benefits into the Oklahoma Public Employee Retirement System (OPERS) for its employees.

Additionally, we noted an Authority employee performed duties for the L.L.C. as follows:

- Authorized signer on the L.L.C.'s checking account.
- Signed checks.
- Opened mail.
- Maintained financial statement information.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the bank account is reconciled, all claims are filed with sufficient supporting documentation, and guidelines have not been established concerning employee compensation, and the documentation of such

**CHOCTAW COUNTY AMBULANCE AUTHORITY
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compensation is not maintained. 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 state statute 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 disbursements 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. Additionally, we recommend the Authority/L.L.C. follow the terms of the executed contract for provisions to be provided by the L.L.C. Additionally, to help ensure a proper accounting of funds, reconciliations should be performed monthly and reflect an indication of review and approval by someone other than the preparer.

Further, we recommend the Authority and L.L.C. adhere to the state statute regarding participation in Oklahoma Public Employees Retirement System.

Management Response:

Chairman of the Board: The Choctaw County Ambulance Authority and Choctaw County EMS LLC will abide by statutes with legal guidance regarding participation in Oklahoma Public Employees Retirement System. Additionally, the Administrator and Board have implemented the following policies and procedures:

- Will maintain a three 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, L.L.C.
- Will have monthly meetings of the Choctaw County EMS, L.L.C Board of Directors with documentation.
- Will include supporting documentation, receiving reports, and LLC Board Approval for disbursements.
- For monthly bank account reconciliation and LLC Board approval.
- Handbook with documentation of employee availability.
- Bi-weekly timesheets and leave balance reports.

Auditor Response: With regard to the operating agreement, "The three Directors should consist of Vice Chairman of Choctaw County Ambulance Authority, Administrator of the Choctaw County Ambulance Authority, and the Operations Director for the Company ..." We recommend the Authority abide by the operating agreement.

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 disbursements

**CHOCTAW COUNTY AMBULANCE AUTHORITY
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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.

Additionally, 74 O.S. § 910(1) regarding the Oklahoma Public Employees Retirement System states “Such election shall be final and irrevocable and any employer now or hereafter participating in the System shall not be permitted to withdraw from the System under any circumstances, including a change in legal identity of such employer, where the purpose and functions of such employer remain essentially the same as at the time of filing of entry into the System.”



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