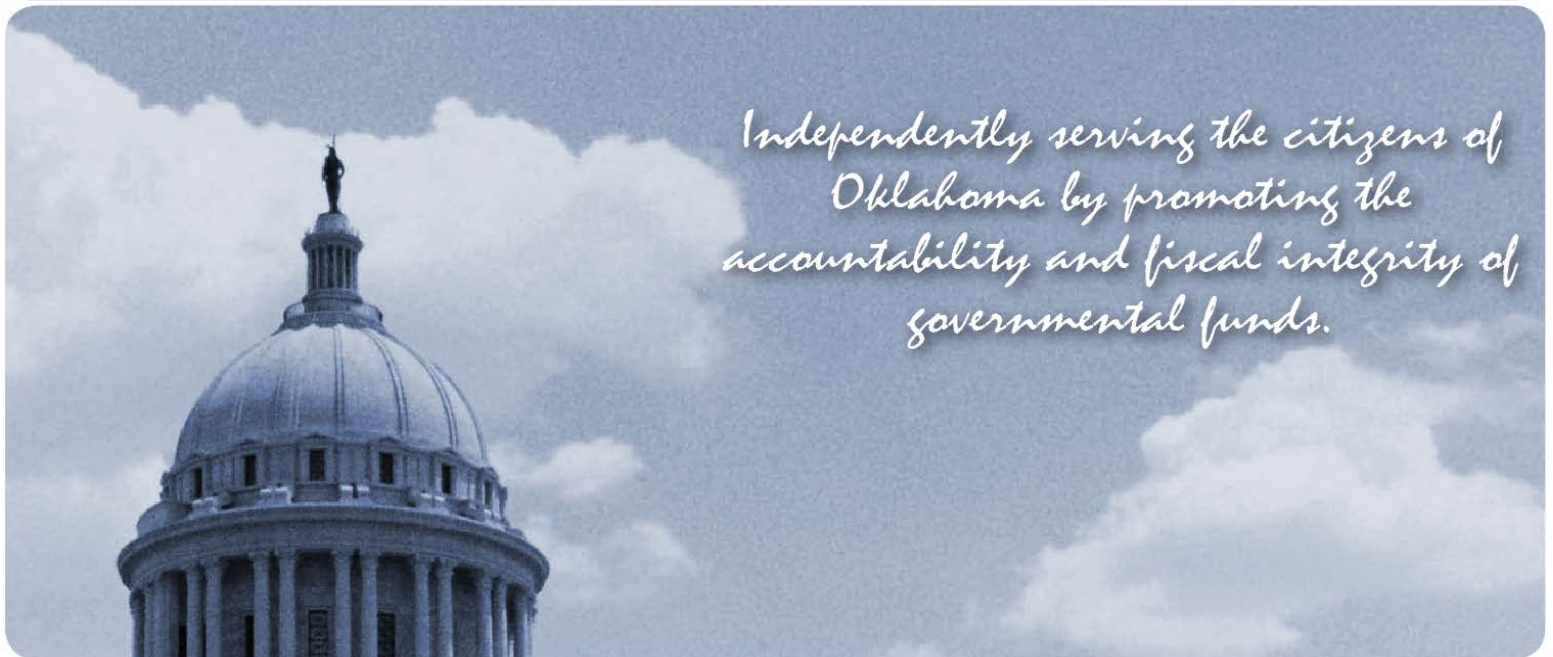


STATUTORY REPORT

CHOCTAW COUNTY AMBULANCE AUTHORITY

For the fiscal year ended June 30, 2016



*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, 2016**

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

November 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, 2016.

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 style with a long, sweeping tail on the letter "s".

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

**CHOCTAW COUNTY AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Presentation of Collections, Disbursements, and Cash Balances of Authority Funds for FY 2016

	<u>FY 2016</u>
Beginning Cash Balance, July 1	\$ 1,230,825
Collections	
Ad Valorem Tax	198,888
Charges for Services	773,291
Sales Tax	177,378
Miscellaneous	1,358
Total Collections	<u>1,150,915</u>
Disbursements	
Personal Services	874,831
Maintenance and Operations	323,645
Capital Outlay	230,834
Audit Expense	13,626
Total Disbursements	<u>1,442,936</u>
Ending Cash Balance, June 30	<u>\$ 938,804</u>

Source: Authority 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

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 2016 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 a long horizontal stroke at the end.

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

August 15, 2017

**CHOCTAW COUNTY AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2016-2 – Inadequate Internal Controls Over the Disbursement Process including the Petty Cash Fund (Repeat Finding)

Condition: Based on inquiry of Choctaw County Ambulance Authority (the Authority) and observation of the disbursement process, the following exceptions were noted regarding the test of forty-three (43) disbursements:

- Three (3) disbursements did not have proper supporting documentation.
- Thirteen (13) disbursements did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.
- Eleven (11) disbursements did not have proper approval by the Board.

Additionally, it was noted that the Authority utilizes a Petty Cash Fund without Board authorization and/or approval. When performing a cash count of petty cash, a variance of \$45.50 existed between the cash on hand of \$254.50 and the documentation of petty cash issued when compared to the beginning balance of \$300.00.

Further, inquiry and observation of the Petty Cash Fund disbursement process resulted in the following exceptions regarding the test of all eleven (11) petty cash reimbursement disbursements:

- All eleven (11) disbursements did not have proper supporting documentation.
- All eleven (11) disbursements did not have evidence of a receiving of the goods or services.
- Two (2) of the eleven (11) disbursements tested did not have proper approval by the Board.

Additionally, one reimbursement amount could not be verified to the amount recorded on the purchase order or the total of receipts.

Date	Purchase Order Number	Purchase Order Amount	Check Number	Check Amount	Total Receipts for Petty Cash	Variance Between Check and Receipts
10/13/2015	14135	\$282.50	14080	\$400.00	\$325.37	\$74.63

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all claims are filed with sufficient supporting documentation for recordkeeping including evidence of receipt of goods and services. Additionally, policies and procedures have not been developed to ensure the use of petty cash is made in accordance with Board authorization.

Effect of Condition: These conditions could result in inaccurate records, incomplete information or misappropriation of assets.

**CHOCTAW COUNTY AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Recommendation: OSAI recommends the Authority implement a system of internal controls to ensure that all disbursements including petty cash reimbursements have proper supporting documentation and evidence of receiving goods and or services, and are approved by the Board.

Management Response:

Chairman of the Board: The Administrator and Board have implemented a system based on previous recommendations that disbursement reports be presented to the Board to obtain the signed approval from the majority of the Board Members. Further efforts will be made to ensure disbursements have proper supporting documentation, including itemized invoices and evidence of receiving.

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, evidence of receipt of goods and services, and ensuring the proper approval of the Board for the operation of the Authority.

Finding 2016-3 – Inadequate Internal Controls Over the Payroll and Compensated Leave Process (Repeat Finding)

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

- Documentation was not prepared or maintained for the compensated leave of the Director.

Cause of Condition: Although this finding has been reported to the Board in the prior year audit, policies and procedures have not been designed and implemented to ensure a ledger of compensated leave balances is maintained and leave taken per timesheets agrees to the compensated leave ledger for the District Director.

Effect of Condition: This condition could result in inaccurate recordkeeping and incorrect accrual of wage and leave benefits.

Recommendation: OSAI recommends the Authority ensure a ledger is maintained with compensated leave balances for all employees. Additionally, we also recommend the leave used per the leave ledger agrees to the leave taken on the timesheet.

Management Response:

Chairman of the Board: The Administrator and Board have implemented a system that ensures each payroll claim will have documentation of compensated leave for each employee including the Administrator. Each employee will sign in agreement as evidence of the validity of the leave balance.

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

**CHOCTAW COUNTY AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 2016-4 – Inadequate Internal Controls and Noncompliance Over the Contract for the Employment of Personnel with the Authority's Limited Liability Company (Repeat Finding)

Condition: Based upon inquiry, observation, and a review of the Authority's Limited Liability Company (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 an 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 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.
- 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.

Subsequent to the end of fiscal year in April 2017, the Authority has terminated the contract with the L.L.C.

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

- The contract was not renewed for the fiscal year until October 2015.
- The L.L.C. did not have documentation for monthly Board meetings.
- Bank statement reconciliations for the L.L.C. bank account was not reviewed by someone other than the preparer.
- 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 test work conducted of forty-four (44) disbursements:
 - Six (6) disbursements did not have proper supporting documentation.
 - Twenty-nine (29) disbursements did not have evidence of a receiving report or the invoice was not signed and verified for accuracy.
 - All forty-four (44) disbursements did not have proper approval by the L.L.C.'s Board.
 - Three (3) disbursements were not appropriate/legal expenditures for the LLC. These disbursements appear to be for tuition and books.

**CHOCTAW COUNTY AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

- 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 the EMT quarters.
 - All medical supplies.
 - Meal reimbursements paid from the District's Petty Cash Fund.

Payroll and Leave:

A test of sixteen (16) timesheets of the employees of the L.L.C. reflected the following weaknesses:

- Timesheets were not approved by a supervisor/management.
- Eight (8) timesheets reviewed were not acknowledged by the employee.
- Three (3) employees did not have supporting documentation for valid payroll deductions in their personnel/payroll files.
- Personal time off (PTO)/Sick leave balances were not recorded on employee timesheets or payroll claims.

The Authority did pay benefits of its employees into the Oklahoma Public Employee Retirement System (OPERS), but did not pay benefits into the Oklahoma Public Employee Retirement System (OPERS) for the employees of the L.L.C.

Additionally, we noted an Authority employee continued to perform duties for the L.L.C. as an authorized check signer on the L.L.C.'s checking account.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the bank statement reconciliation is reviewed by someone other than the preparer and that all claims are filed with sufficient supporting documentation. Policies and procedures have not been designed and implemented to ensure and verify that leave taken is shown on timesheets. 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 contract provisions, and state statute regarding the retirement benefits of the personnel, and 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 bank account reconciliations 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. Further, 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.

**CHOCTAW COUNTY AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 Administrator and Board have terminated the contract with the Choctaw County Ambulance Authority L.L.C. The Board advertised for services and hired emergency medical personnel under the Choctaw County Ambulance Authority. Those employees are subject to all benefits allowed under the Choctaw County Ambulance Authority. These issues and concerns regarding the L.L.C. will cease in correlation with the dissolution of the L.L.C.

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, evidence of receipt of goods and services, ensuring disbursements 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."



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

WWW.SAI.OK.GOV